AMERIPRISE FINANCIAL INC
Form 10-Q
August 05, 2009
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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, 2009

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	Smaller reporting company o
(Do not check if a smaller reporting company)	

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes 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 24, 2009**
Common Stock (par value $.01 per share)	255,034,920 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, 2009	Three Months Ended June 30, 2008	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
Revenues				
Management and financial advice fees	$ 606	$ 780	$ 1,160	$ 1,571
Distribution fees	351	422	662	855
Net investment income	514	393	935	794
Premiums	269	257	535	513
Other revenues	175	158	384	315
Total revenues	1,915	2,010	3,676	4,048
Banking and deposit interest expense	38	42	80	89
Total net revenues	1,877	1,968	3,596	3,959
Expenses				
Distribution expenses	425	506	808	1,038
Interest credited to fixed accounts	237	192	442	387
Benefits, claims, losses and settlement expenses	587	294	687	598
Amortization of deferred acquisition costs	(125)	144	161	298
Interest and debt expense	28	28	54	54
General and administrative expense	610	572	1,195	1,162
Total expenses	1,762	1,736	3,347	3,537
Pretax income	115	232	249	422
Income tax provision	28	27	46	31
Net income	87	205	203	391
Less: Net loss attributable to noncontrolling interests	(8)	(5)	(22)	(10)
Net income attributable to Ameriprise Financial	$ 95	$ 210	$ 225	$ 401
Earnings per share attributable to Ameriprise Financial common shareholders				
Basic	$ 0.41	$ 0.94	$ 1.00	$ 1.77
Diluted	0.41	0.93	0.99	1.75
Weighted average common shares outstanding				
Basic	228.8	223.2	225.6	225.8
Diluted	230.0	226.0	226.8	228.8
Cash dividends paid per common share	$ 0.17	$ 0.15	$ 0.34	$ 0.30
Supplemental Disclosures:				
Net investment income:				
Net investment income before impairment losses on securities	$ 545		$ 1,001	
Total other-than-temporary impairment losses on securities	(27)		(50)	
Portion of loss recognized in other comprehensive income	(4)		(16)	
Net impairment losses recognized in net investment income	(31)		(66)	
Net investment income	$ 514		$ 935	

See Notes to Consolidated Financial Statements.

AMERIPRISE FINANCIAL, INC.

CONSOLIDATED BALANCE SHEETS

(in millions, except share amounts)

	June 30, 2009 (unaudited)	December 31, 2008
Assets		
Cash and cash equivalents	$ 4,469	$ 6,228
Investments	34,793	27,522
Separate account assets	48,661	44,746
Receivables	4,067	3,887
Deferred acquisition costs	4,361	4,383
Restricted and segregated cash	1,730	1,883
Other assets	5,133	6,928
Total assets	$ 103,214	$ 95,577
Liabilities and Equity Liabilities:		
Future policy benefits and claims	$ 30,916	$ 29,293
Separate account liabilities	48,661	44,746
Customer deposits	9,216	8,229
Debt	2,435	2,027
Accounts payable and accrued expenses	825	887
Other liabilities	2,787	3,928
Total liabilities	94,840	89,110
Equity:		
Ameriprise Financial:		
Common shares ($.01 par value; shares authorized, 1,250,000,000; shares issued, 295,584,874 and 256,432,623, respectively)	3	3
Additional paid-in capital	5,641	4,688
Retained earnings	4,875	4,592
Treasury shares, at cost (40,546,462 and 39,921,924 shares, respectively)	(2,021)	(2,012)
Accumulated other comprehensive loss, net	(388)	(1,093)
Total Ameriprise Financial shareholders equity	8,110	6,178
Noncontrolling interests	264	289
Total equity	8,374	6,467
Total liabilities and equity	$ 103,214	$ 95,577

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, 2009	2008
Cash Flows from Operating Activities		
Net income	$ 203	$ 391
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Capitalization of deferred acquisition and sales inducement costs	(405)	(372)
Amortization of deferred acquisition and sales inducement costs	167	334
Depreciation, amortization and accretion, net	81	142
Deferred income tax expense (benefit)	90	(35)
Share-based compensation	86	75
Net realized investment gains	(97)	(9)
Other-than-temporary impairments recognized in net investment income and provision for loan losses	82	64
Changes in operating assets and liabilities: Segregated cash	144	143
Trading securities and equity method investments, net	(345)	131
Future policy benefits and claims, net	379	352
Receivables	27	(142)
Brokerage deposits	(123)	(112)
Accounts payable and accrued expenses	(74)	(297)
Liability for derivatives collateral held	(1,588)	(176)
Other, net	(188)	(287)
Net cash (used in) provided by operating activities	(1,561)	202
Cash Flows from Investing Activities		
Available-for-Sale securities:		
Proceeds from sales	2,359	155
Maturities, sinking fund payments and calls	2,500	2,025
Purchases	(10,188)	(1,678)
Proceeds from sales and maturities of commercial mortgage loans	158	142
Funding of commercial mortgage loans	(57)	(84)
Proceeds from sales of other investments	28	31
Purchase of other investments	(10)	(308)
Purchase of land, buildings, equipment and software	(35)	(80)
Change in policy loans, net	13	(21)
Change in restricted cash	15	197
Change in consumer banking loans and credit card receivables, net	(52)	(19)
Other, net	3	2
Net cash (used in) provided by investing activities	(5,266)	362

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, 2009	2008
Cash Flows from Financing Activities		
Investment certificates and banking time deposits:		
Proceeds from additions	$ 1,798	$ 930
Maturities, withdrawals and cash surrenders	(1,780)	(621)
Change in other banking deposits	1,097	(15)
Policyholder and contractholder account values:		
Consideration received	3,726	876
Net transfers from separate accounts	239	(46)
Surrenders and other benefits	(1,224)	(1,540)
Deferred premium options, net	(6)	(32)
Proceeds from issuance of common stock	869	
Proceeds from issuance of debt, net of issuance costs	532	
Principal repayments of debt	(87)	
Dividends paid to shareholders	(74)	(68)
Repurchase of common shares	(9)	(540)
Exercise of stock options		8
Excess tax benefits from share-based compensation	1	4
Noncontrolling interests investments in subsidiaries	2	48
Distributions to noncontrolling interests	(38)	(31)
Net cash provided by (used in) financing activities	5,046	(1,027)
Effect of exchange rate changes on cash	22	
Net decrease in cash and cash equivalents	(1,759)	(463)
Cash and cash equivalents at beginning of period	6,228	3,836
Cash and cash equivalents at end of period	$ 4,469	$ 3,373
Supplemental Disclosures:		
Interest paid on debt	$ 58	$ 61
Income taxes paid, net	3	127

See Notes to Consolidated Financial Statements.

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AMERIPRISE FINANCIAL, INC.

CONSOLIDATED STATEMENTS OF EQUITY (UNAUDITED)

Six Months Ended June 30, 2009 and 2008

(in millions, except share amounts)

	Ameriprise Financial							
	Number of Outstanding Shares	Common Shares	Additional Paid-In Capital	Retained Earnings	Treasury Shares	Accumulated Other Comprehen-sive Income (Loss)	Non-controlling Interests	Total
Balances at January 1, 2008	227,747,843	$ 3	$ 4,630	$ 4,811	$ (1,467)	$ (167)	$ 378	$ 8,188
Change in accounting principle, net				(30)				(30)
Comprehensive income:								
Net income (loss)				401			(10)	391
Other comprehensive loss, net:								
Change in net unrealized securities losses						(343)		(343)
Change in net unrealized derivatives losses						(1)		(1)
Foreign currency translation adjustment						(11)	1	(10)
Total comprehensive income								37
Dividends paid to shareholders				(68)				(68)
Noncontrolling interests investments in subsidiaries							48	48
Distributions to noncontrolling interests							(31)	(31)
Repurchase of common shares	(10,903,357)				(542)			(542)
Share-based compensation plans	2,093,689		19	(3)	82			98
Balances at June 30, 2008	218,938,175	$ 3	$ 4,649	$ 5,111	$ (1,927)	$ (522)	$ 386	$ 7,700
Balances at January 1, 2009	216,510,699	$ 3	$ 4,688	$ 4,592	$ (2,012)	$ (1,093)	$ 289	$ 6,467
Change in accounting principle, net				132		(132)		
Comprehensive income:								
Net income (loss)				225			(22)	203
Other comprehensive income, net:								
Change in net unrealized securities losses						737		737
Change in noncredit related impairments on securities and net unrealized securities losses on previously impaired securities						35		35
Change in net unrealized derivative 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	$ 4,875	$ (2,021)	$ (388)	$ 264	$ 8,374

See Notes to Consolidated Financial Statements.

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AMERIPRISE FINANCIAL, INC.

1. Basis of Presentation

The accompanying Consolidated Financial Statements include the accounts of Ameriprise Financial, Inc., companies in which it directly or indirectly has a controlling financial interest, variable interest entities (VIEs) in which it is the primary beneficiary and certain limited partnerships for which it is the general partner (collectively, the Company). 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 (Ameriprise Financial) includes ownership interests in subsidiaries that are attributable, directly or indirectly, to Ameriprise Financial, Inc. All material intercompany transactions and balances between or among Ameriprise Financial, Inc. and its subsidiaries and affiliates have been eliminated in consolidation.

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

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 are conducted through its subsidiary, Threadneedle Asset Management Holdings Sàrl (Threadneedle).

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.

The Company evaluated events or transactions that may have occurred after the balance sheet date for potential recognition or disclosure through August 4, 2009, the date the financial statements were issued.

2. Recent Accounting Pronouncements

In June 2009, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 168 The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles a replacement of FASB Statement No. 162 (SFAS 168). SFAS 168 will supersede existing non-SEC accounting and reporting standards. The codification will not change GAAP but will rather organize it into a new hierarchy with two levels: authoritative and non-authoritative. All authoritative GAAP will carry equal weight and be organized in a topical structure. SFAS 168 is effective for interim and annual reporting periods ending after September 15, 2009. The adoption of SFAS 168 will not have a material effect on the Company s consolidated results of operations and financial condition.

