AMERIPRISE FINANCIAL INC
Form 10-Q
August 08, 2012
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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 June 30, 2012

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 July 27, 2012**
Common Stock (par value $.01 per share)	210,728,566 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 June 30, 2012	Three Months Ended June 30, 2011	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
Revenues				
Management and financial advice fees	$ 1,152	$ 1,172	$ 2,284	$ 2,309
Distribution fees	396	416	798	813
Net investment income	472	498	1,003	1,013
Premiums	302	312	603	604
Other revenues	202	236	408	440
Total revenues	2,524	2,634	5,096	5,179
Banking and deposit interest expense	10	11	21	24
Total net revenues	2,514	2,623	5,075	5,155
Expenses				
Distribution expenses	663	659	1,329	1,293
Interest credited to fixed accounts	209	212	415	420
Benefits, claims, losses and settlement expenses	396	405	888	788
Amortization of deferred acquisition costs	99	89	130	164
Interest and debt expense	72	75	141	150
General and administrative expense	776	774	1,551	1,545
Total expenses	2,215	2,214	4,454	4,360
Income from continuing operations before income tax provision	299	409	621	795
Income tax provision	128	118	201	210
Income from continuing operations	171	291	420	585
Loss from discontinued operations, net of tax	(1)	(4)	(2)	(75)
Net income	170	287	418	510
Less: Net loss attributable to noncontrolling interests	(53)	(28)	(49)	(46)
Net income attributable to Ameriprise Financial	$ 223	$ 315	$ 467	$ 556
Earnings per share attributable to Ameriprise Financial, Inc. common shareholders				
Basic				
Income from continuing operations	$ 1.01	$ 1.30	$ 2.09	$ 2.54
Loss from discontinued operations		(0.02)	(0.01)	(0.30)
Net income	$ 1.01	$ 1.28	$ 2.08	$ 2.24
Diluted				

Income from continuing operations	$	0.99	$	1.27	$	2.05	$	2.48
Loss from discontinued operations				(0.02)		(0.01)		(0.30)
Net income	$	0.99	$	1.25	$	2.04	$	2.18
Cash dividends declared per common share	$	0.35	$	0.23	$	0.35	$	0.41
Supplemental Disclosures:								
Total other-than-temporary impairment losses on securities	$	(14)	$	(43)	$	(19)	$	(43)
Portion of loss recognized in other comprehensive income (before taxes)		6		27		5		25
Net impairment losses recognized in net investment income	$	(8)	$	(16)	$	(14)	$	(18)

See Notes to Consolidated Financial Statements.

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AMERIPRISE FINANCIAL, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

(in millions)

	Three Months Ended June 30, 2012	Three Months Ended June 30, 2011	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
Net income	$ 170	$ 287	$ 418	$ 510
Other comprehensive income, net of tax:				
Foreign currency translation adjustment	(21)	(1)	10	27
Net unrealized gains on securities:				
Net unrealized securities gains arising during the period	156	187	237	125
Reclassification of net securities (gains) losses included in net income	4	(3)	5	(2)
Impact on deferred acquisition costs, deferred sales inducement costs, benefit reserves and reinsurance recoverables	(59)	(61)	(62)	(36)
Total net unrealized gains on securities	101	123	180	87
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		(18)	(1)	(22)
Total net unrealized gains (losses) on derivatives		(18)	9	(21)
Total other comprehensive income, net of tax	80	104	199	93
Total comprehensive income	250	391	617	603
Less: Comprehensive loss attributable to noncontrolling interests	(64)	(28)	(41)	(32)
Comprehensive income attributable to Ameriprise Financial	$ 314	$ 419	$ 658	$ 635

See Notes to Consolidated Financial Statements.

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AMERIPRISE FINANCIAL, INC.

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(in millions, except share amounts)

	June 30, 2012	December 31, 2011
Assets		
Cash and cash equivalents	$ 2,721	$ 2,781
Cash of consolidated investment entities	551	470
Investments	38,874	38,775
Investments of consolidated investment entities, at fair value	4,690	4,789
Separate account assets	69,303	66,780
Receivables	5,499	5,559
Receivables of consolidated investment entities (includes $23 and $39, respectively, at fair value)	38	59
Deferred acquisition costs	2,431	2,440
Restricted and segregated cash and investments	1,763	1,793
Other assets	8,319	7,751
Other assets of consolidated investment entities, at fair value	1,081	1,110
Total assets	$ 135,270	$ 132,307
Liabilities and Equity		
Liabilities:		
Future policy benefits and claims	$ 31,675	$ 31,710
Separate account liabilities	69,303	66,780
Customer deposits	10,079	9,850
Short-term borrowings	498	504
Long-term debt	2,403	2,393
Debt of consolidated investment entities (includes $4,726 and $4,712, respectively, at fair value)	5,213	5,178
Accounts payable and accrued expenses	978	1,048
Accounts payable and accrued expenses of consolidated investment entities	24	17
Other liabilities	5,376	5,033
Other liabilities of consolidated investment entities (includes $75 and $85, respectively, at fair value)	108	100
Total liabilities	125,657	122,613
Equity:		
Ameriprise Financial, Inc.:		
Common shares ($.01 par value; shares authorized, 1,250,000,000; shares issued, 305,475,256 and 303,757,574, respectively)	3	3
Additional paid-in capital	6,287	6,237
Retained earnings	5,990	5,603
Appropriated retained earnings of consolidated investment entities	394	428
Treasury shares, at cost (92,788,323 and 81,814,591 shares, respectively)	(4,611)	(4,034)
Accumulated other comprehensive income, net of tax	942	751
Total Ameriprise Financial, Inc. shareholders equity	9,005	8,988
Noncontrolling interests	608	706
Total equity	9,613	9,694
Total liabilities and equity	$ 135,270	$ 132,307

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**	**Total Ameriprise Financial, Inc. Shareholders Equity**	**Non-controlling Interests**	**Total**
Balances at January 1, 2011, previously reported	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)
Balances at January 1, 2011, as adjusted	246,697,892	3	6,029	4,770	558	(2,620)	650	9,390	560	9,950
Comprehensive income:										
Net income (loss)				556				556	(46)	510
Other comprehensive income, net of tax							79	79	14	93
Total comprehensive income (loss)								635	(32)	603
Net loss reclassified to appropriated retained earnings					(64)			(64)	64	
Dividends to shareholders				(103)				(103)		(103)
Noncontrolling interests investments in subsidiaries									101	101
Distributions to noncontrolling interests									(36)	(36)
Repurchase of common shares	(12,972,436)					(780)		(780)		(780)
Share-based compensation plans	3,334,761		79	(8)		81		152	23	175
Balances at June 30, 2011	237,060,217	$ 3	$ 6,108	$ 5,215	$ 494	$ (3,319)	$ 729	$ 9,230	$ 680	$ 9,910
Balances at January 1, 2012	221,942,983	$ 3	$ 6,237	$ 5,603	$ 428	$ (4,034)	$ 751	$ 8,988	$ 706	$ 9,694
Comprehensive income:										
Net income (loss)				467				467	(49)	418
Other comprehensive income, net of tax							191	191	8	199
Total comprehensive income (loss)								658	(41)	617
Net loss reclassified to appropriated retained earnings					(26)			(26)	26	
Dividends to shareholders				(80)				(80)		(80)

Noncontrolling interests investments in subsidiaries									62	62
Distributions to noncontrolling interests									(149)	(149)
Repurchase of common shares	(12,773,495)					(666)		(666)		(666)
Share-based compensation plans	3,517,445		50			89		139	4	143
Other					(8)			(8)		(8)
Balances at June 30, 2012	212,686,933	$ 3	$ 6,287	$ 5,990	$ 394	$ (4,611)	$ 942	$ 9,005	$ 608	$ 9,613

See Notes to Consolidated Financial Statements.

