

AMERIPRISE FINANCIAL INC  
Form 10-Q  
May 10, 2012  
[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, 2012**

**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

Smaller reporting company

(Do not check if a 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 27, 2012**  
218,622,891 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, 2012 and 2011</u>	3
	<u>Consolidated Statements of Comprehensive Income – Three months ended March 31, 2012 and 2011</u>	4
	<u>Consolidated Balance Sheets – March 31, 2012 and December 31, 2011</u>	5
	<u>Consolidated Statements of Equity – Three months ended March 31, 2012 and 2011</u>	6
	<u>Consolidated Statements of Cash Flows – Three months ended March 31, 2012 and 2011</u>	7
	<u>Notes to Consolidated Financial Statements</u>	9
<u>Item 2.</u>	<u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	45
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	68
<u>Item 4.</u>	<u>Controls and Procedures</u>	68

Part II. Other Information:

<u>Item 1.</u>	<u>Legal Proceedings</u>	69
<u>Item 1A.</u>	<u>Risk Factors</u>	69
<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	69
<u>Item 6.</u>	<u>Exhibits</u>	69
<u>Signatures</u>		70
<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,	
	2012	2011
<b>Revenues</b>		
Management and financial advice fees	\$ 1,132	\$ 1,137
Distribution fees	402	397
Net investment income	531	515
Premiums	301	292
Other revenues	206	204
Total revenues	2,572	2,545
Banking and deposit interest expense	11	13
Total net revenues	2,561	2,532
<b>Expenses</b>		
Distribution expenses	666	634
Interest credited to fixed accounts	206	208
Benefits, claims, losses and settlement expenses	492	383
Amortization of deferred acquisition costs	31	75
Interest and debt expense	69	75
General and administrative expense	775	771
Total expenses	2,239	2,146
Income from continuing operations before income tax provision	322	386
Income tax provision	73	92
Income from continuing operations	249	294
Loss from discontinued operations, net of tax	(1)	(71)
Net income	248	223
Less: Net income (loss) attributable to noncontrolling interests	4	(18)
Net income attributable to Ameriprise Financial	\$ 244	\$ 241
<b>Earnings per share attributable to Ameriprise Financial, Inc. common shareholders</b>		
<b>Basic</b>		
Income from continuing operations	\$ 1.08	\$ 1.24
Loss from discontinued operations	(0.01)	(0.28)
Net income	\$ 1.07	\$ 0.96
<b>Diluted</b>		
Income from continuing operations	\$ 1.06	\$ 1.21
Loss from discontinued operations	(0.01)	(0.27)

Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

Net income	\$	1.05	\$	0.94
<b>Cash dividends declared per common share</b>	\$		\$	0.18
<b>Supplemental Disclosures:</b>				
Total other-than-temporary impairment losses on securities	\$	(5)	\$	
Portion of loss recognized in other comprehensive income (before taxes)		(1)		(2)
Net impairment losses recognized in net investment income	\$	(6)	\$	(2)

*See Notes to Consolidated Financial Statements.*

Table of Contents

## AMERIPRISE FINANCIAL, INC.

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

(in millions)

	Three Months Ended March 31,	
	2012	2011
Net income	\$ 248	\$ 223
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustment	31	28
Net unrealized gains (losses) on securities:		
Net unrealized securities gains (losses) arising during the period	81	(62)
Reclassification of net securities losses included in net income	1	1
Impact on deferred acquisition costs, deferred sales inducement costs, benefit reserves and reinsurance recoverables	(3)	25
Total net unrealized gains (losses) on securities	79	(36)
Net unrealized gains (losses) on derivatives:		
Net unrealized derivative gains arising during the period	10	1
Reclassification of net derivative gains included in net income	(1)	(4)
Total net unrealized gains (losses) on derivatives	9	(3)
Total other comprehensive income (loss), net of tax	119	(11)
Total comprehensive income	367	212
Less: Comprehensive income (loss) attributable to noncontrolling interests	23	(4)
Comprehensive income attributable to Ameriprise Financial	\$ 344	\$ 216

*See Notes to Consolidated Financial Statements.*

Table of Contents

## AMERIPRISE FINANCIAL, INC.

## CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(in millions, except share amounts)

	March 31, 2012	December 31, 2011
<b>Assets</b>		
Cash and cash equivalents	\$ 2,312	\$ 2,781
Cash of consolidated investment entities	562	470
Investments	39,104	38,775
Investments of consolidated investment entities, at fair value	4,815	4,789
Separate account assets	71,635	66,780
Receivables	5,473	5,559
Receivables of consolidated investment entities (includes \$28 and \$39, respectively, at fair value)	43	59
Deferred acquisition costs	2,472	2,440
Restricted and segregated cash and investments	1,875	1,793
Other assets	7,429	7,751
Other assets of consolidated investment entities, at fair value	1,037	1,110
Total assets	\$ 136,757	\$ 132,307
<b>Liabilities and Equity</b>		
<b>Liabilities:</b>		
Future policy benefits and claims	\$ 30,994	\$ 31,710
Separate account liabilities	71,635	66,780
Customer deposits	9,961	9,850
Short-term borrowings	504	504
Long-term debt	2,381	2,393
Debt of consolidated investment entities (includes \$4,769 and \$4,712, respectively, at fair value)	5,231	5,178
Accounts payable and accrued expenses	887	1,048
Accounts payable and accrued expenses of consolidated investment entities	20	17
Other liabilities	5,272	5,033
Other liabilities of consolidated investment entities (includes \$90 and \$85, respectively, at fair value)	123	100
Total liabilities	127,008	122,613
<b>Equity:</b>		
Ameriprise Financial, Inc.:		
Common shares (\$.01 par value; shares authorized, 1,250,000,000; shares issued, 305,346,496 and 303,757,574, respectively)	3	3
Additional paid-in capital	6,237	6,237
Retained earnings	5,845	5,603
Appropriated retained earnings of consolidated investment entities	440	428
Treasury shares, at cost (85,739,512 and 81,814,591 shares, respectively)	(4,261)	(4,034)
Accumulated other comprehensive income, net of tax	851	751
Total Ameriprise Financial, Inc. shareholders' equity	9,115	8,988
Noncontrolling interests	634	706
Total equity	9,749	9,694
Total liabilities and equity	\$ 136,757	\$ 132,307

*See Notes to Consolidated Financial Statements.*



Table of Contents

## AMERIPRISE FINANCIAL, INC.

## CONSOLIDATED STATEMENTS OF EQUITY (UNAUDITED)

(in millions, except share data)

	Number of Outstanding Shares	Common Shares	Additional Paid-In Capital	Ameriprise Financial, Inc. Retained Earnings	Appropriated Retained Earnings of Consolidated Investment Entities	Treasury Shares	Accumulated Other Comprehensive Income	Total Ameriprise Financial, Inc. Equity	Non- controlling Interests	Total
<b>Balances at January 1, 2011, previously reported</b>	246,697,892	\$ 3	\$ 6,029	\$ 6,190	\$ 558	\$ (2,620)	\$ 565	\$ 10,725	\$ 560	\$ 11,285
Cumulative effect of change in accounting policies, net of tax				(1,420)			85	(1,335)		(1,335)
<b>Balances at January 1, 2011, as adjusted</b>	246,697,892	3	6,029	4,770	558	(2,620)	650	9,390	560	9,950
Comprehensive income:										
Net income (loss)				241				241	(18)	223
Other comprehensive income (loss), net of tax							(25)	(25)	14	(11)
Total comprehensive income (loss)								216	(4)	212
Net loss reclassified to appropriated retained earnings					(28)			(28)	28	
Dividends to shareholders				(46)				(46)		(46)
Noncontrolling interests investments in subsidiaries									64	64
Distributions to noncontrolling interests									(27)	(27)
Repurchase of common shares	(6,863,309)					(413)		(413)		(413)
Share-based compensation plans	3,073,897		14			81		95	17	112
<b>Balances at March 31, 2011</b>	242,908,480	\$ 3	\$ 6,043	\$ 4,965	\$ 530	\$ (2,952)	\$ 625	\$ 9,214	\$ 638	\$ 9,852
<b>Balances at January 1, 2012</b>	221,942,983	\$ 3	\$ 6,237	\$ 5,603	\$ 428	\$ (4,034)	\$ 751	\$ 8,988	\$ 706	\$ 9,694
Comprehensive income:										
Net income				244				244	4	248
Other comprehensive income, net of tax							100	100	19	119
Total comprehensive income								344	23	367

Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

Net income reclassified to appropriated retained earnings						12				12				(12)					
Dividends to shareholders						(2)				(2)				(2)					
Noncontrolling interests investments in subsidiaries														4					
Distributions to noncontrolling interests														(88)					
Repurchase of common shares	(5,724,684)					(316)				(316)				(316)					
Share-based compensation plans	3,388,685					89				89				1					
<b>Balances at</b>																			
<b>March 31, 2012</b>	219,606,984	\$	3	\$	6,237	\$	5,845	\$	440	\$	(4,261)	\$	851	\$	9,115	\$	634	\$	9,749

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,	
	2012	2011
<b>Cash Flows from Operating Activities</b>		
Net income	\$ 248	\$ 223
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion, net	56	30
Deferred income tax benefit	(56)	(19)
Share-based compensation	32	42
Net realized investment gains	(3)	(1)
Other-than-temporary impairments and provision for loan losses	7	4
Net loss (income) attributable to noncontrolling interests	(4)	18
Changes in operating assets and liabilities before consolidated investment entities:		
Restricted and segregated cash and investments	(85)	6
Deferred acquisition costs	(51)	(7)
Other investments, net	(6)	(3)
Future policy benefits and claims, net	294	57
Receivables	(7)	(65)
Brokerage deposits	23	12
Accounts payable and accrued expenses	(165)	(256)
Derivatives collateral, net	(526)	9
Other, net	404	365
Changes in operating assets and liabilities of consolidated investment entities, net	14	(400)
Net cash provided by operating activities	175	15
<b>Cash Flows from Investing Activities</b>		
Available-for-Sale securities:		
Proceeds from sales	100	538
Maturities, sinking fund payments and calls	1,174	1,516
Purchases	(1,529)	(2,379)
Proceeds from sales, maturities and repayments of commercial mortgage loans	46	54
Funding of commercial mortgage loans	(72)	(26)
Proceeds from sales of other investments	53	50
Purchase of other investments	(76)	(80)
Purchase of investments by consolidated investment entities	(324)	(629)
Proceeds from sales, maturities and repayments of investments by consolidated investment entities	468	1,017
Purchase of land, buildings, equipment and software	(61)	(47)
Change in consumer banking loans and credit card receivables, net	(14)	(91)
Other, net	1	4
Net cash used in investing activities	(234)	(73)

*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,	
	2012	2011
	(in millions)	
<b>Cash Flows from Financing Activities</b>		
Investment certificates and banking time deposits:		
Proceeds from additions	\$ 185	\$ 294
Maturities, withdrawals and cash surrenders	(254)	(431)
Change in other banking deposits	149	244
Policyholder and contractholder account values:		
Consideration received	392	291
Net transfers to separate accounts	(9)	(46)
Surrenders and other benefits	(335)	(371)
Deferred premium options, net	(76)	(58)
Repayments of debt		(6)
Dividends paid to shareholders	(62)	(46)
Change in short-term borrowings, net		100
Repurchase of common shares	(292)	(393)
Exercise of stock options	40	39
Excess tax benefits from share-based compensation	15	14
Borrowings by consolidated investment entities	4	15
Repayments of debt by consolidated investment entities	(90)	(32)
Noncontrolling interests investments in subsidiaries	4	64
Distributions to noncontrolling interests	(88)	(27)
Other, net		2
Net cash used in financing activities	(417)	(347)
Effect of exchange rate changes on cash	7	4
Net decrease in cash and cash equivalents	(469)	(401)
Cash and cash equivalents at beginning of period	2,781	2,861
Cash and cash equivalents at end of period	\$ 2,312	\$ 2,460
Supplemental Disclosures:		
Interest paid before consolidated investment entities	\$ 37	\$ 41
Income taxes paid (received), net	(79)	10

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 intercompany transactions and balances have been eliminated in consolidation. See Note 3 for additional information related to VIEs.

The results of Securities America Financial Corporation and its subsidiaries (collectively, "Securities America" ) have been presented as discontinued operations for all periods presented. The Company completed the sale of Securities America in the fourth quarter of 2011. See Note 14 for additional information on discontinued operations.

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, except for the prior period adjustments for the retrospective adoption of the new accounting standard for deferred acquisition costs ( "DAC" ) as described below.

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, 2011, filed with the Securities and Exchange Commission ( "SEC" ) on February 24, 2012.

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.



Table of Contents

## AMERIPRISE FINANCIAL, INC.

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

On January 1, 2012, the Company retrospectively adopted the new accounting standard for DAC for insurance and annuity products. See Note 2 and Note 6 for further information on the new accounting standard and the resulting changes in the Company's accounting policies on the deferral of acquisition costs. The following tables present the effect of the change on affected financial statement line items for prior periods retrospectively adjusted. Per share amounts for the three months ended March 31, 2011 did not change as a result of the adoption.

	Three Months Ended March 31, 2011		
	Previously Reported	Effect of Change (in millions)	As Adjusted
<b>Revenues</b>			
Total net revenues	\$ 2,532	\$	\$ 2,532
<b>Expenses</b>			
Distribution expenses	619	15	634
Interest credited to fixed accounts	207	1	208
Benefits, claims, losses and settlement expenses	382	1	383
Amortization of deferred acquisition costs	116	(41)	75
Interest and debt expense	75		75
General and administrative expense	746	25	771
Total expenses	2,145	1	2,146
Income from continuing operations before income tax provision	387	(1)	386
Income tax provision	93	(1)	92
Income from continuing operations	294		294
Loss from discontinued operations, net of tax	(71)		(71)
Net income	223		223
Less: Net loss attributable to noncontrolling interests	(18)		(18)
Net income attributable to Ameriprise Financial	\$ 241	\$	\$ 241

	December 31, 2011		
	Previously Reported	Effect of Change (in millions)	As Adjusted
<b>Assets</b>			
Deferred acquisition costs	\$ 4,402	\$ (1,962)	\$ 2,440
Other assets	7,468	283	7,751
Total assets	133,986	(1,679)	132,307
<b>Liabilities and Equity</b>			
<b>Liabilities:</b>			
Future policy benefits and claims	31,723	(13)	31,710
Other liabilities	5,432	(399)	5,033
Total liabilities	123,025	(412)	122,613
<b>Equity:</b>			
Retained earnings	6,983	(1,380)	5,603
Accumulated other comprehensive income, net of tax	638	113	751
Total equity	10,961	(1,267)	9,694
Total liabilities and equity	\$ 133,986	\$ (1,679)	\$ 132,307



Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

		December 31, 2010		
	Previously Reported	Effect of Change (in millions)	As Adjusted	
Retained earnings	\$ 6,190	\$ (1,420)	\$ 4,770	
Accumulated other comprehensive income, net of tax	565	85	650	
Total equity	\$ 11,285	\$ (1,335)	\$ 9,950	

Table of Contents

**AMERIPRISE FINANCIAL, INC.**

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

**2. Recent Accounting Pronouncements**

**Adoption of New Accounting Standards**

*Comprehensive Income*

In June 2011, the Financial Accounting Standards Board ( FASB ) updated the accounting standards related to the presentation of comprehensive income. The standard requires entities to present all nonowner changes in stockholders' equity either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The amendments do not affect how earnings per share is calculated or presented. The standard is effective for interim and annual periods beginning after December 15, 2011. The Company retrospectively adopted the standard in the first quarter of 2012. The adoption of the standard did not have any effect on the Company's consolidated results of operations and financial condition.

*Fair Value*

In May 2011, the FASB updated the accounting standards related to fair value measurement and disclosure requirements. The standard requires entities, for assets and liabilities measured at fair value in the statement of financial position which are Level 3 fair value measurements, to disclose quantitative information about unobservable inputs and assumptions used in the measurements, a description of the valuation processes in place, and a qualitative discussion about the sensitivity of the measurements to changes in unobservable inputs and interrelationships between those inputs if a change in those inputs would result in a significantly different fair value measurement. In addition, the standard requires disclosure of fair value by level within the fair value hierarchy for each class of assets and liabilities not measured at fair value in the statement of financial position but for which the fair value is disclosed. The standard is effective for interim and annual periods beginning on or after December 15, 2011. The Company adopted the standard in the first quarter of 2012. The adoption of the standard did not have any effect on the Company's consolidated results of operations and financial condition. See Note 3 and Note 10 for the required disclosures.

*Transfers and Servicing: Reconsideration of Effective Control for Repurchase Agreements*

In April 2011, the FASB updated the accounting standards related to accounting for repurchase agreements and other similar agreements. The standard modifies the criteria for determining when these transactions would be accounted for as secured borrowings as opposed to sales. The standard is effective prospectively for new transfers and existing transactions that are modified in the first interim or annual period beginning on or after December 15, 2011. The Company adopted the standard in the first quarter of 2012. The adoption of the standard did not have any effect 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 standard for DAC. Under this new standard, only the following costs incurred in the acquisition of new and renewal insurance contracts are capitalizable as DAC: (i) incremental direct costs of a successful contract acquisition, (ii) portions of employees' compensation and benefits directly related to time spent performing acquisition activities (that is, underwriting, policy issuance and processing, medical and inspection, and contract selling) for a contract that has been acquired, (iii) other costs related to acquisition activities that would not have been incurred had the acquisition of the contract not occurred, and (iv) advertising costs that meet the capitalization criteria in other GAAP guidance for certain direct-response marketing. All other acquisition related costs are expensed as incurred. The Company retrospectively adopted the new standard on January 1, 2012. The cumulative effect of the adoption reduced retained earnings by \$1.4 billion after-tax and increased accumulated other comprehensive income by \$113 million after-tax, totaling to a \$1.3 billion after-tax reduction in total equity at January 1, 2012. See Note 1 and Note 6 for additional information on the adoption of this standard.

