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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, 2010

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 23, 2010**
Common Stock (par value $.01 per share)	251,048,544 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, 2010	Three Months Ended June 30, 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
Revenues				
Management and financial advice fees	$ 955	$ 606	$ 1,729	$ 1,160
Distribution fees	453	351	844	662
Net investment income	654	511	1,244	929
Premiums	299	269	581	535
Other revenues	236	175	491	384
Total revenues	2,597	1,912	4,889	3,670
Banking and deposit interest expense	20	38	41	80
Total net revenues	2,577	1,874	4,848	3,590
Expenses				
Distribution expenses	621	432	1,146	816
Interest credited to fixed accounts	231	237	459	442
Benefits, claims, losses and settlement expenses	298	587	652	687
Amortization of deferred acquisition costs	171	(125)	289	161
Interest and debt expense	74	28	138	54
General and administrative expense	716	600	1,337	1,181
Total expenses	2,111	1,759	4,021	3,341
Pretax income	466	115	827	249
Income tax provision	68	28	133	46
Net income	398	87	694	203
Less: Net income (loss) attributable to noncontrolling interests	139	(8)	221	(22)
Net income attributable to Ameriprise Financial	$ 259	$ 95	$ 473	$ 225
Earnings per share attributable to Ameriprise Financial, Inc. common shareholders				
Basic	$ 0.99	$ 0.41	$ 1.81	$ 1.00
Diluted	0.98	0.41	1.78	0.99
Weighted average common shares outstanding				
Basic	261.1	228.8	260.9	225.6
Diluted	265.3	230.0	265.1	226.8
Cash dividends paid per common share	$ 0.18	$ 0.17	$ 0.35	$ 0.34

Supplemental Disclosures:

Net investment income:				
Net investment income before impairment losses on securities	$ 655	$ 542	$ 1,275	$ 995
Total other-than-temporary impairment losses on securities		(30)	(32)	(55)
Portion of loss recognized in other comprehensive income	(1)	(1)	1	(11)
Net impairment losses recognized in net investment income	(1)	(31)	(31)	(66)
Net investment income	$ 654	$ 511	$ 1,244	$ 929

See Notes to Consolidated Financial Statements.

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AMERIPRISE FINANCIAL, INC.

CONSOLIDATED BALANCE SHEETS

(in millions, except share amounts)

	June 30, 2010 (unaudited)	December 31, 2009
Assets		
Cash and cash equivalents	$ 3,827	$ 3,097
Investments	36,526	36,938
Separate account assets	58,029	58,129
Receivables	4,906	4,435
Deferred acquisition costs	4,123	4,334
Restricted and segregated cash	1,272	1,452
Other assets	5,643	4,286
Total assets before consolidated investment entities	114,326	112,671
Consolidated Investment Entities:		
Cash	570	181
Investments, at fair value	5,437	36
Receivables (includes $45 and nil, respectively, at fair value)	92	49
Other assets, at fair value	685	833
Total assets of consolidated investment entities	6,784	1,099
Total assets	$ 121,110	$ 113,770
Liabilities and Equity Liabilities:		
Future policy benefits and claims	$ 30,677	$ 30,886
Separate account liabilities	58,029	58,129
Customer deposits	8,421	8,554
Short-term borrowings	484	
Long-term debt	2,684	1,868
Accounts payable and accrued expenses	1,050	918
Other liabilities	3,166	3,093
Total liabilities before consolidated investment entities	104,511	103,448
Consolidated Investment Entities:		
Debt (includes $5,048 and nil, respectively, at fair value)	5,296	381
Accounts payable and accrued expenses	21	28
Other liabilities (includes $151 and $30, respectively, at fair value)	163	41
Total liabilities of consolidated investment entities	5,480	450
Total liabilities	109,991	103,898
Equity:		
Ameriprise Financial, Inc.:		
Common shares ($.01 par value; shares authorized, 1,250,000,000; shares issued, 299,053,176 and 295,839,581, respectively)	3	3
Additional paid-in capital	5,869	5,748
Retained earnings	5,658	5,276
Appropriated retained earnings of consolidated investment entities	620	
Treasury shares, at cost (47,014,926 and 40,744,090 shares, respectively)	(2,259)	(2,023)

Accumulated other comprehensive income, net of tax		607		265
Total Ameriprise Financial, Inc. shareholders equity		10,498		9,269
Noncontrolling interests		621		603
Total equity		11,119		9,872
Total liabilities and equity	$	121,110	$	113,770

See Notes to Consolidated Financial Statements.

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AMERIPRISE FINANCIAL, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(in millions)

	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
Cash Flows from Operating Activities		
Net income	$ 694	$ 203
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Capitalization of deferred acquisition and sales inducement costs	(259)	(405)
Amortization of deferred acquisition and sales inducement costs	324	167
Depreciation, amortization and accretion, net	48	81
Deferred income tax expense	426	90
Share-based compensation	70	86
Net realized investment gains	(39)	(97)
Other-than-temporary impairments and provision for loan losses	35	82
Net (income) loss attributable to noncontrolling interests	(221)	22
Changes in operating assets and liabilities before consolidated investment entities:		
Restricted and segregated cash	22	150
Trading securities and equity method investments, net	7	(327)
Future policy benefits and claims, net	54	379
Receivables	(490)	27
Brokerage deposits	(39)	(123)
Accounts payable and accrued expenses	83	(74)
Derivatives collateral, net	533	(1,588)
Other, net	(12)	(192)
Changes in operating assets and liabilities of consolidated investment entities	80	(27)
Net cash provided by (used in) operating activities	1,316	(1,546)
Cash Flows from Investing Activities		
Available-for-Sale securities:		
Proceeds from sales	1,906	2,359
Maturities, sinking fund payments and calls	3,204	2,500
Purchases	(4,188)	(10,188)
Proceeds from sales and maturities of commercial mortgage loans	107	158
Funding of commercial mortgage loans	(82)	(57)
Proceeds from sales of other investments	92	28
Purchase of other investments	(40)	(10)
Purchase of investments by consolidated investment entities	(1,010)	
Proceeds from sales and maturities of investments by consolidated investment entities	933	
Return of capital in investments of consolidated investment entities	2	
Purchase of land, buildings, equipment and software	(54)	(35)
Change in policy and certificate loans, net	(6)	13
Acquisitions	(866)	
Change in consumer banking loans and credit card receivables, net	(196)	(52)
Other, net	(8)	3
Net cash used in investing activities	(206)	(5,281)

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, 2010	Six Months Ended June 30, 2009
Cash Flows from Financing Activities		
Investment certificates and banking time deposits:		
Proceeds from additions	$ 554	$ 1,798
Maturities, withdrawals and cash surrenders	(1,120)	(1,780)
Change in other banking deposits	463	1,097
Policyholder and contractholder account values:		
Consideration received	833	3,726
Net transfers (to) from separate accounts	(1,277)	239
Surrenders and other benefits	(692)	(1,224)
Deferred premium options, net	(77)	(6)
Proceeds from issuance of common stock		869
Issuances of debt, net of issuance costs	744	491
Repayments of debt		(87)
Change in short-term borrowings, net	484	
Dividends paid to shareholders	(91)	(74)
Repurchase of common shares	(206)	(9)
Exercise of stock options	45	
Excess tax benefits from share-based compensation	5	1
Borrowings of consolidated investment entities	30	41
Repayments of debt of consolidated investment entities	(50)	
Noncontrolling interests investments in subsidiaries	29	2
Distributions to noncontrolling interests	(40)	(38)
Other, net	(2)	
Net cash (used in) provided by financing activities	(368)	5,046
Effect of exchange rate changes on cash	(12)	22
Net increase (decrease) in cash and cash equivalents	730	(1,759)
Cash and cash equivalents at beginning of period	3,097	6,228
Cash and cash equivalents at end of period	$ 3,827	$ 4,469
Supplemental Disclosures:		
Interest paid on debt before consolidated investment entities	$ 61	$ 58
Income taxes paid, net	53	3

See Notes to Consolidated Financial Statements.

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AMERIPRISE FINANCIAL, INC.

CONSOLIDATED STATEMENTS OF EQUITY (UNAUDITED)

	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 (Loss)**	**Non-controlling Interests**	**Total**
	(in millions, except share data)								
Balances at January 1, 2009	216,510,699	$ 3	$ 4,688	$ 4,586	$	$ (2,012)	$ (1,091)	$ 289	$ 6,463
Change in accounting principles, net of tax				132			(132)		
Comprehensive income:									
Net income (loss)				225				(22)	203
Other comprehensive income, net of tax:									
Change in net unrealized securities losses							737		737
Change in noncredit related im-pairments on securities and net unrealized securities losses on previously impaired securities							35		35
Change in net unrealized derivatives losses							(1)		(1)
Foreign currency translation adjustment							66	33	99
Total comprehensive income									1,073
Issuance of common stock	36,000,000		869						869
Dividends paid to shareholders				(74)					(74)
Noncontrolling interests investments in subsidiaries								2	2
Distributions to noncontrolling interests								(38)	(38)
Repurchase of common shares	(624,538)					(9)			(9)
Share-based compensation plans	3,152,251		84						84
Balances at June 30, 2009	255,038,412	$ 3	$ 5,641	$ 4,869	$	$ (2,021)	$ (386)	$ 264	$ 8,370
Balances at January 1, 2010	255,095,491	$ 3	$ 5,748	$ 5,276	$	$ (2,023)	$ 265	$ 603	$ 9,872
Change in accounting principles					473				473
Comprehensive income:									
Net income				473				221	694
Net income reclassified to appropriated retained earnings					147			(147)	
Other comprehensive income, net of tax:									
Change in net unrealized securities gains							379		379
Change in noncredit related impairments on securities and net unrealized securities losses on previously impaired securities							2		2

Change in net unrealized derivatives gains							(2)		(2)
Foreign currency translation adjustment							(37)	(45)	(82)
Total comprehensive income									991
Dividends paid to shareholders				(91)					(91)
Noncontrolling interests investments in subsidiaries								29	29
Distributions to noncontrolling interests								(40)	(40)
Repurchase of common shares	(6,270,836)					(236)			(236)
Share-based compensation plans	3,213,595		121						121
Balances at June 30, 2010	252,038,250	$ 3	$ 5,869	$ 5,658	$ 620	$ (2,259)	$ 607	$ 621	$ 11,119

See Notes to Consolidated Financial Statements.

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AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

1. Basis of Presentation

Ameriprise Financial, Inc. is a holding company, which primarily conducts business through its subsidiaries to provide financial planning and 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 Company s foreign operations in the United Kingdom (UK) are conducted through its subsidiary, Threadneedle Asset Management Holdings Sàrl (Threadneedle).

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

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

In the second quarter of 2010, the Company made an adjustment for revisions to certain calculations in its valuation of deferred acquisition costs (DAC) and deferred sales inducement costs (DSIC), which resulted in increases to the DAC and DSIC balances and decreases to amortization of DAC and benefits expense totaling $33 million. The impact to net income attributable to Ameriprise Financial was $21 million.

In the second quarter of 2010, the Company purchased an additional $6 million ownership interest in Cofunds, a leading investment platform that provides distribution access to over 1,300 funds from over 90 UK fund managers. This additional investment increased the Company s ownership percentage from 16% to 20%, and as a result, the Company adopted the equity method of accounting and recorded a retrospective adjustment to the investment balance, results of operations and retained earnings as if the equity method had been in effect during all previous periods in which the investment was held. The effect of the change to the Company s prior period consolidated results of operations and financial condition was not material.

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, 2009, filed with the Securities and Exchange Commission (SEC) on February 24, 2010.

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

2. Recent Accounting Pronouncements

Adoption of New Accounting Standards

Consolidation of Variable Interest Entities

In June 2009, the Financial Accounting Standards Board (FASB) updated the accounting standards related to the consolidation of VIEs. The standard amends the guidance on the determination of the primary beneficiary of a VIE from a quantitative model to a qualitative model and requires additional disclosures about an enterprise s involvement in VIEs. Under the new qualitative model, the primary beneficiary must have both the power to direct the activities of the VIE and the obligation to absorb losses or the right to receive gains that could be potentially significant to the VIE. In February 2010, the FASB amended this guidance to defer application of the consolidation requirements for certain investment funds. The standards are effective for interim and annual reporting periods beginning after November 15, 2009. The Company adopted the standards effective January 1, 2010 and consolidated certain collateralized debt obligations (CDOs). As a result of the adoption, the Company recorded a $5.5 billion increase to assets and a $5.1 billion increase to liabilities. The difference between the fair value of the assets and liabilities of the CDOs was recorded as a cumulative effect increase of $473 million to appropriated retained earnings of consolidated investment entities. Such amounts are recorded as appropriated retained earnings as the CDO note holders, not Ameriprise Financial, ultimately will receive the benefits or absorb the losses associated with the assets and liabilities of the

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AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

CDOs. Subsequent to the adoption, the net change in fair value of the assets and liabilities of the CDOs will be recorded as net income (loss) attributable to noncontrolling interests and as an adjustment to appropriated retained earnings of consolidated investment entities. See Note 3 for additional information related to the application of the amended VIE consolidation model and the required disclosures.