AMERIPRISE FINANCIAL, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(in millions)

	Six Months Ended June 30, 2012	2011
Cash Flows from Operating Activities		
Net income	$ 418	$ 510
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion, net	110	67
Deferred income tax expense	5	48
Share-based compensation	66	80
Net realized investment gains	(7)	(21)
Net unrealized trading losses	1	1
Loss from equity method investments	9	12
Other-than-temporary impairments and provision for loan losses	17	24
Net loss of consolidated investment entities	61	51
Changes in operating assets and liabilities:		
Restricted and segregated cash and investments	62	(14)
Deferred acquisition costs	(26)	(7)
Other investments, net	15	(73)
Future policy benefits and claims, net	69	15
Receivables	(39)	(157)
Brokerage deposits	(68)	48
Accounts payable and accrued expenses	(71)	(75)
Derivatives collateral, net	(372)	61
Cash held by consolidated investment entities	(81)	(7)
Investment properties of consolidated investment entities	(11)	(181)
Other operating assets and liabilities of consolidated investment entities, net	26	21
Other, net	284	255
Net cash provided by operating activities	468	658
Cash Flows from Investing Activities		
Available-for-Sale securities:		
Proceeds from sales	150	644
Maturities, sinking fund payments and calls	2,335	3,025
Purchases	(2,367)	(4,111)
Proceeds from sales, maturities and repayments of commercial mortgage loans	135	112
Funding of commercial mortgage loans	(106)	(62)
Proceeds from sales of other investments	98	88
Purchase of other investments	(206)	(151)
Purchase of investments by consolidated investment entities	(909)	(1,785)
Proceeds from sales, maturities and repayments of investments by consolidated investment entities	1,150	1,949
Purchase of land, buildings, equipment and software	(99)	(89)
Change in consumer banking loans and credit card receivables, net	(1)	(216)
Other, net	(7)	
Net cash provided by (used in) investing activities	173	(596)

See Notes to Consolidated Financial Statements.

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AMERIPRISE FINANCIAL, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED) (continued)

(in millions)

	Six Months Ended June 30, 2012	2011
	(in millions)	
Cash Flows from Financing Activities		
Investment certificates and banking time deposits:		
Proceeds from additions	$ 427	$ 487
Maturities, withdrawals and cash surrenders	(472)	(750)
Change in other banking deposits	349	864
Policyholder and contractholder account values:		
Consideration received	748	626
Net transfers to separate accounts	(24)	(59)
Surrenders and other benefits	(620)	(712)
Deferred premium options, net	(172)	(125)
Repayments of debt		(6)
Change in short-term borrowings, net	(7)	108
Dividends paid to shareholders	(139)	(103)
Repurchase of common shares	(666)	(795)
Exercise of stock options	45	49
Excess tax benefits from share-based compensation	28	37
Borrowings by consolidated investment entities	83	121
Repayments of debt by consolidated investment entities	(194)	(180)
Noncontrolling interests investments in subsidiaries	62	101
Distributions to noncontrolling interests	(149)	(36)
Other, net	(2)	(1)
Net cash used in financing activities	(703)	(374)
Effect of exchange rate changes on cash	2	4
Net decrease in cash and cash equivalents	(60)	(308)
Cash and cash equivalents at beginning of period	2,781	2,861
Cash and cash equivalents at end of period	$ 2,721	$ 2,553
Supplemental Disclosures:		
Interest paid before consolidated investment entities	$ 95	$ 104
Income taxes paid, net	131	223
Non-cash investing activity:		
Affordable housing partnership commitments not yet remitted	22	111

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 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 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.

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. Except for the adjustments described below, all adjustments made were of a normal recurring nature.

In the second quarter of 2012, the Company made a correction for a tax item related to prior periods, which resulted in a $32 million decrease to net income attributable to Ameriprise Financial. During the quarter, the Company discovered it had received incomplete data from a third-party service provider for securities lending activities that resulted in the miscalculation of the Company s dividend received deduction and foreign tax credit, which resulted in an understatement of taxes payable and an overstatement of reported earnings in prior periods. Management has determined that the effect of this correction is not material to the Consolidated Financial Statements for all current and prior periods. The Company has resolved the data issue and has stopped the securities lending that negatively impacted its tax position.

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AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

On January 1, 2012, the Company retrospectively adopted the new accounting standard for deferred acquisition costs (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.

	Three Months Ended June 30, 2011		
	Previously Reported	Effect of Change (in millions)	As Adjusted
Revenues			
Total net revenues	$ 2,623	$	$ 2,623
Expenses			
Distribution expenses	643	16	659
Interest credited to fixed accounts	212		212
Benefits, claims, losses and settlement expenses	406	(1)	405
Amortization of deferred acquisition costs	138	(49)	89
Interest and debt expense	75		75
General and administrative expense	750	24	774
Total expenses	2,224	(10)	2,214
Income from continuing operations before income tax provision	399	10	409
Income tax provision	114	4	118
Income from continuing operations	285	6	291
Loss from discontinued operations, net of tax	(4)		(4)
Net income	281	6	287
Less: Net loss attributable to noncontrolling interests	(28)		(28)
Net income attributable to Ameriprise Financial	$ 309	$ 6	$ 315
Earnings per share attributable to Ameriprise Financial, Inc. common shareholders			
Basic			
Income from continuing operations	$ 1.28	$ 0.02	$ 1.30
Loss from discontinued operations	(0.02)		(0.02)
Net income	$ 1.26	$ 0.02	$ 1.28
Diluted			
Income from continuing operations	$ 1.25	$ 0.02	$ 1.27
Loss from discontinued operations	(0.02)		(0.02)
Net income	$ 1.23	$ 0.02	$ 1.25

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AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

	Six Months Ended June 30, 2011		
	Previously Reported	Effect of Change (in millions)	As Adjusted
Revenues			
Total net revenues	$ 5,155	$	$ 5,155
Expenses			
Distribution expenses	1,262	31	1,293
Interest credited to fixed accounts	419	1	420
Benefits, claims, losses and settlement expenses	788		788
Amortization of deferred acquisition costs	254	(90)	164
Interest and debt expense	150		150
General and administrative expense	1,496	49	1,545
Total expenses	4,369	(9)	4,360
Income from continuing operations before income tax provision	786	9	795
Income tax provision	207	3	210
Income from continuing operations	579	6	585
Loss from discontinued operations, net of tax	(75)		(75)
Net income	504	6	510
Less: Net loss attributable to noncontrolling interests	(46)		(46)
Net income attributable to Ameriprise Financial	$ 550	$ 6	$ 556
Earnings per share attributable to Ameriprise Financial, Inc. common shareholders			
Basic			
Income from continuing operations	$ 2.51	$ 0.03	$ 2.54
Loss from discontinued operations	(0.30)		(0.30)
Net income	$ 2.21	$ 0.03	$ 2.24
Diluted			
Income from continuing operations	$ 2.46	$ 0.02	$ 2.48
Loss from discontinued operations	(0.30)		(0.30)
Net income	$ 2.16	$ 0.02	$ 2.18

	December 31, 2011		
	Previously Reported	Effect of Change (in millions)	As Adjusted
Assets			
Deferred acquisition costs	$ 4,402	$ (1,962)	$ 2,440
Other assets	7,468	283	7,751
Total assets	133,986	(1,679)	132,307
Liabilities and Equity			
Liabilities:			
Future policy benefits and claims	31,723	(13)	31,710
Other liabilities	5,432	(399)	5,033
Total liabilities	123,025	(412)	122,613
Equity:			

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

	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

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.