**Future Adoption of New Accounting Standards**

*Balance Sheet*

In December 2011, the FASB updated the accounting standards to require new disclosures about offsetting assets and liabilities. The standard requires an entity to disclose both gross and net information about instruments and transactions eligible for offset in the statement of financial position and instruments and transactions subject to an agreement similar to a master netting arrangement. The standard is effective for interim and annual periods beginning on or after January 1, 2013 on a retrospective basis. The Company is currently evaluating the impact of the standard on its consolidated results of operations and financial condition.

Table of Contents

**AMERIPRISE FINANCIAL, INC.**

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

**3. Consolidated Investment Entities**

The Company provides asset management services to various collateralized debt obligations ( 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.

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

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

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.

Table of Contents

## AMERIPRISE FINANCIAL, INC.

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

**Fair Value of Assets and Liabilities**

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	Level 2	Level 3	Total
	March 31, 2012 (in millions)			
<b>Assets</b>				
Investments:				
Corporate debt securities	\$	\$ 295	\$ 4	\$ 299
Common stocks	106	34	8	148
Other structured investments		57		57
Syndicated loans		4,116	195	4,311
Total investments	106	4,502	207	4,815
Receivables		28		28
Other assets		2	1,035	1,037
Total assets at fair value	\$ 106	\$ 4,532	\$ 1,242	\$ 5,880
<b>Liabilities</b>				
Debt	\$	\$	\$ 4,769	\$ 4,769
Other liabilities		90		90
Total liabilities at fair value	\$	\$ 90	\$ 4,769	\$ 4,859

	Level 1	Level 2	Level 3	Total
	December 31, 2011 (in millions)			
<b>Assets</b>				
Investments:				
Corporate debt securities	\$	\$ 314	\$ 4	\$ 318
Common stocks	75	25	13	113
Other structured investments		54		54
Syndicated loans		3,962	342	4,304
Total investments	75	4,355	359	4,789
Receivables		39		39
Other assets		2	1,108	1,110
Total assets at fair value	\$ 75	\$ 4,396	\$ 1,467	\$ 5,938
<b>Liabilities</b>				
Debt	\$	\$	\$ 4,712	\$ 4,712
Other liabilities		85		85
Total liabilities at fair value	\$	\$ 85	\$ 4,712	\$ 4,797

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 held by consolidated investment entities measured at fair value on a recurring basis:

	Corporate Debt Securities	Common Stocks	Syndicated Loans (in millions)	Other Assets	Debt
Balance, January 1, 2012	\$ 4	\$ 13	\$ 342	\$ 1,108	\$ (4,712)
Total gains (losses) included in:					
Net income		(1)(1)	3(1)	(27)(2)	(125)(1)
Other comprehensive income				32	
Purchases		6	7	12	
Sales		(2)	(5)	(90)	
Settlements			(30)		68
Transfers into Level 3		1	86		
Transfers out of Level 3		(9)	(208)		
Balance, March 31, 2012	\$ 4	\$ 8	\$ 195	\$ 1,035	\$ (4,769)
Changes in unrealized gains (losses) included in income relating to assets and liabilities held at March 31, 2012	\$	\$	\$ 2(1)	\$ (34)(2)	\$ (125)(1)

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

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

	Corporate Debt Securities	Common Stocks	Other Structured Investments	Syndicated Loans (in millions)	Other Assets	Debt
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 into Level 3	1	11		192	7	
Transfers out of Level 3		(1)	(22)	(1)		
Balance, March 31, 2011	\$ 6	\$ 26	\$	\$ 216	\$ 920	\$ (5,333)
Changes in unrealized gains (losses) included in	\$	\$ 5(1)	\$	\$ 4(1)	\$ 13(3)	\$ (184)(1)

income relating to assets  
held at March 31, 2011

---

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

Securities and loans transferred from Level 2 to Level 3 represent securities with fair values that are now based on a single non-binding broker quote. Securities and loans transferred from Level 3 to Level 2 represent securities with fair values that are now obtained from a third party pricing service with observable inputs. For assets and liabilities held by consolidated investment entities at the end of the reporting period that are measured at fair value on a recurring basis, there were no transfers between Level 1 and Level 2.



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

The following table provides a summary of the significant unobservable inputs used in the fair value measurements developed by the Company or reasonably available to the Company of Level 3 assets and liabilities held by consolidated investment entities at March 31, 2012:

	<b>Fair Value (in millions)</b>	<b>Valuation Technique</b>	<b>Unobservable Input</b>	<b>Range (Weighted Average)</b>
Other assets	\$ 1,035	Discounted cash flow/market comparables	Equivalent yield Expected rental value (per square foot)	3.1% - 10.7% (6.6%) \$2 - \$1,281 \$(34)
Debt	\$ 4,769	Discounted cash flow	Annual default rate Discount rate Constant prepayment rate Loss recovery	2.5% - 4.5% (2.8%) 2.3% - 45% (3.8%) 5% - 10% (9.6%) 36.4% - 63.6% (61.9%)

Level 3 measurements not included in the table above are obtained from non-binding broker quotes where unobservable inputs are not reasonably available to the Company.

**Sensitivity of Fair Value Measurements to Changes in Unobservable Inputs**

Generally, a significant increase (decrease) in the expected rental value used in the fair value measurement of properties held by consolidated investment entities in isolation would result in a significantly higher (lower) fair value measurement and a significant increase (decrease) in the equivalent yield in isolation would result in a significantly lower (higher) fair value measurement.

Generally, a significant increase (decrease) in the annual default rate and discount rate used in the fair value measurement of the CDO's debt in isolation could result in a significantly lower (higher) fair value measurement and a significant increase (decrease) in loss recovery in isolation could result in a significantly higher (lower) fair value measurement. A significant increase (decrease) in the constant prepayment rate in isolation could result in a significantly higher (lower) fair value measurement.

**Determination of Fair Value****Assets**

*Investments*

The fair value of syndicated loans obtained from third party pricing services with multiple non-binding broker quotes as the underlying valuation source is classified as Level 2. The fair value of syndicated loans obtained from third party pricing services with a single non-binding broker quote as the underlying valuation source is classified as Level 3. The underlying inputs used in non-binding broker quotes are not readily available to the Company.

In consideration of the above, management is responsible for the fair values recorded on the financial statements. Prices received from third party pricing services are subjected to exception reporting that identifies loans with significant daily price movements as well as no movements. The Company reviews the exception reporting and resolves the exceptions through reaffirmation of the price or recording an appropriate fair value estimate. The Company also performs subsequent transaction testing. The Company performs annual due diligence of the third party pricing services. The Company's due diligence procedures include assessing the vendor's valuation qualifications, control environment, analysis of asset-class specific valuation methodologies, and understanding of sources of market observable assumptions and unobservable assumptions, if any, employed in the valuation methodology. The Company also considers the results of its exception reporting controls and any resulting price challenges that arise.

See Note 10 for a description of the Company's determination of the fair value of corporate debt securities, common stocks and other structured investments.

*Receivables*

For receivables of the consolidated CDOs, the carrying value approximates fair value as the nature of these assets has historically been short term and the receivables have been collectible. The fair value of these receivables is classified as Level 2.

Table of Contents

**AMERIPRISE FINANCIAL, INC.**

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

*Other Assets*

Other assets consist primarily of properties held in consolidated pooled investment vehicles managed by Threadneedle. The fair value of these properties is calculated by a third party appraisal service by discounting future cash flows generated by the expected market rental value for the property using the equivalent yield of a similar investment property. Inputs used in determining the equivalent yield and expected rental value of the property may 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. Management reviews the valuation report and assumptions used to ensure that the valuation was performed in accordance with applicable independence, appraisal and valuation standards. Given the significance of the unobservable inputs to these measurements, these assets are classified as Level 3.

For other assets of the consolidated CDOs, the carrying value approximates fair value as the nature of these assets has historically been short term. The fair value of these assets is classified as Level 2.

**Liabilities**

*Debt*

The fair value of the CDO's debt is determined using a discounted cash flow model. Inputs used to determine the expected cash flows include assumptions about default, discount, prepayment 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.

*Other Liabilities*

Other liabilities consist primarily of securities purchased but not yet settled held by consolidated CDOs. The carrying value approximates fair value as the nature of these liabilities has historically been short term. The fair value of these liabilities is classified as Level 2.

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.

Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

The following table presents the fair value and unpaid principal balance of loans and debt for which the fair value option has been elected:

	March 31, 2012	December 31, 2011
	(in millions)	
<b>Syndicated loans</b>		
Unpaid principal balance	\$ 4,473	\$ 4,548
Excess unpaid principal over fair value	(162)	(244)
Fair value	\$ 4,311	\$ 4,304
Fair value of loans more than 90 days past due	\$ 20	\$ 18
Fair value of loans in nonaccrual status	20	18
Difference between fair value and unpaid principal of loans more than 90 days past due, loans in nonaccrual status or both	15	16
<b>Debt</b>		
Unpaid principal balance	\$ 5,267	\$ 5,335
Excess unpaid principal over fair value	(498)	(623)
Fair value	\$ 4,769	\$ 4,712

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.

Table of Contents

## AMERIPRISE FINANCIAL, INC.

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

Total net gains (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 \$9 million and \$(33) million for the three months ended March 31, 2012 and 2011, 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		Weighted Average Interest Rate	
	March 31, 2012	December 31, 2011	March 31, 2012	December 31, 2011
	(in millions)			
Debt of consolidated CDOs due 2012-2021	\$ 4,769	\$ 4,712	1.1%	0.9%
Floating rate revolving credit borrowings due 2014	367	378	3.1	3.2
Floating rate revolving credit borrowings due 2015	95	88	2.9	3.0
Total	\$ 5,231	\$ 5,178		

The debt of the consolidated CDOs has both fixed and floating interest rates, which range from 0% to 13.2%. The interest rates on the debt of consolidated investment entities are weighted average rates based on the outstanding principal and contractual interest rates. The carrying value of the debt of the consolidated CDOs represents the fair value of the aggregate debt. 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 \$462 million and \$466 million as of March 31, 2012 and December 31, 2011, respectively. The consolidated pooled investment vehicles have entered into interest rate swaps and collars to manage the interest rate exposure on the floating rate revolving credit borrowings. The fair value of these derivative instruments was a liability of \$19 million and \$20 million as of March 31, 2012 and December 31, 2011, respectively. The overall effective interest rate reflecting the impact of the derivative contracts was 5.0% as of both March 31, 2012 and December 31, 2011.

**4. Investments**

The following is a summary of Ameriprise Financial investments:

	March 31, 2012	December 31, 2011
	(in millions)	
Available-for-Sale securities, at fair value	\$ 34,805	\$ 34,505
Commercial mortgage loans, net	2,615	2,589
Policy loans	741	742
Other investments	943	939

Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

Total	\$	39,104	\$	38,775
-------	----	--------	----	--------

The following is a summary of net investment income:

	Three Months Ended March 31,			
	2012	(in millions)		2011
Investment income on fixed maturities	\$	447	\$	470
Net realized gains (losses)		(2)		1
Affordable housing partnerships		(8)		(7)
Other		33		24
Consolidated investment entities		61		27
Total net investment income	\$	531	\$	515

Table of Contents

## AMERIPRISE FINANCIAL, INC.

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

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

Description of Securities	Amortized Cost	Gross Unrealized Gains	March 31, 2012	Fair Value	Noncredit OTTI (1)
			Gross Unrealized Losses (in millions)		
Corporate debt securities	\$ 16,687	\$ 1,737	\$ (31)	\$ 18,393	\$
Residential mortgage backed securities	7,356	281	(279)	7,358	(127)
Commercial mortgage backed securities	4,284	301	(1)	4,584	
Asset backed securities	2,032	63	(39)	2,056	(14)
State and municipal obligations	1,994	170	(51)	2,113	
U.S. government and agencies obligations	59	9		68	
Foreign government bonds and obligations	183	22		205	
Common stocks	6	5		11	
Other debt obligations	17			17	
Total	\$ 32,618	\$ 2,588	\$ (401)	\$ 34,805	\$ (141)

Description of Securities	Amortized Cost	Gross Unrealized Gains	December 31, 2011	Fair Value	Noncredit OTTI (1)
			Gross Unrealized Losses (in millions)		
Corporate debt securities	\$ 16,380	\$ 1,741	\$ (81)	\$ 18,040	\$
Residential mortgage backed securities	7,440	287	(331)	7,396	(139)
Commercial mortgage backed securities	4,430	291	(2)	4,719	
Asset backed securities	1,968	61	(44)	1,985	(15)
State and municipal obligations	2,026	162	(58)	2,130	
U.S. government and agencies obligations	61	10		71	
Foreign government bonds and obligations	126	19	(1)	144	
Common stocks	5	4		9	
Other debt obligations	11			11	
Total	\$ 32,447	\$ 2,575	\$ (517)	\$ 34,505	\$ (154)

(1) Represents the amount of other-than-temporary impairment ( OTTI ) 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, 2012 and December 31, 2011, fixed maturity securities comprised approximately 89% 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

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

March 31, 2012 and December 31, 2011, the Company's internal analysts rated \$1.3 billion and \$1.2 billion, respectively, of securities, using criteria similar to those used by NRSROs. A summary of fixed maturity securities by rating was as follows:

Ratings	March 31, 2012			December 31, 2011		
	Amortized Cost	Fair Value	Percent of Total Fair Value	Amortized Cost	Fair Value	Percent of Total Fair Value
	(in millions, except percentages)					
AAA	\$ 11,240	\$ 11,836	34%	\$ 11,510	\$ 12,105	35%
AA	1,956	2,110	6	1,942	2,087	6
A	5,289	5,766	17	5,012	5,442	16
BBB	12,035	13,268	38	11,818	13,050	38
Below investment grade	2,092	1,814	5	2,160	1,812	5
Total fixed maturities	\$ 32,612	\$ 34,794	100%	\$ 32,442	\$ 34,496	100%

At March 31, 2012 and December 31, 2011, approximately 37% and 36%, 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, 2012 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			
Corporate debt securities	75	\$ 869	\$ (18)	9	\$ 276	\$ (13)	84	\$ 1,145	\$ (31)
Residential mortgage backed securities	79	1,144	(22)	151	796	(257)	230	1,940	(279)
Commercial mortgage backed securities	13	127	(1)	2	20		15	147	(1)
Asset backed securities	33	376	(7)	34	158	(32)	67	534	(39)
State and municipal obligations	20	44	(1)	26	175	(50)	46	219	(51)
Total	220	\$ 2,560	\$ (49)	222	\$ 1,425	\$ (352)	442	\$ 3,985	\$ (401)

Description of Securities	Less than 12 months			December 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			
Corporate debt securities	124	\$ 1,647	\$ (40)	10	\$ 259	\$ (41)	134	\$ 1,906	\$ (81)
Residential mortgage backed securities	105	1,269	(33)	141	717	(298)	246	1,986	(331)
Commercial mortgage backed securities	14	182	(2)	5	29		19	211	(2)
Asset backed securities	49	543	(11)	33	155	(33)	82	698	(44)
State and municipal obligations				53	229	(58)	53	229	(58)
Foreign government bonds and obligations	6	28	(1)				6	28	(1)
Total	298	\$ 3,669	\$ (87)	242	\$ 1,389	\$ (430)	540	\$ 5,058	\$ (517)

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.

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:

Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

	Three Months Ended March 31,	
	2012	2011
	(in millions)	
Beginning balance	\$ 303	\$ 297
Credit losses for which an other-than-temporary impairment was previously recognized	5	2
Reductions for securities sold during the period (realized)	(2)	(16)
Ending balance	\$ 306	\$ 283

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.

Table of Contents

## AMERIPRISE FINANCIAL, INC.

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

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, 2011	\$ 946	\$ (331)	\$ 615
Cumulative effect of accounting change	131	(46)	85(1)
Net unrealized securities losses arising during the period (2)	(96)	34	(62)
Reclassification of net securities losses included in net income	1		1
Impact of DAC, DSIC, benefit reserves and reinsurance recoverables	39	(14)	25
Balance at March 31, 2011	\$ 1,021	\$ (357)	\$ 664(3)
Balance at January 1, 2012	\$ 1,358	\$ (475)	\$ 883(1)
Net unrealized securities gains arising during the period (2)	127	(46)	81
Reclassification of net securities losses included in net income	2	(1)	1
Impact of DAC, DSIC, benefit reserves and reinsurance recoverables	(5)	2	(3)
Balance at March 31, 2012	\$ 1,482	\$ (520)	\$ 962(3)

(1) The Company retrospectively adopted a new accounting standard on January 1, 2012 for DAC. See Note 1 and 2 for additional information on the adoption impact.

(2) Includes 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.

(3) Includes \$(67) million and \$(50) million of noncredit related impairments on securities and net unrealized securities losses on previously impaired securities at March 31, 2012 and 2011, respectively.

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,

Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

	2012		2011	
	(in millions)			
Gross realized gains	\$	5	\$	18
Gross realized losses		(1)		(17)
Other-than-temporary impairments		(6)		(2)
Total	\$	(2)	\$	(1)

Other-than-temporary impairments for the three months ended March 31, 2012 and 2011 primarily related to credit losses on non-agency residential mortgage backed securities.

Available-for-Sale securities by contractual maturity at March 31, 2012 were as follows:

	Amortized Cost		Fair Value	
	(in millions)			
Due within one year	\$	1,252	\$	1,280
Due after one year through five years		6,228		6,524
Due after five years through 10 years		6,672		7,459
Due after 10 years		4,788		5,533
		18,940		20,796
Residential mortgage backed securities		7,356		7,358
Commercial mortgage backed securities		4,284		4,584
Asset backed securities		2,032		2,056
Common stocks		6		11
Total	\$	32,618	\$	34,805

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.