Subsequent Events

In February 2010, the FASB amended the accounting standards related to the recognition and disclosure of subsequent events. The amendments remove the requirement to disclose the date through which subsequent events are evaluated for SEC filers. The standard is effective upon issuance and shall be applied prospectively. The Company adopted the standard in the first quarter of 2010. The adoption did not have any effect on the Company s consolidated results of operations and financial condition.

Fair Value

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

Recognition and Presentation of Other-Than-Temporary Impairments (OTTI)

In April 2009, the FASB updated the accounting standards for the recognition and presentation of other-than-temporary impairments. The standard amends existing guidance on other-than-temporary impairments for debt securities and requires that the credit portion of other-than-temporary impairments be recorded in earnings and the noncredit portion of losses be recorded in other comprehensive income (loss) when the entity does not intend to sell the security and it is more likely than not that the entity will not be required to sell the security prior to recovery of its cost basis. The standard requires separate presentation of both the credit and noncredit portions of other-than-temporary impairments on the financial statements and additional disclosures. This standard is effective for interim and annual reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. At the date of adoption, the portion of previously recognized other-than-temporary impairments that represent the noncredit related loss component shall be recognized as a cumulative effect of adoption with an adjustment to the opening balance of retained earnings with a corresponding adjustment to accumulated other comprehensive income (loss). The Company adopted the standard in the first quarter of 2009 and recorded a cumulative effect increase to the opening balance of retained earnings of $132 million, net of DAC and DSIC amortization, certain benefit reserves and income taxes, and a corresponding increase to accumulated other comprehensive loss, net of impacts to DAC and DSIC amortization, certain benefit reserves and income taxes. See Note 4 for the required disclosures.

Future Adoption of New Accounting Standards

Receivables

In July 2010, the FASB updated the accounting standards for disclosures about the credit quality of financing receivables and the allowance for credit losses. The standard requires additional disclosure related to the credit quality of financing receivables, troubled debt restructurings and significant purchases or sales of financing receivables during the period. The standard requires that these disclosures and existing disclosures be presented on a disaggregated basis, similar to the manner that the entity uses to evaluate its credit losses. Disclosures of information as of the end of a reporting period are effective for interim and annual periods ending after December 15, 2010 and disclosures of activity that occurred during a reporting period are effective for interim and annual periods beginning after December 15, 2010. The Company is currently evaluating the impact of the standard on its disclosures. The Company s adoption of the standard will not impact its consolidated results of operations and financial condition.

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

In April 2010, the FASB updated the accounting standards regarding accounting for investment funds determined to be VIEs. Under this standard an insurance enterprise would not be required to consolidate a voting-interest investment fund when it

AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

holds the majority of the voting interests of the fund through its separate accounts. In addition, the enterprise would not consider the interests held through separate accounts in evaluating its economic interests in a VIE, unless the separate account contract holder is a related party. The standard is effective for financial statements issued for fiscal years and interim periods beginning after December 15, 2010. The adoption of the standard is not expected to have a material impact on the Company s consolidated results of operations and financial condition.

3. Consolidated Investment Entities

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

Variable Interest Entities

A VIE is an entity that either has equity investors that lack certain essential characteristics of a controlling financial interest (including substantive voting rights, the obligation to absorb the entity s losses, or the rights to receive the entity s returns) or has equity investors that do not provide sufficient financial resources for the entity to support its activities. A VIE is required to be assessed for consolidation under two models:

- If the VIE is a money market fund or is an investment company, or has the financial characteristics of an investment company, and the following is true:

(i) the entity does not have an explicit or implicit obligation to fund the investment company s losses; and

(ii) the investment company is not a securitization entity, asset-backed financing entity, or an entity formally considered a qualifying special purpose entity,

then, the VIE will be consolidated by the entity that determines it stands to absorb a majority of the VIE s expected losses or to receive a majority of the VIE s expected residual returns. Examples of entities that are likely to be assessed for consolidation under this framework include hedge funds, property funds, private equity funds and venture capital funds.

- If the VIE does not meet the criteria above, the VIE will be consolidated by the entity that determines it has both:

(i) the power to direct the activities of a VIE that most significantly impact the VIE s economic performance; and

(ii) the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE.

The Company s CDOs are generally assessed for consolidation under this framework.

When determining whether the Company stands to absorb the majority of the VIE s expected losses or receive a majority of the VIE s expected returns, it analyzes the design of the VIE to identify the variable interests it holds. Then the Company quantitatively determines whether its variable interests will absorb a majority of the VIE s variability. If the Company determines it has control over the activities that most significantly impact the economic performance of the VIE and it will absorb a majority of the VIE s expected variability, the Company consolidates the VIE. The calculation of variability is based on an analysis of projected probability-weighted cash flows based on the design of the particular VIE. When determining whether the Company has the power and the obligation to absorb losses or rights to receive benefits from the VIE that could potentially be significant, the Company qualitatively determines if its variable interests meet these criteria. If the Company consolidates a VIE under either scenario, it is referred to as the VIE s primary beneficiary.

Investment Entities

Collateralized Debt Obligations

The Company provides collateral management services to CDOs which 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 the CDOs collateralize 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 taking 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

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AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

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.

Other Investment Products

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 RiverSource, 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. See Note 4 for additional information about these structured investments.

The Company s maximum exposure to loss as a result of its investment in structured investments 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.

The following tables reflect the impact of consolidated investment entities on the Consolidated Balance Sheet as of June 30, 2010 and the Consolidated Statements of Operations for the three and six months ended June 30, 2010:

	June 30, 2010	
	Before	**Consolidated**

	Consolidation	Investment Entities (in millions)	Eliminations	Total
Total assets	$ 114,413	$ 6,784	$ (87)	$ 121,110
Total liabilities	104,511	5,480		109,991
Total Ameriprise Financial shareholders equity	9,902	683	(87)	10,498
Noncontrolling interests equity		621		621
Total liabilities and equity	$ 114,413	$ 6,784	$ (87)	$ 121,110

	Three Months Ended June 30, 2010			
	Before Consolidation	Consolidated Investment Entities (in millions)	Eliminations	Total
Total net revenues	$ 2,386	$ 201	$ (10)	$ 2,577
Total expenses	2,059	62	(10)	2,111
Pretax income	327	139		466
Income tax provision	68			68
Net income	259	139		398
Net income attributable to noncontrolling interests		139		139
Net income attributable to Ameriprise Financial	$ 259	$	$	$ 259

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AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

	Six Months Ended June 30, 2010			
	Before Consolidation	Consolidated Investment Entities	Eliminations	Total
	(in millions)			
Total net revenues	$ 4,530	$ 337	$ (19)	$ 4,848
Total expenses	3,924	116	(19)	4,021
Pretax income	606	221		827
Income tax provision	133			133
Net income	473	221		694
Net income attributable to noncontrolling interests		221		221
Net income attributable to Ameriprise Financial	$ 473	$	$	$ 473

The following tables present the balances of assets and liabilities held by consolidated investment entities at June 30, 2010 measured at fair value on a recurring basis:

	June 30, 2010			
	Level 1	Level 2	Level 3	Total
	(in millions)			
Assets				
Investments				
Corporate debt securities	$	$ 442	$ 6	$ 448
Common stocks	2	56		58
Other structured investments		37	10	47
Syndicated loans		4,843		4,843
Trading securities		41		41
Total investments	2	5,419	16	5,437
Receivables		45		45
Other assets		3	682	685
Total assets at fair value	$ 2	$ 5,467	$ 698	$ 6,167
Liabilities				
Debt			5,048	5,048
Other liabilities		151		151
Total liabilities at fair value	$	$ 151	$ 5,048	$ 5,199

	December 31, 2009			
	Level 1	Level 2	Level 3	Total
	(in millions)			
Assets				
Investments				
Trading securities	$	$ 36	$	$ 36
Total investments		36		36
Other assets		2	831	833

Total assets at fair value	$		$	38	$	831	$	869
Liabilities								
Other liabilities				30				30
Total liabilities at fair value	$		$	30	$		$	30

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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 measured at fair value on a recurring basis as of June 30:

	2010				2009
	Corporate Debt Securities	Other Structured Investments	Other Assets (in millions)	Debt	Other Assets
Balance, April 1	$ 15	$ 6	$ 870	$ (5,144)	$ 262
Cumulative effect of accounting change					
Total gains (losses) included in:					
Net income	(1)(1)	(1)(1)	(34)(2)	77(1)	(15)(3)
Comprehensive income			(14)		39
Purchases, sales, issuances and settlements, net	(8)	5	(140)	19	55
Balance, June 30	$ 6	$ 10	$ 682	$ (5,048)	$ 341
Changes in unrealized gains (losses) included in income relating to assets held at June 30	$ (1)	$ (1)	$ (5)(4)	$ 77(1)	$ (15)(3)

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

(2) Represents a $33 million loss included in other revenues and a $1 million loss included in net investment income in the Consolidated Statements of Operations.

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

(4) Represents a $4 million loss included in other revenues and a $1 million loss included in net investment income in the Consolidated Statements of Operations.

	2010				2009
	Corporate Debt Securities	Other Structured Investments	Other Assets (in millions)	Debt	Other Assets
Balance, January 1	$	$	$ 831	$	$ 287
Cumulative effect of accounting change	15	5		(4,962)	
Total gains (losses) included in:					
Net income	(1)(1)	1(1)	21(2)	(106)(1)	(34)(3)
Comprehensive income			(64)		33
Purchases, sales, issuances and settlements, net	(8)	4	(106)	20	55
Balance, June 30	$ 6	$ 10	$ 682	$ (5,048)	$ 341
Changes in unrealized gains (losses) included in income relating to assets held at June 30	$ (1)	$ 1(1)	$ 50(4)	$ (106)(1)	$ (29)(3)

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

(2) Represents a $22 million gain included in other revenue and a $1 million loss included in net investment income in the Consolidated Statements of Operations.

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

(4) Represents a $51 million gain included in other revenues and a $1 million loss included in net investment income in the Consolidated Statements of Operations.

The Company has elected the fair value option within the consolidation standards issued June 2009 for the financial assets and liabilities of the consolidated CDOs. Management believes that the use of the fair value option better matches the changes in fair value of assets and liabilities related to the CDOs.

For receivables, other assets and other liabilities of the consolidated CDOs, the carrying value approximates fair value as the nature of these assets and liabilities have historically been short term and the receivables have been collectible. The fair value of these assets and liabilities is classified as Level 2. The fair value of syndicated loans is obtained from nationally-recognized pricing services and is classified as Level 2. Other assets consist primarily of properties held in consolidated pooled investment vehicles managed by Threadneedle. The fair value of these properties is determined using discounted cash flows and market comparables. Inputs into the valuation of these properties include: rental cash flows, current occupancy, historical vacancy rates, tenant history and assumptions regarding how quickly the property can be occupied and at what rental rates. Given the significance of the unobservable inputs to these measurements, these assets are classified as Level 3. The fair value of the CDO s debt is valued using a discounted cash flow methodology. Inputs used to determine the expected cash flows include assumptions about default and recovery rates of the CDO s underlying assets. Given the significance of the unobservable inputs to this fair value measurement, the CDO debt is classified as Level 3. Other liabilities consist primarily of short securities held in consolidated hedge funds. The fair value of these

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AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

securities is obtained from nationally-recognized pricing services and is classified as Level 2. See Note 10 for a description of the Company s determination of the fair value of investments.

The following table presents the fair value and unpaid principal balance of assets and liabilities carried at fair value under the fair value option as of June 30, 2010:

		(in millions)
Syndicated loans		
Unpaid principal balance	$	5,226
Excess unpaid principal over fair value		(383)
Fair value	$	4,843
Fair value of loans more than 90 days past due		181
Fair value of loans in non-accrual status		162
Difference between fair value and unpaid principal of loans more than 90 days past due, loans in non-accrual status or both		83
Debt		
Unpaid principal balance		6,002
Excess unpaid principal over fair value		(954)
Carrying value at estimated fair value	$	5,048

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

Total gains and losses recognized in net investment income related to changes in the fair value of financial assets and liabilities for which the fair value option was elected were $100 million and $128 million for the three months and six months ended June 30, 2010, respectively. The majority of the syndicated loans and debt have floating rates, as such changes in their fair values are primarily attributable to changes in credit spreads.

Debt of the consolidated investment entities and the stated interest rates as of June 30, 2010 were as follows:

		Carrying Value (in millions)	Stated Interest Rate
Debt of consolidated CDOs due 2012-2021	$	5,048	1.0%

Floating rate revolving credit borrowings due 2014		183	5.9
Floating rate revolving credit borrowings due 2014		38	5.0
Floating rate revolving credit borrowings due 2015		27	4.9
Total	$	5,296	

The debt of the consolidated CDOs has both fixed and floating interest rates. The stated interest rate of the debt of consolidated CDOs is a weighted average rate based on the principal and stated interest rate according to the terms of each CDO structure, which range from 0% to 14.1%. The carrying value of the debt of the consolidated CDOs represents the fair value of the aggregate debt as of June 30, 2010. The carrying value of the floating rate revolving credit borrowings represent the outstanding principal amount of debt of certain consolidated pooled investment vehicles managed by Threadneedle. The fair value of this debt was $248 million as of June 30, 2010.