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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 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.

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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:

	June 30, 2012			
	Level 1	Level 2	Level 3	Total
	(in millions)			
Assets				
Investments:				
Corporate debt securities	$	$ 280	$ 4	$ 284
Common stocks	89	27	12	128
Other structured investments		57		57
Syndicated loans		4,052	169	4,221
Total investments	89	4,416	185	4,690
Receivables		23		23
Other assets		1	1,080	1,081
Total assets at fair value	$ 89	$ 4,440	$ 1,265	$ 5,794
Liabilities				
Debt	$	$	$ 4,726	$ 4,726
Other liabilities		75		75
Total liabilities at fair value	$	$ 75	$ 4,726	$ 4,801

	December 31, 2011			
	Level 1	Level 2	Level 3	Total
	(in millions)			
Assets				
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
Liabilities				
Debt	$	$	$ 4,712	$ 4,712
Other liabilities		85		85
Total liabilities at fair value	$	$ 85	$ 4,712	$ 4,797

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, April 1, 2012	$ 4	$ 8	$ 195	$ 1,035	$ (4,769)
Total gains (losses) included in:					
Net income			1(1)	(25)(2)	(16)(1)
Other comprehensive income				(19)	
Purchases			27	96	
Sales		(2)	(2)	(7)	
Settlements			(32)		59
Transfers into Level 3		12	41		
Transfers out of Level 3		(6)	(61)		
Balance, June 30, 2012	$ 4	$ 12	$ 169	$ 1,080	$ (4,726)
Changes in unrealized losses included in income relating to assets and liabilities held at June 30, 2012	$	$	$ (1)(1)	$ (27)(2)	$ (15)(1)

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

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

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AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

	Corporate Debt Securities	Common Stocks	Other Structured Investments	Syndicated Loans	Other Assets	Debt
			(in millions)			
Balance, April 1, 2011	$ 6	$ 26	$	$ 216	$ 920	$ (5,333)
Total gains (losses) included in:						
Net income		(1)(1)				(31)(1)
Other comprehensive income					1	
Purchases			3	68	184	
Sales				(4)		
Issues						(17)
Settlements				(54)		147
Transfers into Level 3		3		67		
Transfers out of Level 3		(5)		(47)	(8)	
Balance, June 30, 2011	$ 6	$ 23	$ 3	$ 246	$ 1,097	$ (5,234)
Changes in unrealized gains (losses) included in income relating to assets and liabilities held at June 30, 2011	$	$ (1)(1)	$	$ 1(1)	$	$ (27)(1)

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

	Corporate Debt Securities	Common Stocks	Syndicated Loans	Other Assets	Debt
			(in millions)		
Balance, January 1, 2012	$ 4	$ 13	$ 342	$ 1,108	$ (4,712)
Total gains (losses) included in:					
Net income		(1)(1)	4(1)	(52)(2)	(141)(1)
Other comprehensive income				13	
Purchases		6	34	108	
Sales		(4)	(7)	(97)	
Issues					
Settlements			(62)		127
Transfers into Level 3		13	127		
Transfers out of Level 3		(15)	(269)		
Balance, June 30, 2012	$ 4	$ 12	$ 169	$ 1,080	$ (4,726)
Changes in unrealized losses included in income relating to assets and liabilities held at June 30, 2012	$	$ (1)	$ (1)(1)	$ (61)(2)	$ (140)(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	Other Assets	Debt
	(in millions)					
Balance, January 1, 2011	$ 6	$ 11	$ 22	$	$ 887	$ (5,171)
Total gains (losses) included in:						
Net income		5(1)	(1)(1)	4(1)	4(2)	(215)(1)
Other comprehensive income					25	
Purchases			3	93	196	
Sales	(1)			(6)	(15)	
Issues						(27)
Settlements				(56)	1	179
Transfers into Level 3	1	14		258	7	
Transfers out of Level 3		(7)	(21)	(47)	(8)	
Balance, June 30, 2011	$ 6	$ 23	$ 3	$ 246	$ 1,097	$ (5,234)
Changes in unrealized gains (losses) included in income relating to assets and liabilities held at June 30, 2011	$	$ 3(1)	$ (1)(1)	$ 3(1)	$ (1)(1)	$ (211)(1)

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

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

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AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

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.

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 June 30, 2012:

	Fair Value (in millions)		Valuation Technique	Unobservable Input	Range (Weighted Average)
Other assets	$	1,080	Discounted cash flow/market comparables	Equivalent yield	4.3% - 10.8% (7.1%)
				Expected rental value (per square foot)	$4 - $298 ($21)
Debt	$	4,726	Discounted cash flow	Annual default rate	2.5% - 4.5% (2.5%)
				Discount rate	2.2% - 45.0% (3.8%)
				Constant prepayment rate	5.0% - 10.0% (9.6%)
				Loss recovery	36.4% - 63.6% (62.0%)

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.

AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

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.

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.

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

	June 30, 2012	December 31, 2011
	(in millions)	
Syndicated loans		
Unpaid principal balance	$ 4,402	$ 4,548
Excess unpaid principal over fair value	(181)	(244)
Fair value	$ 4,221	$ 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	25	16
Debt		
Unpaid principal balance	$ 5,208	$ 5,335
Excess unpaid principal over fair value	(482)	(623)
Fair value	$ 4,726	$ 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.

AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

Total net 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 $(35) million and $(33) million for the three months ended June 30, 2012 and 2011, respectively. Total net 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 $(26) million and $(66) million for the six months ended June 30, 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	
	June 30, 2012	December 31, 2011	June 30, 2012	December 31, 2011
	(in millions)			
Debt of consolidated CDOs due 2012-2021	$ 4,726	$ 4,712	1.0%	0.9%
Floating rate revolving credit borrowings due 2014	355	378	3.1	3.2
Floating rate revolving credit borrowings due 2015	109	88	2.8	3.0
Floating rate revolving credit borrowings due 2017	23		4.8	
Total	$ 5,213	$ 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 $487 million and $466 million as of June 30, 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 $18 million and $20 million as of June 30, 2012 and December 31, 2011, respectively. The overall effective interest rate reflecting the impact of the derivative contracts was 4.9% and 5.0% as of June 30, 2012 and December 31, 2011, respectively.