Table of Contents

## AMERIPRISE FINANCIAL, INC.

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

**5. Financing Receivables**

The Company's financing receivables include commercial mortgage loans, syndicated loans, consumer bank loans, policy loans and margin loans. Commercial mortgage loans, syndicated loans and policy loans are reflected in investments. Consumer bank loans and margin loans are reflected in receivables. Policy loans do not exceed the cash surrender value of the policy at origination. As there is minimal risk of loss related to policy loans, the Company does not record an allowance for loan losses for policy loans. The Company monitors collateral supporting margin loans and requests additional collateral when necessary in order to mitigate the risk of loss. As there is minimal risk of loss related to margin loans, the allowance for loan losses is immaterial.

**Allowance for Loan Losses**

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

	March 31, 2012			Total
	Commercial Mortgage Loans	Syndicated Loans	Consumer Bank Loans	
	(in millions)			
Beginning balance	\$ 35	\$ 9	\$ 16	\$ 60
Charge-offs		(2)	(2)	(4)
Provisions			2	2
Ending balance	\$ 35	\$ 7	\$ 16	\$ 58
Individually evaluated for impairment	\$ 10	\$ 1	\$ 2	\$ 13
Collectively evaluated for impairment	25	6	14	45

	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
Individually evaluated for impairment	\$ 9	\$ 1	\$ 2	\$ 12
Collectively evaluated for impairment	27	8	14	49

Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

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

	March 31, 2012				Total
	Commercial Mortgage Loans	Syndicated Loans	Consumer Bank Loans		
	(in millions)				
Individually evaluated for impairment	\$ 65	\$ 3	\$ 11	\$ 79	
Collectively evaluated for impairment	2,585	352	1,368	4,305	
<b>Total</b>	<b>\$ 2,650</b>	<b>\$ 355</b>	<b>\$ 1,379</b>	<b>\$ 4,384</b>	

	December 31, 2011				Total
	Commercial Mortgage Loans	Syndicated Loans	Consumer Bank Loans		
	(in millions)				
Individually evaluated for impairment	\$ 68	\$ 5	\$ 11	\$ 84	
Collectively evaluated for impairment	2,556	359	1,369	4,284	
<b>Total</b>	<b>\$ 2,624</b>	<b>\$ 364</b>	<b>\$ 1,380</b>	<b>\$ 4,368</b>	

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

As of March 31, 2012 and December 31, 2011, the Company's recorded investment in financing receivables individually evaluated for impairment for which there was no related allowance for loan losses was \$19 million and \$13 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.

Purchases and sales of loans were as follows:

	<b>Three Months Ended March 31,</b>			
	<b>2012</b>		<b>2011</b>	
	(in millions)			
<b>Purchases</b>				
Consumer bank loans	\$	51	\$	113
Syndicated loans		29		63
Total loans purchased	\$	80	\$	176
<b>Sales</b>				
Consumer bank loans	\$	63	\$	95
Syndicated loans				1
Total loans sold	\$	63	\$	96

The Company has not acquired any loans with deteriorated credit quality as of the acquisition date.

**Credit Quality Information**

Nonperforming loans, which are generally loans 90 days or more past due, were \$20 million as of March 31, 2012 and December 31, 2011. 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 management updates as necessary. Commercial mortgage loans which management has assigned its highest risk rating were 2% and 3% of total commercial mortgage loans at March 31, 2012 and December 31, 2011, respectively. 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 within the next six months. In addition, the Company reviews the concentrations of credit risk by region and property type.

Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

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

	Loans		Percentage	
	March 31, 2012	December 31, 2011	March 31, 2012	December 31, 2011
	(in millions)			
East North Central	\$ 259	\$ 252	10%	10%
East South Central	65	65	2	2
Middle Atlantic	217	223	8	9
Mountain	290	284	11	11
New England	145	141	6	5
Pacific	583	584	22	22
South Atlantic	665	648	25	25
West North Central	241	244	9	9
West South Central	185	183	7	7
	2,650	2,624	100%	100%
Less: allowance for loan losses	35	35		
Total	\$ 2,615	\$ 2,589		



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, 2012	December 31, 2011	March 31, 2012	December 31, 2011
	(in millions)			
Apartments	\$ 405	\$ 392	15%	15%
Hotel	51	51	2	2
Industrial	488	480	18	18
Mixed use	43	42	2	2
Office	688	694	26	26
Retail	841	845	32	32
Other	134	120	5	5
	2,650	2,624	100%	100%
Less: allowance for loan losses	35	35		
Total	\$ 2,615	\$ 2,589		

*Syndicated Loans*

The Company's syndicated loan portfolio is diversified across industries and issuers. 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 March 31, 2012 and December 31, 2011 were \$2 million and \$3 million, respectively.

*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 losses 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, 2012 and December 31, 2011, 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, 2012 and December 31, 2011, approximately 2% of the Company's residential mortgage loans had LTV ratios greater than 90%. The Company's most significant geographic concentration for consumer bank loans is in California representing 38% of the portfolio as of both March 31, 2012 and December 31, 2011. No other state represents more than 10% of the total consumer bank loan portfolio.

**Troubled Debt Restructurings**

The following table presents the number of loans restructured by the Company during the three months ended March 31 and the recorded investment in restructured loans as of March 31:

	2012		2011	
	Number of Loans	Recorded Investment (in millions, except number of loans)	Number of Loans	Recorded Investment
Commercial mortgage loans		\$	1	\$ 6
Syndicated loans	2	2	2	
Consumer bank loans	26		32	
Total	28	\$ 2	35	\$ 6

The troubled debt restructurings did not have a material impact to the Company's allowance for loan losses or income recognized for the three months ended March 31, 2012 and 2011. There are no material commitments to lend additional funds to borrowers whose loans have been restructured.

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

As described in Note 1 and Note 2, the Company retrospectively adopted a new accounting standard for DAC in the first quarter of 2012. The impact of adoption resulted in a reduction in the DAC balance of \$2.0 billion and \$2.1 billion at January 1, 2012 and 2011, respectively, and a reduction in DAC capitalization of \$40 million and DAC amortization of \$41 million for the three months ended March 31, 2011.

The Company incurs costs in connection with acquiring new and renewal insurance and annuity businesses. The portion of these costs which are incremental and direct to the acquisition of a new insurance or annuity contact are deferred.

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

Significant costs capitalized by the Company include sales based compensation related to the acquisition of new and renewal insurance policies and annuity contracts, medical inspection costs for successful sales, and a portion of employee compensation and benefit costs based upon the amount of time spent on successful sales. Sales based compensation paid to affiliated advisors and employees and third-party distributors is capitalized. Employee compensation and benefits costs which are capitalized under the new accounting standard relate primarily to sales efforts, underwriting, and processing. All other costs which are not incremental direct costs of acquiring an insurance or annuity contract are expensed as incurred.

The balances of and changes in DAC (subsequent to the adjustment for the new accounting standard) were as follows:

	2012	(in millions)	2011
Balance at January 1	\$	2,440	\$ 2,556
Capitalization of acquisition costs		82	82
Amortization		(31)	(75)
Impact of change in net unrealized securities (gains) losses		(19)	8
Balance at March 31	\$	2,472	\$ 2,571

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

	2012	(in millions)	2011
Balance at January 1	\$	464	\$ 545
Capitalization of sales inducement costs		2	3
Amortization		(2)	(13)
Impact of change in net unrealized securities (gains) losses		(4)	1
Balance at March 31	\$	460	\$ 536

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

As described in Note 1 and Note 2, the Company retrospectively adopted a new accounting standard on DAC in the first quarter of 2012.

Future policy benefits and claims (subsequent to the adjustment for the new accounting standard) consisted of the following:

Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

	March 31, 2012	December 31, 2011
	(in millions)	
Fixed annuities	\$ 16,345	\$ 16,401
Equity indexed annuity ( EIA ) accumulated host values	48	58
EIA embedded derivatives	2	2
Variable annuity fixed sub-accounts	4,856	4,852
Variable annuity guaranteed minimum withdrawal benefits ( GMWB )	753	1,377
Variable annuity guaranteed minimum accumulation benefits ( GMAB )	118	237
Other variable annuity guarantees	10	14
Total annuities	22,132	22,941
Variable universal life ( VUL )/universal life ( UL ) insurance	2,684	2,662
Indexed universal life ( IUL ) accumulated host values	12	4
IUL embedded derivatives	9	3
VUL/UL insurance additional liabilities	234	220
Other life, disability income and long term care insurance	5,376	5,339
Auto, home and other insurance	412	420
Policy claims and other policyholders funds	135	121
Total	\$ 30,994	\$ 31,710

Separate account liabilities consisted of the following:

	March 31, 2012	December 31, 2011
	(in millions)	
Variable annuity variable sub-accounts	\$ 62,175	\$ 57,556
VUL insurance variable sub-accounts	6,069	5,575
Other insurance variable sub-accounts	44	43
Threadneedle investment liabilities	3,347	3,606
Total	\$ 71,635	\$ 66,780

Table of Contents

## AMERIPRISE FINANCIAL, INC.

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

**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.

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, 2012			Weighted Average Attained Age (in millions, except age)	Total Contract Value	December 31, 2011		
		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	\$ 43,586	\$ 41,831	\$ 86	63	\$ 40,011	\$ 38,275	\$ 382	63	
Five/six-year reset	12,046	9,541	161	63	11,631	9,118	350	63	
One-year ratchet	7,628	7,179	148	64	7,233	6,777	479	64	
Five-year ratchet	1,581	1,529	5	61	1,472	1,418	25	61	
Other	833	807	58	68	759	732	93	68	
Total GMDB	\$ 65,674	\$ 60,887	\$ 458	63	\$ 61,106	\$ 56,320	\$ 1,329	63	
<b>GGU death benefit</b>	\$ 977	\$ 925	\$ 87	63	\$ 920	\$ 868	\$ 78	63	
<b>GMIB</b>	\$ 479	\$ 450	\$ 71	65	\$ 463	\$ 433	\$ 106	65	
<b>GMWB:</b>									
GMWB	\$ 4,097	\$ 4,078	\$ 45	65	\$ 3,887	\$ 3,868	\$ 236	65	
GMWB for life	26,344	26,200	143	64	23,756	23,625	863	64	
Total GMWB	\$ 30,441	\$ 30,278	\$ 188	64	\$ 27,643	\$ 27,493	\$ 1,099	64	
<b>GMAB</b>	\$ 3,784	\$ 3,774	\$ 7	57	\$ 3,516	\$ 3,509	\$ 63	56	

Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

(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	GMB	GMWB (in millions)	GMAB	UL
Balance at January 1, 2011	\$ 5	\$ 8	\$ 337	\$ 104	\$ 68
Incurring claims	2		(173)	(55)	12
Paid claims	(2)	(1)			(2)
Balance at March 31, 2011	\$ 5	\$ 7	\$ 164	\$ 49	\$ 78
Balance at January 1, 2012	\$ 5	\$ 9	\$ 1,377	\$ 237	\$ 111
Incurring claims		(2)	(624)	(119)	17
Paid claims	(2)				(4)
Balance at March 31, 2012	\$ 3	\$ 7	\$ 753	\$ 118	\$ 124

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

Table of Contents

## AMERIPRISE FINANCIAL, INC.

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

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

	March 31, 2012	December 31, 2011
	(in millions)	
Mutual funds:		
Equity	\$ 33,537	\$ 30,738
Bond	25,591	23,862
Other	1,996	1,969
Total mutual funds	\$ 61,124	\$ 56,569

**9. Debt**

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

	Outstanding Balance		Stated Interest Rate	
	March 31, 2012	December 31, 2011	March 31, 2012	December 31, 2011
	(in millions)			
Senior notes due 2015	\$ 751(1)	\$ 753(1)	5.7%	5.7%
Senior notes due 2019	338(1)	341(1)	7.3	7.3
Senior notes due 2020	798(1)	805(1)	5.3	5.3
Senior notes due 2039	200	200	7.8	7.8
Junior subordinated notes due 2066	294	294	7.5	7.5
Total long-term debt	2,381	2,393		
Short-term borrowings	504	504	0.3	0.3
Total	\$ 2,885	\$ 2,897		

(1) Amounts include adjustments for fair value hedges on the Company's long-term debt and any unamortized discounts. See Note 11 for information on the Company's fair value hedges.

The Company's junior subordinated notes due 2066 ( junior notes ) and credit facility contain various administrative, reporting, legal and financial covenants. The Company was in compliance with all such covenants at both March 31, 2012 and December 31, 2011. The Company had no borrowings outstanding under its credit facility as of both March 31, 2012 and December 31, 2011.

*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 \$520 million and \$521 million at March 31, 2012 and December 31, 2011, 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.

**10. 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.



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, 2012			
	Level 1	Level 2	Level 3	Total
	(in millions)			
<b>Assets</b>				
Cash equivalents	\$ 18	\$ 1,855	\$	\$ 1,873
Available-for-Sale securities:				
Corporate debt securities		16,971	1,422	18,393
Residential mortgage backed securities		7,134	224	7,358
Commercial mortgage backed securities		4,495	89	4,584
Asset backed securities		1,848	208	2,056
State and municipal obligations		2,113		2,113
U.S. government and agencies obligations	21	47		68
Foreign government bonds and obligations		205		205
Common stocks	2	3	6	11
Other debt obligations		17		17
Total Available-for-Sale securities	23	32,833	1,949	34,805
Trading securities	1	40		41
Separate account assets		71,635		71,635
Investments segregated for regulatory purposes		267		267
Other assets:				
Interest rate derivative contracts		1,600		1,600
Equity derivative contracts	312	860		1,172
Foreign currency derivative contracts		7		7
Commodity derivative contracts		1		1
Total other assets	312	2,468		2,780
Total assets at fair value	\$ 354	\$ 109,098	\$ 1,949	\$ 111,401
<b>Liabilities</b>				
Future policy benefits and claims:				
EIA embedded derivatives	\$	\$ 2	\$	\$ 2
IUL embedded derivatives		9		9
GMWB and GMAB embedded derivatives			840	840
Total future policy benefits and claims		11	840	851 <sup>(1)</sup>
Customer deposits		10		10
Other liabilities:				
Interest rate derivative contracts		1,097		1,097
Equity derivative contracts	309	1,356		1,665
Credit derivative contracts		1		1
Foreign currency derivative contracts	2	4		6
Other		4		4
Total other liabilities	311	2,462		2,773
Total liabilities at fair value	\$ 311	\$ 2,483	\$ 840	\$ 3,634

(1) The Company's adjustment for nonperformance risk resulted in a \$342 million cumulative decrease to the embedded derivative liability.



Table of Contents

## AMERIPRISE FINANCIAL, INC.

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

	December 31, 2011			
	Level 1	Level 2	Level 3	Total
	(in millions)			
<b>Assets</b>				
Cash equivalents	\$ 20	\$ 2,287	\$	\$ 2,307
Available-for-Sale securities:				
Corporate debt securities		16,685	1,355	18,040
Residential mortgage backed securities		7,198	198	7,396
Commercial mortgage backed securities		4,669	50	4,719
Asset backed securities		1,779	206	1,985
State and municipal obligations		2,130		2,130
U.S. government and agencies obligations	22	49		71
Foreign government bonds and obligations		144		144
Common stocks	2	2	5	9
Other debt obligations		11		11
Total Available-for-Sale securities	24	32,667	1,814	34,505
Trading securities	1	30		31
Separate account assets		66,780		66,780
Investments segregated for regulatory purposes		293		293
Other assets:				
Interest rate derivative contracts		1,958		1,958
Equity derivative contracts	274	1,077		1,351
Credit derivative contracts		1		1
Foreign currency derivative contracts		7		7
Commodity derivative contracts		2		2
Total other assets	274	3,045		3,319
Total assets at fair value	\$ 319	\$ 105,102	\$ 1,814	\$ 107,235
<b>Liabilities</b>				
Future policy benefits and claims:				
EIA embedded derivatives	\$	\$ 2	\$	\$ 2
IUL embedded derivatives		3		3
GMWB and GMAB embedded derivatives			1,585	1,585
Total future policy benefits and claims		5	1,585	1,590(1)
Customer deposits		6		6
Other liabilities:				
Interest rate derivative contracts		1,209		1,209
Equity derivative contracts	297	764		1,061
Foreign currency derivative contracts	3	10		13
Other		2		2
Total other liabilities	300	1,985		2,285
Total liabilities at fair value	\$ 300	\$ 1,996	\$ 1,585	\$ 3,881

(1) The Company's adjustment for nonperformance risk resulted in a \$506 million cumulative decrease to the embedded derivative liability.



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:

	Corporate Debt Securities	Residential Mortgage Backed Securities	Available-for-Sale Securities		Common Stocks	Total	Future Policy Benefits and Claims: GMWB and GMAB Embedded Derivatives
			Commercial Mortgage Backed Securities	Asset Backed Securities (in millions)			
Balance, January 1, 2012	\$ 1,355	\$ 198	\$ 50	\$ 206	\$ 5	\$ 1,814	\$ (1,585)
Total gains (losses) included in:							
Net income		(5)				(5)(1)	784(2)
Other comprehensive income	4	15	2	1		22	
Purchases	115	23	2		1	141	
Sales							
Issues							(39)
Settlements	(52)	(13)	(2)	(6)		(73)	
Transfers into Level 3		6	37	7		50	
Transfers out of Level 3							
Balance, March 31, 2012	\$ 1,422	\$ 224	\$ 89	\$ 208	\$ 6	\$ 1,949	\$ (840)
Changes in unrealized gains (losses) relating to assets and liabilities held at March 31, 2012 included in:							
Net investment income	\$	\$ (5)	\$	\$	\$	\$ (5)	\$
Benefits, claims, losses and settlement expenses							769

(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.

	Corporate Debt Securities	Residential Mortgage Backed Securities	Available-for-Sale Securities		Common and Preferred Stocks	Total	Future Policy Benefits and Claims: GMWB and GMAB Embedded Derivatives
			Commercial Mortgage Backed Securities	Asset Backed Securities			

Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

(in millions)

Balance, January 1, 2011	\$	1,325	\$	4,247	\$	51	\$	476	\$	5	\$	6,104	\$	(421)
Total gains included in:														
Net income				7				2				9(1)		263(2)
Other comprehensive income		1		13				5				19		
Purchases		37		149		14		29				229		
Sales				(2)								(2)		
Issuances														
Settlements		(38)		(321)				(24)				(383)		(32)
Transfers into Level 3						1						1		
Transfers out of Level 3		(10)				(40)						(50)		
Balance, March 31, 2011	\$	1,315	\$	4,093	\$	26	\$	488	\$	5	\$	5,927	\$	(190)
Changes in unrealized gains														
(losses) included in:														
Net investment income	\$		\$	18	\$		\$	2	\$		\$	20	\$	
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.