At June 30, 2010, future maturities of debt were as follows:

		(in millions)
2011	$	
2012		21
2013		150
2014		221
2015		383
Thereafter		5,475
Total future maturities	$	6,250

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AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

4. Investments

The following is a summary of Ameriprise Financial investments:

	June 30, 2010	December 31, 2009
	(in millions)	
Available-for-Sale securities, at fair value	$ 32,216	$ 32,546
Commercial mortgage loans, net	2,631	2,663
Trading securities	547	556
Policy loans	725	720
Other investments	407	453
Total	$ 36,526	$ 36,938

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

	June 30, 2010				
Description of Securities	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Noncredit OTTI (1)
			(in millions)		
Corporate debt securities	$ 14,855	$ 1,279	$ (56)	$ 16,078	$ 10
Residential mortgage backed securities	7,497	372	(396)	7,473	(149)
Commercial mortgage backed securities	4,369	314	(2)	4,681	
Asset backed securities	1,921	90	(45)	1,966	(17)
State and municipal obligations	1,605	66	(63)	1,608	
U.S. government and agencies obligations	168	10		178	
Foreign government bonds and obligations	93	17		110	
Common and preferred stocks	53	2	(7)	48	
Other debt obligations	74			74	
Total	$ 30,635	$ 2,150	$ (569)	$ 32,216	$ (156)

	December 31, 2009				
Description of Securities	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Noncredit OTTI (1)
			(in millions)		
Corporate debt securities	$ 15,336	$ 894	$ (107)	$ 16,123	$ 12
Residential mortgage backed securities	8,050	218	(498)	7,770	(152)
Commercial mortgage backed securities	4,437	196	(20)	4,613	

Asset backed securities	1,984	72	(62)	1,994	(18)
State and municipal obligations	1,472	21	(76)	1,417	
U.S. government and agencies obligations	379	9	(1)	387	
Foreign government bonds and obligations	95	14	(1)	108	
Common and preferred stocks	52	1	(10)	43	
Other structured investments	22	36		58	21
Other debt obligations	33			33	
Total	$ 31,860	$ 1,461	$ (775)	$ 32,546	$ (137)

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

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AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

At both June 30, 2010 and December 31, 2009, fixed maturity securities comprised approximately 88% of Ameriprise Financial investments. These securities were rated by Moody s Investors Service (Moody s), Standard & Poor s Ratings Services (S&P) and Fitch Ratings Ltd. (Fitch), except for approximately $1.3 billion and $1.2 billion of securities at June 30, 2010 and December 31, 2009, respectively, which were rated by the Company s internal analysts using criteria similar to Moody s, S&P and Fitch. Ratings on fixed maturity securities are presented using the median of ratings from Moody s, S&P and Fitch. If only two of the ratings are available, the lower rating is used. A summary of fixed maturity securities by rating was as follows:

	June 30, 2010			December 31, 2009		
Ratings	**Amortized Cost**	**Fair Value**	**Percent of Total Fair Value**	**Amortized Cost**	**Fair Value**	**Percent of Total Fair Value**
	(in millions, except percentages)					
AAA	$ 12,367	$ 13,091	41%	$ 13,003	$ 13,396	41%
AA	1,746	1,840	6	1,616	1,601	5
A	4,329	4,579	14	4,778	4,910	15
BBB	10,019	10,900	34	10,261	10,802	33
Below investment grade	2,121	1,758	5	2,150	1,794	6
Total fixed maturities	$ 30,582	$ 32,168	100%	$ 31,808	$ 32,503	100%

At June 30, 2010 and December 31, 2009, approximately 31% and 34%, 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.

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, 2010								
	Less than 12 months			12 months or more			Total		
Description of Securities	**Number of Securities**	**Fair Value**	**Unrealized Losses**	**Number of Securities**	**Fair Value**	**Unrealized Losses**	**Number of Securities**	**Fair Value**	**Unrealized Losses**
	(in millions, except number of securities)								
Corporate debt securities	89	$ 471	$ (17)	91	$ 651	$ (39)	180	$ 1,122	$ (56)
Residential mortgage backed securities	39	533	(6)	165	809	(390)	204	1,342	(396)
Commercial mortgage backed securities	14	76		3	40	(2)	17	116	(2)
Asset backed securities	14	143	(3)	33	160	(42)	47	303	(45)
State and municipal obligations	30	112	(1)	114	355	(62)	144	467	(63)
U.S. government and agencies obligations	1	43					1	43	
Foreign government bonds and obligations	2	1					2	1	

Common and preferred stocks	2			3	43	(7)	5	43	(7)
Other structured investments				6			6		
Total	191	$ 1,379	$ (27)	415	$ 2,058	$ (542)	606	$ 3,437	$ (569)

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AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

	December 31, 2009								
	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	139	$ 1,095	$ (18)	193	$ 1,368	$ (89)	332	$ 2,463	$ (107)
Residential mortgage backed securities	80	1,566	(51)	172	904	(447)	252	2,470	(498)
Commercial mortgage backed securities	37	373	(4)	36	348	(16)	73	721	(20)
Asset backed securities	16	126	(3)	38	207	(59)	54	333	(62)
State and municipal obligations	64	318	(10)	135	389	(66)	199	707	(76)
U.S. government and agencies obligations	5	133	(1)				5	133	(1)
Foreign government bonds and obligations				2	4	(1)	2	4	(1)
Common and preferred stocks	2			3	39	(10)	5	39	(10)
Other structured investments				6			6		
Total	343	$ 3,611	$ (87)	585	$ 3,259	$ (688)	928	$ 6,870	$ (775)

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 credit spreads. The primary driver of lower unrealized losses at June 30, 2010 was the decline of interest rates during the period.

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 (loss):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	**2009**	**2010**	**2009**
	(in millions)			
Beginning balance of credit losses on securities held for which a portion of other-than-temporary impairment was recognized in other comprehensive income	$ 290	$ 282	$ 263	$ 258
Additional amount related to credit losses for which an other-than-temporary impairment was not previously recognized			15	8
Reductions for securities sold during the period (realized)		(3)		(3)
Additional increases to the amount related to credit losses for which an other-than-temporary impairment was previously recognized	1	31	13	47
Ending balance of credit losses on securities held as of June 30 for which a portion of other-than-temporary impairment was recognized in other	$ 291	$ 310	$ 291	$ 310

comprehensive income

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, 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 (loss):

	Net Unrealized Securities Gains (Losses)	Deferred Income Tax	Accumulated Other Comprehensive Income (Loss) Related to Net Unrealized Securities Gains (Losses)
		(in millions)	
Balance at January 1, 2009	$ (1,478)	$ 517	$ (961)
Cumulative effect of accounting change	(203)(1)	71	(132)
Net unrealized securities gains arising during the period (3)	1,499	(525)	974
Reclassification of gains included in net income	(31)	11	(20)
Impact of DAC, DSIC, benefit reserves and reinsurance recoverables	(280)	98	(182)
Balance at June 30, 2009	$ (493)	$ 172	$ (321)(2)
Balance at January 1, 2010	$ 474	$ (164)	$ 310
Net unrealized securities gains arising during the period (3)	898	(315)	583
Reclassification of gains included in net income	(8)	3	(5)
Impact of DAC, DSIC, benefit reserves and reinsurance recoverables	(305)	107	(198)
Balance at June 30, 2010	$ 1,059	$ (369)	$ 690(2)

(1) Amount represents the cumulative effect of adopting a new accounting standard on January 1, 2009. See Note 2 for additional information on the adoption impact.

(2) At June 30, 2010 and 2009, Accumulated Other Comprehensive Income Related to Net Unrealized Securities Gains included $(82) million and $(97) million, respectively, of noncredit related impairments on securities and net unrealized securities losses on previously impaired securities.

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

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

	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
	(in millions)		(in millions)	
Gross realized gains from sales	$ 7	$ 57	$ 40	$ 109
Gross realized losses from sales		(11)	(1)	(12)

Other-than-temporary impairments related to credit	(1)	(31)	(31)	(63)

The other-than-temporary impairments for the three months and six months ended June 30, 2010 primarily related to credit losses on non-agency residential mortgage backed securities. The other-than-temporary impairments for the three months and six months ended June 30, 2009 related to credit losses on non-agency residential mortgage backed securities and corporate debt securities primarily in the gaming industry.

Available-for-Sale securities by contractual maturity at June 30, 2010 were as follows:

	Amortized Cost	Fair Value
	(in millions)	
Due within one year	$ 1,714	$ 1,750
Due after one year through five years	6,176	6,496
Due after five years through 10 years	4,773	5,269
Due after 10 years	4,132	4,533
	16,795	18,048
Residential mortgage backed securities	7,497	7,473
Commercial mortgage backed securities	4,369	4,681
Asset backed securities	1,921	1,966
Common and preferred stocks	53	48
Total	$ 30,635	$ 32,216

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AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

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

Trading Securities

Net recognized gains related to trading securities held at June 30, 2010 and 2009 were $9 million and $19 million, respectively, for the six months then ended.

5. Deferred Acquisition Costs and Deferred Sales Inducement Costs

The balances of and changes in DAC were as follows:

	2010	2009
	(in millions)	
Balance at January 1	$ 4,334	$ 4,383
Capitalization of acquisition costs	233	366
Amortization	(289)	(161)
Impact of change in net unrealized securities gains	(155)	(227)
Balance at June 30	$ 4,123	$ 4,361

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

	2010	2009
	(in millions)	
Balance at January 1	$ 524	$ 518
Capitalization of sales inducement costs	26	39
Amortization	(35)	(6)
Impact of change in net unrealized securities gains	(22)	(33)
Balance at June 30	$ 493	$ 518

6. Future Policy Benefits and Claims and Separate Account Liabilities

Future policy benefits and claims consisted of the following:

	June 30, 2010	December 31, 2009
	(in millions)	
Fixed annuities	$ 16,633	$ 16,558
Equity indexed annuities (EIA) accumulated host values	123	159
EIA embedded derivatives	3	9
Variable annuity fixed sub-accounts	4,918	6,127
Variable annuity guaranteed minimum withdrawal benefits (GMWB)	842	204
Variable annuity guaranteed minimum accumulation benefits (GMAB)	247	100
Other variable annuity guarantees	14	12
Total annuities	22,780	23,169
Variable universal life (VUL)/ universal life (UL) insurance	2,643	2,595
Other life, disability income and long term care insurance	4,744	4,619
Auto, home and other insurance	392	380
Policy claims and other policyholders funds	118	123
Total	$ 30,677	$ 30,886

Separate account liabilities consisted of the following:

	June 30, 2010	December 31, 2009
	(in millions)	
Variable annuity variable sub-accounts	$ 49,176	$ 48,982
VUL insurance variable sub-accounts	4,989	5,239
Other insurance variable sub-accounts	41	46
Threadneedle investment liabilities	3,823	3,862
Total	$ 58,029	$ 58,129

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AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

7. 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 universal life 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:

	June 30, 2010				December 31, 2009			
Variable Annuity Guarantees by Benefit Type(1)	**Total Contract Value**	**Contract Value in Separate Accounts**	**Net Amount at Risk(2)**	**Weighted Average Attained Age**	**Total Contract Value**	**Contract Value in Separate Accounts**	**Net Amount at Risk(2)**	**Weighted Average Attained Age**
	(in millions, except age)							
GMDB:								
Return of premium	$ 31,381	$ 29,706	$ 1,420	62	$ 30,938	$ 28,415	$ 974	61
Five/six-year reset	12,781	10,209	1,117	62	13,919	11,223	929	61
One-year ratchet	6,839	6,311	1,030	63	7,081	6,400	873	63
Five-year ratchet	1,249	1,196	59	60	1,256	1,171	38	59
Other	528	497	120	67	549	516	95	67
Total GMDB	$ 52,778	$ 47,919	$ 3,746	62	$ 53,743	$ 47,725	$ 2,909	61
GGU death benefit	$ 845	$ 783	$ 71	64	$ 853	$ 775	$ 70	63
GMIB	$ 559	$ 518	$ 158	64	$ 628	$ 582	$ 126	63
GMWB:								
GMWB	$ 3,937	$ 3,913	$ 564	64	$ 4,196	$ 4,067	$ 454	64
GMWB for life	15,913	15,810	1,169	63	14,988	14,333	795	63
Total GMWB	$ 19,850	$ 19,723	$ 1,733	63	$ 19,184	$ 18,400	$ 1,249	63
GMAB	$ 2,936	$ 2,924	$ 228	56	$ 2,926	$ 2,853	$ 153	56

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

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

Changes in additional liabilities were as follows:

	GMDB & GGU	GMIB	GMWB	GMAB	UL
			(in millions)		
Liability balance at January 1, 2009	$ 55	$ 12	$ 1,471	$ 367	$ 7
Incurred claims	12	(1)	(887)	(187)	6
Paid claims	(42)				(1)
Liability balance at June 30, 2009	$ 25	$ 11	$ 584	$ 180	$ 12
Liability balance at January 1, 2010	$ 6	$ 6	$ 204	$ 100	$ 15
Incurred claims	11	1	638	147	8
Paid claims	(10)				(3)
Liability balance at June 30, 2010	$ 7	$ 7	$ 842	$ 247	$ 20

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AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

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

	June 30, 2010	December 31, 2009
	(in millions)	
Mutual funds:		
Equity	$ 28,605	$ 29,379
Bond	18,023	16,537
Other	2,397	2,889
Total mutual funds	$ 49,025	$ 48,805

8. Customer Deposits

Customer deposits consisted of the following:

	June 30, 2010	December 31, 2009
	(in millions)	
Fixed rate certificates	$ 2,575	$ 3,172
Stock market based certificates	841	852
Stock market embedded derivative reserve	11	26
Other	54	59
Less: accrued interest classified in other liabilities	(7)	(33)
Total investment certificate reserves	3,474	4,076
Brokerage deposits	1,855	1,894
Banking deposits	3,092	2,584
Total	$ 8,421	$ 8,554

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, 2010	December 31, 2009	June 30, 2010	December 31, 2009
	(in millions)			
Senior notes due 2010	$ 340	$ 340	5.4%	5.4%

Senior notes due 2015		727(1)	700	5.7	5.7
Senior notes due 2019		317(1)	300	7.3	7.3
Senior notes due 2020		772(1)		5.3	
Senior notes due 2039		200	200	7.8	7.8
Junior subordinated notes due 2066		322	322	7.5	7.5
Municipal bond inverse floater certificates due 2021		6	6	0.3	0.3
Total long-term debt		2,684	1,868		
Total short-term borrowings		484			
Total	$	3,168	$ 1,868		

(1) Amounts include the fair value of associated fair value hedges on the Company s long-term debt and any unamortized discounts.