4. Investments

The following is a summary of Ameriprise Financial investments:

	June 30, 2012	December 31, 2011
	(in millions)	
Available-for-Sale securities, at fair value	$ 34,590	$ 34,505
Commercial mortgage loans, net	2,551	2,589
Policy loans	750	742
Other investments	983	939
Total	$ 38,874	$ 38,775

The following is a summary of net investment income:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
		(in millions)		
Investment income on fixed maturities	$ 444	$ 457	$ 891	$ 927
Net realized gains (losses)	(5)	6	(7)	7
Affordable housing partnerships	(4)	(8)	(12)	(15)
Other	23	26	56	50
Consolidated investment entities	14	17	75	44
Total net investment income	$ 472	$ 498	$ 1,003	$ 1,013

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AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

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

	June 30, 2012				
Description of Securities	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**	**Noncredit OTTI (1)**
			(in millions)		
Corporate debt securities	$ 16,551	$ 1,915	$ (41)	$ 18,425	$
Residential mortgage backed securities	7,210	286	(262)	7,234	(126)
Commercial mortgage backed securities	4,146	297	(1)	4,442	
Asset backed securities	1,978	72	(35)	2,015	(14)
State and municipal obligations	2,009	210	(47)	2,172	
U.S. government and agencies obligations	58	10		68	
Foreign government bonds and obligations	190	26		216	
Common stocks	6	4		10	
Other debt obligations	8			8	
Total	$ 32,156	$ 2,820	$ (386)	$ 34,590	$ (140)

	December 31, 2011				
Description of Securities	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**	**Noncredit OTTI (1)**
			(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)

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(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 June 30, 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 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 June 30, 2012 and December 31, 2011, the Company s internal analysts rated $1.4 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:

	June 30, 2012			December 31, 2011		
Ratings	**Amortized Cost**	**Fair Value**	**Percent of Total Fair Value**	**Amortized Cost**	**Fair Value**	**Percent of Total Fair Value**
	(in millions, except percentages)					
AAA	$ 10,958	$ 11,564	33%	$ 11,510	$ 12,105	35%
AA	1,774	1,961	6	1,942	2,087	6
A	5,508	6,075	18	5,012	5,442	16
BBB	11,823	13,160	38	11,818	13,050	38
Below investment grade	2,087	1,820	5	2,160	1,812	5
Total fixed maturities	$ 32,150	$ 34,580	100%	$ 32,442	$ 34,496	100%

At June 30, 2012 and December 31, 2011, approximately 39% 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.

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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:

	June 30, 2012								
	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	51	$ 528	$ (14)	15	$ 332	$ (27)	66	$ 860	$ (41)
Residential mortgage backed securities	55	630	(10)	165	1,010	(252)	220	1,640	(262)
Commercial mortgage backed securities	13	104	(1)	2	39		15	143	(1)
Asset backed securities	21	219	(3)	38	191	(32)	59	410	(35)
State and municipal obligations	9	30		20	160	(47)	29	190	(47)
Total	149	$ 1,511	$ (28)	240	$ 1,732	$ (358)	389	$ 3,243	$ (386)

	December 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	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:

	Three Months Ended June 30, 2012	Three Months Ended June 30, 2011	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
	(in millions)			
Beginning balance	$ 306	$ 283	$ 303	$ 297
Credit losses for which an other-than-temporary impairment was not previously recognized	1	13	1	13
Credit losses for which an other-than-temporary impairment was previously recognized	8	3	13	5
Reductions for securities sold during the period (realized)	(21)		(23)	(16)
Ending balance	$ 294	$ 299	$ 294	$ 299

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.

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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	Accumulated Other Comprehensive Income Related to Net Unrealized Securities Gains (Losses)
		(in millions)	
Balance at January 1, 2011	$ 946	$ (331)	$ 615
Cumulative effect of accounting change	131	(46)	85(1)
Net unrealized securities gains arising during the period (2)	190	(65)	125
Reclassification of net securities gains included in net income	(3)	1	(2)
Impact of DAC, DSIC, benefit reserves and reinsurance recoverables	(55)	19	(36)
Balance at June 30, 2011	$ 1,209	$ (422)	$ 787(3)
Balance at January 1, 2012	$ 1,358	$ (475)	$ 883(1)
Net unrealized securities gains arising during the period (2)	369	(132)	237
Reclassification of net securities losses included in net income	7	(2)	5
Impact of DAC, DSIC, benefit reserves and reinsurance recoverables	(95)	33	(62)
Balance at June 30, 2012	$ 1,639	$ (576)	$ 1,063(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 $69 million and $64 million of noncredit related impairments on securities and net unrealized securities losses on previously impaired securities at June 30, 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 June 30, 2012	Three Months Ended June 30, 2011	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
	(in millions)			
Gross realized gains	$ 3	$ 21	$ 8	$ 39
Gross realized losses		(1)	(1)	(18)
Other-than-temporary impairments	(8)	(16)	(14)	(18)
Total	$ (5)	$ 4	$ (7)	$ 3

Other-than-temporary impairments for the three months and six months ended June 30, 2012 and 2011 primarily related to credit losses on non-agency residential mortgage backed securities.

Available-for-Sale securities by contractual maturity at June 30, 2012 were as follows:

	Amortized Cost	Fair Value
	(in millions)	
Due within one year	$ 1,406	$ 1,432
Due after one year through five years	6,012	6,299
Due after five years through 10 years	6,715	7,567
Due after 10 years	4,683	5,591
	18,816	20,889
Residential mortgage backed securities	7,210	7,234
Commercial mortgage backed securities	4,146	4,442
Asset backed securities	1,978	2,015
Common stocks	6	10
Total	$ 32,156	$ 34,590

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 stocks, were not included in the maturities distribution.

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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 six months ended and the ending balance of the allowance for loan losses by impairment method and type of loan:

	June 30, 2012			
	Commercial Mortgage Loans	Syndicated Loans	Consumer Bank Loans	Total
	(in millions)			
Beginning balance	$ 35	$ 9	$ 16	$ 60
Charge-offs	(2)	(2)	(5)	(9)
Recoveries			1	1
Provisions			3	3
Ending balance	$ 33	$ 7	$ 15	$ 55
Individually evaluated for impairment	$ 10	$ 1	$ 2	$ 13
Collectively evaluated for impairment	23	6	13	42

	June 30, 2011			
	Commercial Mortgage Loans	Syndicated Loans	Consumer Bank Loans	Total
	(in millions)			
Beginning balance	$ 38	$ 10	$ 16	$ 64
Charge-offs	(2)		(6)	(8)
Provisions		(1)	7	6
Ending balance	$ 36	$ 9	$ 17	$ 62

Individually evaluated for impairment	$	10	$	1	$	2	$	13
Collectively evaluated for impairment		26		8		15		49

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

	June 30, 2012							
	Commercial Mortgage Loans		Syndicated Loans		Consumer Bank Loans		Total	
	(in millions)							
Individually evaluated for impairment	$	58	$	3	$	10	$	71
Collectively evaluated for impairment		2,526		348		1,357		4,231
Total	$	2,584	$	351	$	1,367	$	4,302

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

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AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

As of June 30, 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 $23 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:

	Three Months Ended June 30, 2012	Three Months Ended June 30, 2011	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
	(in millions)			
Purchases				
Consumer bank loans	$	$ 108	$ 51	$ 221
Syndicated loans	24	40	53	103
Total loans purchased	$ 24	$ 148	$ 104	$ 324
Sales				
Consumer bank loans	$ 58	$ 45	$ 121	$ 140
Syndicated loans		1		2
Total loans sold	$ 58	$ 46	$ 121	$ 142

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 $17 million and $20 million as of June 30, 2012 and December 31, 2011, 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 2% and 3% of total commercial mortgage loans at June 30, 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.