In June 2009, the FASB issued SFAS No. 167 Amendments to FASB Interpretation No. 46(R) (SFAS 167). SFAS 167 amends the consolidation guidance applicable to VIEs under FASB Interpretation No. 46(R) Consolidation of Variable Interest Entities an interpretation of ARB No. 51 and requires additional disclosures about the Company s involvement in VIEs. SFAS 167 is effective for interim and annual reporting periods beginning after November 15, 2009, with early adoption prohibited. The Company is currently evaluating the impact of SFAS 167 on its consolidated results of operations and financial condition.

In June 2009, the FASB issued SFAS No. 166 Accounting for Transfers of Financial Assets an amendment of FASB Statement No. 140 (SFAS 166). SFAS 166 improves the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial statements about a transfer of financial assets; the effects of a transfer on its financial position, financial performance, and cash flows; and a transferor s continuing involvement, if any, in transferred financial assets. SFAS 166 is effective for interim and annual reporting periods beginning after November 15, 2009, with early adoption prohibited, and must be applied to transfers of financial assets occurring on or after the effective date. The adoption of SFAS 166 is not expected to have a material effect on the Company s consolidated results of operations and financial condition.

In May 2009, the FASB issued SFAS No. 165 Subsequent Events (SFAS 165). SFAS 165 provides guidance on the recognition of subsequent events and requires additional disclosures on the time period evaluated for such events. SFAS 165 is effective for interim and annual reporting periods ending after June 15, 2009, and shall be applied prospectively. The Company adopted SFAS 165 in the second quarter of 2009. The adoption did not have a material effect on the Company s consolidated results of operations and financial condition.

In April 2009, the FASB issued FASB Staff Position (FSP) FAS 157-4 Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly (FSP 157-4). FSP 157-4 provides guidance on estimating the fair value of a financial asset or liability when the trade volume and level of activity for the asset or liability has significantly decreased relative to historical levels. FSP 157-4 requires entities to disclose in interim and annual periods the inputs and valuation techniques used to measure fair value and any changes in valuation inputs or techniques. In addition, debt and equity securities as defined by SFAS No. 115 Accounting for Certain

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AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Investments in Debt and Equity Securities shall be disclosed by major category. This FSP is effective for interim and annual reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009, and is to be applied prospectively. The Company early adopted FSP 157-4 in the first quarter of 2009. The adoption did not have a material effect on the Company s consolidated results of operations and financial condition.

In April 2009, the FASB issued FSP FAS 115-2 and FAS 124-2 Recognition and Presentation of Other-Than-Temporary Impairments (FSP 115-2). FSP 115-2 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. FSP 115-2 requires presentation of both the credit and noncredit portions of other-than-temporary impairments on the financial statements and additional disclosures in interim and annual periods. This FSP 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 FSP 115-2 in the first quarter of 2009 and recorded a cumulative effect increase to the opening balance of retained earnings of $132 million, net of deferred acquisition costs (DAC) and deferred sales inducement costs (DSIC) amortization, certain benefit reserves and income taxes, and a corresponding increase to accumulated other comprehensive loss, net of impacts to DAC, DSIC, certain benefit reserves and income taxes. See Note 3 for the Company s updated accounting policy and disclosures required by this FSP.

In April 2009, the FASB issued FSP FAS 107-1 and APB 28-1 Interim Disclosures about Fair Value of Financial Instruments (FSP 107-1). FSP 107-1 requires interim disclosure on the fair value of financial instruments within the scope of SFAS No. 107 Disclosures about Fair Value of Financial Instruments. This FSP is effective for interim and annual reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. The Company applied the disclosure requirements of FSP 107-1 in the first quarter of 2009. See Note 9 for disclosures required by this FSP.

In December 2008, the FASB issued FSP FAS 132(R)-1 Employers Disclosures about Postretirement Benefit Plan Assets (FSP 132(R)-1). FSP 132(R)-1 requires enhanced disclosure related to plan assets including information about inputs and techniques used to determine the fair value of plan assets. FSP 132(R)-1 is effective for the first fiscal year ending after December 15, 2009, with early adoption permitted. The Company will apply the disclosure requirements of FSP 132(R)-1 as of December 31, 2009.

In June 2008, the FASB issued FSP EITF 03-6-1, Determining Whether Instruments Granted in Share-Based Payment Transactions are Participating Securities (FSP EITF 03-6-1). FSP EITF 03-6-1 clarifies that unvested share-based payment awards with nonforfeitable rights to dividends or dividend equivalents are considered participating securities and should be included in the calculation of earnings per share pursuant to the two-class method. FSP EITF 03-6-1 is effective for financial statements issued for periods beginning after December 15, 2008, with early adoption prohibited. FSP EITF 03-6-1 requires that all prior-period earnings per share data be adjusted retrospectively to conform with the FSP provisions. The Company adopted FSP EITF 03-6-1 as of January 1, 2009. The adoption did not have a material effect on the Company s earnings per share.

In March 2008, the FASB issued SFAS No. 161 Disclosures about Derivative Instruments and Hedging Activities an amendment of FASB Statement No. 133 (SFAS 161). SFAS 161 intends to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures about their impact on an entity s financial position, financial performance, and cash flows. SFAS 161 requires disclosures regarding the objectives for using derivative instruments, the fair value of derivative instruments and their related gains and losses, and the accounting for derivatives and related hedged items. SFAS 161 is effective for fiscal years and interim periods beginning after November 15, 2008, with early adoption permitted. The Company applied the disclosure requirements of SFAS 161 in the first quarter of 2009. See Note 10 for disclosures required by SFAS 161.

In December 2007, the FASB issued SFAS No. 160 Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51 (SFAS 160), which establishes the accounting and reporting for ownership interest in subsidiaries not attributable, directly or indirectly, to a parent. SFAS 160 requires that noncontrolling (minority) interests be classified as equity (instead of as a liability) within the consolidated balance sheet, and net income (loss) attributable to both the parent and the noncontrolling interests be disclosed on the face of the consolidated statement of operations. SFAS 160 is effective for fiscal years beginning after December 15, 2008, and interim periods within those years with early adoption prohibited. The provisions of SFAS 160 are to be applied prospectively, except for the presentation and disclosure requirements which are to be applied retrospectively to all periods presented. The Company adopted SFAS 160 as of January 1, 2009. The adoption did not have a material effect on the Company s consolidated results of operations and financial condition.

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AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

In September 2006, the FASB issued SFAS No. 157 Fair Value Measurements (SFAS 157), which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. SFAS 157 applies under other accounting pronouncements that require or permit fair value measurements. Accordingly, SFAS 157 does not require any new fair value measurements. The provisions of SFAS 157 are required to be applied prospectively as of the beginning of the fiscal year in which SFAS 157 is initially applied, except for certain financial instruments as defined in SFAS 157 that require retrospective application. Any retrospective application will be recognized as a cumulative effect adjustment to the opening balance of retained earnings for the fiscal year of adoption. The Company adopted SFAS 157 effective January 1, 2008 and recorded a cumulative effect reduction to the opening balance of retained earnings of $30 million, net of DAC and DSIC amortization and income taxes. This reduction to retained earnings was related to adjusting the fair value of certain derivatives the Company uses to hedge its exposure to market risk related to certain variable annuity riders. The Company initially recorded these derivatives in accordance with EITF Issue No. 02-3 Issues Involved in Accounting for Derivative Contracts Held for Trading Purposes and Contracts Involved in Energy Trading and Risk Management Activities (EITF 02-3). SFAS 157 nullifies the guidance in EITF 02-3 and requires these derivatives to be marked to the price the Company would receive to sell the derivatives to a market participant (an exit price). The adoption of SFAS 157 also resulted in adjustments to the fair value of the Company s embedded derivative liabilities associated with certain variable annuity riders. Since there is no market for these liabilities, the Company considered the assumptions participants in a hypothetical market would make to determine an exit price. As a result, the Company adjusted the valuation of these liabilities by updating certain policyholder assumptions, adding explicit margins to provide for profit, risk, and expenses, and adjusting the rate used to discount expected cash flows to reflect a current market estimate of the Company s risk of nonperformance specific to these liabilities. These adjustments resulted in an adoption impact of a $4 million increase in earnings, net of DAC and DSIC amortization and income taxes, at January 1, 2008. The nonperformance risk component of the adjustment is specific to the risk of RiverSource Life Insurance Company (RiverSource Life) and RiverSource Life Insurance Co. of New York (RiverSource Life of NY) (collectively, RiverSource Life companies) not fulfilling these liabilities. As the Company s estimate of this credit spread widens or tightens, the liability will decrease or increase.

In accordance with FSP FAS 157-2, Effective Date of FASB Statement No. 157 (FSP 157-2), the Company deferred the adoption of SFAS 157 until January 1, 2009 for all nonfinancial assets and nonfinancial liabilities, except for those that are recognized or disclosed at fair value in the financial statements on a recurring basis. The adoption of FSP 157-2 did not have a material effect on the Company s consolidated results of operations and financial condition. See Note 9 for additional information regarding the fair values of the Company s assets and liabilities.

3. Investments

The following is a summary of investments:

	June 30, 2009	December 31, 2008
	(in millions)	
Available-for-Sale securities, at fair value	$ 29,911	$ 22,873
Commercial mortgage loans, net	2,758	2,887
Trading securities	904	501
Policy loans	715	729
Other investments	505	532
Total	$ 34,793	$ 27,522

Available-for-Sale Securities

Effective January 1, 2009, the Company early adopted FSP 115-2. This interpretation significantly changed the Company s accounting policy regarding the timing and amount of other-than temporary impairments for Available-for-Sale securities as follows. When the fair value of an investment is less than its amortized cost, the Company assesses whether or not: (i) it has the intent to sell the security (made a decision to sell) or (ii) it is more likely than not that the Company will be required to sell the security before its anticipated recovery. If either of these conditions are met, the Company must recognize an other-than-temporary impairment for the difference between the investment s amortized cost basis and its fair value through earnings. For securities that do not meet the above criteria, and the Company does not expect to recover a security s amortized cost basis, the security is considered other-than temporarily impaired. For these securities, the Company separates the total impairment into the credit loss component and the amount of the loss related to other factors. The amount of the total other-than-temporary impairment related to credit loss is recognized in earnings. The amount of the total other-than-temporary impairment related to other factors is recognized in other comprehensive income, net of impacts to DAC, DSIC, certain benefit reserves and income taxes. For Available-for-Sale securities that have recognized an other-than-temporary impairment through earnings, if through subsequent evaluation there is a significant increase in the cash flow expected, the difference between the amortized cost basis and the cash flows expected to be collected is accreted as interest income.