The impact to pretax income of the Company's adjustment for nonperformance risk on the fair value of its GMWB and GMAB embedded derivatives was a decrease of \$115 million and \$23 million, net of DAC and DSIC amortization, for the three months ended March 31, 2012 and 2011, respectively.

Table of Contents

## AMERIPRISE FINANCIAL, INC.

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

Securities transferred from Level 3 to Level 2 represent securities with fair values that are now obtained from a third party pricing service with observable inputs. Securities transferred from Level 2 to Level 3 represent securities with fair values that are now based on a single non-binding broker quote. The Company recognizes transfers between levels of the fair value hierarchy as of the beginning of the quarter in which each transfer occurred. For assets and liabilities held at the end of the reporting period that are measured at fair value on a recurring basis, there were no transfers between Level 1 and Level 2.

The following table provides a summary of the significant unobservable inputs used in the fair value measurements developed by the Company or reasonably available to the Company of Level 3 assets and liabilities at March 31, 2012:

	Fair Value (in millions)	Valuation Technique	Unobservable Input	Range (Weighted Average)
Residential mortgage backed securities	\$ 195	Discounted cash flow	Constant prepayment rate	0.5% - 12.3% (3.3%)
			Annual default rate	0.9% - 20.0% (11.9%)
			Loss severity	34% - 72% (58.0%)
			Yield/spread to Treasury	6.4% - 20.9% (9.1%)
Asset backed securities (sub-prime residential mortgage backed securities)	\$ 17	Discounted cash flow	Constant prepayment rate	2.3% - 7.7% (3.3%)
			Annual default rate	3.5% - 12.5% (7.7%)
			Loss severity	68% - 100% (77.0%)
			Yield/spread to Treasury	9.6% - 14.0% (11.9%)
GMWB and GMAB embedded derivatives	\$ 840	Discounted cash flow	Utilization of guaranteed withdrawals	0% - 90%
			Surrender rate	0% - 56.3%
			Market volatility (1)	5.8% - 22.3%
			Nonperformance risk (2)	101 bps

(1) Market volatility is implied volatility of fund of funds.

(2) The nonperformance risk is the spread added to the observable interest rates used in the valuation of the embedded derivatives.

Level 3 measurements not included in the table above are obtained from non-binding broker quotes where unobservable inputs are not reasonably available to the Company.

**Sensitivity of Fair Value Measurements to Changes in Unobservable Inputs**

Except for prepayment inputs, significant increases (decreases) in the unobservable inputs used in the fair value measurement of Level 3 residential mortgage backed and asset backed securities in isolation could result in a significantly lower (higher) fair value measurement. Significant increases (decreases) in the constant prepayment rate in isolation could result in a significantly higher (lower) fair value measurement. Generally a change in the assumption used for the annual default rate is accompanied by a directionally similar change in the assumptions used for loss severity and yield/spread to U.S. Treasuries and a directionally opposite change in the assumption used for prepayment rates.

Significant increases (decreases) in utilization and volatility used in the fair value measurement of the GMWB and GMAB embedded derivatives in isolation would result in a significantly higher (lower) fair value measurement. Significant increases (decreases) in surrender rate and nonperformance risk used in the fair value measurement of the GMWB and GMAB embedded derivatives in isolation would result in a significantly lower (higher) fair value measurement. Utilization of guaranteed withdrawals and surrender rates vary with the type of rider, the duration of the policy, the age of the contractholder, the distribution system and whether the value of the guaranteed benefit exceeds the contract accumulation value.

#### **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.

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.



Table of Contents

**AMERIPRISE FINANCIAL, INC.**

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

**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 (Available-for-Sale Securities and Trading 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 third party pricing services, non-binding broker quotes, or other model-based valuation techniques. Level 1 securities primarily include U.S. Treasuries. Level 2 securities primarily include residential mortgage backed securities, commercial mortgage backed securities, asset backed securities, municipal and corporate bonds, and U.S. agency and foreign government securities. The fair value of these Level 2 securities is based on a market approach with prices obtained from third party pricing services. Observable inputs used to value these securities can include, but are not limited to, reported trades, benchmark yields, issuer spreads and non-binding broker quotes. Level 3 securities primarily include certain non-agency residential mortgage backed securities, asset backed securities, commercial mortgage backed securities and corporate bonds. The fair value of corporate bonds, commercial mortgage backed securities and certain asset backed securities classified as Level 3 is typically based on a single non-binding broker quote. The underlying inputs used for the non-binding broker quotes are not readily available to the Company. The fair value of certain asset backed securities and non-agency residential mortgage backed securities classified as Level 3 is obtained from third party pricing services who use significant unobservable inputs to estimate the fair value.

In consideration of the above, management is responsible for the fair values recorded on the financial statements. Prices received from third party pricing services are subjected to exception reporting that identifies investments with significant daily price movements as well as no movements. The Company reviews the exception reporting and resolves the exceptions through reaffirmation of the price or recording an appropriate fair value estimate. The Company also performs subsequent transaction testing. The Company performs annual due diligence of third party pricing services. The Company's due diligence procedures include assessing the vendor's valuation qualifications, control environment, analysis of asset-class specific valuation methodologies, and understanding of sources of market observable assumptions and unobservable assumptions, if any, employed in the valuation methodology. The Company also considers the results of its exception reporting controls and any resulting price challenges that arise.

*Separate Account Assets*

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

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.

### *Investments Segregated for Regulatory Purposes*

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 third party pricing services, non-binding broker quotes, or other model-based valuation techniques. Level 2 securities include agency mortgage backed securities, asset backed securities, municipal and corporate bonds, and U.S. agency and foreign government securities.

### *Other Assets*

Derivatives that are measured using quoted prices in active markets, such as foreign currency 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 ( OTC ) 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. The counterparties' nonperformance risk associated with uncollateralized derivative assets was immaterial at March 31, 2012 and December 31, 2011. See Note 11 for further information on the credit risk of derivative instruments and related collateral.

Table of Contents

**AMERIPRISE FINANCIAL, INC.**

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

**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 and incorporate significant unobservable inputs related to contractholder behavior assumptions 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's Corporate Actuarial Department calculates the fair value of the GMWB and GMAB embedded derivatives on a monthly basis. During this process, control checks are performed to validate the completeness of the data. Actuarial management approves various components of the valuation along with the final results. The change in the fair value of the embedded derivatives is reviewed monthly with senior management. The Level 3 inputs into the valuation are consistent with the pricing assumptions and updated as experience develops. Significant unobservable inputs that reflect policyholder behavior are reviewed quarterly along with other valuation assumptions.

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 annuity and indexed universal life products. 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*

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*

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

Derivatives that are measured using quoted prices in active markets, such as foreign currency forwards, or derivatives that are exchange-traded, are classified as Level 1 measurements. The fair value of derivatives that are traded in less active OTC 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. The Company's nonperformance risk associated with uncollateralized derivative liabilities was immaterial at March 31, 2012 and December 31, 2011. See Note 11 for further information on the credit risk of derivative instruments and related collateral.

Securities sold but not yet purchased include highly liquid investments which are short-term in nature. Securities sold but 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.

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

Table of Contents

## AMERIPRISE FINANCIAL, INC.

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

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.

	Carrying Value	March 31, 2012			Total	December 31, 2011	
		Level 1	Level 2	Level 3 (in millions)		Carrying Value	Fair Value
<b>Financial Assets</b>							
Commercial mortgage loans, net	\$ 2,615	\$	\$	\$ 2,794	\$ 2,794	\$ 2,589	\$ 2,772
Policy and certificate loans	741		2	715	717	742	715
Receivables	2,417	172	870	1,083	2,125	2,444	2,148
Restricted and segregated cash	1,608	1,608			1,608	1,500	1,500
Other investments and assets	382		357	30	387	390	388
<b>Financial Liabilities</b>							
Future policy benefits and claims	\$ 15,007	\$	\$	\$ 16,058	\$ 16,058	\$ 15,064	\$ 16,116
Investment certificate reserves	2,703			2,704	2,704	2,766	2,752
Banking and brokerage customer deposits	7,248	2,364	4,886		7,250	7,078	7,091
Separate account liabilities	3,720		3,720		3,720	3,950	3,950
Debt and other liabilities	3,149	179	3,023	220	3,422	3,180	3,412

*Commercial Mortgage Loans, Net*

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. Given the significant unobservable inputs to this valuation, these measurements are classified as Level 3.

*Policy and Certificate Loans*

The fair value of policy loans and certificate loans is determined using discounted cash flows. Policy loans on insurance contracts are classified as Level 3 as the discount rate used may be adjusted for the underlying performance of individual policies. The fair value of certificate loans is classified as Level 2 as the discount rate used to determine fair value is based on market interest rates.

*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. The fair value of consumer bank loans is classified as Level 3 as the valuation includes significant unobservable inputs.

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 and are classified as Level 2.

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. Margin loans that are sufficiently collateralized are classified as Level 2. Margin loans that are not sufficiently collateralized are classified as Level 3.

Securities borrowed require the Company to deposit cash or collateral with the lender. As the market value of the securities borrowed is monitored daily, the carrying value is a reasonable estimate of fair value. The fair value of securities borrowed is classified as Level 1 as the value of the underlying securities is based on unadjusted prices for identical assets.

#### *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.

Table of Contents

**AMERIPRISE FINANCIAL, INC.**

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

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.

The fair value of restricted and segregated cash is classified as Level 1.

*Other Investments and Assets*

Other investments and assets primarily consist of syndicated loans. The fair value of syndicated loans is obtained from a third party pricing service or non-binding broker quotes. Syndicated loans that are priced by multiple non-binding broker quotes are classified as Level 2 and loans priced using a single non-binding broker quote are classified as Level 3.

Other investments and assets also include the Company's membership in the Federal Home Loan Bank of Des Moines and investments related to the Community Reinvestment Act. The fair value of these assets is approximated by the carrying value and classified as Level 3 due to restrictions on transfer and lack of liquidity in the primary market for these assets.

*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. Given the use of significant unobservable inputs to these valuations, the measurements are classified as Level 3.

*Investment Certificate Reserves*

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. Given the use of significant unobservable inputs to this valuation, the measurement is classified

as Level 3.

*Banking and Brokerage Customer Deposits*

Banking and brokerage customer deposits excluding certificates of deposit are liabilities with no defined maturities and fair value is the amount payable on demand at the reporting date. The fair value of these deposits is classified as Level 1. Certificates of deposit are valued based on discounted cash flows using market rates for similar certificates of deposit issued by other banks. The fair value of certificates of deposit is classified as Level 2.

*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. The NAV of the related separate account assets represents the exit price for the separate account liabilities. Separate account liabilities are classified as Level 2 as they are traded in principal-to-principal markets with little publicly released pricing information. 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 third party pricing services, broker quotes, or other model-based valuation techniques such as present value of cash flows. The fair value of long-term debt is classified as Level 2.

The fair value of short-term borrowings is obtained from a third party pricing service. A nonperformance adjustment is not included as collateral requirements for these borrowings minimize the nonperformance risk. The fair value of short-term borrowings is classified as Level 2.

The fair value of future funding commitments to affordable housing partnerships is determined by discounting cash flows. The fair value of these commitments is classified as Level 3 as the discount rate is adjusted.



Table of Contents

## AMERIPRISE FINANCIAL, INC.

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

Securities loaned require the borrower to deposit cash or collateral with the Company. As the market value of the securities loaned is monitored daily, the carrying value is a reasonable estimate of fair value. Securities loaned are classified as Level 1 as the fair value of the underlying securities is based on unadjusted prices for identical assets.

**11. 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.

Freestanding derivative instruments are recorded at fair value and are reflected in other assets or other liabilities. The Company's policy on the recognition of derivatives on the Consolidated Balance Sheet is to not offset fair value amounts recognized for derivatives and collateral arrangements executed with the same counterparty under the same master netting arrangement. The following table presents the estimated fair value of the Company's freestanding derivatives after considering the effect of master netting arrangements and collateral:

	March 31, 2012		December 31, 2011	
	Net Derivative Assets	Net Derivative Liabilities	Net Derivative Assets	Net Derivative Liabilities
	(in millions)			
Fair value of OTC derivatives after application of master netting agreements	\$ 389	\$ 515	\$ 1,025	\$ 142
Cash collateral on OTC derivatives	(260)	(31)	(767)	(34)
Fair value of OTC derivatives after application of master netting agreements and cash collateral	129	484	258	108
Securities collateral on OTC derivatives	(106)	(455)	(186)	(95)
Fair value of OTC derivatives after application of master netting agreements and cash and securities collateral	23	29	72	13
Fair value of exchange-traded derivatives	139		155	
Total fair value of derivatives after application of master netting agreements and cash and securities collateral	\$ 162	\$ 29	\$ 227	\$ 13

In April 2012, the Financial Stability Oversight Council (FSOC) approved the final rule and interpretive guidance that provides the framework it will follow to determine if a nonbank financial company is a Systemically Important Financial Institution (SIFI). The framework includes a three stage process to help narrow down the pool of nonbank financial companies for review and possible designation. Stage 1 criteria include having at least \$50 billion in assets and meeting one of five additional quantitative measures. One of the five thresholds is \$3.5 billion of derivative liabilities after considering the effects of master netting arrangements and cash collateral held with the same counterparty. The following table presents the Company's derivative liabilities as defined by the rule:

Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

	March 31, 2012	December 31, 2011	
	(in millions)		
Fair value of OTC derivative liabilities after application of master netting agreements and cash collateral	\$ 484	\$	108
Fair value of embedded derivative liabilities	861		1,596
Fair value of CIE derivative liabilities	19		20
Fair value of derivative liabilities after application of master netting agreements and cash collateral	\$ 1,364	\$	1,724

Table of Contents

## AMERIPRISE FINANCIAL, INC.

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

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, 2012	December 31, 2011		March 31, 2012	December 31, 2011	
		(in millions)				(in millions)	
<b>Cash flow hedges</b>							
Interest on debt	Other assets	\$	\$	Other liabilities	\$	\$	11
<b>Fair value hedges</b>							
Fixed rate debt	Other assets	148	157	Other liabilities			
Total qualifying hedges		148	157				11
<b>Derivatives not designated as hedging instruments</b>							
<b>GMWB and GMAB</b>							
Interest rate contracts	Other assets	1,452	1,801	Other liabilities	1,097		1,198
Equity contracts	Other assets	1,094	1,314	Other liabilities	1,601		1,031
Credit contracts	Other assets		1	Other liabilities	1		
Foreign currency contracts	Other assets	6	7	Other liabilities	4		10
				Future policy			
Embedded derivatives (1)	N/A			benefits and claims	840		1,585
Total GMWB and GMAB		2,552	3,123		3,543		3,824
<b>Other derivatives:</b>							
<b>Equity</b>							
EIA embedded derivatives	N/A			Future policy			
				benefits and claims	2		2
IUL	Other assets	2	1	Other liabilities	1		
IUL embedded derivatives	N/A			Future policy			
				benefits and claims	9		3
Stock market certificates	Other assets	72	34	Other liabilities	63		29
Stock market certificates embedded derivatives	N/A			Customer deposits	10		6
Ameriprise Financial Franchise Advisor Deferred Compensation Plan	Other assets	4	2	Other liabilities			
Seed money	Other assets			Other liabilities			1
<b>Foreign exchange</b>							
Foreign currency	Other assets	1		Other liabilities	2		3
<b>Commodity</b>							
Seed money	Other assets	1	2	Other liabilities			
Total other		80	39		87		44
Total non-designated hedges		2,632	3,162		3,630		3,868
Total derivatives		\$ 2,780	\$ 3,319		\$ 3,630	\$	3,879

N/A Not applicable.

Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

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

See Note 10 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:

Derivatives not designated as hedging instruments	Location of Gain (Loss) on Derivatives Recognized in Income	Amount of Gain (Loss) on Derivatives Recognized in Income	
		2012	2011
(in millions)			
<b>GMWB and GMAB</b>			
Interest rate contracts	Benefits, claims, losses and settlement expenses	\$ (225)	\$ (25)
Equity contracts	Benefits, claims, losses and settlement expenses	(695)	(255)
Credit contracts	Benefits, claims, losses and settlement expenses	(3)	(2)
Foreign currency contracts	Benefits, claims, losses and settlement expenses	4	(2)
Embedded derivatives(1)	Benefits, claims, losses and settlement expenses	745	230
Total GMWB and GMAB		(174)	(54)
<b>Other derivatives:</b>			
<b>Interest rate</b>			
Interest rate lock commitments	Other revenues		(1)
<b>Equity</b>			
EIA	Interest credited to fixed accounts	1	1
Stock market certificates	Banking and deposit interest expense	5	3
Stock market certificates embedded derivatives	Banking and deposit interest expense	4	(3)
Seed money	Net investment income	(5)	(3)
Ameriprise Financial Franchise Advisor Deferred Compensation Plan	Distribution expenses	3	2
<b>Foreign exchange</b>			
Foreign currency	Net investment income	1	
Total other		9	(1)
Total derivatives		\$ (165)	\$ (55)

(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.

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

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 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, interest rate swaptions, interest rate swaps, variance swaps and credit default swaps. At March 31, 2012 and December 31, 2011, the gross notional amount of derivative contracts for the Company's GMWB and GMAB provisions was \$117.6 billion and \$104.7 billion, respectively.

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

The deferred premium associated with certain 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>	
2012(1)	\$ 295	\$ 32
2013	357	26
2014	332	24
2015	304	22
2016	273	15
2017-2026	972	35

(1) 2012 amounts represent the amounts payable and receivable for the period from April 1, 2012 to December 31, 2012.