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

	Loans		Percentage	
	June 30, 2012	December 31, 2011	June 30, 2012	December 31, 2011
	(in millions)			
East North Central	$ 253	$ 252	10%	10%
East South Central	64	65	2	2
Middle Atlantic	214	223	8	9
Mountain	290	284	11	11
New England	143	141	6	5
Pacific	571	584	22	22
South Atlantic	660	648	26	25
West North Central	227	244	9	9
West South Central	162	183	6	7
	2,584	2,624	100%	100%
Less: allowance for loan losses	33	35		
Total	$ 2,551	$ 2,589		

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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	
	June 30, 2012	December 31, 2011	June 30, 2012	December 31, 2011
	(in millions)			
Apartments	$ 410	$ 392	16%	15%
Hotel	50	51	2	2
Industrial	483	480	19	18
Mixed use	42	42	1	2
Office	640	694	25	26
Retail	830	845	32	32
Other	129	120	5	5
	2,584	2,624	100%	100%
Less: allowance for loan losses	33	35		
Total	$ 2,551	$ 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 June 30, 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 June 30, 2012 and December 31, 2011, approximately 6% and 7%, respectively, of residential mortgage loans and credit cards and other consumer bank loans had FICO scores below 640. At both June 30, 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 June 30, 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 period and the recorded investment in restructured loans at the end of the period:

	Three Months Ended June 30,				Six Months Ended June 30,			
	2012		2011		2012		2011	
	Number of Loans	Recorded Investment	Number of Loans	Recorded Investment	Number of Loans	Recorded Investment	Number of Loans	Recorded Investment
	(in millions, except number of loans)							
Commercial mortgage loans	1	$ 1	5	$ 23	1	$ 1	6	$ 29
Syndicated loans					2	2	2	
Consumer bank loans	13		26	1	39		58	1
Total	14	$ 1	31	$ 24	42	$ 3	66	$ 30

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 and six months ended June 30, 2012 and 2011. There are no material commitments to lend additional funds to borrowers whose loans have been restructured.

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AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

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 $78 million and DAC amortization of $90 million for the six months ended June 30, 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 contract are deferred. 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 distributers 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	2011
	(in millions)	
Balance at January 1	$ 2,440	$ 2,556
Capitalization of acquisition costs	156	171
Amortization	(130)	(164)
Impact of change in net unrealized securities gains	(35)	(19)
Balance at June 30	$ 2,431	$ 2,544

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

	2012	2011
	(in millions)	
Balance at January 1	$ 464	$ 545
Capitalization of sales inducement costs	4	5
Amortization	(22)	(30)
Impact of change in net unrealized securities gains	(6)	(5)
Balance at June 30	$ 440	$ 515

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:

	June 30, 2012	December 31, 2011
	(in millions)	
Fixed annuities	$ 16,325	$ 16,401
Equity indexed annuity (EIA) accumulated host values	41	58
EIA embedded derivatives	2	2
Variable annuity fixed sub-accounts	4,829	4,852
Variable annuity guaranteed minimum withdrawal benefits (GMWB)	1,258	1,377
Variable annuity guaranteed minimum accumulation benefits (GMAB)	180	237
Other variable annuity guarantees	10	14
Total annuities	22,645	22,941
Variable universal life (VUL)/universal life (UL) insurance	2,708	2,662
Indexed universal life (IUL) accumulated host values	19	4
IUL embedded derivatives	22	3
VUL/UL insurance additional liabilities	264	220
Other life, disability income and long term care insurance	5,477	5,339
Auto, home and other insurance	415	420
Policy claims and other policyholders funds	125	121
Total	$ 31,675	$ 31,710

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AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

Separate account liabilities consisted of the following:

	June 30, 2012	December 31, 2011
	(in millions)	
Variable annuity variable sub-accounts	$ 60,437	$ 57,556
VUL insurance variable sub-accounts	5,792	5,575
Other insurance variable sub-accounts	41	43
Threadneedle investment liabilities	3,033	3,606
Total	$ 69,303	$ 66,780

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)	June 30, 2012 Total Contract Value	June 30, 2012 Contract Value in Separate Accounts	June 30, 2012 Net Amount at Risk(2)	June 30, 2012 Weighted Average Attained Age	December 31, 2011 Total Contract Value	December 31, 2011 Contract Value in Separate Accounts	December 31, 2011 Net Amount at Risk(2)	December 31, 2011 Weighted Average Attained Age
	(in millions, except age)							
GMDB:								
Return of premium	$ 42,890	$ 41,149	$ 165	63	$ 40,011	$ 38,275	$ 382	63
Five/six-year reset	11,406	8,901	205	63	11,631	9,118	350	63
One-year ratchet	7,297	6,855	250	64	7,233	6,777	479	64
Five-year ratchet	1,541	1,489	11	61	1,472	1,418	25	61
Other	830	803	78	68	759	732	93	68

Total GMDB	$	63,964	$	59,197	$	709	63	$	61,106	$	56,320	$	1,329	63
GGU death benefit	$	937	$	885	$	82	63	$	920	$	868	$	78	63
GMIB	$	441	$	412	$	89	65	$	463	$	433	$	106	65
GMWB:														
GMWB	$	3,886	$	3,867	$	108	66	$	3,887	$	3,868	$	236	65
GMWB for life		26,281		26,152		527	64		23,756		23,625		863	64
Total GMWB	$	30,167	$	30,019	$	635	64	$	27,643	$	27,493	$	1,099	64
GMAB	$	3,614	$	3,609	$	22	57	$	3,516	$	3,509	$	63	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.

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AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

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

	GMDB & GGU	GMIB	GMWB (in millions)	GMAB	UL
Balance at January 1, 2011	$ 5	$ 8	$ 337	$ 104	$ 68
Incurred claims	3		(68)	(33)	25
Paid claims	(3)				(5)
Balance at June 30, 2011	$ 5	$ 8	$ 269	$ 71	$ 88
Balance at January 1, 2012	$ 5	$ 9	$ 1,377	$ 237	$ 111
Incurred claims	2		(119)	(57)	33
Paid claims	(5)	(1)			(5)
Balance at June 30, 2012	$ 2	$ 8	$ 1,258	$ 180	$ 139

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:

	June 30, 2012	December 31, 2011
	(in millions)	
Mutual funds:		
Equity	$ 31,887	$ 30,738
Bond	25,225	23,862
Other	2,296	1,969
Total mutual funds	$ 59,408	$ 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

	June 30, 2012	December 31, 2011	June 30, 2012	December 31, 2011
	(in millions)			
Senior notes due 2015	$ 752(1)	$ 753(1)	5.7%	5.7%
Senior notes due 2019	346(1)	341(1)	7.3	7.3
Senior notes due 2020	811(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	2,403	2,393		
Short-term borrowings	498	504	0.3	0.3
Total	$ 2,901	$ 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 June 30, 2012 and December 31, 2011. The Company had no borrowings outstanding under its credit facility as of both June 30, 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 $512 million and $521 million at June 30, 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.