AMERIPRISE FINANCIAL, INC.

Subsequent increases and decreases in the fair value of Available-for-Sale securities are included in other comprehensive income. The Company s Consolidated Statements of Equity present all changes in other comprehensive income associated with Available-for-Sale debt securities that have been other-than-temporarily impaired on a separate line from fair value changes recorded in other comprehensive income from all other securities.

The Company provides a supplemental disclosure on the face of its Consolidated Statements of Operations that presents: (i) total other-than-temporary impairment losses recognized during the period and (ii) the portion of other-than-temporary impairment losses recognized in other comprehensive income. The sum of these amounts represents the credit-related portion of other-than-temporary impairments that were recognized in earnings during the period. The portion of other-than-temporary losses recognized in other comprehensive income includes: (i) the portion of other-than-temporary impairment losses related to factors other than credit recognized during the period and (ii) reclassifications of other-than-temporary impairment losses previously determined to be related to factors other than credit that are determined to be credit-related in the current period. The amount presented on the Consolidated Statements of Operations as the portion of other-than-temporary losses recognized in other comprehensive income excludes subsequent increases and decreases in the fair value of these securities.

For all securities that are considered temporarily impaired, the Company does not intend to sell these securities (has not made a decision to sell) and it is not more likely than not that the Company will be required to sell the security before recovery of its amortized cost basis. The Company believes that it will collect all principal and interest due on all investments that have amortized cost in excess of fair value that are considered only temporarily impaired.

Corporate debt securities

Factors the Company considers in determining whether declines in the fair value of fixed maturity securities are other-than-temporary include: 1) the extent to which the market value is below amortized cost; 2) the duration of time in which there has been a significant decline in value; 3) fundamental analysis of the liquidity, business prospects and overall financial condition of the issuer; and 4) market events that could impact credit ratings, economic and business climate, litigation and government actions, and similar external business factors. In order to determine the amount of the credit loss component for corporate debt securities considered other-than-temporarily impaired, a best estimate of the present value of cash flows expected to be collected discounted at the security s effective interest rate is compared to the amortized cost basis of the security. The significant inputs to cash flow projections consider potential debt restructuring terms, projected cash flows available to pay creditors and the Company s position in the debtor s overall capital structure.

Structured investments

For structured investments (e.g., residential mortgage backed securities, commercial mortgage backed securities, asset backed securities and other structured investments), the Company also considers factors such as overall deal structure and its position within the structure, quality of underlying collateral, delinquencies and defaults, loss severities, recoveries, prepayments and cumulative loss projections in assessing potential other-than-temporary impairments of these investments. Based upon these factors, securities that have indicators of potential other-than-temporary impairment are subject to detailed review by management. Securities for which declines are considered temporary continue to be carefully monitored by management. For the six months ended June 30, 2009, certain non-agency mortgage backed securities were deemed other-than temporarily impaired. Generally, the credit loss component for the non-agency mortgage backed securities is determined as the amount the amortized cost basis exceeds the present value of the projected cash flows expected to be collected. Significant inputs considered in these projections are consistent with the factors considered in assessing potential other-than-temporary impairment for these investments. Forward interest rates are considered in the cash flow projections and are used to calculate the discount rate used to determine the present value of the expected cash flows when structures are supported by variable rate securities. Current effective interest rates are used to discount cash flows supported by fixed rate securities.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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

Description of Securities	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		June 30, 2009 (in millions)		
Corporate debt securities	$ 15,050	$ 449	$ (483)	$ 15,016
Residential mortgage backed securities	7,864	143	(573)	7,434
Commercial mortgage backed securities	4,054	96	(94)	4,056
Asset backed securities	1,938	58	(87)	1,909
State and municipal obligations	1,205	8	(124)	1,089
U.S. government and agencies obligations	177	8		185
Foreign government bonds and obligations	95	13	(2)	106
Common and preferred stocks	53	6	(20)	39
Other structured investments	24	25		49
Other debt obligations	28			28
Total	$ 30,488	$ 806	$ (1,383)	$ 29,911

Description of Securities	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		December 31, 2008 (in millions)		
Corporate debt securities	$ 13,687	$ 86	$ (1,174)	$ 12,599
Residential mortgage backed securities	5,616	71	(452)	5,235
Commercial mortgage backed securities	2,880	36	(183)	2,733
Asset backed securities	1,055	4	(101)	958
State and municipal obligations	1,024	4	(155)	873
U.S. government and agencies obligations	257	14		271
Foreign government bonds and obligations	95	17	(5)	107
Common and preferred stocks	53	6	(22)	37
Other structured investments	31	19		50
Other debt obligations	10			10
Total	$ 24,708	$ 257	$ (2,092)	$ 22,873

At June 30, 2009 and December 31, 2008, fixed maturity securities comprised approximately 86% and 83%, respectively, of the Company s total investments. These securities were rated by Moody s Investors Service (Moody s), Standard & Poor s Rating Services (S&P) and Fitch Ratings Ltd. (Fitch), except for approximately $1.2 billion of securities at both June 30, 2009 and December 31, 2008, which were rated by the Company s internal analysts using criteria similar to Moody s and S&P. Ratings on investment grade securities are presented using S&P s convention and, if Moody s and S&P s ratings differ, the lower rating is used. A summary of fixed maturity securities by rating was as follows:

Ratings	Amortized Cost	Fair Value	Percent of Total Fair Value	Amortized Cost	Fair Value	Percent of Total Fair Value
	June 30, 2009			December 31, 2008		
			(in millions, except percentages)			

AAA	$	12,545	$	12,595	42%	$	9,475	$	8,988	40%
AA		1,167		1,101	4		1,698		1,571	7
A		3,868		3,792	13		4,689		4,396	19
BBB		10,179		10,188	34		7,299		6,707	29
Below investment grade		2,676		2,196	7		1,494		1,174	5
Total fixed maturities	$	30,435	$	29,872	100%	$	24,655	$	22,836	100%

At June 30, 2009 and December 31, 2008, approximately 32% and 45%, 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 Ameriprise Financial shareholders equity.

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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, 2009					
	Less than 12 months		12 months or more		Total	
Description of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(in millions)					
Corporate debt securities	$ 1,067	$ (40)	$ 4,249	$ (443)	$ 5,316	$ (483)
Residential mortgage backed securities	1,609	(59)	936	(514)	2,545	(573)
Commercial mortgage backed securities	403	(10)	1,218	(84)	1,621	(94)
Asset backed securities	199	(9)	291	(78)	490	(87)
State and municipal obligations	181	(11)	608	(113)	789	(124)
U.S. government and agencies obligations			10		10	
Foreign government bonds and obligations	5	(1)	5	(1)	10	(2)
Common and preferred stocks			30	(20)	30	(20)
Total	$ 3,464	$ (130)	$ 7,347	$ (1,253)	$ 10,811	$ (1,383)

	December 31, 2008					
	Less than 12 months		12 months or more		Total	
Description of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(in millions)					
Corporate debt securities	$ 6,250	$ (396)	$ 3,544	$ (778)	$ 9,794	$ (1,174)
Residential mortgage backed securities	765	(164)	786	(288)	1,551	(452)
Commercial mortgage backed securities	473	(27)	997	(156)	1,470	(183)
Asset backed securities	373	(52)	231	(49)	604	(101)
State and municipal obligations	438	(64)	295	(91)	733	(155)
U.S. government and agencies obligations			11		11	
Foreign government bonds and obligations	20	(5)			20	(5)
Common and preferred stocks			27	(22)	27	(22)
Total	$ 8,319	$ (708)	$ 5,891	$ (1,384)	$ 14,210	$ (2,092)

The following tables summarize the unrealized losses by ratio of fair value to amortized cost:

	June 30, 2009								
	Less than 12 months			12 months or more			Total		
Ratio of Fair Value	Number of		Gross Unrealized	Number of		Gross Unrealized	Number of		Gross Unrealized

to Amortized Cost	Securities	Fair Value	Losses	Securities	Fair Value	Losses	Securities	Fair Value	Losses
				(in millions, except number of securities)					
95% - 100%	243	$ 2,848	$ (34)	242	$ 3,054	$ (71)	485	$ 5,902	$ (105)
90% - 95%	40	336	(26)	137	1,394	(112)	177	1,730	(138)
80% - 90%	18	141	(22)	204	1,554	(264)	222	1,695	(286)
Less than 80%	17	139	(48)	198	1,345	(806)	215	1,484	(854)
Total	318	$ 3,464	$ (130)	781	$ 7,347	$ (1,253)	1,099	$ 10,811	$ (1,383)

	December 31, 2008								
	Less than 12 months			12 months or more			Total		
Ratio of Fair Value to Amortized Cost	Number of Securities	Fair Value	Gross Unrealized Losses	Number of Securities	Fair Value	Gross Unrealized Losses	Number of Securities	Fair Value	Gross Unrealized Losses
				(in millions, except number of securities)					
95% - 100%	328	$ 4,717	$ (100)	105	$ 1,392	$ (30)	433	$ 6,109	$ (130)
90% - 95%	169	1,980	(152)	64	1,117	(96)	233	3,097	(248)
80% - 90%	162	974	(156)	124	1,624	(297)	286	2,598	(453)
Less than 80%	108	648	(300)	281	1,758	(961)	389	2,406	(1,261)
Total	767	$ 8,319	$ (708)	574	$ 5,891	$ (1,384)	1,341	$ 14,210	$ (2,092)

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As part of the Company s ongoing monitoring process, management determined that a majority of the gross unrealized losses on its Available-for-Sale securities are attributable to changes in credit spreads across sectors. The primary driver of decreased unrealized losses during 2009 was the tightening of credit spreads across sectors. A portion of the decrease in unrealized losses was offset by an increase due to the adoption of FSP 115-2. The Company recorded a cumulative effect increase to the amortized cost of previously other-than-temporarily impaired investments that increased the gross unrealized losses on Available-for-Sale securities by $211 million. This impact is due to impairment of Available-for-Sale securities recognized in other comprehensive income previously recognized through earnings for factors other than credit.