Long-term debt

On March 11, 2010, Ameriprise Financial issued $750 million aggregate principal amount of unsecured senior notes which mature on March 15, 2020, and incurred debt issuance costs of $6 million. Interest payments are due semi-annually in arrears on March 15 and September 15, commencing September 15, 2010.

During the six months ended June 30, 2009, Ameriprise Financial extinguished $135 million aggregate principal amount of its junior subordinated notes due 2066 in open market transactions and recognized a gain of $57 million in other revenues.

Short-term borrowings

During 2010, the Company entered into repurchase agreements in exchange for cash, which it accounts for as a secured borrowing. The Company has pledged Available-for-Sale securities consisting of commercial mortgage backed securities, agency residential mortgage backed securities and corporate debt securities to collateralize its obligation under the repurchase agreements. The fair value of the securities pledged, which are recorded in investments, was $549 million at June 30, 2010. The

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

amount of the Company s liability as of June 30, 2010 was $491 million, consisting of $484 million recorded in short-term borrowings for the repurchase agreements and $7 million recorded in other liabilities for accrued interest and cash collateral posted by counterparties. The weighted average interest rate on the repurchase agreements was 0.54% as of June 30, 2010.

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.

Determination of Fair Value

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

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

Assets

Cash Equivalents

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

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

When available, the fair value of securities is based on quoted prices in active markets. If quoted prices are not available, fair values are obtained from nationally-recognized pricing services, broker quotes, or other model-based valuation techniques. Level 1 securities include U.S. Treasuries and seed money in funds traded in active markets. Level 2 securities include agency mortgage backed securities, commercial mortgage backed securities, asset backed securities, municipal and corporate bonds, U.S. and foreign government and agency securities, and seed money and other investments in certain hedge funds. The fair value of these Level 2 securities is based on a market approach with prices obtained from nationally-recognized pricing services. Observable inputs used to value these securities can include: reported trades, benchmark yields, issuer spreads and broker/dealer quotes. Level 3 securities include non-agency residential mortgage backed securities, commercial mortgage backed securities, asset backed securities, corporate bonds and seed money in property funds. The fair value of these Level 3 securities is typically based on a single broker quote, except for the valuation of non-agency residential mortgage backed securities. The Company believes the market for non-agency residential mortgage backed securities is inactive and effective March 31, 2010, the Company returned to using prices from nationally-recognized pricing services to determine the fair value of non-agency residential mortgage backed securities because the difference between these prices and the results of the Company s discounted cash flows was not significant.

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AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

Separate Account Assets

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

Other Assets

Derivatives that are measured using quoted prices in active markets, such as foreign exchange forwards, or derivatives that are exchanged-traded are classified as Level 1 measurements. The fair value of derivatives that are traded in less active over-the-counter markets are generally measured using pricing models with market observable inputs such as interest rates and equity index levels. These measurements are classified as Level 2 within the fair value hierarchy and include swaps and options. Derivatives that are valued using pricing models that have significant unobservable inputs are classified as Level 3 measurements.

Liabilities

Future Policy Benefits and Claims

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

Customer Deposits

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

Other Liabilities

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

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

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AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

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

	June 30, 2010 (in millions)			
	Level 1	Level 2	Level 3	Total
Assets				
Cash equivalents	$ 103	$ 3,493	$	$ 3,596
Available-for-Sale securities:				
Corporate debt securities		14,835	1,243	16,078
Residential mortgage backed securities		3,300	4,173	7,473
Commercial mortgage backed securities		4,537	144	4,681
Asset backed securities		1,524	442	1,966
State and municipal obligations		1,608		1,608
U.S. government and agencies obligations	21	157		178
Foreign government bonds and obligations		110		110
Common and preferred stocks		44	4	48
Other debt obligations		74		74
Total Available-for-Sale securities	21	26,189	6,006	32,216
Trading securities:				
Seed money	103	64	18	185
Investments segregated for regulatory purposes	5	10		15
Other		343		343
Total Trading securities	108	417	18	543
Separate account assets		58,029		58,029
Other assets:				
Interest rate derivatives		509		509
Equity derivatives		1,050		1,050
Other	2	2	1	5
Total Other assets	2	1,561	1	1,564
Total assets at fair value	$ 234	$ 89,689	$ 6,025	$ 95,948
Liabilities				
Future policy benefits and claims:				
EIA embedded derivatives	$	$ 3	$	$ 3
GMWB and GMAB embedded derivatives			1,083	1,083
Total Future policy benefits and claims		3	1,083	1,086
Customer deposits		11		11
Other liabilities:				
Interest rate derivatives		278		278
Equity derivatives		421		421
Credit derivatives		10		10
Other		4		4
Total Other liabilities		713		713
Total liabilities at fair value	$	$ 727	$ 1,083	$ 1,810

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AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

	December 31, 2009			
	Level 1	Level 2	Level 3	Total
	(in millions)			
Assets				
Cash equivalents	$ 57	$ 2,733	$	$ 2,790
Available-for-Sale securities:				
Corporate debt securities		14,871	1,252	16,123
Residential mortgage backed securities		3,788	3,982	7,770
Commercial mortgage backed securities		4,541	72	4,613
Asset backed securities		1,539	455	1,994
State and municipal obligations		1,417		1,417
U.S. government and agencies obligations	64	323		387
Foreign government bonds and obligations		108		108
Common and preferred stocks		39	4	43
Other structured investments			58	58
Other debt obligations		33		33
Total Available-for-Sale securities	64	26,659	5,823	32,546
Trading securities	101	436	16	553
Separate account assets		58,129		58,129
Other assets	1	815		816
Total assets at fair value	$ 223	$ 88,772	$ 5,839	$ 94,834
Liabilities				
Future policy benefits and claims	$	$ 9	$ 299	$ 308
Customer deposits		26		26
Other liabilities	1	937		938
Total liabilities at fair value	$ 1	$ 972	$ 299	$ 1,272

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:

		Total Gains (Losses) Included in				
	Balance, April 1, 2010	Net Income	Other Comprehensive Income	Purchases, Sales, Issuances and Settlements, Net	Transfers In/(Out) of Level 3	Balance, June 30, 2010
	(in millions)					
Available-for-Sale securities:						
Corporate debt securities	$ 1,258	$ 1	$ 24	$ (40)	$	$ 1,243
Residential mortgage backed securities	3,885	21	120	147		4,173
Commercial mortgage backed securities	80	1	1	62		144
Asset backed securities	459	4	10	(8)	(23)	442

Common and preferred stocks	4					4
Total Available-for-Sale securities	5,686	27(1)	155	161	(23)(3)	6,006
Trading securities	16	1(1)		1		18
Other assets		1(1)				1
Future policy benefits and claims:						
GMWB and GMAB embedded derivatives	(193)	(851)(2)		(39)		(1,083)

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

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

(3) Represents a security transferred to Level 2 as the fair value is now obtained from a nationally-recognized pricing service. Previously, the fair value of the security was based on broker quotes.

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AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

	Balance, April 1, 2009	Total Gains (Losses) Included in Net Income	Total Gains (Losses) Included in Other Comprehensive Income	Purchases, Sales, Issuances and Settlements, Net	Transfers In/(Out) of Level 3	Balance, June 30, 2009
	(in millions)					
Available-for-Sale securities:						
Corporate debt securities	$ 1,088	$	$ 54	$ 36	$	$ 1,178
Residential mortgage backed securities	2,734	20	102	595		3,451
Commercial mortgage backed securities	3			61		64
Asset backed securities	286	7	1	85		379
Common and preferred stocks	10					10
Other structured investments	38		13	(2)		49
Other debt obligations	5			(5)		
Total Available-for-Sale securities	4,164	27(1)	170	770		5,131
Trading securities	25	(5)(1)	4	(1)		23
Other assets	125	(33)(2)		(91)		1
Future policy benefits and claims	(1,516)	773(2)		(16)		(759)

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

The following table presents the changes in unrealized gains (losses) included in net income related to Level 3 assets and liabilities of Ameriprise Financial held at June 30 for the three months then ended:

	2010 Net Investment Income	2010 Benefits, Claims, Losses and Settlement Expenses	2009 Net Investment Income	2009 Benefits, Claims, Losses and Settlement Expenses
	(in millions)			
Available-for-Sale securities:				
Corporate debt securities	$	$	$	$

Residential mortgage backed securities	20		(5)	
Commercial mortgage backed securities	1			
Asset backed securities	4		2	
Common and preferred stock				
Other structured investments				
Total Available-for-Sale securities	25		(3)	
Trading securities	2		(3)	
Other assets				
Future policy benefits and claims		(852)		766

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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:

	Balance, January 1, 2010	Total Gains (Losses) Included in: Net Income	Total Gains (Losses) Included in: Other Comprehensive Income	Purchases, Sales, Issuances and Settlements, Net	Transfers In/(Out) of Level 3	Balance, June 30, 2010
	(in millions)					
Available-for-Sale securities:						
Corporate debt securities	$ 1,252	$ 1	$ 43	$ (53)	$	$ 1,243
Residential mortgage backed securities	3,982	15	196	(20)		4,173
Commercial mortgage backed securities	72	1	10	61		144
Asset backed securities	455	8	28	(26)	(23)	442
Common and preferred stocks	4					4
Other structured investments	58	2	2	(62)		
Total Available-for-Sale securities	5,823	27(1)	279	(100)	(23)(3)	6,006
Trading securities	16	2(1)	(1)	1		18
Other assets		1(1)				1
Future policy benefits and claims:						
GMWB and GMAB embedded derivatives	(299)	(716)(2)		(68)		(1,083)

(1) Included in net investment income in the Consolidated Statements of Operations.
(2) Included in benefits, claims, losses and settlement expenses in the Consolidated Statements of Operations.
(3) Represents a security transferred to Level 2 as the fair value is now obtained from a nationally-recognized pricing service. Previously, the fair value of the security was based on broker quotes.

	Balance, January 1, 2009	Total Gains (Losses) Included in: Net Income	Total Gains (Losses) Included in: Other Comprehensive Income	Purchases, Sales, Issuances and Settlements, Net	Transfers In/(Out) of Level 3	Balance, June 30, 2009
	(in millions)					
Available-for-Sale securities:						
Corporate debt securities	$ 1,120	$	$ 79	$ (7)	$ (14)	$ 1,178
	1,208	12	108	2,123		3,451

Residential mortgage backed securities						
Commercial mortgage backed securities	3			61		64
Asset backed securities	222	9	(5)	153		379
Common and preferred stocks	10					10
Other structured investments	50	(3)	6	(4)		49
Other debt obligations						
Total Available-for-Sale securities	2,613	18[1]	188	2,326	(14)[3]	5,131
Trading securities	30	(5)[1]	3	(5)		23
Other assets	200	(36)[2]		(163)		1
Future policy benefits and claims	(1,832)	1,104[2]		(31)		(759)

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

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

(3) Represents a security transferred to Level 2 as the fair value is now obtained from a nationally-recognized pricing service. Previously, the fair value of the security was based on broker quotes.

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AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

The following table presents the changes in unrealized gains (losses) included in net income related to Level 3 assets and liabilities of Ameriprise Financial held at June 30 for the six months then ended:

	2010		2009	
	Net Investment Income	Benefits, Claims, Losses and Settlement Expenses	Net Investment Income	Benefits, Claims, Losses and Settlement Expenses
	(in millions)			
Available-for-Sale securities:				
Corporate debt securities	$	$	$	$
Residential mortgage backed securities	15		(13)	
Commercial mortgage backed securities	1			
Asset backed securities	7		4	
Common and preferred stock				
Other structured investments			(3)	
Total Available-for-Sale securities	23		(12)	
Trading securities	2		(3)	
Other assets				
Future policy benefits and claims		(719)		1,088

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

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

	June 30, 2010		December 31, 2009	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(in millions)		(in millions)	
Financial Assets				
Commercial mortgage loans, net	$ 2,631	$ 2,747	$ 2,663	$ 2,652
Policy loans	725	788	720	795
Receivables	1,725	1,329	1,387	1,055
Restricted and segregated cash	1,272	1,272	1,633	1,633
Other investments and assets	383	377	439	442
Financial Liabilities				
Future policy benefits and claims	$ 15,449	$ 15,666	$ 15,540	$ 15,657
Investment certificate reserves	3,463	3,445	4,050	4,053
Banking and brokerage customer deposits	4,947	4,947	4,478	4,478
Separate account liabilities	4,180	4,180	4,268	4,268
Debt and other liabilities	3,306	3,471	2,365	2,407

Investments

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

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

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AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

Receivables

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

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

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

Restricted and Segregated Cash

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

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

Other Investments and Assets

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

Future Policy Benefits and Claims

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

Customer Deposits

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

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

Separate Account Liabilities

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

Debt and Other Liabilities

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

The fair value of short-term borrowings is determined by discounting cash flows. A nonperformance adjustment is not included as collateral requirements for these borrowings minimize the nonperformance risk.