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AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

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.

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

	June 30, 2012 (in millions)			
	Level 1	Level 2	Level 3	Total
Assets				
Cash equivalents	$ 17	$ 2,335	$	$ 2,352
Available-for-Sale securities:				
Corporate debt securities		16,940	1,485	18,425
Residential mortgage backed securities		7,012	222	7,234
Commercial mortgage backed securities		4,373	69	4,442
Asset backed securities		1,814	201	2,015
State and municipal obligations		2,172		2,172
U.S. government and agencies obligations	22	46		68
Foreign government bonds and obligations		216		216
Common stocks	2	3	5	10
Other debt obligations		8		8
Total Available-for-Sale securities	24	32,584	1,982	34,590

Trading securities		1		22				23
Separate account assets				69,303				69,303
Investments segregated for regulatory purposes				75				75
Other assets:								
Interest rate derivative contracts				2,417				2,417
Equity derivative contracts		387		1,207				1,594
Foreign currency derivative contracts				2				2
Commodity derivative contracts				1				1
Total other assets		387		3,627				4,014
Total assets at fair value	$	429	$	107,946	$	1,982	$	110,357
Liabilities								
Future policy benefits and claims:								
EIA embedded derivatives	$		$	2	$		$	2
IUL embedded derivatives				22				22
GMWB and GMAB embedded derivatives						1,406		1,406
Total future policy benefits and claims				24		1,406		1,430(1)
Customer deposits				8				8
Other liabilities:								
Interest rate derivative contracts				1,589				1,589
Equity derivative contracts		286		1,330				1,616
Foreign currency derivative contracts		4		3				7
Other				9				9
Total other liabilities		290		2,931				3,221
Total liabilities at fair value	$	290	$	2,963	$	1,406	$	4,659

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

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AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

	December 31, 2011			
	Level 1	Level 2	Level 3	Total
	(in millions)			
Assets				
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
Liabilities				
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.

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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, April 1, 2012	$ 1,422	$ 224	$ 89	$ 208	$ 6	$ 1,949	$ (840)
Total gains (losses) included in:							
Net income		(8)				(8)(1)	(528)(2)
Other comprehensive income	1	11		1		13	
Purchases	95	22	7			124	
Sales							
Issues							(43)
Settlements	(43)	(15)		(8)		(66)	5
Transfers into Level 3	10	16				26	
Transfers out of Level 3		(28)	(27)		(1)	(56)	
Balance, June 30, 2012	$ 1,485	$ 222	$ 69	$ 201	$ 5	$ 1,982	$ (1,406)
Changes in unrealized losses relating to assets and liabilities held at June 30, 2012 included in:							
Net investment income	$	$ (8)	$	$	$	$ (8)	$
Benefits, claims, losses and settlement expenses							(535)

(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.

	Available-for-Sale Securities						
	Corporate Debt Securities	Residential Mortgage Backed Securities	Commercial Mortgage Backed Securities	Asset Backed Securities	Common and Preferred Stocks	Total	Future Policy Benefits and Claims: GMWB and GMAB Embedded Derivatives
				(in millions)			
Balance, April 1, 2011	$ 1,315	$ 4,093	$ 26	$ 488	$ 5	$ 5,927	$ (190)

Total gains (losses) included in:							
Net income	7			1		8(1)	(88)(2)
Other comprehensive income	11	(11)		(4)		(4)	
Purchases	36	349	74	41		500	
Sales							
Issues							(36)
Settlements	(93)	(278)		(28)		(399)	(2)
Transfers into Level 3							
Transfers out of Level 3	(2)	(56)	(36)			(94)	
Balance, June 30, 2011	$ 1,274	$ 4,097	$ 64	$ 498	$ 5	$ 5,938	$ (316)
Changes in unrealized gains (losses) relating to assets and liabilities held at June 30, 2011 included in:							
Net investment income	$	$ (1)	$	$ 2	$	$ 1	$
Benefits, claims, losses and settlement expenses							(90)

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(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)

	Available-for-Sale Securities						Future Policy Benefits and Claims: GMWB and GMAB Embedded Derivatives
	Corporate Debt Securities	Residential Mortgage Backed Securities	Commercial Mortgage Backed Securities	Asset Backed Securities	Common Stocks	Total	
				(in millions)			
Balance, January 1, 2012	$ 1,355	$ 198	$ 50	$ 206	$ 5	$ 1,814	$ (1,585)
Total gains (losses) included in:							
Net income		(13)				(13)(1)	256(2)
Other comprehensive income	5	26	2	2		35	
Purchases	210	45	9		1	265	
Sales							
Issues							(82)
Settlements	(95)	(28)	(2)	(14)		(139)	5
Transfers into Level 3	10	22	37	7		76	
Transfers out of Level 3		(28)	(27)		(1)	(56)	
Balance, June 30, 2012	$ 1,485	$ 222	$ 69	$ 201	$ 5	$ 1,982	$ (1,406)
Changes in unrealized gains (losses) relating to assets and liabilities held at June 30, 2012 included in:							
Net investment income	$	$ (13)	$	$	$	$ (13)	$
Benefits, claims, losses and settlement expenses							234

(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.

	Available-for-Sale Securities						Future Policy Benefits and Claims: GMWB and GMAB Embedded Derivatives
	Corporate Debt Securities	Residential Mortgage Backed Securities	Commercial Mortgage Backed Securities	Asset Backed Securities	Common and Preferred Stocks	Total	
				(in millions)			
Balance, January 1, 2011	$ 1,325	$ 4,247	$ 51	$ 476	$ 5	$ 6,104	$ (421)
Total gains included in:							
Net income	7	7		3		17(1)	175(2)
Other comprehensive income	12	2		1		15	
Purchases	73	499	89	70		731	
Sales		(3)				(3)	

Issues							(68)
Settlements	(131)	(599)	(1)	(52)		(783)	(2)
Transfers into Level 3			2			2	
Transfers out of Level 3	(12)	(56)	(77)			(145)	
Balance, June 30, 2011	$ 1,274	$ 4,097	$ 64	$ 498	$ 5	$ 5,938	$ (316)
Changes in unrealized gains relating to assets and liabilities held at June 30, 2011 included in:							
Net investment income	$	$ 17	$	$ 4	$	$ 21	$
Benefits, claims, losses and settlement expenses							167

(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 an increase of $115 million and $24 million, net of DAC and DSIC amortization, for the three months ended June 30, 2012 and 2011, respectively. 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 nil and an increase of $1 million, net of DAC and DSIC amortization, for the six months ended June 30, 2012 and 2011, respectively.