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

	Three Months Ended June 30, 2009	Six Months Ended June 30, 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	$ 282	$ 258
Additional amount related to credit losses for which an other-than-temporary impairment was not previously recognized		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	31	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 comprehensive income	$ 310	$ 310

The change in net unrealized securities gains (losses) in other comprehensive income (loss) 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 (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. As a result of the adoption of FSP 115-2, effective January 1, 2009, net unrealized investment gains (losses) arising during the period also includes other-than-temporary impairment losses on Available-for-Sale securities related to factors other than credit that were recognized in other comprehensive income during the period. Additionally, reclassification of (gains) losses included in net income contains noncredit other-than-temporary impairment losses that were previously unrealized, but have been recognized in current period net income due to their reclassification as credit losses.

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

	Net Unrealized Investment Gains (Losses)	Deferred Income Tax (in millions)	Accumulated Other Comprehensive Income (Loss) Related to Net Unrealized Investment Gains (Losses)
Balance at January 1, 2008	$ (258)	$ 90	$ (168)
Net unrealized investment gains (losses) arising during the period	(645)	226	(419)
Reclassification of (gains) losses included in net income	51	(18)	33
Impact of net unrealized investment (gains) losses on DAC, DSIC and benefit reserves	66	(23)	43
Balance at June 30, 2008	$ (786)	$ 275	$ (511)
Balance at January 1, 2009	$ (1,478)	$ 517	$ (961)
Cumulative effect of accounting change	(203)(1)	71	(132)
Net unrealized investment gains (losses) arising during the period	1,499	(525)	974
Reclassification of (gains) losses included in net income	(31)	11	(20)
Impact of net unrealized investment (gains) losses on DAC, DSIC, benefit reserves and reinsurance recoverables	(280)	98	(182)
Balance at June 30, 2009	$ (493)	$ 172	$ (321)(2)

(1) Amount represents the cumulative effect of adopting FSP115-2 on January 1, 2009, net of DAC and DSIC amortization and certain benefit reserves. See Note 2 for additional information on the adoption impact.

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

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

	Three Months Ended June 30, 2009	Three Months Ended June 30, 2008	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
	(in millions)		(in millions)	
Gross realized gains from sales	$ 57	$ 1	$ 109	$ 11

Gross realized losses from sales	(11)		(12)	(2)
Impairment losses	(31)	(28)	(66)	(60)

The $31 million of other-than-temporary impairments recognized in net investment income for the three months ended June 30, 2009 are related to credit losses on non-agency residential mortgage backed securities. The $66 million of other-than-temporary impairments recognized in net investment income for the six months ended June 30, 2009 are related to credit losses on non-agency residential mortgage backed securities, corporate debt securities primarily in the gaming industry and other structured investments.

Available-for-Sale securities by maturity as of June 30, 2009 were as follows:

	Amortized Cost	Fair Value
	(in millions)	
Due within one year	$ 1,628	$ 1,641
Due after one year through five years	7,895	7,786
Due after five years through 10 years	3,847	3,801
Due after 10 years	3,185	3,196
	16,555	16,424
Residential mortgage backed securities	7,864	7,434
Commercial mortgage backed securities	4,054	4,056
Asset backed securities	1,938	1,909
Other structured investments	24	49
Common and preferred stocks	53	39
Total	$ 30,488	$ 29,911

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The expected payments on residential mortgage backed securities, commercial mortgage backed securities, asset backed securities and other structured investments may not coincide with their contractual maturities. 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, 2009 were $19 million for the six months ended and net recognized losses were $18 million for the six months ended June 30, 2008.

4. Deferred Acquisition Costs and Deferred Sales Inducement Costs

The balances of and changes in DAC were as follows:

	2009	2008
	(in millions)	
Balance at January 1	$ 4,383	$ 4,408
Cumulative effect of accounting change		36
Capitalization of acquisition costs	366	325
Amortization	(161)	(298)
Impact of change in net unrealized securities losses	(227)	42
Balance at June 30	$ 4,361	$ 4,513

The balances of and changes in DSIC, included in other assets on the Consolidated Balance Sheets, were as follows:

	2009	2008
	(in millions)	
Balance at January 1	$ 518	$ 511
Cumulative effect of accounting change		9
Capitalization of sales inducements	39	47
Amortization	(6)	(36)
Impact of change in net unrealized securities losses	(33)	7
Balance at June 30	$ 518	$ 538

The Company adopted FSP 115-2 in the first quarter of 2009. The adoption had no net impact to DAC and DSIC.

Effective January 1, 2008, the Company adopted SFAS 157 and recorded as a cumulative change in accounting principle a pretax increase of $36 million and $9 million to DAC and DSIC, respectively. See Note 2 and Note 9 for additional information regarding SFAS 157.

5. Future Policy Benefits and Claims and Separate Account Liabilities

Future policy benefits and claims consisted of the following:

	June 30, 2009	December 31, 2008
	(in millions)	
Fixed annuities	$ 16,364	$ 14,058
Equity indexed annuities accumulated host values	200	228
Equity indexed annuities embedded derivatives	15	16
Variable annuities fixed sub-accounts	5,987	5,623
Variable annuity guaranteed minimum withdrawal benefits (GMWB)	584	1,471
Variable annuity guaranteed minimum accumulation benefits (GMAB)	180	367
Other variable annuity guarantees	36	67
Total annuities	23,366	21,830
Variable universal life (VUL)/universal life insurance (UL)	2,571	2,526
Other life, disability income and long term care insurance	4,486	4,397
Auto, home and other insurance	373	368
Policy claims and other policyholders funds	120	172
Total	$ 30,916	$ 29,293

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Separate account liabilities consisted of the following:

	June 30, 2009	December 31, 2008
	(in millions)	
Variable annuity variable sub-accounts	$ 41,117	$ 37,657
VUL insurance variable sub-accounts	4,407	4,091
Other insurance variable sub-accounts	40	39
Threadneedle investment liabilities	3,097	2,959
Total	$ 48,661	$ 44,746

6. 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 gross gain-up (GGU) benefits. In addition, the Company offers contracts with GMWB provisions. The Company discontinued sales of contracts with GMAB provisions June 1, 2009. 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 summary information related to all variable annuity guarantees for which the Company has established additional liabilities:

	June 30, 2009				December 31, 2008			
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	$ 25,464	$ 23,121	$ 3,504	61	$ 22,249	$ 20,153	$ 4,873	61
Six-Year Reset	12,748	10,024	2,130	61	12,719	10,063	2,802	61
One-Year Ratchet	6,160	5,448	1,739	63	5,770	5,061	2,163	62
Five-Year Ratchet	1,052	977	140	59	951	888	199	59
Other	506	463	164	67	471	429	192	66
Total GMDB	$ 45,930	$ 40,033	$ 7,677	61	$ 42,160	$ 36,594	$ 10,229	61
GGU death benefit	$ 738	$ 658	$ 66	63	$ 699	$ 619	$ 65	63
GMIB	$ 571	$ 520	$ 214	63	$ 567	$ 511	$ 245	63
GMWB:								
GMWB	$ 3,691	$ 3,580	$ 1,040	63	$ 3,513	$ 3,409	$ 1,312	63
GMWB for life	11,505	10,990	2,060	63	9,194	8,764	2,704	63
Total GMWB	$ 15,196	$ 14,570	$ 3,100	63	$ 12,707	$ 12,173	$ 4,016	63
GMAB	$ 2,496	$ 2,414	$ 462	55	$ 2,006	$ 1,937	$ 608	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 account value are not shown in this table.

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

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Changes in additional liabilities were as follows:

	GMDB & GGU	GMIB	GMWB (in millions)	GMAB	UL
Liability balance at January 1, 2008	$ 24	$ 3	$ 136	$ 33	$ 4
Incurred claims	6		(35)	24	3
Paid claims	(4)				(1)
Liability balance at June 30, 2008	$ 26	$ 3	$ 101	$ 57	$ 6
Liability balance at January 1, 2009	$ 55	$ 12	$ 1,471	$ 367	$ 7
Incurred claims	12	(1)	(887)	(187)	5
Paid claims	(42)				
Liability balance at June 30, 2009	$ 25	$ 11	$ 584	$ 180	$ 12

7. Customer Deposits

Customer deposits consisted of the following:

	June 30, 2009	December 31, 2008
	(in millions)	
Fixed rate certificates	$ 3,898	$ 3,909
Stock market based certificates	860	909
Stock market embedded derivative reserve	16	5
Other	59	62
Less: accrued interest classified in other liabilities	(25)	(11)
Total investment certificate reserves	4,808	4,874
Brokerage deposits	1,865	1,988
Banking deposits	2,543	1,367
Total	$ 9,216	$ 8,229

8. Debt

Debt and the stated interest rates were as follows:

	Outstanding Balance		Stated Interest Rate	
	June 30, 2009	December 31, 2008	June 30, 2009	December 31, 2008
	(in millions)			
Senior notes due 2010	$ 790	$ 800	5.4%	5.4%
Senior notes due 2015	700	700	5.7	5.7
Senior notes due 2019	300		7.3	
Junior subordinated notes due 2066	322	457	7.5	7.5
Senior notes due 2039	200		7.8	
Municipal bond inverse floater certificates due 2021	6	6	0.4	2.2
Floating rate revolving credit borrowings due 2013	117	64	5.0	3.6
Total	$ 2,435	$ 2,027		

On June 3, 2009, the Company issued $200 million of unsecured senior notes which mature June 15, 2039 and carry a fixed interest rate of 7.75%. Interest payments are due quarterly in arrears on March 15, June 15, September 15 and December 15, commencing September 15, 2009.