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AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

11. Derivatives and Hedging Activities of Ameriprise Financial

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

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

Derivatives designated as hedging instruments	Balance Sheet Location	Asset June 30, 2010	Asset December 31, 2009	Balance Sheet Location	Liability June 30, 2010	Liability December 31, 2009
		(in millions)			(in millions)	
Cash flow hedges						
Interest on debt	Other assets	$	$ 19		$	$
Asset-based distribution fees	Other assets	10				
Fair value hedges						
Fixed rate debt	Other assets	74				
Total qualifying hedges		84	19			
Derivatives not designated as hedging instruments						
Interest rate						
GMWB and GMAB	Other assets	425	176	Other liabilities	278	280
Interest rate lock commitments	Other assets		1			
Equity						
GMWB and GMAB	Other assets	1,012	425	Other liabilities	388	474
GMDB	Other assets	1		Other liabilities		2
EIA	Other assets		2			
EIA embedded derivatives				Future policy benefits and claims	3	9
Stock market certificates	Other assets	37	166	Other liabilities	27	141
Stock market certificates embedded derivatives				Customer deposits	11	26
Seed money				Other liabilities		1
P2 deferral plan				Other liabilities	6	
Credit						
GMWB and GMAB	Other assets		12	Other liabilities	10	
Foreign exchange						
Seed money	Other assets	2				

Other								
GMWB and GMAB embedded derivatives(1)					Future policy benefits and claims		1,083		299
Total non-designated		1,477		782			1,806		1,232
Total derivatives	$	1,561	$	801		$	1,806	$	1,232

(1) The fair values of GMWB and GMAB embedded derivatives fluctuate primarily 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 (in millions) Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
Interest rate					
GMWB and GMAB	Benefits, claims, losses and settlement expenses	$ 185	$ (262)	$ 211	$ (385)
Equity					
GMWB and GMAB	Benefits, claims, losses and settlement expenses	747	(851)	574	(790)
GMDB	Benefits, claims, losses and settlement expenses	8		5	
EIA	Interest credited to fixed accounts	(1)			(2)
EIA embedded derivatives	Interest credited to fixed accounts	4		6	1
Stock market certificates	Banking and deposit interest expense	(5)	4	(2)	1
Stock market certificates embedded derivatives	Banking and deposit interest expense	5	(5)	2	(5)
Seed money	Net investment income	5	(10)	3	
Credit					
GMWB and GMAB	Benefits, claims, losses and settlement expenses	(20)	(22)	(30)	(22)
Foreign exchange					
Seed money	General and administrative expense	(1)	(4)	1	(1)
Other					
GMWB and GMAB embedded derivatives	Benefits, claims, losses and settlement expenses	(890)	757	(784)	1,073
Total		$ 37	$ (393)	$ (14)	$ (130)

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

The majority of the Company s annuity contracts contain GMDB provisions, which may result in a death benefit payable that exceeds the contract accumulation value when market values of customers accounts decline. Certain annuity contracts contain GMWB or GMAB provisions, which guarantee the right to make limited partial withdrawals each contract year regardless of the volatility inherent in the underlying investments or guarantee a minimum accumulation value of considerations 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 using various equity futures, equity options, total return swaps, interest rate swaptions, interest rate swaps and credit default swaps. In 2009, the Company entered into a limited number of derivative contracts to economically hedge equity exposure related to GMDB provisions on variable annuity contracts written previously in 2009. At June 30, 2010, the gross notional amount of these contracts was $45.3 billion and $74 million for the Company s GMWB and GMAB provisions and GMDB provisions, respectively. At December 31, 2009, the gross notional amount of these contracts was $38.7 billion and $77 million for the Company s GMWB and GMAB provisions and GMDB provisions, respectively. The 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)	
2010(1)	$ 118	$ 2
2011	228	4
2012	208	3
2013	185	2
2014	160	1
2015-2024	530	4

(1) 2010 amounts represent the amounts payable and receivable for the period from July 1, 2010 to December 31, 2010.

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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.

Equity indexed annuities and stock market certificate products have returns tied to the performance of equity markets. As a result of fluctuations in equity markets, the obligation incurred by the Company related to equity indexed annuities and stock market certificate products will positively or negatively impact earnings over the life of these products. As a means of economically hedging its obligations under the provisions of these products, the Company enters into index options and occasionally enters into futures contracts. The gross notional amount of these derivative contracts was $1.6 billion at June 30, 2010 and December 31, 2009.

The Company enters into forward contracts, futures and total return swaps to manage its exposure to price risk arising from seed money investments made in proprietary investment products. The gross notional amount of these contracts was $165 million and $191 million at June 30, 2010 and December 31, 2009, 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 $18 million and $7 million at June 30, 2010 and December 31, 2009, respectively.

In the first quarter of 2010, the Company entered into a total return swap to economically hedge its exposure to equity price risk of Ameriprise Financial, Inc. common stock granted as part of its Deferred Equity Program for Independent Financial Advisors. 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, 2010. The gross notional value of this contract was $25 million at June 30, 2010.

Embedded Derivatives

Certain annuities contain GMAB and non-life contingent GMWB provisions, which are considered embedded derivatives. In addition, the equity component of the equity indexed annuity and stock market investment 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 noted above, the Company uses derivatives to mitigate the financial statement impact of these embedded derivatives.

Cash Flow Hedges

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

Amounts associated with the effective portion of designated cash flow hedges are recorded in accumulated other comprehensive income. The Company reclassifies these amounts into earnings as the forecasted transactions impact earnings. Any ineffectiveness is recorded in earnings immediately. If a derivative designated as a cash flow hedge is terminated or ceases to be highly effective, any amount recorded in accumulated other comprehensive income attributable to the hedging relationship will be reclassified to earnings over the period that the forecasted transactions are expected to occur. If the forecasted transactions are no longer probable of occurring, hedge accounting will cease and amounts previously recorded in accumulated other comprehensive income will be reclassified to earnings immediately. At June 30, 2010 the Company had $1 million of net unrealized gains recorded in accumulated other comprehensive income.

At June 30, 2010, the Company expects to reclassify net pretax gains of $6 million that will be recorded as a reduction to interest and debt expense, offset by net pretax losses of $6 million that will be recorded in net investment income in the next 12 months.

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AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

No hedge relationships were discontinued during the periods ended June 30, 2010 and 2009 due to forecasted transactions no longer being expected to occur according to the original hedge strategy. For the three months and six months ended June 30, 2010 and 2009, amounts recognized in earnings related to cash flow hedges due to ineffectiveness were immaterial. The following table shows the impact of the effective portion of the Company s cash flow hedges on the Consolidated Statements of Operations and the Consolidated Statements of Equity for the periods ended June 30, 2010 and 2009:

	Amount of Gain (Loss) Recognized in Other Comprehensive Income on Derivatives			
	Three Months Ended June 30,		Six Months Ended June 30,	
Derivatives designated as hedging instruments	**2010**	**2009**	**2010**	**2009**
	(in millions)			
Cash flow hedges				
Interest on debt	$	$	$ (10)	$
Asset-based distribution fees	9		9	
Total	$ 9	$	$ (1)	$

	Amount of Gain (Loss) Reclassified from Accumulated Comprehensive Income into Income			
Location of Gain (Loss) Reclassified from Accumulated Other Comprehensive Income into Income	**Three Months Ended June 30, 2010**	**2009**	**Six Months Ended June 30, 2010**	**2009**
	(in millions)			
Interest and debt expense	$ 2	$ 2	$ 4	$ 4
Net investment income	(1)	(1)	(3)	(3)
Total	$ 1	$ 1	$ 1	$ 1

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

Fair Value Hedges

During the first quarter of 2010, the Company entered into and designated 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 shows the amounts recognized in income for the periods ended June 30, 2010:

		Amount of Gain Recognized in Income on Derivative	
Derivatives designated	**Location of Gain**	**Three Months Ended**	**Six Months Ended**

as hedging instruments	Recorded into Income	June 30, 2010	June 30, 2010
		(in millions)	
Fair Value hedges			
Fixed rate debt	Interest and debt expense	$	$ 6
Total		$	$ 6

Credit Risk

Credit risk associated with the Company s derivatives is the risk that a derivative counterparty will not perform in accordance with the terms of the applicable derivative contract. To mitigate such risk, the Company has established guidelines and oversight of credit risk through a comprehensive enterprise risk management program that includes members of senior management. Key components of this program are to require preapproval of counterparties and the use of master netting arrangements and collateral arrangements whenever practical. As of June 30, 2010 and December 31, 2009, the Company held $480 million and $103 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, 2010 and December 31, 2009, the Company had accepted additional collateral consisting of various securities with a fair value of $83 million and $22 million, respectively, which are not reflected on the Consolidated Balance Sheets. As of June 30, 2010 and December 31, 2009, the Company s maximum credit exposure related to derivative assets after considering netting arrangements with counterparties and collateral arrangements was approximately $303 million and $83 million, respectively.

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Certain of the Company s derivative instruments contain provisions that adjust the level of collateral the Company is required to post based on the Company s debt rating (or based on the financial strength of the Company s life insurance subsidiaries for contracts in which those subsidiaries are the counterparty). Additionally, certain of the Company s derivative contracts contain provisions that allow the counterparty to terminate the contract if the Company s debt does not maintain a specific credit rating (generally an investment grade rating) or the Company s life insurance subsidiary does not maintain a specific financial strength rating. If these termination provisions were to be triggered, the Company s counterparty could require immediate settlement of any net liability position. At June 30, 2010 and December 31, 2009, the aggregate fair value of all derivative instruments in a net liability position containing such credit risk features was $38 million and $297 million, respectively. The aggregate fair value of assets posted as collateral for such instruments as of June 30, 2010 and December 31, 2009 was $34 million and $269 million, respectively. If the credit risk features of derivative contracts that were in a net liability position at June 30, 2010 and December 31, 2009 were triggered, the additional fair value of assets needed to settle these derivative liabilities would have been $4 million and $28 million, respectively.

12. Income Taxes

The Company s effective tax rates were 14.6% and 24.4% for the three months ended June 30, 2010 and 2009, respectively. The Company s effective tax rates were 16.1% and 18.4% for the six months ended June 30, 2010 and 2009, respectively. The decrease in the effective tax rate primarily reflects benefits from tax planning and completion of certain audits which offset the impact of an increase in pretax income relative to tax advantaged items for the three months and six months ended June 30, 2010.

The Company is required to establish a valuation allowance for any portion of the deferred tax assets that management believes will not be realized. Included in deferred tax assets is a significant deferred tax asset relating to capital losses that have been recognized for financial statement purposes but not yet for tax return purposes. Under current U.S. federal income tax law, capital losses generally must be used against capital gain income within five years of the year in which the capital losses are recognized for tax purposes. Significant judgment is required in determining if a valuation allowance should be established, and the amount of such allowance if required. Factors used in making this determination include estimates relating to the performance of the business including the ability to generate capital gains. Consideration is given to, among other things in making this determination, i) future taxable income exclusive of reversing temporary differences and carryforwards, ii) future reversals of existing taxable temporary differences, iii) taxable income in prior carryback years, and iv) tax planning strategies. Based on analysis of the Company s tax position, management believes it is more likely than not that the results of future operations and implementation of tax planning strategies will generate sufficient taxable income to enable the Company to utilize all of its deferred tax assets. Accordingly, no valuation allowance for deferred tax assets has been established as of June 30, 2010 and December 31, 2009.

Included in the Company s deferred income tax assets are tax benefits related to net operating loss carryforwards of $35 million which will expire beginning December 31, 2025. As a result of the Company s ability to file a consolidated U.S. federal income tax return including the Company s life insurance subsidiaries in 2010, as well as the expected level of taxable income, management believes the Company s tax credit carryforwards will be utilized in the current year and therefore are reflected in the current tax accounts and not reflected as a deferred tax asset.

As of June 30, 2010 and December 31, 2009, the Company had $34 million of gross unrecognized tax benefits and $33 million of gross unrecognized tax expense, respectively. If recognized, approximately $64 million and $81 million, net of federal tax benefits, of unrecognized tax benefits as of June 30, 2010 and December 31, 2009, respectively, would affect the effective tax rate.

The Company recognizes interest and penalties related to unrecognized tax benefits as a component of the income tax provision. The Company recognized a net reduction of $10 million and $20 million in interest and penalties for the three months and six months ended June 30, 2010, respectively. At June 30, 2010 and December 31, 2009, the Company had a receivable of $32 million and $12 million, respectively, related to accrued interest and penalties.