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.

EIA, IUL 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 EIA, IUL 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 futures contracts. The gross notional amount of these derivative contracts was \$1.3 billion at both March 31, 2012 and December 31, 2011.

The Company enters into forward contracts, futures, total return swaps and commodity 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 \$117 million and \$123 million at March 31, 2012 and December 31, 2011, 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 \$26 million at both March 31, 2012 and December 31, 2011.

In 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 Compensation Plan ( Franchise Advisor Deferral Plan ). In the fourth quarter of 2011, the Company extended the contract through 2012. 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, 2012. The gross notional value of this contract was \$20 million and \$17 million at March 31, 2012 and December 31, 2011, 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 EIA, IUL 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 interest rate exposure on debt, (ii) interest rate lock agreements to hedge interest rate exposure on debt issuances and (iii) swaptions used to hedge the risk of increasing interest rates on forecasted fixed premium product sales. The Company previously designated and accounted for as cash flow hedges interest rate swaps to hedge certain asset-based distribution fees.



Table of Contents

## AMERIPRISE FINANCIAL, INC.

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

During the first quarter of 2012, the Company reclassified from accumulated other comprehensive income into earnings a \$3 million gain on an interest rate hedge put in place in anticipation of issuing debt. The gain was reclassified due to the forecasted transaction not occurring according to the original hedge strategy. No other hedge relationships were discontinued during the three months ended March 31, 2011 due to forecasted transactions no longer being expected to occur according to the original hedge strategy. For the three months ended March 31, 2012 and 2011, 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, 2012 that the Company expects to reclassify to earnings within the next twelve months is \$2 million, which consists of \$4 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:

Derivatives designated as hedging instruments	Amount of Gain Recognized in Other Comprehensive Income on Derivatives		
	2012	(in millions)	2011
Interest on debt	\$	14	\$
Asset-based distribution fees			1
Total	\$	14	\$

Location of Gain (Loss) Reclassified from Accumulated Other Comprehensive Income into Income	Amount of Gain (Loss) Reclassified from Accumulated Other Comprehensive Income into Income		
	2012	(in millions)	2011
Other revenues	\$	3	\$
Interest and debt expense		1	1
Distribution fees			5
Net investment income		(2)	(1)
Total	\$	2	\$

Currently, the longest period of time over which the Company is hedging exposure to the variability in future cash flows is 24 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:

Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

Derivatives designated as hedging instruments	Location of Gain Recorded into Income	Amount of Gain Recognized in Income on Derivatives	
		2012	2011
		(in millions)	
Fixed rate debt	Interest and debt expense	\$ 9	\$ 10

**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, 2012 and December 31, 2011, the Company held \$272 million and \$802 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, 2012 and December 31, 2011, the Company had accepted additional collateral consisting of various securities with a fair value of \$121 million and \$186 million, respectively, which are not reflected on the Consolidated Balance Sheets. As of March 31, 2012 and December 31, 2011, the Company's maximum credit exposure related to derivative assets after considering netting arrangements with counterparties and collateral arrangements was approximately \$23 million and \$72 million, respectively.

Table of Contents

**AMERIPRISE FINANCIAL, INC.**

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

Certain of the Company's derivative contracts 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, 2012 and December 31, 2011, the aggregate fair value of derivative contracts in a net liability position containing such credit contingent provisions was \$300 million and \$112 million, respectively. The aggregate fair value of assets posted as collateral for such instruments as of March 31, 2012 and December 31, 2011 was \$272 million and \$103 million, respectively. If the credit contingent provisions of derivative contracts in a net liability position at March 31, 2012 and December 31, 2011 were triggered, the aggregate fair value of additional assets that would be required to be posted as collateral or needed to settle the instruments immediately would have been \$28 million and \$9 million, respectively.

**12. Income Taxes**

The Company's effective tax rate on income from continuing operations was 22.6% and 23.7% for the three months ended March 31, 2012 and 2011, respectively.

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 Company will not realize the full benefit of certain state net operating losses and therefore a valuation allowance has been established. The valuation allowance was \$5 million at both March 31, 2012 and December 31, 2011.

Included in the Company's deferred income tax assets are tax benefits related to capital loss carryforwards of \$33 million which will expire beginning December 31, 2015 and state net operating losses of \$39 million which will expire beginning December 31, 2014.

As of March 31, 2012 and December 31, 2011, the Company had \$84 million and \$184 million, respectively, of gross unrecognized tax benefits. The significant decrease in the amount of gross unrecognized tax benefits is a result of reaching an agreement with the Internal Revenue Service (IRS) on the treatment of certain items under audit. If recognized, approximately \$15 million and \$38 million, net of federal tax benefits, of unrecognized tax benefits as of March 31, 2012 and December 31, 2011, 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 a net reduction of \$5 million and a net increase of \$16 million of interest and penalties for the three months ended March 31, 2012 and 2011, respectively. At March 31, 2012 and December 31, 2011, the Company had a payable of \$32 million and \$37 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 \$50 million to \$60 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. The IRS had previously completed its field examination of the 1997 through 2007 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 years, except for 2007, continue to remain open as a consequence of certain issues under appeal. The IRS is currently auditing 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 1999 through 2009. The Company's federal and state income tax returns remain open for the years after 2009.

Table of Contents

**AMERIPRISE FINANCIAL, INC.**

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

**13. 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. 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 and sustained volatility in the financial markets and significant 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.

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, FINRA, the Federal Reserve Bank, the OCC, the Financial Services Authority, 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, exams or inquiries regarding certain matters, including: sales of, or disclosures pertaining to, mutual funds, annuities, equity and fixed income securities, low priced securities, insurance products, brokerage services and financial advice offerings; trading practices within the Company's asset management business; supervision of the Company's financial advisors; and company procedures and information security. The Company is also responding to regulatory audits, market conduct examinations and other inquiries (including inquiries from the states of Minnesota and New York) relating to an industry-wide investigation of unclaimed property and escheatment practices and procedures. 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, it is inherently difficult to determine whether any loss is probable or even possible, or to reasonably estimate the amount of any loss. The Company cannot predict with certainty if, how or when

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

such proceedings will be resolved or what the eventual settlement, fine, penalty or other relief, if any, may be, particularly for proceedings that are in their early stages of development or where plaintiffs seek indeterminate damages. Numerous issues may need to be resolved, including through potentially lengthy discovery and determination of important factual matters, and by addressing unsettled legal questions relevant to the proceedings in question, before a loss or range of loss can be reasonably estimated for any proceeding. An adverse outcome in one or more of these proceedings could eventually 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.

In accordance with applicable accounting standards, the Company establishes an accrued liability for contingent litigation and regulatory matters when those matters present loss contingencies that are both probable and can be reasonably estimated. In such cases, there still may be an exposure to loss in excess of any amounts reasonably estimated and accrued. When a loss contingency is not both probable and estimable, the Company does not establish an accrued liability, but continues to monitor, in conjunction with any outside counsel handling a matter, further developments that would make such loss contingency both probable and reasonably estimable. Once the Company establishes an accrued liability with respect to a loss contingency, the Company continues to monitor the matter for further developments that could affect the amount of the accrued liability that has been previously established, and any appropriate adjustments are made each quarter.

Certain legal and regulatory proceedings are described below.

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

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, responding to requests for information from both the SEC and U.S. Attorney's office. 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. The Company cannot reasonably estimate the range of loss, if any, that may result from this matter given the procedural status of the matter, the difficulty in predicting the direction of the government's inquiry, and the government's indication of the Company's status relative to the investigation.

In October 2011, a putative class action lawsuit entitled Roger Krueger, et al. vs. Ameriprise Financial, et al. was filed in the United States District Court for the District of Minnesota against the Company, certain of its present or former employees and directors, as well as certain fiduciary committees on behalf of participants and beneficiaries of the Ameriprise Financial 401(k) Plan. The alleged class period is from October 1, 2005, to the present. The action alleges that Ameriprise breached fiduciary duties under ERISA by selecting and retaining primarily proprietary mutual funds with allegedly poor performance histories, higher expenses relative to other investment options, and improper fees paid to Ameriprise Financial, Inc. or its subsidiaries. The action also alleges that the Company breached fiduciary duties under ERISA because it used its affiliate Ameriprise Trust Company as the Plan trustee and record-keeper and improperly reaped profits from the sale of the record-keeping business to Wachovia Bank, N.A. Plaintiffs allege over \$20 million in damages. On January 17, 2012, all defendants filed a brief and other documents in support of their motion to dismiss the complaint. Plaintiffs filed an amended complaint on February 7, 2012. On April 11, 2012, the Company filed its motion to dismiss the Amended Complaint. Plaintiffs must respond by May 15, 2012 and the hearing on the motion to dismiss has been set by the Court for June 13, 2012. The Company cannot reasonably estimate the range of loss, if any, that may result from this matter due to the early procedural status of the case, the pending motion to dismiss, the absence of class certification, the lack of a formal demand on the Company by the plaintiffs, and plaintiffs' failure to allege any specific, evidence-based damages.

**14. Discontinued Operations**

The components of loss from discontinued operations of Securities America were as follows:

	<b>Three Months Ended March 31,</b>	
	<b>2012</b>	<b>2011</b>
	<b>(in millions)</b>	
Total net revenues	\$	\$ 122
Loss from discontinued operations	\$	\$ (116)
Reduction of gain on sale		(2)
Income tax benefit		(1) (45)
Loss from discontinued operations, net of tax	\$	\$ (1) (71)

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>2012</b>	<b>2011</b>
	<b>(in millions, except per share amounts)</b>	
<b>Numerator:</b>		
Income from continuing operations	\$ 249	\$ 294
Less: Net income (loss) attributable to noncontrolling interests	4	(18)
Income from continuing operations attributable to Ameriprise Financial	245	312
Loss from discontinued operations, net of tax	(1)	(71)
Net income attributable to Ameriprise Financial	\$ 244	\$ 241
<b>Denominator:</b>		
Basic: Weighted-average common shares outstanding	227.3	251.6
Effect of potentially dilutive nonqualified stock options and other share-based awards	4.4	6.1
Diluted: Weighted-average common shares outstanding	231.7	257.7
<b>Earnings per share attributable to Ameriprise Financial, Inc. common shareholders:</b>		
Basic:		
Income from continuing operations	\$ 1.08	\$ 1.24
Loss from discontinued operations	(0.01)	(0.28)
Net income	\$ 1.07	\$ 0.96
Diluted:		
Income from continuing operations	\$ 1.06	\$ 1.21
Loss from discontinued operations	(0.01)	(0.27)
Net income	\$ 1.05	\$ 0.94

**16. Segment Information**

The Company's segments are Advice & Wealth Management, Asset Management, Annuities, Protection and Corporate & Other. The prior period results for the Protection and Annuities segments have been adjusted due to the Company's adoption of the new accounting standard for DAC as discussed in Note 1 and Note 2.

Historically the Chief Operating Decision Makers have received segment results prepared on a GAAP basis and on an operating basis and the Company has presented segment results in the Segment footnote on a GAAP basis. Operating results have become more relevant in how management measures segment performance and determines compensation. Accordingly operating earnings have become the measure of segment profit or loss management uses to evaluate segment performance. The segment results for the three months ended March 31, 2012 are presented on an operating basis and the prior period has been recasted.



Management uses segment operating measures in goal setting, as a basis for determining employee compensation and in evaluating performance on a basis comparable to that used by some securities analysts and investors. Consistent with GAAP accounting guidance for segment reporting, operating earnings is the Company's measure of segment performance and is reported below. Operating earnings should not be viewed as a substitute for GAAP income from continuing operations before income tax provision. The Company believes the presentation of segment operating earnings as the Company measures it for management purposes enhances the understanding of its business by reflecting the underlying performance of its core operations and facilitating a more meaningful trend analysis.

The accounting policies of the segments are the same as those of the Company, except for operating adjustments defined below, the method of capital allocation, the accounting for gains (losses) from intercompany revenues and expenses, and not providing for income taxes on a segment basis.

Operating earnings is defined as operating net revenues less operating expenses. Operating net revenues and operating expenses exclude the results of discontinued operations and the impact of consolidating CIEs. Operating net revenues also exclude net realized gains or losses. Operating expenses exclude the market impact on variable annuity guaranteed living benefits (net of hedges and the related DSIC and DAC amortization) and integration and restructuring charges. The market impact includes changes in the GMWB and GMAB embedded derivative liability values caused by changes in financial market conditions, net of changes in associated hedge asset values. The market impact also includes certain valuation adjustments made in accordance with FASB Accounting Standards Codification 820, *Fair Value Measurements and Disclosures* ( FAS 157 ), including the impact on GMWB and GMAB embedded derivative liability values of discounting projected benefits to reflect a current estimate of the Company's life insurance subsidiary's nonperformance spread. Integration and restructuring charges relate to the Company's acquisition of the long-term asset management business of Columbia Management Group on April 30, 2010. The costs include system integration costs, proxy and other regulatory filing costs, employee reduction and retention costs, and investment banking, legal and other acquisition costs.

Table of Contents

## AMERIPRISE FINANCIAL, INC.

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

The following tables summarize selected financial information by segment and reconcile segment totals to those reported on the consolidated financial statements:

	March 31, 2012		December 31, 2011
	(in millions)		
Advice & Wealth Management	\$ 12,549	\$	12,293
Asset Management	6,853		6,863
Annuities	90,210		86,598
Protection	18,240		18,304
Corporate & Other	8,905		8,249
Total assets	\$ 136,757	\$	132,307

	Three Months Ended March 31,	
	2012	2011
	(in millions)	
Operating net revenues:		
Advice & Wealth Management	\$ 954	\$ 913
Asset Management	711	737
Annuities	628	643
Protection	522	516
Corporate & Other	8	(6)
Eliminations (1)	(312)	(309)
Total segment operating revenues	2,511	2,494
Net realized gains (losses)	(2)	1
Revenues of CIEs	52	37
Total net revenues per consolidated statements of operations	\$ 2,561	\$ 2,532

(1) Represents the elimination of intersegment revenues recognized for the three months ended March 31, 2012 and 2011 in each segment as follows: Advice & Wealth Management (\$229 and \$232, respectively); Asset Management (\$10 and \$10, respectively); Annuities (\$63 and \$58, respectively); Protection (\$9 and \$9, respectively); and Corporate & Other (\$1 and nil, respectively).

	Three Months Ended March 31,	
	2012	2011
	(in millions)	
Operating earnings:		
Advice & Wealth Management	\$ 94	\$ 99
Asset Management	131	136
Annuities	189	172
Protection	107	111
Corporate & Other	(65)	(65)
Total segment operating earnings	456	453

Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

Net realized gains (losses)		(2)		1
Net income (loss) attributable to non-controlling interests		4		(18)
Market impact on variable annuity living benefits, net of hedges, DSIC and DAC amortization		(113)		(21)
Integration and restructuring charges		(23)		(29)
Income from continuing operations before income tax provision per consolidated statements of operations	\$	322	\$	386

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, 2011, filed with the Securities and Exchange Commission (SEC) on February 24, 2012 (2011 10-K), as well as our current reports on Form 8-K and other publicly available information. Prior year amounts have been adjusted for the retrospective adoption of new accounting rules on deferred acquisition costs (DAC). In addition, certain reclassifications of prior year amounts have been made to conform to the current presentation. References below to Ameriprise Financial, the Company, we, us, and our refer to Ameriprise Financial, Inc. exclusively, to our entire family companies, or to one or more of our subsidiaries.

**Overview**

We are a diversified financial services company with \$674.9 billion in assets under management and administration as of March 31, 2012. We serve individual investors and institutions' financial needs, hold leadership positions in financial planning, wealth management, retirement, asset management, annuities and insurance, and we maintain a strong operating and financial foundation.

Ameriprise is in a strong position to capitalize on significant demographic and market trends, which we believe will continue to drive increased demand for our services. Our emphasis on deep client-advisor relationships has been central to the success of our business model, including through the extreme market conditions of the past few years, and we believe it will help us navigate future market and economic cycles. We continue to strengthen our position as a retail financial services leader as we focus on meeting the financial needs of the mass affluent and affluent, as evidenced by our leadership in financial planning, a client retention percentage rate of 94%, and our status as a top ten ranked firm within core portions of our four main business segments, including the size of our U.S. advisor force, and assets in long-term U.S. mutual funds, variable annuities and variable universal life (VUL) insurance.

We offer financial planning, products and services designed to be used as solutions for our clients' cash and liquidity, asset accumulation, income, protection, and estate and wealth transfer needs. Our model for delivering product solutions is built on long-term, personal relationships between our clients and our financial advisors and registered representatives (affiliated advisors). Our focus on personal relationships, together with our discipline in financial planning and strengths in product development and advice, allow us to address the evolving financial and retirement-related needs of our clients, including our primary target market segment, the mass affluent and affluent, which we define as households with investable assets of more than \$100,000. The financial product solutions we offer through our affiliated advisors include both our own products and services and the products of other companies. Our affiliated advisor network is the primary channel through which we offer our life insurance and annuity products and services, as well as a range of banking and protection products.

Our affiliated advisors are focused on using 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, including investment, annuity, insurance, banking and other financial products that can help clients attain a return or form of protection over time while accepting what they determine to be an appropriate range and level of risk. 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 affiliated advisors.

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

As of March 31, 2012, we had a network of more than 9,700 affiliated advisors. The financial product solutions we offer through our affiliated advisors include both our own products and services and the products of other companies. Our affiliated advisor network is the primary 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 affiliated advisors training, tools, leadership, marketing programs and other field and centralized support to assist them in delivering advice and product solutions to clients. We believe our comprehensive and client-focused 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.

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

Table of Contents

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.

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 DAC and deferred sales inducement costs ( DSIC ) assets, the values of liabilities for guaranteed benefits associated with our variable annuities and the values of derivatives held to hedge these benefits.