On June 8, 2009, the Company issued $300 million of unsecured senior notes which mature June 28, 2019 and carry a fixed interest rate of 7.30%. Interest payments are due semi-annually in arrears on June 28 and December 28, commencing December 28, 2009.

In July 2009, the Company purchased $450 million aggregate principal amount of its 5.35% Senior Notes (Notes) due November 15, 2010, pursuant to the cash tender offer announced on July 1, 2009. The tender offer consideration per $1,000 principal amount of Notes accepted for purchase was $1,000, with an early tender payment of $30 that expired on July 15, 2009. The tender offer expired on July 29, 2009. Payments for Notes purchased pursuant to the tender offer included accrued and unpaid interest from the last interest payment date to, but not including, the settlement date.

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9. Fair Values of Assets and Liabilities

Effective January 1, 2008, the Company adopted SFAS 157, which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. SFAS 157 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

Under SFAS 157, 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 such as the present value of cash flows. 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. Level 3 securities include non-agency residential mortgage backed securities, asset backed securities, and corporate bonds.

Through the Company s own experience transacting in the marketplace and through discussions with its pricing vendors, the Company believes that the market for non-agency residential mortgage backed securities is inactive. Indicators of inactive markets include: pricing services reliance on brokers or discounted cash flow analyses to provide prices, an increase in the disparity between prices provided by different pricing services for the same security, unreasonably large bid-offer spreads and a significant decrease in the volume of trades relative to historical levels. In certain cases, this market inactivity has resulted in the Company applying valuation techniques that rely more on an income approach (discounted cash flows using market rates) than on a market approach (prices from pricing services). The Company considers market observable yields for other asset classes it considers to be of similar risk which includes nonperformance and liquidity for individual securities to set the discount rate for applying the income approach to certain non-agency residential mortgage backed securities.

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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.

Derivatives

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 interest rate swaps and options. Derivatives that are valued using pricing models that have significant unobservable inputs are classified as Level 3 measurements. Structured derivatives that are used by the Company to hedge its exposure to market risk related to certain variable annuity riders are classified as Level 3.

Consolidated Property Funds

The Company records the fair value of the properties held by its consolidated property funds within other assets. The fair value of these assets is determined using discounted cash flows and market comparables. Given the significance of the unobservable inputs to these measurements, the assets are classified as Level 3.

Liabilities

Embedded Derivatives

Variable Annuity Riders — GMAB and GMWB

The Company values the embedded derivative liability attributable to the provisions of certain variable annuity riders using internal valuation models. These models calculate fair value by discounting expected cash flows from benefits plus margins for profit, risk, and expenses less embedded derivative fees. The projected cash flows used by these models include observable capital market assumptions and incorporate significant unobservable inputs related to contractholder behavior assumptions and margins for risk, profit and expenses that the Company believes an exit market participant would expect. The fair value of these embedded derivatives also reflects a current estimate of the Company s nonperformance risk specific to these liabilities. Given the significant unobservable inputs to this valuation, these measurements are classified as Level 3. The embedded derivative liability attributable to these provisions is recorded in future policy benefits and claims.

Equity Indexed Annuities and Stock Market Certificates

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 and stock market certificates. The inputs to these calculations are primarily market observable. As a result, these measurements are classified as Level 2. The embedded derivative liability attributable to the provisions of the Company s equity indexed annuities and stock market certificates is recorded in future policy benefits and claims and customer deposits, respectively.

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AMERIPRISE FINANCIAL, INC.

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

	June 30, 2009			
	Level 1	Level 2	Level 3	Total
	(in millions)			
Assets				
Cash equivalents	$ 45	$ 4,118	$	$ 4,163
Available-for-Sale securities:				
Corporate debt securities		13,838	1,178	15,016
Residential mortgage backed securities		3,983	3,451	7,434
Commercial mortgage backed securities		3,992	64	4,056
Asset backed securities		1,530	379	1,909
State and municipal obligations		1,089		1,089
U.S. government and agencies obligations	21	164		185
Foreign government bonds and obligations		106		106
Common and preferred stocks		29	10	39
Other structured investments			49	49
Other debt obligations		28		28
Total Available-for-Sale securities	21	24,759	5,131	29,911
Trading securities	99	782	23	904
Separate account assets		48,661		48,661
Other assets	1	1,045	342	1,388
Total assets at fair value	$ 166	$ 79,365	$ 5,496	$ 85,027
Liabilities				
Future policy benefits and claims	$	$ 15	$ 759	$ 774
Customer deposits		16		16
Other liabilities	2	774		776
Total liabilities at fair value	$ 2	$ 805	$ 759	$ 1,566

	December 31, 2008			
	Level 1	Level 2	Level 3	Total
	(in millions)			
Assets				
Cash equivalents	$ 504	$ 5,446	$	$ 5,950
Available-for-Sale securities:				
Corporate debt securities		11,479	1,120	12,599
Residential mortgage backed securities		4,027	1,208	5,235
Commercial mortgage backed securities		2,730	3	2,733
Asset backed securities		736	222	958
State and municipal obligations		873		873
U.S. government and agencies obligations	32	239		271
Foreign government bonds and obligations		107		107
Common and preferred stocks		27	10	37
Other structured investments			50	50
Other debt obligations		10		10
Total Available-for-Sale securities	32	20,228	2,613	22,873

Trading securities		224		244		30		498
Separate account assets				44,746				44,746
Other assets		1		2,308		487		2,796
Total assets at fair value	$	761	$	72,972	$	3,130	$	76,863
Liabilities								
Future policy benefits and claims	$		$	16	$	1,832	$	1,848
Customer deposits				5				5
Other liabilities		7		673				680
Total liabilities at fair value	$	7	$	694	$	1,832	$	2,533

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AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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

	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	387	(48)(2)	39	(36)		342
Future policy benefits and claims	(1,516)	773(3)		(16)		(759)

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

(2) Represents a $33 million loss included in benefits, claims, losses and settlement expenses and a $15 million loss included in other revenues in the Consolidated Statements of Operations.

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

	Balance, April 1, 2008	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, 2008
	(in millions)					
Available-for-Sale securities:						
Corporate debt securities	$ 1,328	$	$ (53)	$ (18)	$	$ 1,257
Residential mortgage backed securities	1,095	(27)	(56)	68		1,080
Commercial mortgage backed securities	5			(1)		4
Asset backed securities	249	1	(10)	9		249
Common and preferred stocks	9		1			10

Other structured investments	42			(4)	38
Total Available-for-Sale securities	2,728	(26)(1)	(118)	54	2,638
Trading securities	43	1(1)			44
Other assets	678	(40)(2)	1	(202)	437
Future policy benefits and claims	(295)	158(3)		(17)	(154)

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

(2) Represents a $29 million loss included in benefits, claims, losses and settlement expenses and a $11 million loss included in other revenues in the Consolidated Statements of Operations.

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

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

	2009			2008		
	Net Investment Income	Other Revenue	Benefits, Claims, Losses and Settlement Expenses	Net Investment Income	Other Revenue	Benefits, Claims, Losses and Settlement Expenses
	(in millions)					
Available-for-Sale securities:						
Corporate debt securities	$	$	$	$	$	$
Residential mortgage backed securities	(5)			(27)		
Commercial mortgage backed securities						
Asset backed securities	2					
Other structured investments						
Other debt obligations						
Total Available-for-Sale securities	(3)			(27)		
Trading securities	(3)			1		
Other assets		(15)			(11)	(11)
Future policy benefits and claims			766			159

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

	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
Residential mortgage backed securities	1,208	12	108	2,123		3,451
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)(4)	5,131
Trading securities	30	(5)(1)	3	(5)		23
Other assets	487	(70)(2)	33	(108)		342

Future policy benefits and claims	(1,832)	1,104(3)	(31)	(759)

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

(2) Represents a $36 million loss included in benefits, claims, losses and settlement expenses and a $34 million loss included in other revenues in the Consolidated Statements of Operations.

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

(4) 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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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

	Balance, January 1, 2008	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, 2008
	(in millions)					
Available-for-Sale securities:						
Corporate debt securities	$ 1,339	$	$ (32)	$ (50)	$	$ 1,257
Residential mortgage backed securities	1,267	(57)	(245)	115		1,080
Commercial mortgage backed securities	5			(1)		4
Asset backed securities	242	1	(20)	26		249
Common and preferred stocks	9		1			10
Other structured investments	46	1		(9)		38
Total Available-for-Sale securities	2,908	(55)(1)	(296)	81		2,638
Trading securities	44					44
Other assets	629	3(2)	1	(196)		437
Future policy benefits and claims	(158)	34(3)		(30)		(154)

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

(2) Represents a $23 million gain included in benefits, claims, losses and settlement expenses and a $20 million loss included in other revenues in the Consolidated Statements of Operations.

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

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

	2009			2008		
	Net Investment Income	Other Revenue	Benefits, Claims, Losses and Settlement Expenses	Net Investment Income	Other Revenue	Benefits, Claims, Losses and Settlement Expenses
	(in millions)					
Available-for-Sale securities:						
Corporate debt securities	$	$	$	$	$	$
Residential mortgage backed securities	(13)			(57)		

Commercial mortgage backed securities						
Asset backed securities	4					
Other structured investments	(3)			(1)		
Other debt obligations						
Total Available-for-Sale securities	(12)			(58)		
Trading securities	(3)					
Other assets		(29)			(20)	1
Future policy benefits and claims			1,088			35

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

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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 in the table above with balances of assets and liabilities measured at fair value on a recurring basis.