It is reasonably possible that the total amounts of unrecognized tax benefits will change in the next 12 months. Based on the current audit position of the Company, it is estimated that the total amount of gross unrecognized tax benefits may decrease by $10 million to $15 million in the next 12 months.

The Company or one or more of its subsidiaries files income tax returns in the U.S. federal jurisdiction, and various states and foreign jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 1997. The Internal Revenue Service (IRS), as part of the overall examination of the American Express Company consolidated return, completed its field examination of the Company s U.S. income tax returns for 1997 through 2002 during 2008 and completed its field examination of 2003 through 2004 in the third quarter of 2009. However,

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

for federal income tax purposes these years continue to remain open as a consequence of certain issues under appeal. In the fourth quarter of 2008, the IRS commenced an examination of the Company s U.S. income tax returns for 2005 through 2007, of which the second stub period 2005 through 2007 for the non-life group, and 2006 through 2007 for the life group was completed in the second quarter of 2010. The first stub 2005 period for the non-life group and the full year 2005 for the life group is expected to be completed in the third quarter of 2010. The Company s or certain of its subsidiaries state income tax returns are currently under examination by various jurisdictions for years ranging from 1998 through 2008.

On September 25, 2007, the IRS issued Revenue Ruling 2007-61 in which it announced that it intends to issue regulations with respect to certain computational aspects of the Dividends Received Deduction (DRD) related to separate account assets held in connection with variable contracts of life insurance companies. Revenue Ruling 2007-61 suspended a revenue ruling issued in August 2007 that purported to change accepted industry and IRS interpretations of the statutes governing these computational questions. Management believes that the IRS will concede this issue for open tax years and it is likely that any regulations that would result from a regulation project would apply prospectively only. Any regulations that the IRS ultimately proposes for issuance in this area will be subject to public notice and comment, at which time insurance companies and other members of the public will have the opportunity to raise legal and practical questions about the content, scope and application of such regulations. As a result, the ultimate timing and substance of any such regulations are unknown at this time, but they may result in the elimination of some or all of the separate account DRD tax benefit that we receive.

13. Guarantees and Contingencies

Guarantees

Certain property fund limited partnerships that the Company consolidates have floating rate revolving credit borrowings of $248 million as of June 30, 2010. Certain Threadneedle subsidiaries guarantee the repayment of outstanding borrowings up to the value of the assets of the partnerships. The debt is secured by the assets of the partnerships and there is no recourse to Ameriprise Financial.

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

Contingencies

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

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

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AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

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

Certain legal and regulatory proceedings are described below.

In June 2004, an action captioned John E. Gallus et al. v. American Express Financial Corp. and American Express Financial Advisors Inc., was filed in the United States District Court for the District of Arizona, and was later transferred to the United States District Court for the District of Minnesota. The plaintiffs alleged that they were investors in several of the Company s mutual funds and they purported to bring the action derivatively on behalf of those funds under the Investment Company Act of 1940 (the 40 Act). The plaintiffs alleged that fees allegedly paid to the defendants by the funds for investment advisory and administrative services were excessive. Plaintiffs seek an order declaring that defendants have violated the 40 Act and awarding unspecified damages including excessive fees allegedly paid plus interest and other costs. On July 6, 2007, the district court granted the Company s motion for summary judgment, dismissing all claims with prejudice. Plaintiffs appealed the district court s decision, and on April 8, 2009, the U.S. Court of Appeals for the Eighth Circuit reversed the district court s decision, and remanded the case for further proceedings. The Company filed with the United States Supreme Court a Petition for Writ of Certiorari to review the judgment of the Court of Appeals in this case in light of the Supreme Court s anticipated review of a similar excessive fee case captioned Jones v. Harris Associates. On March 30, 2010, the Supreme Court issued its ruling in Jones v. Harris Associates, and on April 5, 2010, the Supreme Court vacated the Eighth Circuit s decision in this case and remanded it to the Eighth Circuit for further consideration in light of the Supreme Court s decision in Jones v. Harris Associates. Without any further briefing or argument, on June 4, 2010, the Eighth Circuit remanded the case to the district court for further consideration in light of the Supreme Court s decision in Jones v. Harris Associates. The district court has ordered briefing and oral argument on the impact of the Jones v. Harris Associates decision. Opening briefs will be submitted September 1, 2010. Response briefs will be submitted September 15, 2010. Oral argument will be held September 22, 2010.

In July 2009, two issuers of private placement interests (Medical Capital Holdings, Inc./Medical Capital Corporation and affiliated corporations and Provident Shale Royalties, LLC and affiliated corporations) sold by the Company s subsidiary Securities America, Inc. (SAI) were the subject of SEC actions against those entities and individuals associated with them, which has resulted in the filing of several putative class action lawsuits naming both SAI and Ameriprise Financial, and numerous FINRA arbitrations and state court actions naming SAI primarily but occasionally also naming Ameriprise Financial, as well as related regulatory inquiries. The putative class actions and arbitrations generally allege violations of state and/or federal securities laws in connection with SAI s sales of these private placement interests. These actions were commenced in September 2009 and thereafter. Currently, five arbitrations have been scheduled for hearings later this year, in November and December 2010, with the other scheduled arbitration hearings set to begin in 2011 and 2012. Motions to dismiss have been filed or will be filed in all of the putative class actions. On January 26, 2010, the Commonwealth of Massachusetts filed an Administrative Complaint against SAI, and on February 16, 2010, SAI filed an Answer. At this time, an Administrative Hearing in this matter has been scheduled to commence on August 30, 2010. On April 15, 2010, four Medical Capital-related class actions were centralized and moved to the Central District of California by order of the United States Judicial Panel on Multidistrict Litigation under the caption In re: Medical Capital Securities Litigation.
On June 23, 2010, another Medical Capital-related class action was ordered transferred to the Central District of California by the Judicial Panel on Multidistrict Litigation, and then on July 1, 2010, plaintiffs in that action voluntarily dismissed the action without prejudice. On June 3, 2010, the Judicial Panel on Multidistrict Litigation issued an order denying centralization of the Provident Shale-related class actions which remain pending in Texas and Idaho federal courts. On July 26, 2010, the court in the Texas Provident Shale class action granted the motion to dismiss as to the securities law claim against SAI, held that the securities law claim against Ameriprise Financial could not proceed without an underlying claim against SAI, and denied the motion as to the common law claim for breach of fiduciary duty in the absence of sufficient facts for

determination of the issue. Plaintiffs in the Texas class action have until August 27, 2010 to amend their complaint one final time. On June 22, 2010, the Liquidating Trustee of the Provident Liquidating Trust filed an adversary action in the Provident bankruptcy proceeding naming SAI on behalf of both the Provident Liquidating Trust and a number of individual Provident investors who are alleged to have assigned their claims. The action by the Liquidating Trustee generally alleges the same types of claims as are alleged in the class actions as well as a claim under the Bankruptcy Code.

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AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

14. Earnings per Share Attributable to Ameriprise Financial Common Shareholders

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

	Three Months Ended June 30, 2010	Three Months Ended June 30, 2009	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
	(in millions, except per share amounts)			
Numerator:				
Net income attributable to Ameriprise Financial	$ 259	$ 95	$ 473	$ 225
Denominator:				
Basic: Weighted-average common shares outstanding	261.1	228.8	260.9	225.6
Effect of potentially dilutive nonqualified stock options and other share-based awards and other share-based awards	4.2	1.2	4.2	1.2
Diluted: Weighted-average common shares outstanding	265.3	230.0	265.1	226.8
Earnings per share attributable to Ameriprise Financial common shareholders:				
Basic	$ 0.99	$ 0.41	$ 1.81	$ 1.00
Diluted	0.98	0.41	1.78	0.99

15. Segment Information

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

The following is a summary of assets by segment:

	June 30, 2010	December 31, 2009
	(in millions)	
Advice & Wealth Management	$ 11,009	$ 11,098
Asset Management	6,357	5,951
Annuities	77,227	77,037
Protection	16,953	16,758
Corporate & Other	9,564	2,926
Total assets	$ 121,110	$ 113,770

The following is a summary of segment operating results:

	Three Months Ended June 30, 2010						
	Advice & Wealth Management	Asset Management	Annuities	Protection	Corporate & Other	Eliminations	Consolidated
	(in millions)						
Revenue from external customers	$ 766	$ 541	$ 581	$ 518	$ 191	$	$ 2,597
Intersegment revenue	220	22	49	3		(294)	
Total revenues	986	563	630	521	191	(294)	2,597
Banking and deposit interest expense	17	1			3	(1)	20
Net revenues	969	562	630	521	188	(293)	2,577
Pretax income	$ 85	$ 56	$ 133	$ 135	$ 57	$	466
Income tax provision							68
Net income							398
Less: Net income attributable to noncontrolling interests							139
Net income attributable to Ameriprise Financial							$ 259

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AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

	Three Months Ended June 30, 2009						
	Advice & Wealth Management	Asset Management	Annuities	Protection	Corporate & Other	Eliminations	Consolidated
	(in millions)						
Revenue from external customers	$ 617	$ 282	$ 545	$ 481	$ (13)	$	$ 1,912
Intersegment revenue	206	12	17	16		(251)	
Total revenues	823	294	562	497	(13)	(251)	1,912
Banking and deposit interest expense	38	1			(1)		38
Net revenues	785	293	562	497	(12)	(251)	1,874
Pretax income (loss)	$ (2)	$ (12)	$ 94	$ 110	$ (75)	$	115
Income tax provision							28
Net income							87
Less: Net loss attributable to noncontrolling interests							(8)
Net income attributable to Ameriprise Financial							$ 95

	Six Months Ended June 30, 2010						
	Advice & Wealth Management	Asset Management	Annuities	Protection	Corporate & Other	Eliminations	Consolidated
	(in millions)						
Revenue from external customers	$ 1,482	$ 892	$ 1,161	$ 1,008	$ 346	$	$ 4,889
Intersegment revenue	404	41	71	20	2	(538)	
Total revenues	1,886	933	1,232	1,028	348	(538)	4,889
Banking and deposit interest expense	38	1			3	(1)	41
Net revenues	1,848	932	1,232	1,028	345	(537)	4,848
Pretax income	$ 136	$ 74	$ 253	$ 254	$ 110	$	827
Income tax provision							133
Net income							694
Less: Net income attributable to noncontrolling interests							221
Net income attributable to Ameriprise Financial							$ 473

	Six Months Ended June 30, 2009						
	Advice & Wealth Management	Asset Management	Annuities	Protection	Corporate & Other	Eliminations	Consolidated
	(in millions)						
Revenue from external customers	$ 1,147	$ 532	$ 1,022	$ 964	$ 5	$	$ 3,670
Intersegment revenue	443	22	32	29	1	(527)	

Total revenues	1,590	554	1,054	993	6	(527)	3,670
Banking and deposit interest expense	79	1			1	(1)	80
Net revenues	1,511	553	1,054	993	5	(526)	3,590
Pretax income (loss)	$ (63)	$ (20)	$ 223	$ 222	$ (113)	$	249
Income tax provision							46
Net income							203
Less: Net loss attributable to noncontrolling interests							(22)
Net income attributable to Ameriprise Financial							$ 225

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AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

16. Acquisition of Long-Term Asset Management Business of Columbia Management Group

On April 30, 2010, the Company acquired the long-term asset management business of Columbia Management from Bank of America for $927 million. This acquisition further enhances the scale and performance of the Company s retail mutual fund and institutional management businesses.

The Company recorded indefinite lived intangible assets, including fund investment management contracts and trade names, of $672 million, definite lived intangible assets of $113 million, tangible assets, including prepaid expense and fixed assets, of $3 million, and deferred tax assets of $11 million. The remaining cost of $128 million was allocated to goodwill. Included in the purchase price is a $31 million payable which is expected to be settled with Bank of America in the fourth quarter of 2010 and $30 million of assumed liabilities. The assets, liabilities and goodwill recorded as part of the acquisition were allocated to the Company s Asset Management segment. The Company is amortizing the definite lived intangible assets using a projected cash flow method.

Definite-lived intangible assets acquired during the three months ended June 30, 2010 were as follows:

	Amount Assigned (in millions)		Weighted Average Amortization Period (in years)
Customer relationships	$	68	10
Contracts		45	5
Total	$	113	8

17. Common Share Repurchases

In May 2010, the Company s Board of Directors authorized the expenditure of up to $1.5 billion for the repurchase of the Company s common stock through the date of its 2012 annual meeting. During the six months ended June 30, 2010, the Company repurchased a total of 5.7 million shares of its common stock for an aggregate cost of $220 million. There were no share repurchases during the six months ended June 30, 2009. As of June 30, 2010, the Company had $1.3 billion remaining under the share repurchase authorization.

The Company may also reacquire shares of its common stock under its 2005 ICP related to restricted stock awards. Restricted shares that are forfeited before the vesting period has lapsed are recorded as treasury shares. In addition, the holders of restricted shares may elect to surrender a portion of their shares on the vesting date to cover their income tax obligations. These vested restricted shares reacquired by the Company and the Company s payment of the holders income tax obligations are recorded as a treasury share purchase. For the six months ended June 30, 2010 and 2009, the restricted shares forfeited under the 2005 ICP and recorded as treasury shares were 0.1 million and 0.2 million, respectively. For the six months ended June 30, 2010 and 2009, the Company reacquired 0.4 million shares of its common stock in each period through the surrender of restricted shares upon vesting and paid in the aggregate $16 million and $8 million, respectively, related to the holders income tax obligations on the vesting date.