We consolidate certain collateralized debt obligations and other investment products (collectively, investment entities ) for which we provide asset management services to and sponsor for the investment of client assets in the normal course of business. These entities are defined as consolidated investment entities ( CIEs ). For further information on CIEs, see Note 4 to our Consolidated Financial Statements. Changes in the valuation of the CIE assets and liabilities impact pretax income. The net income (loss) of the CIEs is reflected in net income (loss) 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.

While our consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles ( GAAP ), management believes that operating measures, which exclude net realized gains or losses; the market impact on variable annuity guaranteed living benefits, net of hedges and the related DSIC and DAC amortization; integration and restructuring charges; income (loss) from discontinued operations; 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 15% to 18%.

Table of Contents**GAAP Measures**

Net revenues increased 1% for the first quarter of 2012 compared to the prior year period as growth in asset-based fees from retail client net inflows, primarily wrap account net inflows, and market appreciation was largely offset by a decline in net investment income from low interest rates. Net income from continuing operations attributable to Ameriprise Financial per diluted share decreased 12% compared to the prior year period. Net income from continuing operations attributable to Ameriprise Financial decreased \$67 million, or 21%, compared to the prior year period reflecting the market impact on variable annuity guaranteed living benefits (net of hedges and the related DSIC and DAC amortization) and the negative impact of low interest rates, partially offset by the market impact on DAC and DSIC amortization and the impact of variable annuity model updates and enhancements. The market impact on variable annuity guaranteed living benefits (net of hedges and the related DSIC and DAC amortization), after tax, was a decrease to earnings of \$74 million, or \$0.32 per diluted share, for the first quarter of 2012 compared to a decrease of \$14 million, or \$0.05 per diluted share, for the prior year period. Return on equity from continuing operations excluding accumulated other comprehensive income was 13.3% for the twelve months ended March 31, 2012 compared to 13.0% for the prior year period.

**Operating Measures**

The following tables reconcile certain GAAP measures to operating measures:

	Three Months Ended March 31,	
	2012	2011
	(in millions)	
Total net revenues	\$ 2,561	\$ 2,532
Less CIEs	52	37
Less realized gains (losses)	(2)	1
Operating total net revenues	\$ 2,511	\$ 2,494

	Three Months Ended March 31,		Per Diluted Share	
	2012	2011	Three Months Ended March 31, 2012	Three Months Ended March 31, 2011
	(in millions, except per share amounts, unaudited)			
Net income	\$ 248	\$ 223		
Less: Net income (loss) attributable to noncontrolling interests	4	(18)		
Net income attributable to Ameriprise Financial	244	241	\$ 1.05	\$ 0.94
Less: Loss from discontinued operations, net of tax	(1)	(71)	(0.01)	(0.27)
Net income from continuing operations attributable to Ameriprise Financial	245	312	1.06	1.21
Add: Market impact on variable annuity guaranteed living benefits, net of tax (1)	74	14	0.32	0.05
Add: Integration charges, net of tax (1)	15	19	0.06	0.07
Less: Net realized gains (losses), net of tax (1)	(1)	1	(0.01)	
Operating earnings	\$ 335	\$ 344	\$ 1.45	\$ 1.33
Weighted average common shares outstanding:				
Basic	227.3	251.6		
Diluted	231.7	257.7		



---

(1) Calculated using the statutory tax rate of 35%.

Table of Contents

	Twelve Months Ended March 31,	
	2012	2011
	(in millions, unaudited)	
Net income from continuing operations attributable to Ameriprise Financial	\$ 1,109	\$ 1,108
Add: Market impact on variable annuity guaranteed living benefits, net of tax (1)	100	13
Add: Integration charges, net of tax (1)	58	88
Less: Net realized gains (losses), net of tax (1)	2	20
Operating earnings	\$ 1,265	\$ 1,189
Total Ameriprise Financial, Inc. shareholders' equity	\$ 9,114	\$ 9,286
Less: Assets and liabilities held for sale	11	77
Less: Accumulated other comprehensive income, net of tax	741	684
Total Ameriprise Financial, Inc. shareholders' equity from continuing operations excluding AOCI	8,362	8,525
Less: Equity impacts attributable to CIEs	454	562
Operating equity	\$ 7,908	\$ 7,963
Return on equity from continuing operations, excluding AOCI	13.3%	13.0%
Operating return on equity excluding CIEs and AOCI	16.0%	14.9%

(1) Calculated using the statutory tax rate of 35%.

Operating net revenues increased 1% compared to the prior year period as growth in asset-based fees from retail client net inflows, primarily wrap account net inflows, and market appreciation was largely offset by a decline in net investment income from low interest rates. Operating earnings per diluted share increased 9% compared to the prior year period. Operating earnings decreased 3% compared to the prior year period reflecting a higher operating tax rate as well as the negative impact of low interest rates. Operating return on equity excluding CIEs and accumulated other comprehensive income was 16.0% for the twelve months ended March 31, 2012 compared to 14.9% for the prior year period.

Earnings, as well as operating earnings, will continue to be negatively impacted by the ongoing low interest rate environment in 2012. In addition to continuing spread compression in our interest sensitive product lines throughout the year, there is also the potential for interest rate related impacts to DAC and DSIC amortization and the level of reserves as a result of our ongoing review of various actuarial related assumptions, which could be material.

### 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 2011 10-K.

We adopted new accounting rules for DAC on January 1, 2012 on a retrospective basis. See Note 1 and Note 6 to our Consolidated Financial Statements for the impact of the adoption on prior period results of operations and financial condition and our updated accounting policies on the

deferral of acquisition costs.

A decrease of 100 basis points in various rate assumptions is likely to result in an increase in DAC and DSIC amortization and an increase in benefits and claims expense from variable annuity guarantees. The following table presents the estimated impact to current period pretax income:

	<b>Estimated Impact to Pretax Income(1) (in millions)</b>
Decrease in future near and long-term fixed income returns by 100 basis points	\$ (27)
Decrease in future near-term equity fund growth returns by 100 basis points	\$ (25)
Decrease in future long-term equity fund growth returns by 100 basis points	(18)
Decrease in future near and long-term equity returns by 100 basis points	\$ (43)

---

(1) An increase in the above assumptions by 100 basis points would result in an increase to pretax income for approximately the same amount.

Table of Contents**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.

We adopted new accounting rules for DAC on January 1, 2012 on a retrospective basis. See Note 1 to our Consolidated Financial Statements for the impact of the adoption on prior period results of operations and financial condition.

**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 affiliated advisor platform held in wrap accounts as well as assets managed by sub-advisers 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:

	2012	March 31, (in billions)	2011	Change	
<b>Assets Under Management and Administration</b>					
Advice & Wealth Management AUM	\$	114.4	\$	103.1	11%
Asset Management AUM		463.0		465.4	(1)
Eliminations		(13.9)		(13.1)	(6)
<b>Total Assets Under Management</b>		<b>563.5</b>		<b>555.4</b>	<b>1</b>
<b>Total Assets Under Administration</b>		<b>111.4</b>		<b>111.5</b>	
<b>Total AUM and AUA</b>	\$	<b>674.9</b>	\$	<b>666.9</b>	<b>1%</b>

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

Total AUM increased \$8.1 billion, or 1%, to \$563.5 billion as of March 31, 2012 compared to the prior year period primarily due to wrap account net inflows and market appreciation, partially offset by Asset Management AUM net outflows. See our segment results of operations discussion below for additional information on changes in our AUM as of March 31, 2012 compared to the prior year period.

Table of Contents**Consolidated Results of Operations for the Three Months Ended March 31, 2012 and 2011**

The following table presents our consolidated results of operations:

	<b>Three Months Ended March 31,</b>				<b>Change</b>	
	<b>2012</b>	<b>2011</b>	<b>(in millions, unaudited)</b>			
<b>Revenues</b>						
Management and financial advice fees	\$ 1,132	\$ 1,137	\$ (5)			%
Distribution fees	402	397	5			1
Net investment income	531	515	16			3
Premiums	301	292	9			3
Other revenues	206	204	2			1
Total revenues	2,572	2,545	27			1
Banking and deposit interest expense	11	13	(2)			(15)
Total net revenues	2,561	2,532	29			1
<b>Expenses</b>						
Distribution expenses	666	634	32			5
Interest credited to fixed accounts	206	208	(2)			(1)
Benefits, claims, losses and settlement expenses	492	383	109			28
Amortization of deferred acquisition costs	31	75	(44)			(59)
Interest and debt expense	69	75	(6)			(8)
General and administrative expense	775	771	4			1
Total expenses	2,239	2,146	93			4
Income from continuing operations before income tax provision			(64)			(17)
Income tax provision	322	386	(64)			(17)
Income tax provision	73	92	(19)			(21)
Income from continuing operations	249	294	(45)			(15)
Loss from discontinued operations, net of tax	(1)	(71)	70			99
Net income	248	223	25			11
Less: Net income (loss) attributable to non-controlling interests	4	(18)	22			NM
Net income attributable to Ameriprise Financial	\$ 244	\$ 241	\$ 3			1%

NM Not Meaningful.

Income from continuing operations decreased \$45 million, or 15%, compared to the prior year period reflecting the market impact on variable annuity guaranteed living benefits (net of hedges and the related DSIC and DAC amortization) and the negative impact of the low interest rate environment, partially offset by the market impact on DAC and DSIC amortization, the impact of variable annuity model updates and enhancements and the change in net income (loss) attributable to non-controlling interests. The market impact on variable annuity guaranteed living benefits (net of hedges and the related DSIC and DAC amortization), after-tax, was a negative impact of \$74 million for the first quarter of 2012 compared to a negative impact of \$14 million for the prior year period. Earnings in the first quarter of 2012 included a \$17 million after-tax benefit from the market impact on DAC and DSIC amortization compared to a \$7 million after-tax benefit for the prior year period. Earnings in the first quarter of 2012 included a \$13 million after-tax benefit from variable annuity model updates and enhancements compared to a \$3 million after-tax benefit for the prior year period. Net income attributable to non-controlling interests of \$4 million in the first quarter of 2012 compared to a loss of \$18 million for the prior year period reflected an increase in net investment income of \$34 million partially offset by a decrease in other revenues of \$19 million. Loss from discontinued operations, net of tax, was \$1 million for the three months ended March 31, 2012 compared to \$71 million for the prior year period. Loss from discontinued operations, net of tax, for the prior year period included a \$77

million after-tax charge related to previously disclosed legal expenses.

Net revenues increased \$29 million, or 1%, compared to the prior year period due to an increase in net investment income, which reflected higher net investment income of the CIEs partially offset by lower investment income on fixed maturity securities, and higher premiums, as well as, growth in asset-based fees from wrap account net inflows and market appreciation offset by lower asset-based fees from Asset Management AUM net outflows. Net investment income increased \$16 million, or 3%, compared to the prior year period reflecting higher net investment income of the CIEs, partially offset by a decrease in investment income on fixed maturity securities driven by lower interest rates. Net investment income for the first quarter of 2012 included a \$61 million gain for changes in the assets and liabilities of CIEs, primarily debt and underlying syndicated loans, compared to a \$27 million gain in the prior year period. Premiums increased \$9 million, or 3%, compared to the prior year period due to growth in Auto and Home premiums primarily driven by higher volumes. Auto and Home policy counts increased 7% period-over-period.

Table of Contents

Total expenses increased \$93 million, or 4%, compared to the prior year period primarily due to the market impact on variable annuity guaranteed living benefits (net of hedges and the related DSIC and DAC amortization) and higher distribution expenses, partially offset by the market impact to DAC and DSIC amortization and the impact of model updates and enhancements. Distribution expenses increased \$32 million, or 5%, compared to the prior year period as a result of higher advisor compensation from business growth and market appreciation.

Benefits, claims, losses and settlement expenses increased \$109 million, or 28%, compared to the prior year period primarily due to the market impact on variable annuity guaranteed living benefits (net of hedges and the related DSIC amortization), partially offset by the impact of variable annuity model updates and enhancements. Benefits, claims, losses and settlement expenses in the first quarter of 2012 included an expense of \$149 million for the market impact on variable annuity guaranteed living benefits (net of hedges and the related DSIC amortization) compared to an expense of \$27 million for the prior year period. The impact of variable annuity model updates and enhancements was a \$23 million benefit in the first quarter of 2012 compared to a \$7 million benefit for the prior year period.

Amortization of DAC decreased \$44 million, or 59%, compared to the prior year period primarily due to the DAC offset to the market impact on variable annuity guaranteed living benefits (net of hedges and the related DSIC amortization) and the market impact on amortization of DAC. The DAC offset to the market impact on variable annuity guaranteed living benefits (net of hedges and the related DSIC amortization) was a \$36 million benefit in the first quarter of 2012 compared to a \$6 million benefit in the prior year period. The market impact on amortization of DAC was a benefit of \$20 million in the first quarter of 2012 compared to a benefit of \$8 million in the prior year period.

*Income Taxes*

Our effective tax rate on income from continuing operations including income attributable to noncontrolling interests was 22.6% for the three months ended March 31, 2012, compared to 23.7% for the prior year period. Our effective tax rate on income from continuing operations excluding income attributable to noncontrolling interests was 22.9% for the three months ended March 31, 2012, compared to 22.7% for the prior year period.

Our operating effective tax rate was 26.5% for the three months ended March 31, 2012, compared to 24.1% for the prior year period. The following table presents a reconciliation of our operating effective tax rate:

	2012		Three Months Ended March 31,		2011			
	GAAP	Operating	GAAP	Operating	GAAP	Operating		
	(in millions, unaudited)							
Income from continuing operations before income tax provision	\$	322	\$	456	\$	386	\$	453
Less: Pretax income (loss) attributable to noncontrolling interests		4				(18)		
Income from continuing operations before income tax provision excluding CIEs	\$	318	\$	456	\$	404	\$	453
Income tax provision from continuing operations	\$	73	\$	121	\$	92	\$	109



Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

Effective tax rate	22.6%	26.5%	23.7%	24.1%
Effective tax rate excluding noncontrolling interests	22.9%	26.5%	22.7%	24.1%

It is possible there will be corporate tax reform in the next few years. While impossible to predict, corporate tax reform is likely to include a reduction in the corporate tax rate coupled with reductions in tax preferred items. Potential tax reform may also affect the U.S. tax rules regarding international operations. Any changes could have a material impact on our income tax expense and deferred tax balances.

Table of Contents**Results of Operations by Segment for the Three Months Ended March 31, 2012 and 2011**

Operating earnings is the measure of segment profit or loss management uses to evaluate segment performance. Operating earnings should not be viewed as a substitute for GAAP income from continuing operations before income tax provision. We believe the presentation of segment operating earnings as we measure it for management purposes enhances the understanding of our business by reflecting the underlying performance of our core operations and facilitating a more meaningful trend analysis. See Note 16 to the Consolidated Financial Statements for further information on the presentation of segment results and our definition of operating earnings.

The following table presents summary financial information by segment:

	<b>Three Months Ended March 31,</b>	
	<b>2012</b>	<b>2011</b>
	<b>(in millions, unaudited)</b>	
<b>Advice &amp; Wealth Management</b>		
Net revenues	\$ 954	\$ 913
Expenses	860	814
Operating earnings	\$ 94	\$ 99
<b>Asset Management</b>		
Net revenues	\$ 711	\$ 737
Expenses	580	601
Operating earnings	\$ 131	\$ 136
<b>Annuities</b>		
Net revenues	\$ 628	\$ 643
Expenses	439	471
Operating earnings	\$ 189	\$ 172
<b>Protection</b>		
Net revenues	\$ 522	\$ 516
Expenses	415	405
Operating earnings	\$ 107	\$ 111
<b>Corporate &amp; Other</b>		
Net revenues	\$ 8	\$ (6)
Expenses	73	59
Operating earnings	\$ (65)	\$ (65)

Table of Contents**Advice & Wealth Management**

Our Advice & Wealth Management segment provides financial planning and advice, as well as brokerage and banking services, primarily to retail clients through our affiliated advisors. Our affiliated advisors have access to 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.

The following table presents the changes in wrap account assets for the three months ended March 31:

	2012	(in billions)	2011
Beginning balance	\$	103.4	\$ 97.5
Net flows		2.9	2.8
Market appreciation and other		6.8	2.8
Ending balance	\$	113.1	\$ 103.1

The following table presents the changes in wrap account assets for the twelve months ended March 31:

	2012	(in billions)	2011
Beginning balance	\$	103.1	\$ 85.9
Net flows		7.4	8.1
Market appreciation and other		2.6	9.1
Ending balance	\$	113.1	\$ 103.1

Wrap account assets increased \$10.0 billion, or 10%, to \$113.1 billion compared to the prior year period due to net inflows and market appreciation.

Management believes that operating measures, which exclude net realized gains or losses 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 operating measures in the Overview section above.

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

The following table presents the results of operations of our Advice & Wealth Management segment on an operating basis:

	Three Months Ended March 31,			Change	
	2012	2011	(in millions, unaudited)		
<b>Revenues</b>					
Management and financial advice fees	\$ 412	\$ 386	\$ 26		7%
Distribution fees	471	461	10		2
Net investment income	64	63	1		2
Other revenues	18	16	2		13
Total revenues	965	926	39		4
Banking and deposit interest expense	11	13	(2)		(15)
Total net revenues	954	913	41		4
<b>Expenses</b>					
Distribution expenses	574	541	33		6
General and administrative expense	286	273	13		5
Total expenses	860	814	46		6
Operating earnings	\$ 94	\$ 99	\$ (5)		(5)%

Our Advice & Wealth Management segment pretax operating earnings, which excludes net realized gains or losses, decreased \$5 million, or 5%, to \$94 million for the three months ended March 31, 2012 compared to \$99 million for the prior year period due to the negative impact from low interest rates, higher distribution expenses and increased spending on growth initiatives that was

Table of Contents

largely offset by higher asset-based fees due to wrap account net inflows and market appreciation and higher invested assets. Pretax operating margin was 9.9% for the three months ended March 31, 2012 compared to 10.8% for the prior year period.