	June 30, 2009	
	Carrying Value	Fair Value
	(in millions)	
Financial Assets		
Commercial mortgage loans, net	$ 2,758	$ 2,617
Policy loans	715	779
Receivables	1,210	890
Restricted and segregated cash	1,730	1,730
Other investments and assets	493	495
Financial Liabilities		
Future policy benefits and claims	$ 15,372	$ 14,862
Investment certificate reserves	4,792	4,735
Banking and brokerage customer deposits	4,408	4,409
Separate account liabilities	3,461	3,461
Debt and other liabilities	2,568	2,300

Investments

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

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

Receivables

The fair value of consumer 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 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, expense and risk margins and for the Company s non-performance 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.

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AMERIPRISE FINANCIAL, INC.

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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 non-performance 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 non-performance adjustment is not included as the related separate account assets act as collateral for these liabilities and minimize non-performance 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 value is obtained from nationally-recognized pricing services, broker quotes, or other model-based valuation techniques such as present value of cash flows.

10. Derivatives and Hedging Activities

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

The Company uses derivatives as economic hedges and occasionally holds derivatives designated for hedge accounting. 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 at June 30, 2009:

Derivatives not designated as hedging instruments	Balance Sheet Location	Asset (in millions)	Balance Sheet Location	Liability (in millions)
Interest rate contracts				
GMWB and GMAB	Other assets	$ 283	Other liabilities	$ (307)
Interest rate lock commitments	Other assets	1		
Equity contracts				
GMWB and GMAB	Other assets	675	Other liabilities	(388)
Equity indexed annuities	Other assets	1		
Equity indexed annuities embedded derivatives			Future policy benefits and claims	(15)
Stock market certificates	Other assets	66	Other liabilities	(51)
Stock market certificates embedded derivatives			Customer deposits	(16)
Seed money			Other liabilities	(1)
Foreign exchange contracts				
Seed money			Other liabilities	(1)
Other				
GMWB and GMAB embedded derivatives(1)			Future policy benefits and claims	(759)
Total		$ 1,026		$ (1,538)

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

See Note 9 for additional information regarding the Company s fair value measurement of derivative instruments.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Derivatives Not Designated as Hedges

The following table presents a summary of the impact of derivatives not designated as hedging instruments under SFAS No. 133 Accounting for Derivative Instruments and Hedging Activities (SFAS 133) on the Consolidated Statements of Operations:

Derivatives not designated as hedging instruments	Location of Gain (Loss) Recognized in Income on Derivatives	Amount of Gain (Loss) Recognized in Income on Derivatives (in millions) Three Months Ended June 30, 2009	Six Months Ended June 30, 2009
Interest rate contracts			
GMWB and GMAB	Benefits, claims, losses and settlement expenses	$ (262)	$ (385)
Interest rate lock commitments	Other revenues	1	1
Equity contracts			
GMWB and GMAB	Benefits, claims, losses and settlement expenses	(873)	(812)
Equity indexed annuities	Interest credited to fixed accounts		(2)
Equity indexed annuities embedded derivatives	Interest credited to fixed accounts		1
Stock market certificates	Banking and deposit interest expense	4	1
Stock market certificates embedded derivatives	Banking and deposit interest expense	(9)	(11)
Seed money	Net investment income	(10)	
Foreign exchange contracts			
Seed money	General and administrative expense	(4)	(1)
Other			
GMWB and GMAB embedded derivatives	Benefits, claims, losses and settlement expenses	757	1,073
Total		$ (396)	$ (135)

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 and foreign currency exchange rate risk related to various products and transactions of the Company.

Certain annuity products 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 GMWB and GMAB provisions using various equity futures, equity options, total return swaps, interest rate swaptions and interest rate swaps. The gross notional amount of these contracts was $35.9 billion at June 30, 2009. The premium associated with certain of these 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 (in millions)	Premiums Receivable
2009(1)	$ (83)	$ 7
2010	(164)	13
2011	(156)	12
2012	(143)	11
2013	(131)	10
2014-2023	(425)	6

(1) 2009 amounts represent the amounts payable and receivable for the period from July 1, 2009 to December 31, 2009.

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Equity indexed annuities and investment 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 $1.7 billion at June 30, 2009.

The Company enters into futures and total return swaps to manage its exposure to price risk arising from seed money investments made in proprietary mutual funds. The gross notional amount of these contracts was $193 million at June 30, 2009.

The Company enters into foreign currency forward contracts to hedge its exposure to certain receivables and obligations denominated in non-functional currencies. The gross notional amount of these contracts was $10 million at June 30, 2009.

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. As captured in the tables above, 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 amounts classified in accumulated other comprehensive loss related to gains and losses associated with the effective portion of previously designated cash flow hedges. The Company reclassifies these amounts into income as the forecasted transactions impact earnings. During the six months ended June 30, 2009, the Company held no derivatives that were designated as cash flow hedges under SFAS 133. The following table shows the impact of the Company s previously designated cash flow hedges on the Consolidated Statements of Operations:

Derivatives designated as hedging instruments	Location of Gain (Loss) Reclassified from Accumulated Other Comprehensive Income into Income	Amount of Gain (Loss) Reclassified from Accumulated Other Comprehensive Income into Income			
		Three Months Ended June 30, 2009		Six Months Ended June 30, 2009	
		(in millions)			
Cash flow hedges					
Interest on debt	Interest and debt expense	$	2	$	4
Fixed annuity products	Net investment income		(1)		(3)
Total		$	1	$	1

At June 30, 2009, the Company expects to reclassify $2 million of net pretax gains on derivative instruments from accumulated other comprehensive loss to earnings during the next 12 months. The $2 million net pretax gain is made up of an $8 million deferred gain related to interest rate swaps that will be recorded as a reduction to interest and debt expense, partially offset by a $6 million deferred loss related to interest rate swaptions that will be recorded in net investment income. For any hedge relationships that are discontinued because the forecasted transaction is not expected to occur according to the original strategy, any related amounts previously recorded in accumulated other comprehensive loss are recognized in earnings immediately. No hedge relationships were discontinued during the six months ended June 30, 2009 due to forecasted transactions no longer expected to occur according to the original hedge strategy.

Currently, the longest period of time over which the Company is hedging exposure to the variability in future cash flows is 26 years and relates to forecasted debt interest payments.

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 wherever practical. As of June 30, 2009, the Company held collateral consisting primarily of cash and securities of $312 million posted by counterparties. As of June 30, 2009, the Company s maximum credit exposure related to derivative assets after considering netting arrangements with counterparties and collateral arrangements was approximately $73 million.

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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, 2009, the aggregate fair value of all derivative instruments containing such credit risk features was $103 million. The aggregate fair value of assets posted as collateral for such instruments as of June 30, 2009 was $73 million. If the credit risk features of derivative contracts that were in a net liability position at June 30, 2009 were triggered, the additional fair value of assets needed to settle these derivative liabilities would have been $30 million.

11. Income Taxes

The Company s effective tax rates were 24.4% and 18.4% for the three months and six months ended June 30, 2009, respectively. The Company s effective tax rates were 11.9% and 7.4% for the three months and six months ended June 30, 2008, respectively. The Company s effective tax rate for the three months and six months ended June 30, 2008 included $27 million and $65 million, respectively, of tax benefits related to changes in the status of current and closed audits and tax planning initiatives.

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, a) future taxable income exclusive of reversing temporary differences and carryforwards, b) future reversals of existing taxable temporary differences, c) taxable income in prior carryback years, and d) 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, 2009 and December 31, 2008.

Included in the Company s deferred income tax assets are net operating loss carryforwards of $90 million which will expire beginning December 31, 2025 as well as tax credit carryforwards of $137 million which will expire beginning December 31, 2025. The Company also has $39 million of foreign tax credit carryforwards which will expire beginning December 31, 2016.

As of June 30, 2009 and December 31, 2008, the Company had $56 million of gross unrecognized tax expense. If recognized, approximately $62 million, net of federal tax benefits, of unrecognized tax benefits as of June 30, 2009 and December 31, 2008, 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 had a receivable of $13 million related to the payment of interest and penalties accrued at both June 30, 2009 and December 31, 2008.

It is reasonably possible that the total amounts of unrecognized tax benefits will change in the next 12 months. However, there are a number of open audits and quantification of a range cannot be made at this time.

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. However, for federal income tax purposes these years continue to remain open as a consequence of certain issues under appeal. The IRS continued its examination of 2003 through 2004 which is expected to be completed during 2009. In the fourth quarter of 2008, the IRS commenced an examination of the Company s U.S. income tax returns for 2005 through 2007. 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 2006.

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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. Any regulations that the IRS ultimately proposes for issuance in this area will be subject to public notice and comment, at which time insurance companies and other members of the public will have the opportunity to raise legal and practical questions about the content, scope and application of such regulations. As a result, the ultimate timing and substance of any such regulations are unknown at this time, but they may result in the elimination of some or all of the separate account DRD tax benefit that the Company receives. Management believes that it is likely that any such regulations would apply prospectively only.

12. Contingencies

Owing to prevailing conditions in the credit markets and the isolated default of an unaffiliated structured investment vehicle (SIV) held in the portfolios of money market funds advised by its RiverSource Investments LLC subsidiary (the 2a-7 Funds), the Company intends to monitor the net asset value of the 2a-7 Funds and may in its judgment as circumstances warrant from time to time offer to purchase amounts of defaulted unaffiliated SIV securities at par from, or inject capital to, one or more of the 2a-7 Funds. Management expects this to have an immaterial impact in subsequent periods. The Company has not provided a formal capital support agreement or net asset value guarantee to any of the 2a-7 Funds.

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 and heightened volatility in the financial markets, such as those which have been experienced for over the past year, 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 by, the Securities and Exchange Commission (SEC), Financial Industry Regulatory Authority (FINRA), Office of Thrift Supervision (OTS), state insurance regulators, state attorneys general and various other governmental and quasi-governmental authorities concerning the Company s business activities and practices, and the practices of the Company s financial advisors. Pending matters about which the Company has recently received information requests 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; the delivery of financial plans and the suitability of particular trading strategies. The number of reviews and investigations has increased in recent years with regard to many firms in the financial services industry, including Ameriprise Financial. The Company has cooperated and will continue to cooperate with the applicable regulators regarding their inquiries.