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AMERIPRISE FINANCIAL, INC.

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

The following discussion and analysis of our consolidated financial condition and results of operations should be read in conjunction with the Forward-Looking Statements that follow and our Consolidated Financial Statements and Notes presented in Item 1. Our Management s Discussion and Analysis should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2009, filed with the Securities and Exchange Commission (SEC) on February 24, 2010 (2009 10-K), as well as our current reports on Form 8-K and other publicly available information.

Overview

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

Our branded affiliated advisors financial planning and advisory process is designed to provide comprehensive advice, when appropriate, to address our clients cash and liquidity, asset accumulation, income, protection, and estate and wealth transfer needs. This approach allows us to recommend actions and a range of product solutions consisting of investment, annuity, insurance, banking and other financial products that help clients attain over time a return or form of protection while accepting what they determine to be an appropriate range and level of risk. Our focus puts us in a strong position to capitalize on significant demographic and market trends, which we believe will continue to drive increased demand for our financial planning and other financial services. Our focus on deep client-advisor relationships has been central to the ability of our business model to succeed through the extreme market conditions of 2008 and 2009, and we believe it will help us to respond to future market cycles.

Our multi-platform network of affiliated financial advisors is the primary means by which we develop personal relationships with retail clients. As of June 30, 2010, we had a network of 11,684 financial advisors and registered representatives (affiliated financial advisors). We refer to the affiliated financial advisors who use our brand name as our branded advisors, and those who do not use our brand name but who are affiliated as registered representatives of ours, as our unbranded advisors. The financial product solutions we offer through our affiliated advisors include both our own products and services and the products of other companies. Our branded advisor network is the primary distribution channel through which we offer our investment and annuity products and services, as well as a range of banking and protection products. Our asset management, annuity and Auto and Home protection products are also distributed through unaffiliated advisors and affinity relationships.
We offer our branded advisors training, tools, leadership, marketing programs and other field and centralized support to assist them in delivering advice and product solutions to clients. We support unaffiliated advisors with strong sales and service support and our solutions which they provide to clients. We believe our approach not only improves the products and services we provide to their clients, but allows us to reinvest in enhanced services for clients and increase support for financial advisors. Our integrated model of financial planning, diversified product manufacturing and affiliated and non-affiliated product distribution affords us a better understanding of our clients, which allows us to better manage the risk profile of our businesses. We believe our focus on meeting clients needs through personal financial planning results in more satisfied clients with deeper, longer lasting relationships with our company and a higher retention of experienced financial advisors.

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

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We continue to establish Ameriprise Financial as a financial services leader as we focus on meeting the financial needs of the mass affluent and affluent, as evidenced by our continued leadership in financial planning, a client retention percentage rate of 91%, and our status as a top ten ranked firm within core portions of each of our four main operating segments, including the size of our U.S. advisor force, long-term U.S. mutual fund assets, variable annuity sales and variable universal life (VUL) sales.

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

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

Management believes that operating measures, which exclude net realized gains/losses, integration charges and the impact of consolidating CIEs, best reflect the underlying performance of our 2010 and 2009 core operations and facilitate a more meaningful trend analysis. Management uses certain of these non-GAAP measures to evaluate our financial performance on a basis comparable to that used by some securities analysts and investors. Also, certain of these non-GAAP measures are taken into consideration, to varying degrees, for purposes of business planning and analysis and for certain compensation-related matters. Throughout our Management s Discussion and Analysis, these non-GAAP measures are referred to as operating measures. While the consolidation of the CIEs impacts our balance sheet and income statement, our exposure to these entities is unchanged and there is no impact to the underlying business results. The CIEs we manage have the following characteristics:

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

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

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Our financial targets are:

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

On April 30, 2010, we acquired the long-term asset management business of Columbia Management from Bank of America for $927 million (the Columbia Management Acquisition). The acquisition further enhances the scale and performance of our retail mutual fund and institutional management businesses. Included in the purchase price is a $31 million payable which is expected to be settled with Bank of America in the fourth quarter of 2010 and $30 million of assumed liabilities. We recorded the assets and liabilities acquired at fair value and allocated the remaining costs to goodwill and intangible assets. We incurred pretax non-recurring integration costs related to the Columbia Management Acquisition of $53 million and $58 million for the three months and six months ended June 30, 2010, respectively. In total, we have incurred $65 million of pretax non-recurring integration costs through June 30, 2010, and expect to incur between $130 million and $160 million in total of such costs through 2011. These costs include system integration costs, proxy and other regulatory filing costs, employee reduction and retention costs, and investment banking, legal and other acquisition costs.

In the fourth quarter of 2008, we completed the acquisitions of H&R Block Financial Advisors, Inc., subsequently renamed Ameriprise Advisor Services, Inc. (AASI), J.&W. Seligman & Co., Incorporated (Seligman) and Brecek & Young Advisors, Inc. to expand our retail distribution and asset management businesses. The cost of the acquisitions was $787 million, which included the purchase price and transaction costs. We recorded the assets and liabilities acquired at fair value and allocated the remaining costs to goodwill and intangible assets. We incurred integration charges related to these acquisitions of $4 million and $25 million for the three months ended June 30, 2010 and 2009, respectively, and $6 million and $44 million for the six months ended June 30, 2010 and 2009, respectively.

Critical Accounting Policies

The accounting and reporting policies that we use affect our Consolidated Financial Statements. Certain of our accounting and reporting policies are critical to an understanding of our consolidated results of operations and financial condition and, in some cases, the application of these policies can be significantly affected by the estimates, judgments and assumptions made by management during the preparation of our Consolidated Financial Statements. These accounting policies are discussed in detail in Management s Discussion and Analysis Critical Accounting Policies in our 2009 10-K.

Recent Accounting Pronouncements

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

Owned, Managed and Administered Assets

Owned assets include certain assets on our Consolidated Balance Sheets for which we do not provide investment management services and do not recognize management fees, such as investments in non-affiliated funds held in the separate accounts of our life insurance subsidiaries, as well as restricted and segregated cash and receivables.

Managed assets include managed external client assets and managed owned assets. At January 1, 2010, we consolidated approximately $5.5 billion of client assets in VIEs onto our Consolidated Balance Sheets that were not previously consolidated. Prior to January 1, 2010, these assets were included in managed external client assets and were subsequently included in managed owned assets. Managed external client assets include client assets for which we provide investment management services, such as the assets of the RiverSource funds (including Seligman and Threadneedle branded funds) and the Columbia funds, assets of institutional clients and client assets held in wrap accounts. Managed external client assets also include assets managed by sub-advisors selected by us. Managed external client assets are not reported on our Consolidated Balance Sheets. Managed owned assets include certain assets on our Consolidated Balance Sheets for which we provide investment management services and recognize management fees in our Asset Management segment, such as the assets of the general account, RiverSource Variable Product funds held in the separate accounts of our life insurance subsidiaries and client assets of CIEs.

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Investors in the mutual funds and face amount certificates we advise may redeem shares on each business day, provided that redemption orders are submitted in a timely fashion. For our institutional clients, advisory contracts may generally be terminated (and managed assets redeemed) upon 30 days written notice. However, we may in limited circumstances negotiate customized termination provisions with certain clients during the contracting process, or we may waive negotiated notice periods at our discretion. Investors in the private investment funds we sponsor can generally redeem shares as of each month end upon 30-days advance written notice, with limited exceptions. In addition, the notice requirements for our private investment funds may be waived or reduced at the discretion of the applicable fund.

Administered assets include assets for which we provide administrative services such as client assets invested in other companies products that we offer outside of our wrap accounts. These assets include those held in clients brokerage accounts. We generally record fees received from administered assets as distribution fees. We do not exercise management discretion over these assets and do not earn a management fee. These assets are not reported on our Consolidated Balance Sheets.

We earn management fees on our owned separate account assets based on the market value of assets held in the separate accounts. We record the income associated with our owned investments, including net realized gains and losses associated with these investments and other-than-temporary impairments related to credit losses on these investments, as net investment income. For managed assets, we receive management fees based on the value of these assets. We generally report these fees as management and financial advice fees. We may also receive distribution fees based on the value of these assets.

Our owned, managed and administered assets are impacted by net flows of client assets, market movements and foreign exchange rates. Owned assets are also affected by changes in our capital structure.

The following table presents detail regarding our owned, managed and administered assets:

	June 30, 2010	June 30, 2009	Change
	(in billions, except percentages)		
Owned Assets	$ 20.2	$ 32.5	(38)%
Managed Assets(1):			
Domestic	327.4	134.8	NM
International	89.3	82.5	8
Wrap account assets	96.9	79.0	23
Eliminations(2)	(21.9)	(11.3)	(94)
Total Managed Assets	491.7	285.0	73
Administered Assets	88.4	79.8	11
Total Owned, Managed and Administered Assets	$ 600.3	$ 397.3	51%

NM Not Meaningful.

(1) Includes managed external client assets and managed owned assets.

(2) Includes eliminations for Domestic mutual fund assets included in wrap account assets and Domestic assets sub-advised by Threadneedle.

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Consolidated Results of Operations for the Three Months Ended June 30, 2010 and 2009

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

Management believes that operating measures, which exclude net realized gains/losses, integration charges and the impact of consolidating CIEs, best reflect the underlying performance of our 2010 and 2009 core operations and facilitate a more meaningful trend analysis. See our discussion on the use of these non-GAAP measures in the Overview section above.

The following table presents our consolidated results of operations:

	Three Months Ended June 30,							
	2010			2009				
	GAAP	Less: Adjustments(1)	Operating	GAAP	Less: Adjustments(1)	Operating	Operating Change	
	(in millions, unaudited)							
Revenues								
Management and financial advice fees	$ 955	$ (10)	$ 965	$ 606	$ (1)	$ 607	$ 358	59%
Distribution fees	453		453	351		351	102	29
Net investment income	654	162	492	511	7	504	(12)	(2)
Premiums	299		299	269		269	30	11
Other revenues	236	46	190	175	(7)	182	8	4
Total revenues	2,597	198	2,399	1,912	(1)	1,913	486	25
Banking and deposit interest expense	20		20	38	1	37	(17)	(46)
Total net revenues	2,577	198	2,379	1,874	(2)	1,876	503	27
Expenses								
Distribution expenses	621		621	432		432	189	44
Interest credited to fixed accounts	231		231	237		237	(6)	(3)
Benefits, claims, losses and settlement expenses	298		298	587		587	(289)	(49)
Amortization of deferred acquisition costs	171		171	(125)		(125)	296	NM
Interest and debt expense	74	45	29	28		28	1	4
General and administrative expense	716	64	652	600	25	575	77	13
Total expenses	2,111	109	2,002	1,759	25	1,734	268	15
Pretax income	466	89	377	115	(27)	142	235	NM
Income tax provision	68	(18)	86	28	(7)	35	51	NM
Net income	398	107	291	87	(20)	107	184	NM

Less: Net income (loss) attributable to noncontrolling interests	139	139		(8)	(8)			%
Net income attributable to Ameriprise Financial	$ 259	$ (32)	$ 291	$ 95	$ (12)	$ 107	$ 184	NM

NM Not Meaningful.

(1) Includes the elimination of management fees we earn for services provided to the CIEs and the related expense, revenues and expenses of the CIEs, net realized gains/losses and integration charges. Income tax provision is calculated using the statutory tax rate of 35% on applicable adjustments.

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

	Three Months Ended June 30,					
	2010			2009		
	CIEs	Other Adjustments (1)	Total Adjustments	CIEs	Other Adjustments (1)	Total Adjustments
	(in millions, unaudited)					
Revenues						
Management and financial advice fees	$ (10)	$	$ (10)	$ (1)	$	$ (1)
Distribution fees						
Net investment income	155	7	162	1	6	7
Premiums						
Other revenues	46		46	(7)		(7)
Total revenues	191	7	198	(7)	6	(1)
Banking and deposit interest expense				1		1
Total net revenues	191	7	198	(8)	6	(2)
Expenses						
Distribution expenses						
Interest credited to fixed accounts						
Benefits, claims, losses and settlement						
Amortization of deferred acquisition costs						
Interest and debt expense	45		45			
General and administrative expense	7	57	64		25	25
Total expenses	52	57	109		25	25
Pretax income	139	(50)	89	(8)	(19)	(27)
Income tax provision		(18)	(18)		(7)	(7)
Net income	139	(32)	107	(8)	(12)	(20)
Less: Net income (loss) attributable to noncontrolling interests	139		139	(8)		(8)
Net income attributable to Ameriprise Financial	$	$ (32)	$ (32)	$	$ (12)	$ (12)

(1) Other adjustments include net realized gains/losses and integration charges.

Overall

Net income attributable to Ameriprise Financial increased $164 million to $259 million for the three months ended June 30, 2010 compared to $95 million for the prior year period. Operating net income attributable to Ameriprise Financial increased $184 million to $291 million for the three months ended June 30, 2010 compared to $107 million for the prior year period driven by higher asset-based revenues as well as two months of earnings from the Columbia Management Acquisition.