*Net Revenues*

Net revenues exclude net realized gains or losses. Net revenues increased \$41 million, or 4%, to \$954 million for the three months ended March 31, 2012 compared to \$913 million for the prior year period driven by higher asset-based fees due to wrap account net inflows and market appreciation and higher invested assets, partially offset by the impact of lower asset earnings rates on cash products.

Management and financial advice fees increased \$26 million, or 7%, to \$412 million for the three months ended March 31, 2012 compared to \$386 million for the prior year period driven by growth in assets under management. Wrap account assets increased \$10.0 billion, or 10%, to \$113.1 billion at March 31, 2012 compared to the prior year period due to net inflows and market appreciation.

Distribution fees increased \$10 million, or 2%, to \$471 million for the three months ended March 31, 2012 compared to \$461 million for the prior year period primarily driven by growth in assets under management and increased client activity.

Net investment income, which excludes net realized gains or losses, increased \$1 million, or 2%, to \$64 million for the three months ended March 31, 2012 compared to \$63 million for the prior year period reflecting higher invested assets driven by higher banking deposits, partially offset by lower asset earnings rates due to low interest rates.

Banking and deposit interest expense decreased \$2 million, or 15%, to \$11 million for the three months ended March 31, 2012 compared to \$13 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 \$46 million, or 6%, to \$860 million for the three months ended March 31, 2012 compared to \$814 million for the prior year period primarily due to an increase in distribution expenses, as well as increased spending on growth initiatives.

Distribution expenses increased \$33 million, or 6%, to \$574 million for the three months ended March 31, 2012 compared to \$541 million for the prior year period primarily due to higher advisor compensation from business growth and market appreciation.

General and administrative expense increased \$13 million, or 5%, to \$286 million for the three months ended March 31, 2012 compared to \$273 million for the prior year period primarily due to an increase in investment spending, including costs to recruit experienced advisors and transition advisors to a new brokerage technology platform.

### Asset Management

Our Asset Management segment provides investment advice and investment products to retail and institutional clients. We provide our products and services on a global scale through two complementary asset management businesses: Columbia Management Investment Advisers, LLC ( Columbia or Columbia Management ) and Threadneedle Asset Management Holdings Sàrl ( Threadneedle ). Columbia Management predominantly provides U.S. domestic products and services and Threadneedle predominantly provides international investment products and services. We provide clients with Columbia retail products through unaffiliated third party financial institutions and through our Advice & Wealth Management segment. We provide institutional products and services through our institutional sales force. We provide Threadneedle retail products primarily through third parties. Retail products include mutual funds and variable product funds underlying insurance and annuity separate accounts. 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, separately managed accounts, individually managed accounts, collateralized loan obligations, hedge funds, collective 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 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 our 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 expected to be

Table of Contents

completed in 2012, 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. 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. retail assets and number of funds under the Columbia brand as of March 31, 2012 were \$221.4 billion and 210 funds, respectively.

Threadneedle remains our primary international investment management platform. Threadneedle manages seven OEICs and one Societe d Investissement A Capital Variable ( SICAV ) offering. The seven OEICs are Threadneedle Investment Funds ICVC ( TIF ), Threadneedle Specialist Investment Funds ICVC ( TSIF ), Threadneedle Focus Investment Funds ( TFIF ), Threadneedle Advantage Portfolio Funds ( TPAF ), Threadneedle Investment Funds ICVC II ( TIF II ), Threadneedle Investment Funds ICVC III ( TIF III ) and Threadneedle Investment Funds ICVC IV ( TIF IV ). TIF, TSIF, TFIF, TPAF, TIF II, TIF III and TIF IV are structured as umbrella companies with a total of 72 (33, 14, 2, 2, 6, 9, and 6, 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 29 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, 7 property unit trusts and 1 property fund of funds.

The following tables present the mutual fund performance of our retail Columbia and Threadneedle funds as of March 31, 2012:

**Columbia**

**Mutual Fund Rankings in top 2 Lipper Quartiles**

Domestic Equity	Equal weighted	1 year	46%
		3 year	60%
		5 year	63%
	Asset weighted	1 year	59%
		3 year	76%
		5 year	60%
International Equity	Equal weighted	1 year	83%
		3 year	65%
		5 year	64%
	Asset weighted	1 year	93%
		3 year	75%
		5 year	84%
Taxable Fixed Income	Equal weighted	1 year	85%
		3 year	45%
		5 year	68%
	Asset weighted	1 year	95%
		3 year	44%
		5 year	75%
Tax Exempt Fixed Income	Equal weighted	1 year	90%
		3 year	95%

Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

	Asset weighted	5 year	90%
		1 year	82%
		3 year	85%
		5 year	98%
Asset Allocation Funds	Equal weighted	1 year	91%
		3 year	67%
		5 year	52%
	Asset weighted	1 year	92%
		3 year	89%
		5 year	88%



Table of Contents

<b>Number of funds with 4 or 5 Morningstar star ratings</b>	Overall	56
	3 year	53
	5 year	49
<b>Percent of funds with 4 or 5 Morningstar star ratings</b>	Overall	47%
	3 year	44%
	5 year	44%
<b>Percent of assets with 4 or 5 Morningstar star ratings</b>	Overall	66%
	3 year	53%
	5 year	44%

Mutual fund performance rankings are based on the performance of Class Z fund shares for Columbia branded mutual funds. In instances where a fund's Class Z shares do not have a full one, three or five year track record, performance for an older share class of the same fund, typically Class A shares, is utilized for the period before Class Z shares were launched. No adjustments to the historical track records are made to account for differences in fund expenses between share classes of a fund.

Equal Weighted Rankings in Top 2 Quartiles: Counts the number of funds with above median ranking divided by the total number of funds. Asset size is not a factor.

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

Aggregated data includes all Columbia branded mutual funds.

**Threadneedle**

**Retail Fund Rankings in Top 2 Morningstar Quartiles or Above Index Benchmark**

Equity	Equal weighted	1 year	73%
		3 year	73%
		5 year	86%
	Asset weighted	1 year	84%
		3 year	78%
		5 year	87%
Fixed Income	Equal weighted	1 year	79%
		3 year	85%
		5 year	82%
	Asset weighted	1 year	80%

Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

		3 year	80%
		5 year	97%
Allocation (Managed) Funds	Equal weighted	1 year	67%
		3 year	50%
		5 year	100%
	Asset weighted	1 year	80%
		3 year	41%
		5 year	100%

The performance of each fund is measured on a consistent basis against the most appropriate benchmark a peer group of similar funds or an index.

Equal weighted: Counts the number of funds with above median ranking (if measured against peer group) or above index performance (if measured against an index) divided by the total number of funds. Asset size is not a factor.

Asset weighted: Sums the assets of the funds with above median ranking (if measured against peer group) or above index performance (if measured against an index) divided by the total sum of assets in the funds. Funds with more assets will receive a greater share of the total percentage above or below median or index.

Aggregated Allocation (Managed) Funds include funds that invest in other funds of the Threadneedle range including those funds that invest in both equity and fixed income.

Aggregated Threadneedle data includes funds on the Threadneedle platform sub-advised by Columbia as well as advisors not affiliated with Ameriprise Financial, Inc.

Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

Table of Contents

The following tables present the changes in Columbia and Threadneedle managed assets:

	January 1, 2012	Net Flows	Market Appreciation & Other (1) (in billions)	Foreign Exchange	March 31, 2012
<b>Columbia Managed Assets:</b>					
Retail Funds	\$ 204.8	\$ (2.9)	\$ 19.5	\$	\$ 221.4
Institutional Funds	73.3	(1.9)	3.6		75.0
Alternative Funds	8.1	(0.3)	0.5		8.3
Affiliated General Account Assets (2)	40.0	N/A	N/A		39.4
Less: Eliminations	(0.1)				(0.1)
<b>Total Columbia Managed Assets</b>	<b>326.1</b>	<b>(5.1)</b>	<b>23.6</b>		<b>344.0</b>
<b>Threadneedle Managed Assets:</b>					
Retail Funds	31.8	1.1	2.4	1.0	36.3
Institutional Funds	80.6	(0.7)	3.6	2.4	85.9
Alternative Funds	1.2	(0.1)			1.1
<b>Total Threadneedle Managed Assets</b>	<b>113.6</b>	<b>0.3</b>	<b>6.0</b>	<b>3.4</b>	<b>123.3</b>
Less: Sub-Advised Eliminations	(4.2)	0.2	(0.3)		(4.3)
<b>Total Managed Assets</b>	<b>\$ 435.5</b>	<b>\$ (4.6)</b>	<b>\$ 29.3</b>	<b>\$ 3.4</b>	<b>\$ 463.0</b>

	January 1, 2011	Net Flows	Market Appreciation & Other (1) (in billions)	Foreign Exchange	March 31, 2011
<b>Columbia Managed Assets:</b>					
Retail Funds	\$ 218.5	\$ (0.6)	\$ 8.5	\$	\$ 226.4
Institutional Funds	89.4	(1.3)	1.7		89.8
Alternative Funds	10.0	(0.4)	0.1		9.7
Affiliated General Account Assets (2)	37.8	N/A	N/A		37.3
Less: Eliminations	(0.2)				(0.2)
<b>Total Columbia Managed Assets</b>	<b>355.5</b>	<b>(2.3)</b>	<b>10.3</b>		<b>363.0</b>
<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
<b>Total Threadneedle Managed Assets</b>	<b>105.6</b>	<b>(3.0)</b>	<b>1.2</b>	<b>3.0</b>	<b>106.8</b>
Less: Sub-Advised Eliminations	(4.3)	0.1	(0.2)		(4.4)
<b>Total Managed Assets</b>	<b>\$ 456.8</b>	<b>\$ (5.2)</b>	<b>\$ 11.3</b>	<b>\$ 3.0</b>	<b>\$ 465.4</b>

N/A Not applicable.

(1) Distributions of Retail Funds are included in market appreciation and other.

(2) Affiliated general account assets represent balance sheet assets from various affiliates managed and reported by Columbia.

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

Total segment assets under management declined \$2.4 billion, or 1%, from a year ago to \$463.0 billion as of March 31, 2012, driven by a decrease in Columbia managed assets, partially offset by an increase in Threadneedle managed assets. Columbia managed assets declined \$19.0 billion, or 5%, from a year ago to \$344.0 billion as of March 31, 2012, primarily due to net outflows, partially offset by market appreciation. Columbia retail net outflows of \$2.9 billion in the first quarter of 2012 included \$2.3 billion of low basis point, former parent company asset net outflows. Threadneedle managed assets increased \$16.5 billion, or 15%, from a year ago to \$123.3 billion as of March 31, 2012 due to net inflows and market appreciation. Threadneedle retail net inflows of \$1.1 billion in the first quarter of 2012 were partially offset by institutional net outflows of \$0.7 billion which included \$0.8 billion of net outflows from the continued run-off of low-margin, long-standing insurance assets.

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 operating measures in the Overview section above.

Table of Contents

The following table presents the results of operations of our Asset Management segment on an operating basis:

	Three Months Ended March 31,			Change			
	2012	2011					
	(in millions, unaudited)						
<b>Revenues</b>							
Management and financial advice fees	\$	586	\$	620	\$	(34)	(5)%
Distribution fees		111		115		(4)	(3)
Net investment income		5		1		4	NM
Other revenues		9		2		7	NM
Total revenues		711		738		(27)	(4)
Banking and deposit interest expense				1		(1)	NM
Total net revenues		711		737		(26)	(4)
<b>Expenses</b>							
Distribution expenses		274		275		(1)	
Amortization of deferred acquisition costs		3		4		(1)	(25)
General and administrative expense		303		322		(19)	(6)
Total expenses		580		601		(21)	(3)
Operating earnings	\$	131	\$	136	\$	(5)	(4)%

NM Not Meaningful.

Our Asset Management segment pretax operating earnings, which exclude net realized gains or losses and integration charges, decreased \$5 million, or 4%, to \$131 million for the three months ended March 31, 2012 compared to \$136 million for the prior year period reflecting a decline in assets under management, partially offset by lower expenses. Pretax operating margin was 18.4% for the three months ended March 31, 2012 compared to 18.5% for the prior year period.

*Net Revenues*

Net revenues decreased \$26 million, or 4%, to \$711 million for the three months ended March 31, 2012 compared to \$737 million for the prior year period driven by a decline in assets under management.

Management and financial advice fees decreased \$34 million, or 5%, to \$586 million for the three months ended March 31, 2012 compared to \$620 million for the prior year period driven by a decline in assets under management due to net outflows, partially offset by market appreciation.

Distribution fees decreased \$4 million, or 3%, to \$111 million for the three months ended March 31, 2012 compared to \$115 million for the prior year period driven by a decline in assets under management due to net outflows, partially offset by market appreciation.

*Expenses*

Total expenses, which exclude integration charges, decreased \$21 million, or 3%, to \$580 million for the three months ended March 31, 2012 compared to \$601 million for the prior year period due to a decrease in general and administrative expense.

General and administrative expense, which excludes integration charges, decreased \$19 million, or 6%, to \$303 million for the three months ended March 31, 2012 compared to \$322 million for the prior year period primarily due to the impact of the change in Threadneedle's estimated market valuation attributable to its employee incentive compensation program and Threadneedle's partial refund of the 2011 industry-wide Financial Services Authority levy. General and administrative expense in the first quarter of 2012 included a benefit of \$4 million from these items compared to an expense of \$10 million in the prior year period.

Table of Contents**Annuities**

Our Annuities segment provides variable and fixed annuity products of RiverSource Life companies to retail clients. We provide our variable annuity products through our affiliated advisors. We provide our fixed annuity products 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, 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 and the related 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 operating measures in the Overview section above.

The following table presents the results of operations of our Annuities segment on an operating basis:

	Three Months Ended March 31,		Change	
	2012	2011		
	(in millions, unaudited)			
<b>Revenues</b>				
Management and financial advice fees	\$ 160	\$ 155	\$ 5	3%
Distribution fees	76	76		
Net investment income	293	323	(30)	(9)
Premiums	32	34	(2)	(6)
Other revenues	67	55	12	22
Total revenues	628	643	(15)	(2)
Banking and deposit interest expense				
Total net revenues	628	643	(15)	(2)
<b>Expenses</b>				
Distribution expenses	100	99	1	1
Interest credited to fixed accounts	171	173	(2)	(1)
Benefits, claims, losses and settlement expenses	78	97	(19)	(20)
Amortization of deferred acquisition costs	34	48	(14)	(29)
Interest and debt expense	1		1	
General and administrative expense	55	54	1	2
Total expenses	439	471	(32)	(7)
Operating earnings	\$ 189	\$ 172	\$ 17	10%

NM Not Meaningful.

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 and the related DSIC and DAC amortization, increased \$17 million, or 10%, to \$189 million for the three months ended March 31, 2012 compared to \$172 million for the prior year period primarily due to higher variable annuity fees, the impact of variable annuity model updates and enhancements, and the market impact on DAC and DSIC amortization, partially offset by a decline in net investment income reflecting dividends paid to the holding company in 2011 and low interest rates impacting both the variable and fixed businesses.

*Net Revenues*

Net revenues, which exclude net realized gains or losses, decreased \$15 million, or 2%, to \$628 million for the three months ended March 31, 2012 compared to \$643 million for the prior year period primarily due to a decline in net investment income reflecting dividends paid to the holding company in 2011 and low interest rates, partially offset by higher fee revenue from increased variable annuity separate account balances and higher fees from variable annuity guarantees.



Table of Contents

Management and financial advice fees increased \$5 million, or 3%, to \$160 million for the three months ended March 31, 2012 compared to \$155 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 \$1.6 billion, or 3%, from the prior year period primarily due to market appreciation. Variable annuity net inflows in the Ameriprise channel declined 3% from the prior year period to \$333 million as we raised rider fees during the quarter and announced a new product launch in the second quarter of 2012.

Net investment income, which excludes net realized gains or losses, decreased \$30 million, or 9%, to \$293 million for the three months ended March 31, 2012 compared to \$323 million for the prior year period reflecting dividends paid to the holding company in 2011 and low interest rates.

Other revenues increased \$12 million, or 22%, to \$67 million for the three months ended March 31, 2012 compared to \$55 million for the prior year period due to higher fees from variable annuity guarantees primarily driven by higher account values, as well as higher fee rates.

*Expenses*

Total expenses, which exclude the market impact on variable annuity guaranteed living benefits, net of hedges and the related DSIC and DAC amortization, decreased \$32 million, or 7%, to \$439 million for the three months ended March 31, 2012 compared to \$471 million for the prior year period primarily due to the market impact on DAC and DSIC amortization and variable annuity model updates and enhancements.

Benefits, claims, losses and settlement expenses, which exclude the market impact on variable annuity guaranteed living benefits, net of hedges and the related DSIC amortization, decreased \$19 million, or 20%, to \$78 million for the three months ended March 31, 2012 compared to \$97 million for the prior year period due to variable annuity model updates and enhancements, as well as the market impact to DSIC amortization. The impact of variable annuity model updates and enhancements was a \$23 million benefit in the first quarter of 2012 compared to a \$7 million benefit for the prior year period. The market impact to DSIC was a benefit of \$6 million in the first quarter of 2012 compared to a benefit of \$3 million in the prior year period.

Amortization of DAC, which excludes the DAC offset to the market impact on variable annuity guaranteed living benefits, decreased \$14 million, or 29%, to \$34 million for the three months ended March 31, 2012 compared to \$48 million for the prior year period primarily due to the market impact on amortization of DAC. The market impact on amortization of DAC was a benefit of \$18 million in the first quarter of 2012 compared to a benefit of \$7 million in the prior year period. The impact of variable annuity model updates and enhancements was a \$3 million expense in both the first quarter of 2012 and 2011.

**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 provided through affiliated advisors. Our property-casualty products are provided direct, primarily through affinity relationships. We issue insurance policies through our

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

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 VUL 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 VUL 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 operating measures in the Overview section above.