These legal and regulatory proceedings and disputes are subject to uncertainties and, as such, the Company is unable to 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 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 plaintiffs alleged that fees allegedly paid to the defendants by the funds for investment advisory and administrative services were excessive. On July 6, 2007, the Court granted the Company s motion for summary judgment, dismissing all claims with prejudice. Plaintiffs appealed the 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 will be filing with the United States Supreme Court a Petition for Writ of Certiorari to review the judgment of the Court of Appeals in this case. The Petition is due by August 6, 2009.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Relevant to market conditions since the latter part of 2007, a large client claimed a breach of certain contractual investment guidelines. In April 2009, the client presented a formal Request for Arbitration. The parties subsequently submitted to mediation and have agreed to a structure for a comprehensive settlement of the dispute. They have targeted September 30, 2009 to have the settlement in place.

13. Guarantees

An unaffiliated third party is providing liquidity to clients of Securities America, Inc. (SAI) registered representatives that have assets in the Reserve Primary Fund that have been blocked from redemption and frozen by the Reserve Fund since September 16, 2008. The Company has agreed to indemnify the unaffiliated third party up to $10 million until April 15, 2015, for costs incurred as a result of an arbitration or litigation initiated against the unaffiliated third party by clients of SAI registered representatives. In the event that a client defaults in the repayment of an advance, SAI has recourse to collect from the defaulting client.

A property fund limited partnership that the Company consolidates has floating rate revolving credit borrowings of $117 million as of June 30, 2009. A Threadneedle subsidiary guarantees the repayment of outstanding borrowings up to the value of the assets of the partnership. The debt is secured by the assets of the partnership and there is no recourse to Ameriprise Financial.

14. Earnings per Common Share

The computations of basic and diluted earnings per common share are as follows:

	Three Months Ended June 30, 2009	Three Months Ended June 30, 2008	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
	(in millions, except per share amounts)			
Numerator:				
Net income attributable to Ameriprise Financial	$ 95	$ 210	$ 225	$ 401
Denominator:				
Basic: Weighted-average common shares outstanding	228.8	223.2	225.6	225.8
Effect of potentially dilutive nonqualified stock options and other share-based awards	1.2	2.8	1.2	3.0
Diluted: Weighted-average common shares outstanding	230.0	226.0	226.8	228.8
Earnings per common share:				
Basic	$ 0.41	$ 0.94	$ 1.00	$ 1.77
Diluted	0.41	0.93	0.99	1.75

Basic weighted average common shares for the three months and six months ended June 30, 2009 included 3.9 million and 3.6 million, respectively, of vested, nonforfeitable restricted stock units and 4.7 million and 4.8 million, respectively, of non-vested restricted stock awards and restricted stock units that are forfeitable but receive nonforfeitable dividends. Potentially dilutive securities include nonqualified stock options and other share-based awards. Basic weighted average common shares for both the three months and the six months ended June 30, 2008 included 2.4 million vested nonforfeitable restricted stock units and 3.2 million non-vested restricted stock awards and restricted stock units that are forfeitable but receive nonforfeitable dividends.

15. Variable Interest Entities

The Company consolidates all VIEs for which it is considered to be the primary beneficiary. The determination as to whether an entity is a VIE is based on the amount and nature of the Company s equity investment in the entity. The Company also considers other characteristics such as the ability to influence the decision making about the entity s activities and how the entity is financed. The determination as to whether the Company is considered to be the primary beneficiary is based on whether the Company will absorb a majority of the VIE s expected losses, receive a majority of the VIE s expected residual return or both.

The Company consolidates a VIE for which it is considered the primary beneficiary. The Company had investments of $10 million and non-recourse debt of $6 million on the Consolidated Balance Sheets as of June 30, 2009 and December 31, 2008, respectively, related to this entity.

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The Company has variable interests for which it is not the primary beneficiary and, therefore, does not consolidate. The Company s maximum exposure to loss as a result of its investment in these entities is limited to its carrying value. The Company has no obligation to provide further financial or other support to the VIEs nor has the Company provided any additional support to the VIEs other than services it is separately compensated for through management agreements. The Company had no liabilities recorded as of June 30, 2009 and December 31, 2008 related to these entities.

The Company is a limited partner in affordable housing partnerships which qualify for government sponsored low income housing tax credit programs. In most cases, the Company has less than 50% interest in the partnerships sharing in benefits and risks with other limited partners in proportion to the Company s ownership interest. In the limited cases in which the Company has a greater than 50% interest in affordable housing partnerships, it was determined that the relationship with the general partner is an agent relationship and the general partner was most closely related to the partnership as it is the key decision maker and controls the operations. The carrying values of the affordable housing partnerships are reflected in investments and were $41 million and $54 million as of June 30, 2009 and December 31, 2008, respectively.

For the collateralized debt obligations (CDOs) managed by the Company, the Company has evaluated its variability in losses and returns considering its investment levels, which are less than 50% of the residual tranches, and the fees received from managing the structures and has determined that consolidation is not required. The carrying values of the CDOs are reflected in investments and were $49 million and $50 million as of June 30, 2009 and December 31, 2008, respectively. The Company manages $6.7 billion of underlying collateral consisting primarily of below investment grade syndicated bank loans within the CDOs.

16. 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, 2009	December 31, 2008
	(in millions)	
Advice & Wealth Management	$ 11,776	$ 10,624
Asset Management	5,621	5,363
Annuities	67,826	63,659
Protection	15,300	14,270
Corporate & Other	2,691	1,661
Total assets	$ 103,214	$ 95,577

The following is a summary of segment operating results:

	Three Months Ended June 30, 2009						
	Advice & Wealth Management	Asset Management	Annuities	Protection (in millions)	Corporate & Other	Eliminations	Consolidated
Revenue from external customers	$ 620	$ 276	$ 551	$ 476	$ (8)	$	$ 1,915
Intersegment revenue	206	11	11	21	1	(250)	
Total revenues	826	287	562	497	(7)	(250)	1,915
Banking and deposit interest expense	38	2			(2)		38
Net revenues	788	285	562	497	(5)	(250)	1,877
Pretax income (loss)	$ (3)	$ (20)	$ 94	$ 110	$ (66)	$	115
Income tax provision							28
Net income							87
Less: Net loss attributable to noncontrolling interests							(8)
Net income attributable to Ameriprise Financial							$ 95

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AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

	Three Months Ended June 30, 2008						
	Advice & Wealth Management	Asset Management	Annuities	Protection (in millions)	Corporate & Other	Eliminations	Consolidated
Revenue from external customers	$ 703	$ 359	$ 475	$ 461	$ 12	$	$ 2,010
Intersegment revenue	230	6	20	18	2	(276)	
Total revenues	933	365	495	479	14	(276)	2,010
Banking and deposit interest expense	42	1		1		(2)	42
Net revenues	891	364	495	478	14	(274)	1,968
Pretax income (loss)	$ 51	$ 37	$ 77	$ 113	$ (46)	$	232
Income tax provision							27
Net income							205
Less: Net loss attributable to noncontrolling interests							(5)
Net income attributable to Ameriprise Financial							$ 210

	Six Months Ended June 30, 2009						
	Advice & Wealth Management	Asset Management	Annuities	Protection (in millions)	Corporate & Other	Eliminations	Consolidated
Revenue from external customers	$ 1,153	$ 515	$ 1,022	$ 964	$ 22	$	$ 3,676
Intersegment revenue	443	21	32	29	1	(526)	
Total revenues	1,596	536	1,054	993	23	(526)	3,676
Banking and deposit interest expense	79	3			(1)	(1)	80
Net revenues	1,517	533	1,054	993	24	(525)	3,596
Pretax income (loss)	$ (64)	$ (42)	$ 223	$ 222	$ (90)	$	249
Income tax provision							46
Net income							203
Less: Net loss attributable to noncontrolling interests							(22)
Net income attributable to Ameriprise Financial							$ 225

	Six Months Ended June 30, 2008						
	Advice & Wealth Management	Asset Management	Annuities	Protection (in millions)	Corporate & Other	Eliminations	Consolidated

Revenue from external customers	$	1,459	$	710	$	926	$	934	$	19	$		$	4,048
Intersegment revenue		457		12		47		28		5		(549)		
Total revenues		1,916		722		973		962		24		(549)		4,048
Banking and deposit interest expense		89		3				1		1		(5)		89
Net revenues		1,827		719		973		961		23		(544)		3,959
Pretax income (loss)	$	115	$	50	$	119	$	215	$	(77)	$			422
Income tax provision														31
Net income														391
Less: Net loss attributable to noncontrolling interests														(10)
Net income attributable to Ameriprise Financial													$	401

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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, 2008, filed with the Securities and Exchange Commission (SEC) on March 2, 2009 (2008 10-K), as well as our current reports on Form 8-K and other publicly available information.

Overview

We are engaged in providing 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. As of June 30, 2009, we had a network of more than 12,500 financial advisors and registered representatives (affiliated financial advisors). In addition to serving clients through our affiliated financial advisors, our asset management, annuity, and auto and home protection products are distributed through third-party advisors and affinity relationships.

We deliver solutions to our clients through an approach focused on building long term personal relationships between our advisors and clients. We offer financial planning and advice that are responsive to our clients evolving needs and help them achieve their identified financial goals by recommending actions and a range of product solutions consisting of investment, annuities, insurance, banking and other financial products that help them attain over time a return or form of protection while accepting what they determine to be an appropriate range and level of risk. The financial product solutions we offer through our affiliated advisors include both our own products and services and products of other companies. Our 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. We believe that our focus on personal relationships, together with our strengths in financial planning and product development, allows us to better address our clients financial needs, including the financial needs of our primary target market segment, the mass affluent and affluent, which we define as households with investable assets of more than $100,000. This focus also 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. Deep client-advisor relationships are central to the ability of our business model to succeed through market cycles, including the extreme market conditions that persisted through the second quarter of 2009.

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 impacted 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.