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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 June 30, 2012:

	Fair Value (in millions)		Valuation Technique	Unobservable Input	Range (Weighted Average)
Corporate debt securities (private placements)	$	1,455	Discounted cash flow	Yield/spread to U.S. Treasuries	1.0% - 9.5% (2.5%)
Residential mortgage backed securities	$	200	Discounted cash flow	Constant prepayment rate	0.5% - 12.0% (2.9%)
				Annual default rate	1.2% - 19.7% (11.9%)
				Loss severity	34.0% - 75.0% (58.0%)
				Yield/spread to U.S. Treasuries	6.3% - 20.0% (8.8%)
Asset backed securities (sub-prime residential mortgage backed securities)	$	16	Discounted cash flow	Constant prepayment rate	2.3% - 7.7% (3.0%)
				Annual default rate	3.2% - 12.5% (7.5%)
				Loss severity	65.0% - 100.0% (74.0%)
				Yield/spread to U.S. Treasuries	6.6% - 12.9% (11.0%)
GMWB and GMAB embedded derivatives	$	1,406	Discounted cash flow	Utilization of guaranteed withdrawals	0% - 90%
				Surrender rate	0% - 56.3%
				Market volatility (1)	6.1% - 23.9%
				Nonperformance risk (2)	114 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 corporate debt, 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.

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AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

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 (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 some of 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

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 June 30, 2012 and December 31, 2011. See Note 11 for further information on the credit risk of derivative instruments and related collateral.

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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

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 June 30, 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.

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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.

	June 30, 2012					December 31, 2011	
	Carrying Value	Fair Value				Carrying Value	Fair Value
		Level 1	Level 2	Level 3	Total		
	(in millions)						
Financial Assets							
Commercial mortgage loans, net	$ 2,551	$	$	$ 2,758	$ 2,758	$ 2,589	$ 2,772
Policy and certificate loans	750		2	723	725	742	715
Receivables	2,423	140	921	1,044	2,105	2,444	2,148
Restricted and segregated cash	1,688	1,688			1,688	1,500	1,500
Other investments and assets	376		341	37	378	390	388
Financial Liabilities							
Future policy benefits and claims	$ 14,960	$	$	$ 16,100	$ 16,100	$ 15,064	$ 16,116
Investment certificate reserves	2,715			2,712	2,712	2,766	2,752
Banking and brokerage customer deposits	7,356	2,273	5,085		7,358	7,078	7,091
Separate account liabilities	3,399		3,399		3,399	3,966	3,966
Debt and other liabilities	3,097	148	3,061	206	3,415	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.

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)

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.

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.

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AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

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:

	June 30, 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	$ 889	$ 250	$ 1,025	$ 142
Cash collateral on OTC derivatives	(439)	(48)	(767)	(34)
Fair value of OTC derivatives after application of master netting agreements and cash collateral	450	202	258	108
Securities collateral on OTC derivatives	(435)	(148)	(186)	(95)
Fair value of OTC derivatives after application of master netting agreements and cash and securities collateral	15	54	72	13
Fair value of exchange-traded derivatives	165		155	
Total fair value of derivatives after application of master netting agreements and cash and securities collateral	$ 180	$ 54	$ 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:

	June 30, 2012		December 31, 2011	
	(in millions)			
Fair value of OTC derivative liabilities after application of master netting agreements and cash collateral	$	202	$	108
Fair value of embedded derivative liabilities		1,438		1,596
Fair value of CIE derivative liabilities		18		20
Fair value of derivative liabilities after application of master netting agreements and cash collateral	$	1,658	$	1,724

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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:

		Asset			Liability	
Derivatives designated as hedging instruments	**Balance Sheet Location**	**June 30, 2012**	**December 31, 2011**	**Balance Sheet Location**	**June 30, 2012**	**December 31, 2011**
		(in millions)			**(in millions)**	
Cash flow hedges						
Interest on debt	Other assets	$	$	Other liabilities	$	$ 11
Fair value hedges						
Fixed rate debt	Other assets	167	157	Other liabilities		
Total qualifying hedges		167	157			11
Derivatives not designated as hedging instruments						
GMWB and GMAB						
Interest rate contracts	Other assets	2,250	1,801	Other liabilities	1,589	1,198
Equity contracts	Other assets	1,534	1,314	Other liabilities	1,569	1,031
Credit contracts	Other assets		1	Other liabilities		
Foreign currency contracts	Other assets	2	7	Other liabilities	3	10
Embedded derivatives (1)	N/A			Future policy benefits and claims	1,406	1,585
Total GMWB and GMAB		3,786	3,123		4,567	3,824
Other derivatives:						
Equity						
EIA embedded derivatives	N/A			Future policy benefits and claims	2	2
IUL	Other assets	3	1	Other liabilities	1	
IUL embedded derivatives	N/A			Future policy benefits and claims	22	3
Stock market certificates	Other assets	54	34	Other liabilities	46	29
Stock market certificates embedded derivatives	N/A			Customer deposits	8	6
Ameriprise Financial Franchise Advisor Deferred Compensation Plan	Other assets	3	2	Other liabilities		
Seed money	Other assets			Other liabilities		1
Foreign exchange						
Foreign currency	Other assets			Other liabilities	3	3
Seed money	Other assets			Other liabilities	1	

Commodity						
Seed money	Other assets	1	2	Other liabilities		
Total other		61	39		83	44
Total non-designated hedges		3,847	3,162		4,650	3,868
Total derivatives		$ 4,014	$ 3,319		$ 4,650	$ 3,879

N/A Not applicable.

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

See Note 10 for additional information regarding the Company s fair value measurement of derivative instruments.

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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:

Derivatives not designated as hedging instruments	Location of Gain (Loss) on Derivatives Recognized in Income	Amount of Gain (Loss) on Derivatives Recognized in Income — Three Months Ended June 30, 2012	2011	Six Months Ended June 30, 2012	2011
		(in millions)			
GMWB and GMAB					
Interest rate contracts	Benefits, claims, losses and settlement expenses	$ 328	$ 87	$ 103	$ 62
Equity contracts	Benefits, claims, losses and settlement expenses	188	5	(507)	(250)
Credit contracts	Benefits, claims, losses and settlement expenses	1	(5)	(2)	(7)
Foreign currency contracts	Benefits, claims, losses and settlement expenses	(3)	(4)	1	(6)
Embedded derivatives(1)	Benefits, claims, losses and settlement expenses	(566)	(125)	179	105
Total GMWB and GMAB		(52)	(42)	(226)	(96)
Other derivatives:					
Interest rate					
Interest rate lock commitments	Other revenues				(1)
Equity					
EIA	Interest credited to fixed accounts		(1)	1	
EIA embedded derivatives	Interest credited to fixed accounts		1		1
Stock market certificates	Banking and deposit interest expense	(1)		4	3
Stock market certificates embedded derivatives	Banking and deposit interest expense	(1)	1	3	(2)
Seed money	Net investment income	2		(3)	(3)
Ameriprise Financial Franchise Advisor Deferred Compensation Plan	Distribution expenses	(2)	(2)	1	
Foreign exchange					
Foreign currency	Net investment income	(1)	1		1
Total other		(3)		6	(1)
Total derivatives		$ (55)	$ (42)	$ (220)	$ (97)

(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.