Table of Contents

The following table presents the results of operations of our Protection segment on an operating basis:

	Three Months Ended March 31,				Change	
	2012	2011	(in millions, unaudited)			
<b>Revenues</b>						
Management and financial advice fees	\$ 14	\$ 14	\$			%
Distribution fees	23	23				
Net investment income	106	107			(1)	(1)
Premiums	273	262			11	4
Other revenues	107	110			(3)	(3)
Total revenues	523	516			7	1
Banking and deposit interest expense	1				1	
Total net revenues	522	516			6	1
<b>Expenses</b>						
Distribution expenses	15	14			1	7
Interest credited to fixed accounts	35	35				
Benefits, claims, losses and settlement expenses	265	259			6	2
Amortization of deferred acquisition costs	30	29			1	3
General and administrative expense	70	68			2	3
Total expenses	415	405			10	2
Operating earnings	\$ 107	\$ 111	\$		(4)	(4)%

Our Protection segment pretax operating income, which excludes net realized gains or losses, decreased \$4 million, or 4%, to \$107 million for the three months ended March 31, 2012, compared to \$111 million for the prior year period as the improvement in auto and home results was more than offset by a decline in the long term care portion of life and health insurance earnings.

*Net Revenues*

Net revenues, which exclude net realized gains or losses, increased \$6 million, or 1%, to \$522 million for the three months ended March 31, 2012 compared to \$516 million for the prior year period due to Auto and Home premium growth.

Premiums increased \$11 million, or 4%, to \$273 million for the three months ended March 31, 2012 compared to \$262 million for the prior year period due to growth in Auto and Home premiums driven by higher volumes, partially offset by a modest decline in life insurance in force. Auto and Home policy counts increased 7% period-over-period.

Other revenues decreased \$3 million, or 3%, to \$107 million for the three months ended March 31, 2012 compared to \$110 million for the prior year period due to higher reinsurance costs for universal life products.

*Expenses*

Total expenses increased \$10 million, or 2%, to \$415 million for the three months ended March 31, 2012 compared to \$405 million for the prior year period primarily due to an increase in benefits, claims, losses and settlement expenses.

Benefits, claims, losses and settlement expenses increased \$6 million, or 2%, to \$265 million for the three months ended March 31, 2012 compared to \$259 million for the prior year period primarily due to higher long term care claims.

**Corporate & Other**

Our Corporate & Other segment consists of net investment income or loss on corporate level assets, including excess capital held in our subsidiaries and other unallocated equity and other revenues as well as unallocated corporate expenses. The Corporate & Other segment excludes revenues and expenses of the CIEs.

Management believes that operating measures, which exclude net realized gains or losses 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 operating measures in the Overview section above.

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

### Table of Contents

The following table presents the results of operations of our Corporate & Other segment on an operating basis:

	Three Months Ended March 31,			Change	
	2012	2011			
(in millions, unaudited)					
<b>Revenues</b>					
Net investment income (loss)	\$ 4	\$ (7)	\$ 11		NM
Other revenues	4	1	3		NM
Total revenues	8	(6)	14		NM
Banking and deposit interest expense					%
Total net revenues	8	(6)	14		NM
<b>Expenses</b>					
Interest and debt expense	22	25	(3)		(12)
General and administrative expense	51	34	17		50
Total expenses	73	59	14		(24)
Operating loss	\$ (65)	\$ (65)	\$		%

NM Not Meaningful.

Our Corporate & Other segment pretax operating loss excludes net realized gains or losses and the impact of consolidating CIEs. Our Corporate & Other segment pretax operating loss was \$65 million for both the three months ended March 31, 2012 and 2011.

Net revenues, which exclude revenues or losses of CIEs and net realized gains or losses, increased \$14 million to \$8 million for the three months ended March 31, 2012 compared to a loss of \$6 million for the prior year period primarily due to an increase in net investment income.

Net investment income, which excludes net investment income or loss of the CIEs and net realized gains or losses, was \$4 million for the three months ended March 31, 2012 compared to a loss of \$7 million for the prior year period reflecting dividends paid to the holding company in 2011.

Total expenses, which exclude expenses of CIEs, increased \$14 million, or 24%, to \$73 million for the three months ended March 31, 2012 compared to \$59 million for the prior year period due to an increase in general and administrative expense.

General and administrative expense, which excludes expenses of the CIEs, increased \$17 million, or 50%, to \$51 million for the three months ended March 31, 2012 compared to \$34 million for the prior year period primarily due to higher investment spending.

### **Market Risk**

Our primary market risk exposures are interest rate, equity price, foreign currency exchange rate and credit risk. Equity price 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, brokerage client cash balances, and face amount certificate products and UL insurance products, the value of DAC and DSIC assets, the values of liabilities for guaranteed benefits associated with our variable annuities and the values of derivatives held to hedge these benefits.

Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

Table of Contents

The guaranteed benefits associated with our variable annuities are guaranteed minimum withdrawal benefits ( GMWB ), guaranteed minimum accumulation benefits ( GMAB ), guaranteed minimum death benefits ( GMDB ) and guaranteed minimum income benefits ( GMIB ). Each of these guaranteed benefits guarantees payouts to the annuity holder under certain specific conditions regardless of the performance of the underlying investment assets.

We continue to utilize a hedging program which attempts to match the sensitivity of the assets with the sensitivity of the liabilities. This approach works with the premise that matched sensitivities will produce a highly effective hedging result. Our comprehensive hedging program focuses mainly on first order sensitivities of assets and liabilities; Equity Market Level (Delta), Interest Rate Level (Rho) and Volatility (Vega). Additionally, various second order sensitivities are managed. We use various index options across the term structure, interest rate swaps and swaptions, total return swaps and futures to manage the risk exposures. The exposures are measured and monitored daily, and adjustments to the hedge portfolio are made as necessary.

To evaluate interest rate and equity price risk we perform sensitivity testing which measures the impact on pretax income from the sources listed below for a 12 month period following a hypothetical 100 basis point increase in interest rates or a hypothetical 10% decline in equity prices. The interest rate risk test assumes a sudden 100 basis point parallel shift in the yield curve, with rates then staying at those levels for the next 12 months. The equity price risk test assumes a sudden 10% drop in equity prices, with equity prices then staying at those levels for the next 12 months. In estimating the values of variable annuity riders, equity indexed annuities, stock market certificates and the associated hedge assets, we assumed no change in implied market volatility despite the 10% drop in equity prices.

The following tables present our estimate of the impact on pretax income from these hypothetical market movements as of March 31, 2012:

Equity Price Decline 10%	Equity Price Exposure to Pretax Income		
	Before Hedge Impact	Hedge Impact (in millions)	Net Impact
Asset-based management and distribution fees (1)	\$ (188)	\$ 5	\$ (183)
DAC and DSIC amortization (2) (3)	(82)		(82)
Variable annuity riders:			
GMDB and GMIB (3)	(50)		(50)
GMWB	(80)	83	3
GMAB	(45)	49	4
DAC and DSIC amortization (4)	N/A	N/A	(1)
Total variable annuity riders	(175)	132	(44)
Equity indexed annuities	1	(1)	
Stock market certificates	4	(4)	
Total	\$ (440)	\$ 132	\$ (309)

Interest Rate Increase 100 Basis Points	Interest Rate Exposure to Pretax Income		
	Before Hedge Impact	Hedge Impact (in millions)	Net Impact
Asset-based management and distribution fees (1)	\$ (39)	\$	\$ (39)
Variable annuity riders:			
GMWB	488	(505)	(17)
GMAB	40	(41)	(1)
DAC and DSIC amortization (4)	N/A	N/A	2
Total variable annuity riders	528	(546)	(16)
Fixed annuities, fixed portion of variable annuities and fixed insurance products	37		37

Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

Brokerage client cash balances		84			84
Flexible savings and other fixed rate savings products		26			26
Total	\$	636	\$	(546)	\$ 92

---

N/A Not Applicable.

- (1) Excludes incentive income which is impacted by market and fund performance during the period and cannot be readily estimated.
- (2) Market impact on DAC and DSIC amortization resulting from lower projected profits.
- (3) In estimating the impact on DAC and DSIC amortization resulting from lower projected profits, we have not changed our assumed equity asset growth rates. This is a significantly more conservative estimate than if we assumed management follows its mean reversion guideline and increased near-term rates to recover the drop in equity values over a five-year period. We make this same conservative assumption in estimating the impact from GMDB and GMIB riders.
- (4) Market impact on DAC and DSIC amortization related to variable annuity riders is modeled net of hedge impact.



Table of Contents

The above results compare to an estimated negative net impact to pretax income of \$319 million related to a 10% equity price decline and an estimated positive net impact to pretax income of \$61 million related to a 100 basis point increase in interest rates as of December 31, 2011. The change in interest rate sensitivity at March 31, 2012 compared to December 31, 2011 is primarily due to a decrease in interest rates.

Net impacts shown in the above table from GMWB and GMAB riders result largely from differences between the liability valuation basis and the hedging basis. Liabilities are valued using fair value accounting principles, with key policyholder behavior assumptions loaded to provide risk margins and with discount rates increased to reflect a current market estimate of our risk of nonperformance specific to these liabilities. For variable annuity riders introduced prior to mid-2009, management elected to hedge based on best estimate policyholder behavior assumptions. For riders issued since mid-2009, management has been hedging on a basis that includes risk margins related to policyholder behavior. The nonperformance spread risk is not hedged.

Actual results could differ materially from those illustrated above as they are based on a number of estimates and assumptions. These include assuming that implied market volatility does not change when equity prices fall by 10%, that management does not increase assumed equity asset growth rates to anticipate recovery of the drop in equity values when valuing DAC, DSIC and GMDB and GMIB liability values and that the 100 basis point increase in interest rates is a parallel shift of the yield curve. Furthermore, we have not tried to anticipate changes in client preferences for different types of assets or other changes in client behavior, nor have we tried to anticipate actions management might take to increase revenues or reduce expenses in these scenarios.

The selection of a 100 basis point interest rate increase as well as a 10% equity price decline should not be construed as a prediction of future market events. Impacts of larger or smaller changes in interest rates or equity prices may not be proportional to those shown for a 100 basis point increase in interest rates or a 10% decline in equity prices.

**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.

*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, 2012. 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 \$156 million, net of DAC and DSIC amortization and income taxes, based on March 31, 2012 credit spreads.

## **Liquidity and Capital Resources**

### *Overview*

We maintained substantial liquidity during the three months ended March 31, 2012. At March 31, 2012, we had \$2.3 billion in cash and cash equivalents compared to \$2.8 billion at December 31, 2011. We have additional liquidity available through an unsecured revolving credit facility for up to \$500 million that expires in November 2015. 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 \$2 million of outstanding letters of credit at March 31, 2012. Our junior subordinated notes due 2066 and credit facility contain various administrative, reporting, legal and financial covenants. We were in compliance with all such covenants at both March 31, 2012 and December 31, 2011.

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

Table of Contents

borrowings. As of March 31, 2012, we had no borrowings from the FHLB. We enter 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, 2012 was \$504 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 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.

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, 2012	December 31, 2011	March 31, 2012	December 31, 2011
	(in millions)			
RiverSource Life(1)(2)	\$ 3,296	\$ 3,058	N/A	\$ 619
RiverSource Life of NY(1)(2)	272	254	N/A	41
IDS Property Casualty(1)(3)	446	431	\$ 151	148
Ameriprise Insurance Company(1)(3)	42	41	2	2
ACC(4)(5)	157	164	149	151
Threadneedle(6)	275	218	159	170
Ameriprise Bank, FSB(7)	419	402	403	391
AFSI(3)(4)	99	115	2	2
Ameriprise Captive Insurance Company(3)	45	43	20	16
Ameriprise Trust Company(3)	46	44	44	41
AEIS(3)(4)	121	122	38	42
RiverSource Distributors, Inc.(3)(4)	25	27	#	#
Columbia Management Investment Distributors, Inc.(3)(4)	26	30	#	#

NA Not applicable.

# 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 capital filing.

(3) Regulatory capital requirement is based on the applicable regulatory requirement, calculated as of March 31, 2012 and December 31, 2011.

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

- (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 at March 31, 2012 represent management's assessment at December 31, 2011 of the risk based requirements, as specified by FSA regulations and submitted to the FSA in March 2012.
- (7) Ameriprise Bank is required to maintain capital in compliance with the Office of the Comptroller of Currency ( OCC ) regulations and policies.

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.

During the three months ended March 31, 2012, the parent holding company received cash dividends or a return of capital from its subsidiaries of \$311 million (including \$225 million from RiverSource Life) and contributed cash to its subsidiaries of \$15 million. During the three months ended March 31, 2011, the parent holding company received cash dividends or a

Table of Contents

return of capital from its subsidiaries of \$295 million (including \$200 million from RiverSource Life) and contributed cash to its subsidiaries of \$27 million.

*Dividends Paid to Shareholders and Share Repurchases*

We paid regular quarterly dividends to our shareholders totaling \$64 million and \$46 million for the three months ended March 31, 2012 and 2011, respectively. On April 23, 2012, our Board of Directors declared a quarterly dividend of \$0.35 per common share. The dividend will be paid on May 18, 2012 to our shareholders of record at the close of business on May 4, 2012.

On June 15, 2011, we announced that our Board of Directors authorized an expenditure of up to \$2.0 billion for the repurchase of shares of our common stock through June 28, 2013. 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, 2012, we repurchased a total of 5.4 million shares of our common stock at an average price of \$55.86 per share. As of March 31, 2012, we had \$1.2 billion remaining under our share repurchase authorization.

**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, 2012 increased \$160 million to \$175 million compared to \$15 million for the three months ended March 31, 2011. Net cash provided by operating activities for the three months ended March 31, 2012 included a positive impact of \$14 million related to CIEs compared to a negative impact of \$400 million in the prior year period. In the first quarter of 2012, operating cash decreased \$526 million due to a decrease in net cash collateral held related to derivative instruments compared to an increase of \$9 million in the prior year period due to the change in market value of our net over-the-counter derivatives after master netting arrangements. See Note 11 to our Consolidated Financial Statements for further information on our derivative instruments and collateral arrangements. Cash provided by operating activities for the first quarter of 2012 included income taxes received of \$79 million compared to income taxes paid of \$10 million in the prior year period. Cash provided by operating activities for the first quarter of 2012 also increased \$123 million compared to the prior year period due to fluctuations in receivables associated with the timing of settlement of derivative transactions.

*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 increased \$161 million to \$234 million for the three months ended March 31, 2012 compared to \$73 million for the three months ended March 31, 2011, primarily due to a decrease in proceeds from sales, maturities and repayments of investments by CIEs, partially offset by a decrease in cash used to purchase investments by CIEs. Cash used to purchase Available-for-Sale securities decreased \$850 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 \$780 million compared to the prior year period.

*Financing Activities*

Net cash used in financing activities increased \$70 million to \$417 million for the three months ended March 31, 2012 compared to \$347 million for the three months ended March 31, 2011 due to net cash inflows related to policyholder and contractholder account values of \$48 million for the first quarter of 2012 compared to net cash outflows of \$126 million for the prior year period driven by lower fixed annuity net outflows, higher sales of universal life products and lower surrenders of universal life products compared to the prior year period. This increase was partially offset by a \$95 million decrease in cash provided by other banking deposits compared to the prior year period. A decrease in cash of \$100 million from the change in repurchase agreements compared to the period year period was offset by a \$101 million increase in cash due to lower repurchases of common stock compared to the prior year period.

Table of Contents

**Contractual Commitments**

There have been no material changes to our contractual obligations disclosed in our 2011 10-K.

**Off-Balance Sheet Arrangements**

There have been no material changes in our off-balance sheet arrangements disclosed in our 2011 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.

Such factors include, but are not limited to:

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

- conditions in the interest rate, credit default, equity market and foreign exchange environments, including changes in valuations, liquidity and volatility;
- changes in and adoptions of 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 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 or unlocking 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;





Table of Contents

- 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 2011 10-K.

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

The information set forth in Part I, Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations Market Risk in this report is incorporated herein by reference. These disclosures should be read in conjunction with the Quantitative and Qualitative Disclosures About Market Risk discussion included as Part II, Item 7A of our Annual Report on Form 10-K for 2011 filed with the SEC on

February 24, 2012.

#### **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, 2012.

##### **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 13 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 2011 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 2012:

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, 2012				
Share repurchase program(1)	759,682	\$ 52.62	759,682	\$ 1,431,171,265
Employee transactions(2)	76,525	\$ 49.65	N/A	N/A
February 1 to February 29, 2012				
Share repurchase program(1)	1,230,945	\$ 55.64	1,230,945	\$ 1,362,676,266
Employee transactions(2)	218,610	\$ 53.55	N/A	N/A
March 1 to March 31, 2012				
Share repurchase program(1)	3,385,667	\$ 56.66	3,385,667	\$ 1,170,842,314
Employee transactions(2)		\$	N/A	N/A
Totals				
Share repurchase program	5,376,294	\$ 55.86	5,376,294	
Employee transactions	295,135	\$ 52.54	N/A	
	5,671,429		5,376,294	

N/A Not applicable.

- (1) On June 15, 2011, we announced that our board of directors authorized us to repurchase up to \$2.0 billion worth of our common stock through June 28, 2013. 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.
- (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 10, 2012

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

Date: May 10, 2012

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 26, 2012).
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 the 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	Form of Indemnification Agreement for Directors, Chief Executive Officer, Chief Financial Officer, General Counsel and Principal Accounting Officer and any other officers from time to time designated by the Chief Executive Officer (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K, File No. 1-32525, filed on April 26, 2012).
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, 2012, formatted in XBRL: (i) Consolidated Statements of Operations for the three months ended March 31, 2012 and 2011; (ii) Consolidated Statements of Comprehensive Income for the three months ended March 31, 2012 and 2011; (iii) Consolidated Balance Sheets at March 31, 2012 and December 31, 2011; (iv) Consolidated Statements of Equity for the three months ended March 31, 2012 and 2011; (v) Consolidated Statements of Cash Flows for the three months ended March 31, 2012 and 2011; and (vi) Notes to the Consolidated Financial Statements.