Equity market, 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 variable UL 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 risk and interest rate risk, see Quantitative and Qualitative Disclosures About Market Risk.

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

- Net revenue growth of 6% to 8%,
- Earnings per diluted share growth of 12% to 15%, and
- Return on equity of 12% to 15%.

Net revenues for the three months ended June 30, 2009 were $1.9 billion, a decrease of $91 million, or 5%, from the prior year period. Net revenues for the six months ended June 30, 2009 were $3.6 billion, a decrease of $363 million, or 9%, from the prior year period. The decline in net revenues for both periods primarily reflects the negative impact of weak equity markets on asset-based fees, partially offset by growth in fixed annuities.

Net income attributable to Ameriprise Financial for the three months ended June 30, 2009 was $95 million, a decline of $115 million from $210 million for the three months ended June 30, 2008. Net income attributable to Ameriprise Financial

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for the six months ended June 30, 2009 was $225 million, a decline of $176 million from $401 million for the six months ended June 30, 2008. Earnings per diluted share for the three months ended June 30, 2009 were $0.41, compared to $0.93 for the three months ended June 30, 2008. Earnings per diluted share for the six months ended June 30, 2009 were $0.99, compared to $1.75 for the six months ended June 30, 2008.

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 and our strong corporate foundation. Our franchisee advisor and client retention remain strong at 91% and 94%, respectively, as of June 30, 2009. We continued to attract experienced advisors, with more than 400 experienced advisors joining our branded advisor channels in the first half of 2009.

Critical Accounting Policies

Valuation of Investments

Effective January 1, 2009, we early adopted FSP FAS 115-2 and FAS 124-2 Recognition and Presentation of Other-Than-Temporary Impairments (FSP 115-2). This interpretation significantly changed our accounting policy regarding the timing and amount of other-than temporary impairments for Available-for-Sale securities. For information regarding the changes to our accounting policy, see Note 3 to our Consolidated Financial Statements.

Deferred Acquisition Costs and Deferred Sales Inducement Costs

For our annuity and life, disability income and long term care insurance products, our DAC and DSIC balances at any reporting date are supported by projections that show management expects there to be adequate premiums or estimated gross profits after that date to amortize the remaining DAC and DSIC balances. These projections are inherently uncertain because they require management to make assumptions about financial markets, anticipated mortality and morbidity levels and policyholder behavior over periods extending well into the future. Projection periods used for our annuity products are typically 10 to 25 years, while projection periods for our life, disability income and long term care insurance products are often 50 years or longer. Management regularly monitors financial market conditions and actual policyholder behavior experience and compares them to its assumptions.

For annuity and universal life insurance products, the assumptions made in projecting future results and calculating the DAC balance and DAC amortization expense are management s best estimates. Management is required to update these assumptions whenever it appears that, based on actual experience or other evidence, earlier estimates should be revised. When assumptions are changed, the percentage of estimated gross profits used to amortize DAC might also change. A change in the required amortization percentage is applied retrospectively; an increase in amortization percentage will result in a decrease in the DAC balance and an increase in DAC amortization expense, while a decrease in amortization percentage will result in an increase in the DAC balance and a decrease in DAC amortization expense. The impact on results of operations of changing assumptions can be either positive or negative in any particular period and is reflected in the period in which such changes are made. For products with associated DSIC, the same policy applies in calculating the DSIC balance and periodic DSIC amortization.

For other life, disability income and long term care insurance products, the assumptions made in calculating our DAC balance and DAC amortization expense are consistent with those used in determining the liabilities and, therefore, are intended to provide for adverse deviations in experience and are revised only if management concludes experience will be so adverse that DAC are not recoverable. If management concludes that DAC are not recoverable, DAC are reduced to the amount that is recoverable based on best estimate assumptions and there is a corresponding expense recorded in our consolidated results of operations.

For annuity and life, disability income and long term care insurance products, key assumptions underlying these long-term projections include interest rates (both earning rates on invested assets and rates credited to contractholder and policyholder accounts), equity market performance, mortality and morbidity rates and the rates at which policyholders are expected to surrender their contracts, make withdrawals from their contracts and make additional deposits to their contracts. Assumptions about earned and credited interest rates are the primary factors used to project interest margins, while assumptions about equity and bond market performance are the primary factors used to project client asset value growth rates, and assumptions about surrenders, withdrawals and deposits comprise projected persistency rates. Management must also make assumptions to project maintenance expenses associated with servicing our annuity and insurance businesses during the DAC amortization period.

The client asset value growth rates are the rates at which variable annuity and variable universal life insurance contract values invested in separate accounts are assumed to appreciate in the future. The rates used vary by equity and fixed income investments. Management reviews and, where appropriate, adjusts its assumptions with respect to client asset value growth rates on a regular basis. We typically use a five-year mean reversion process as a guideline in setting near-term equity asset

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growth rates based on a long-term view of financial market performance as well as recent actual performance. The suggested near-term growth rate is reviewed to ensure consistency with management s assessment of anticipated equity market performance. In the first half of 2009, management elected to follow the mean reversion guideline, slightly decreasing near-term equity asset growth rates to reflect the positive market on a year-to-date basis. At recent equity market levels, increasing the annualized equity market return projected during the five-year mean reversion period by 100 basis points reduces DAC amortization and other impacted expenses by $20-$25 million after tax.

We monitor other principal DAC and DSIC amortization assumptions, such as persistency, mortality, morbidity, interest margin and maintenance expense levels each quarter and, when assessed independently, each could impact our DAC and DSIC balances.

The analysis of DAC and DSIC balances and the corresponding amortization is a dynamic process that considers all relevant factors and assumptions described previously. Unless management identifies a significant deviation over the course of the quarterly monitoring, management reviews and updates these DAC and DSIC amortization assumptions annually in the third quarter of each year. An assessment of sensitivity associated with changes in any single assumption would not necessarily be an indicator of future results.

Recent Accounting Pronouncements

For information regarding recent accounting pronouncements and their expected impact on our future consolidated results of operations or 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, such as investments in non-proprietary 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. Managed external client assets include client assets for which we provide investment management services, such as the assets of the RiverSource family of mutual funds and Seligman family of mutual 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 and RiverSource Variable Product funds held in the separate accounts of our life insurance subsidiaries.

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 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. We generally record fees received from administered assets as distribution fees.

Fluctuations in our owned, managed and administered assets impact our revenues. 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.

Our owned, managed and administered assets declined to $397 billion at June 30, 2009, a net decrease of 10% from June 30, 2008, primarily due to the 28% decline in the S&P 500 Index.

Clients lower risk tolerances and preference for guaranteed returns reduced variable annuity net inflows and increased fixed annuity net inflows for both the three and six months ended June 30, 2009 compared to the prior year periods. Fixed annuities had total net inflows of $562 million in the second quarter of 2009 compared to net outflows of $383 million in the prior year period and variable annuities had net inflows of $567 million compared to $811 million in the prior year period. Wrap account assets had net inflows of $2.8 billion in both the second quarter of 2009 and 2008.

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Fixed annuities had total net inflows of $2.0 billion for the six months ended June 30, 2009 compared to net outflows of $930 million in the prior year period and variable annuities had net inflows of $895 million compared to $1.7 billion in the prior year period. Wrap account assets had net inflows of $4.1 billion for the six months ended June 30, 2009 compared to $4.2 billion in the prior year period.

Our managed assets excluding wrap account assets increased during the second quarter of 2009 primarily reflecting equity market appreciation and retail net inflows. Total asset management net inflows were $45 million for the three months ended June 30, 2009, compared to net outflows of $4.8 billion for the prior year period. In the second quarter of 2009, Domestic managed assets had $425 million in net outflows compared to $2.3 billion in the prior year period and market appreciation of $8.7 billion in the second quarter of 2009 compared to market depreciation of $1.3 billion in the prior year period. In addition to net flows and market appreciation, Domestic managed assets were impacted by the issuance of debt and equity in the second quarter of 2009 resulting in an increase of $1.4 billion. International managed assets had $470 million in net inflows in the second quarter of 2009 compared to net outflows of $2.5 billion in the prior year period and market appreciation of $481 million in the second quarter of 2009 compared to market depreciation of $2.3 billion in the prior year period. An increase in International retail net inflows in the second quarter of 2009 was partially offset by net outflows in lower margin Zurich-related assets. The positive impact on International managed assets due to changes in foreign currency exchange rates was $10.4 billion in the second quarter of 2009 compared to $446 million in the prior year period.

Our managed assets excluding wrap account assets increased during the first half of 2009 primarily reflecting equity market appreciation and retail net inflows. Total asset management net outflows declined to $102 million for the six months ended June 30, 2009, compared to net outflows of $9.7 billion for the prior year period. In the first half of 2009, Domestic managed assets had $250 million in net outflows compared to $4.7 billion in the prior year period and market appreciation of $5.9 billion compared to market depreciation of $8.3 billion in the prior year period. In addition to net flows and market appreciation, Domestic managed assets were impacted by the issuance of debt and equity in the second quarter of 2009 resulting in an increase of $1.4 billion. International managed assets had $148 million in net inflows for the six months ended June 30, 2009 compared to net outflows of $5.0 billion in the prior year period and market depreciation of $4.0 billion compared to $10.6 billion in the prior year period. An increase in International retail net inflows in the first half of 2009 was partially offset by net outflows in lower margin Zurich-related assets. The positive impact on International managed assets due to changes in foreign currency exchange rates was $8.9 billion for the six months ended June 30, 2009 compared to $374 million in the prior year period.

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

	June 30, 2009	June 30, 2008	Change
	(in billions, except percentages)		
Owned Assets	$ 32.5	$ 36.9	(12)%
Managed Assets(1):			
Domestic	134.8	143.2	(6)
International	82.5	120.9	(32)
Wrap account assets	79.0	91.4	(14)
Eliminations(2)	(11.3)	(14.3)	(21)
Total Managed Assets	285.0	341.2	(16)
Administered Assets	79.8	65.6	22
Total Owned, Managed and Administered Assets	$ 397.3	$ 443.7	