AMERIPRISE FINANCIAL INC
Form 10-Q
May 02, 2011
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended March 31, 2011

OR

o 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)

Delaware	**13-3180631**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1099 Ameriprise Financial Center, Minneapolis, Minnesota	**55474**
(Address of principal executive offices)	(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 x No o

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 x No o

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

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

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

Class	**Outstanding at April 22, 2011**
Common Stock (par value $.01 per share)	242,284,677 shares

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AMERIPRISE FINANCIAL, INC.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

(in millions, except per share amounts)

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

Supplemental Disclosures:

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

See Notes to Consolidated Financial Statements.

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AMERIPRISE FINANCIAL, INC.

CONSOLIDATED BALANCE SHEETS

(in millions, except share amounts)

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

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

See Notes to Consolidated Financial Statements.

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AMERIPRISE FINANCIAL, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(in millions)

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

See Notes to Consolidated Financial Statements.

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AMERIPRISE FINANCIAL, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED) (continued)

(in millions)

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

See Notes to Consolidated Financial Statements.

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AMERIPRISE FINANCIAL, INC.

CONSOLIDATED STATEMENTS OF EQUITY (UNAUDITED)

(in millions, except share data)

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

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

See Notes to Consolidated Financial Statements.

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AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. Basis of Presentation

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

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

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

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

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

2. Recent Accounting Pronouncements

Adoption of New Accounting Standards

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

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

Fair Value

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

Consolidation of Variable Interest Entities

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

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

Future Adoption of New Accounting Standards

Receivables

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

Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts

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

3. Consolidated Investment Entities

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

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

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AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

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

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

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

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

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

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

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

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

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AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

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

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

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

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

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

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AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

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

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

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

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

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

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

(4)

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

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

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

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AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

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

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

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

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

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

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

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

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AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

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

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

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

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

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

4. Investments

The following is a summary of Ameriprise Financial investments:

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

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

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

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AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

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

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

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

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

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

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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:

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

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

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

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AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

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

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

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

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

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

Net unrealized securities losses arising during the period (2)						
Reclassification of losses included in net income		1				1
Impact of DAC, DSIC, benefit reserves and reinsurance recoverables		42		(15)		27
Balance at March 31, 2011	$	893	$	(312)	$	581(1)

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

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

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

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

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

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AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

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

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

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

Trading Securities

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

5. Financing Receivables

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

Allowance for Loan Losses

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

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

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

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AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

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

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

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

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

Credit Quality Information

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

Commercial Mortgage Loans

The Company reviews the credit worthiness of the borrower and the performance of the underlying properties in order to determine the risk of loss on commercial mortgage loans. Based on this review, the commercial mortgage loans are assigned an internal risk rating, which management updates as necessary. Commercial mortgage loans which management has assigned its highest risk rating were 3% of commercial mortgage loans as of both March 31, 2011 and December 31, 2010. Loans with the highest risk rating represent distressed loans which the Company has identified as impaired or expects to become delinquent or enter into foreclosure in the next six months. In addition, the Company reviews the concentrations of credit risk by region and property type.

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

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

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AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

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

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

Syndicated Loans

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

Consumer Bank Loans

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

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

6. Deferred Acquisition Costs and Deferred Sales Inducement Costs

The balances of and changes in DAC were as follows:

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

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

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

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AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

7. Future Policy Benefits and Claims and Separate Account Liabilities

Future policy benefits and claims consisted of the following:

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

Separate account liabilities consisted of the following:

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

8. Variable Annuity and Insurance Guarantees

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

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

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AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

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

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

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

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

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

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

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

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

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

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

AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

9. Customer Deposits

Customer deposits consisted of the following:

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

10. Debt

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

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

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

Long-term debt

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

Short-term borrowings

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

AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

11. Fair Values of Assets and Liabilities

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

Valuation Hierarchy

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

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

Determination of Fair Value

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

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

Assets

Cash Equivalents

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

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

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

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AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

Separate Account Assets

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

Other Assets

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

Liabilities

Future Policy Benefits and Claims

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

Customer Deposits

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

Other Liabilities

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

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

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AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

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

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

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AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

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

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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:

[redacted]

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

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

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

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

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

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

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

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

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AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

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

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

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

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

Investments

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

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

Receivables

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

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

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

Restricted and Segregated Cash

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

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

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AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

Other Investments and Assets

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

Future Policy Benefits and Claims

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

Customer Deposits

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

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

Separate Account Liabilities

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

Debt and Other Liabilities

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

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

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

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AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

12. Derivatives and Hedging Activities

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

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

	Asset			Liability		
Derivatives designated as hedging instruments	**Balance Sheet Location**	**March 31, 2011**	**December 31, 2010**	**Balance Sheet Location**	**March 31, 2011**	**December 31, 2010**
		(in millions)			(in millions)	
Cash flow hedges						
Asset-based distribution fees	Other assets	$ 5	$ 10	Other liabilities	$	$
Fair value hedges						
Fixed rate debt	Other assets	53	61	Other liabilities		
Total qualifying hedges		58	71			
Derivatives not designated as hedging instruments						
GMWB and GMAB						
Interest rate contracts	Other assets	354	366	Other liabilities	410	379
Equity contracts	Other assets	271	354	Other liabilities	825	665
Credit contracts	Other assets					