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, total return swaps, variance swaps and credit default swaps. At June 30, 2012 and December 31, 2011, the gross notional amount of derivative contracts for the Company s GMWB and GMAB provisions was $124.6 billion and $104.7 billion, respectively.

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

	Premiums Payable	Premiums Receivable
	(in millions)	
2012(1)	$ 187	$ 20
2013	358	29
2014	332	27
2015	305	25
2016	274	18
2017-2026	978	40

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

AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

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 June 30, 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 June 30, 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 $21 million and $26 million at June 30, 2012 and December 31, 2011, respectively.

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 $18 million and $17 million at June 30, 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.

During the six months ended June 30, 2012 and 2011, the Company reclassified gains from accumulated other comprehensive income into earnings of $3 million and $27 million, respectively, on interest rate hedges put in place in anticipation of issuing debt. The gains were reclassified due to the forecasted transactions not occurring according to the original hedge strategy. For the three months and six months ended June 30, 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 June 30, 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:

	Amount of Gain Recognized in Other Comprehensive Income on Derivatives			
	Three Months Ended June 30,		Six Months Ended June 30,	
Derivatives designated as hedging instruments	**2012**	**2011**	**2012**	**2011**
	(in millions)			
Interest on debt	$	$	$ 14	$
Asset-based distribution fees				1
Total	$	$	$ 14	$ 1

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AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

Location of Gain (Loss) Reclassified from Accumulated Other Comprehensive Income into Income	Amount of Gain (Loss) Reclassified from Accumulated Other Comprehensive Income into Income — Three Months Ended June 30, 2012	Three Months Ended June 30, 2011	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
	(in millions)			
Other revenues	$	$ 27	$ 3	$ 27
Interest and debt expense	1	1	2	2
Distribution fees		4		9
Net investment income	(1)	(2)	(3)	(3)
Total	$	$ 30	$ 2	$ 35

Currently, the longest period of time over which the Company is hedging exposure to the variability in future cash flows is 23 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:

Derivatives designated as hedging instruments	Location of Gain Recorded into Income	Amount of Gain Recognized in Income on Derivatives — Three Months Ended June 30, 2012	Three Months Ended June 30, 2011	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
		(in millions)		(in millions)	
Fixed rate debt	Interest and debt expense	$ 10	$ 10	$ 19	$ 20

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 June 30, 2012 and December 31, 2011, the Company held $462 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 June 30, 2012 and December 31, 2011, the Company had accepted additional collateral consisting of various securities with a fair value of $502 million and $186 million, respectively, which are not reflected on the Consolidated Balance Sheets. As of June 30, 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 $15 million and $72 million, respectively.

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 June 30, 2012 and December 31, 2011, the aggregate fair value of derivative contracts in a net liability position containing such credit contingent provisions was $157 million and $112 million, respectively. The aggregate fair value of assets posted as collateral for such instruments as of June 30, 2012 and December 31, 2011 was $142 million and $103 million, respectively. If the credit contingent provisions of derivative contracts in a net liability position at June 30, 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 $15 million and $9 million, respectively.

AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

12. Income Taxes

The Company s effective tax rate on income from continuing operations was 42.8% and 29.0% for the three months ended June 30, 2012 and 2011, respectively. The Company s effective tax rate on income from continuing operations was 32.4% and 26.5% for the six months ended June 30, 2012 and 2011, respectively. The significant increase in the effective tax rates for the three months and six months ended June 30, 2012 compared to the prior year periods is primarily a result of a $32 million correction of tax related to securities lending activities. See Note 1 for additional information on the out-of-period correction.

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 June 30, 2012 and December 31, 2011.

Included in the Company s deferred income tax assets are tax benefits related to capital loss carryforwards of $35 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 June 30, 2012 and December 31, 2011, the Company had $103 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 $34 million and $38 million, net of federal tax benefits, of unrecognized tax benefits as of June 30, 2012 and December 31, 2011, respectively, would affect the effective tax rate.

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 $78 million in the next 12 months.

The Company recognizes interest and penalties related to unrecognized tax benefits as a component of the income tax provision. The Company recognized a net increase of $1 million and a net reduction of $4 million of interest and penalties for the three months and six months ended June 30, 2012, respectively. The Company recognized $49 million and $65 million of interest and penalties for the three months and six months ended June 30, 2011, respectively. At June 30, 2012 and December 31, 2011, the Company had a payable of $33 million and $37 million, respectively, related to accrued interest and penalties.

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.

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AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

13. Contingencies

The Company is required by law to be a member of the guaranty fund association in every state where it is licensed to do business. In the event of insolvency of one or more unaffiliated insurance companies, the Company could be adversely affected by the requirement to pay assessments to the guaranty fund associations. The financial crisis of 2008 and 2009 and subsequent uncertainty and volatility in the U.S. economy and financial markets have weakened the financial condition of numerous insurers, including insurers currently in receiverships, increasing the risk of triggering guaranty fund assessments.

The Company projects its cost of future guaranty fund assessments based on estimates of insurance company insolvencies provided by the National Organization of Life and Health Insurance Guaranty Associations (NOLHGA) and the amount of its premiums written relative to the industry-wide premium in each state. The Company accrues the estimated cost of future guaranty fund assessments when it is considered probable that an assessment will be imposed, the event obligating the Company to pay the assessment has occurred and the amount of the assessment can be reasonably estimated.

Executive Life Insurance Company of New York (ELNY) was placed into rehabilitation by a New York state court in 1991. On April 16, 2012, the court issued an order converting the rehabilitation into a liquidation proceeding under a plan submitted by the New York insurance regulator with support from the NOLHGA and the industry. The order has been appealed and the timing of a decision on the appeal is not certain.

As of June 30, 2012, the Company established a liability of $30 million for estimated guaranty fund assessments and a related premium tax asset of $24 million, primarily associated with ELNY. The expected period over which the assessments will be made and the related tax credits recovered is not known. At December 31, 2011, the net liability was not considered material.

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 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.

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AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

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.

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. Plaintiffs filed an amended complaint on February 7, 2012. On April 11, 2012, the Company filed its motion to dismiss the Amended Complaint. The Court held a hearing on the motion to dismiss on June 13, 2012, and the Company is awaiting the decision. 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:

	Three Months Ended June 30, 2012	Three Months Ended June 30, 2011	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
	(in millions)			
Total net revenues	$	$ 118	$	$ 240
Loss from discontinued operations	$	$ (3)	$	$ (119)
Reduction of gain on sale	(1)		(3)	
Income tax expense (benefit)		1	(1)	(44)
Loss from discontinued operations, net of tax	$ (1)	$ (4)	$ (2)	$ (75)

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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:

	Three Months Ended June 30, 2012	Three Months Ended June 30, 2011	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
	(in millions, except per share amounts)			
Numerator:				
Income from continuing operations	$ 171	$ 291	$ 420	$ 585
Less: Loss attributable to noncontrolling interests	(53)	(28)	(49)	(46)
Income from continuing operations attributable to Ameriprise Financial	224	319	469	631
Loss from discontinued operations, net of tax	(1)	(4)	(2)	(75)
Net income attributable to Ameriprise Financial	$ 223	$ 315		