Net Revenues

Net revenues increased $703 million, or 38%, to $2.6 billion for the three months ended June 30, 2010 compared to $1.9 billion for the prior year period. Operating net revenues exclude net realized gains/losses and revenues of the CIEs and include the fees we earn from services provided to the CIEs. Operating net revenues increased $503 million, or 27%, to $2.4 billion for the three months ended June 30, 2010 compared to $1.9 billion for the prior year period driven primarily by growth in asset-based management fees and distribution fees resulting from higher asset levels and increased client activity. Higher asset levels reflected period-over-period market appreciation, the Columbia Management Acquisition and retail net inflows.

Management and financial advice fees increased $349 million, or 58%, to $955 million for the three months ended June 30, 2010 compared to $606 million for the prior year period. Operating management and financial advice fees include the fees we earn from services provided to the CIEs. Operating management and financial advice fees increased $358 million, or 59%, to $965 million for the three months ended June 30, 2010 compared to $607 million for the prior year period primarily due to higher asset levels reflecting period-over-period market appreciation, the Columbia Management Acquisition and retail net inflows. The daily average S&P 500 Index increased 27% compared to the prior year period. Wrap account assets increased $17.9 billion, or 23%, to $96.9 billion at June 30, 2010 due to net inflows and period-over-period market appreciation. Total Asset Management managed assets increased $199.2 billion, or 93%, compared to the prior year period primarily due to the Columbia Management Acquisition and the period-over-period appreciation in the S&P 500 Index.

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Distribution fees increased $102 million, or 29%, to $453 million for the three months ended June 30, 2010 compared to $351 million in the prior year period primarily due to higher asset levels driven by growth in assets from the Columbia Management Acquisition and period-over-period market appreciation and increased client activity.

Net investment income increased $143 million, or 28%, to $654 million for the three months ended June 30, 2010 compared to $511 million in the prior year period. Operating net investment income excludes net realized gains/losses and changes in the assets and liabilities of CIEs, primarily debt and underlying bank loans. Operating net investment income decreased $12 million, or 2%, to $492 million for the three months ended June 30, 2010 compared to $504 million for the prior year period reflecting lower investment income related to certificates due to net outflows resulting from the run-off of certificate rate promotions, as well as lower average yields on assets related to certificates and the implementation of changes to the Portfolio Navigator program (PN program) offered in connection with our variable life and annuity products. With these changes, assets of clients participating in the PN program were reallocated, pursuant to their consent. This reallocation in part resulted in a shift of assets from interest bearing investments in the general account into separate accounts. In addition, we recognized unfavorable mark-to-market adjustments on seed money investments in the second quarter of 2010 compared to gains in the prior year period. These decreases were partially offset by an increase in net investment income due to higher investment yields and increased account balances related to assets supporting our Protection business and higher fixed annuity account balances.

Premiums increased $30 million, or 11%, to $299 million for the three months ended June 30, 2010 compared to $269 million for the three months ended June 30, 2009, primarily due to growth in Auto and Home premiums driven by higher volumes, as well as higher sales of immediate annuities with life contingencies. Auto and Home policy counts increased 9% period-over-period.

Other revenues increased $61 million, or 35%, to $236 million for the three months ended June 30, 2010 compared to $175 million in the prior year period. Operating other revenues exclude revenues of consolidated property funds. Operating other revenues increased $8 million, or 4%, to $190 million for the three months ended June 30, 2010 compared to $182 million in the prior year period primarily due to an increase in our guaranteed benefit rider fees on variable annuities resulting from higher business volumes, partially offset by an $8 million benefit in the second quarter of 2009 from repurchasing our 7.5% junior subordinated notes due 2066 (junior notes) at a discount.

Banking and deposit interest expense decreased $18 million, or 47%, to $20 million for the three months ended June 30, 2010 compared to $38 million in the prior year period primarily due to lower certificate balances as a result of the run-off of certificate rate promotions and a decrease in crediting rates on certificate products.

Expenses

Total expenses increased $352 million, or 20%, to $2.1 billion for the three months ended June 30, 2010 compared to $1.8 billion for the prior year period. Total operating expenses exclude integration charges and expenses of the CIEs. Total operating expenses increased $268 million, or 15%, to $2.0 billion for the three months ended June 30, 2010 compared to $1.7 billion for the prior year period primarily due to an increase in distribution expenses and general and administrative expense.

Distribution expenses increased $189 million, or 44%, to $621 million for the three months ended June 30, 2010 compared to $432 million in the prior year period as a result of period-over-period market appreciation, the Columbia Management Acquisition and higher advisor compensation from increased client activity.

Interest credited to fixed accounts decreased $6 million, or 3%, to $231 million for the three months ended June 30, 2010 compared to $237 million for the prior year period primarily due to lower average fixed annuity crediting rates. Average fixed annuities contract accumulation values increased $439 million, or 3%, compared to the prior year period. The average fixed annuity crediting rate excluding capitalized interest decreased to 3.9% in the second quarter of 2010 compared to 4.0% in the prior year period.

Benefits, claims, losses and settlement expenses decreased $289 million, or 49%, to $298 million for the three months ended June 30, 2010 compared to $587 million for the prior year period driven by a decrease in expenses from variable annuity benefit guarantees. The mark-to-market impact of variable annuity living benefits, net of hedges and DSIC, decreased benefits expense by $64 million in the second quarter of 2010, primarily driven by the impact of nonperformance spread on the valuation of living benefit liabilities, which we do not hedge. This decrease was partially offset by an increase in benefits expense of $17 million, net of DSIC, as a result of the implementation of changes to the PN program. The mark-to-market impact of variable annuity living benefits, net of hedges and DSIC, increased benefits expense by $311 million in the second quarter of 2009 primarily due to the impact of nonperformance spread on the valuation of living benefit liabilities, which we do not hedge. The negative impact of markets on DSIC amortization was $6 million in the second quarter of 2010 compared to a positive impact of $6 million in the prior year period. Benefits, claims, losses and settlement expenses related to our Auto and Home business and immediate annuities with life contingencies increased compared to the prior year period primarily due to higher business volumes.

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Amortization of DAC increased $296 million to $171 million for the three months ended June 30, 2010 compared to a benefit of $125 million in the prior year period. DAC amortization in the second quarter of 2010 increased $72 million due to market impacts, including $39 million offsetting lower variable annuity guaranteed living benefit expenses, net of hedges. In addition, DAC amortization increased due to higher variable annuity gross profits compared to the prior year period. These increases were partially offset by a $17 million decrease as a result of the implementation of changes to the PN program and a $28 million decrease related to an adjustment for revisions to certain calculations in our valuation of DAC. DAC amortization in the second quarter of 2009 decreased $245 million due to market impacts, including a $206 million benefit offsetting higher variable annuity guaranteed living benefits, net of hedges.

Interest and debt expense increased $46 million to $74 million for the three months ended June 30, 2010 compared to $28 million in the prior year period. Operating interest and debt expense excludes interest expense on CIE debt. Operating interest and debt expense increased $1 million, or 4%, to $29 million for the three months ended June 30, 2010 compared to $28 million in the prior year period.

General and administrative expense increased $116 million, or 19%, to $716 million for the three months ended June 30, 2010 compared to $600 million for the prior year period. Operating general and administrative expense excludes integration charges and expenses of the CIEs. Integration charges increased $32 million to $57 million for the three months ended June 30, 2010 compared to $25 million for the prior year period due to the Columbia Management Acquisition. Operating general and administrative expense increased $77 million, or 13%, to $652 million for the three months ended June 30, 2010 primarily due to two months of underlying operating expenses related to the Columbia Management Acquisition and higher incentive compensation accruals. General and administrative expense in the second quarter of 2010 included $8 million in higher expenses related to supporting the $1.00 net asset value of certain 2a-7 funds. These increases were partially offset by lower legal expenses compared to the prior year period.

Income Taxes

Our effective tax rate on net income including net income (loss) attributable to noncontrolling interests was 14.6% for the three months ended June 30, 2010, compared to 24.4% for the three months ended June 30, 2009. The decrease in our effective tax rate primarily reflects benefits from tax planning and completion of certain audits which offset the impact of an increase in pretax income relative to tax advantaged items. Our effective tax rate on net income excluding net income (loss) attributable to noncontrolling interests and the required consolidation of certain investment entities was 20.8% for the three months ended June 30, 2010, compared to 22.8% for the three months ended June 30, 2009.

On September 25, 2007, the Internal Revenue Service (IRS) issued Revenue Ruling 2007-61 in which it announced that it intends to issue regulations with respect to certain computational aspects of the Dividends Received Deduction (DRD) related to separate account assets held in connection with variable contracts of life insurance companies. Revenue Ruling 2007-61 suspended a revenue ruling issued in August 2007 that purported to change accepted industry and IRS interpretations of the statutes governing these computational questions. Management believes that the IRS will concede this issue for open tax years and it is likely that any regulations that would result from a regulation project would apply prospectively only. Any regulations that the IRS ultimately proposes for issuance in this area will be subject to public notice and comment, at which time insurance companies and other members of the public will have the opportunity to raise legal and practical questions about the content, scope and application of such regulations. As a result, the ultimate timing and substance of any such regulations are unknown at this time, but they may result in the elimination of some or all of the separate account DRD tax benefit that we receive.

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Results of Operations by Segment for the Three Months Ended June 30, 2010 and 2009

The following tables present summary financial information by segment:

	Three Months Ended June 30,					
	2010			2009		
	GAAP	Less: Adjustments	Operating	GAAP	Less: Adjustments	Operating
	(in millions, unaudited)					
Advice & Wealth Management						
Net revenues	$ 969	$ 1	$ 968	$ 785	$ (8)	$ 793
Expenses	884	4	880	788	16	772
Pretax income (loss)	$ 85	$ (3)	$ 88	$ (3)	$ (24)	$ 21
Asset Management						
Net revenues	$ 562	$	$ 562	$ 293	$	$ 293
Expenses	506	48	458	305	9	296
Pretax income (loss)	$ 56	$ (48)	$ 104	$ (12)	$ (9)	$ (3)
Annuities						
Net revenues	$ 630	$ 4	$ 626	$ 562	$ 8	$ 554
Expenses	497		497	468		468
Pretax income	$ 133	$ 4	$ 129	$ 94	$ 8	$ 86
Protection						
Net revenues	$ 521	$ 1	$ 520	$ 497	$ (1)	$ 498
Expenses	386		386	387		387
Pretax income	$ 135	$ 1	$ 134	$ 110	$ (1)	$ 111
Corporate & Other						
Net revenues	$ 188	$ 202	$ (14)	$ (12)	$	$ (12)
Expenses	131	67	64	62	1	61
Pretax loss	57	135	(78)	(74)	(1)	(73)
Less: Net income (loss) attributable to noncontrolling interests	139	139		(8)	(8)	
Pretax loss attributable to Ameriprise Financial	$ (82)	$ (4)	$ (78)	$ (66)	$ 7	$ (73)
Eliminations						
Net revenues	$ (293)	$ (10)	$ (283)	$ (251)	$ (1)	$ (250)
Expenses	(293)	(10)	(283)	(251)	(1)	(250)
Pretax income	$	$	$	$	$	$

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	Three Months Ended June 30, 2010	Percent Share of Total	2009	Percent Share of Total
	(in millions, except percentages)			
Total net revenues				
Advice & Wealth Management	$ 969	38%	$ 785	42%
Asset Management	562	22	293	16
Annuities	630	24	562	30
Protection	521	20	497	26
Corporate & Other	188	7	(12)	(1)
Eliminations	(293)	(11)	(251)	(13)
Total net revenues	$ 2,577	100%	$ 1,874	100%
Total expenses				
Advice & Wealth Management	$ 884	42%	$ 788	45%
Asset Management	506	24	305	17
Annuities	497	24	468	27
Protection	386	18	387	22
Corporate & Other	131	6	62	3
Eliminations	(293)	(14)	(251)	(14)
Total expenses	$ 2,111	100%	$ 1,759	100%
Pretax income (loss) attributable to Ameriprise Financial				
Advice & Wealth Management	$ 85	26%	$ (3)	(2)%
Asset Management	56	17	(12)	(10)
Annuities	133	41	94	76
Protection	135	41	110	89
Corporate & Other	(82)	(25)	(66)	(53)
Pretax income	$ 327	100%	$ 123	100%

	Three Months Ended June 30, 2010	Percent Share of Total	2009	Percent Share of Total
	(in millions, except percentages)			
Total operating net revenues				
Advice & Wealth Management	$ 968	41%	$ 793	42%
Asset Management	562	24	293	16
Annuities	626	26	554	29
Protection	520	22	498	27
Corporate & Other	(14)	(1)	(12)	(1)
Eliminations	(283)	(12)	(250)	(13)
Total operating net revenues	$ 2,379	100%	$ 1,876	100%
Total operating expenses				
Advice & Wealth Management	$ 880	44%	$ 772	45%
Asset Management	458	23	296	17
Annuities	497	25	468	27
Protection	386	19	387	22
Corporate & Other	64	3	61	3
Eliminations	(283)	(14)	(250)	(14)
Total operating expenses	$ 2,002	100%	$ 1,734	100%
Operating pretax income (loss) attributable to Ameriprise Financial				
Advice & Wealth Management	$ 88	23%	$ 21	15%
Asset Management	104	28	(3)	(2)
Annuities	129	34	86	60
Protection	134	36	111	78

Corporate & Other		(78)	(21)		(73)	(51)
Operating pretax income	$	377	100%	$	142	100%