

AMERIPRISE FINANCIAL INC  
Form 10-Q  
November 07, 2007

**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 September 30, 2007**

**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**  
(State or other jurisdiction of  
incorporation or organization)

**13-3180631**  
(I.R.S. Employer Identification No.)

**55 Ameriprise Financial Center, Minneapolis, Minnesota**  
(Address of principal executive offices)

**55474**  
(Zip Code)

Registrant's telephone number, including area code (612) 671-3131

Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

**Not Applicable**

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer  Accelerated Filer  Non-Accelerated Filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

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

Class	Outstanding at October 29, 2007
Common Stock (par value \$.01 per share)	231,896,538 shares

**AMERIPRISE FINANCIAL, INC.**



**FORM 10-Q**



**INDEX**





Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

Part I. Financial Information:

<u>Item 1.</u>	<u>Financial Statements</u>	
	<u>Consolidated Statements of Income Three months and nine months ended September 30, 2007 and 2006</u>	3
	<u>Consolidated Balance Sheets September 30, 2007 and December 31, 2006</u>	4
	<u>Consolidated Statements of Cash Flows Nine months ended September 30, 2007 and 2006</u>	5
	<u>Consolidated Statements of Shareholders Equity Nine months ended September 30, 2007 and 2006</u>	7
	<u>Notes to Consolidated Financial Statements</u>	8
<u>Item 2.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	19
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	40
<u>Item 4.</u>	<u>Controls and Procedures</u>	40

PART II. Other Information:

<u>Item 1.</u>	<u>Legal Proceedings</u>	41
<u>Item 1A.</u>	<u>Risk Factors</u>	41
<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	41
<u>Item 6.</u>	<u>Exhibits</u>	41
<u>Signatures</u>		42
<u>Exhibit Index</u>		E-1

**PART I. FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS**

**AMERIPRISE FINANCIAL, INC.**



**CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)**

(in millions, except per share amounts)

Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
<b>Revenues</b>				
Management, financial advice and service fees	\$ 878	\$ 720	\$ 2,532	\$ 2,151
Distribution fees	352	300	1,111	926
Net investment income	552	542	1,555	1,638
Premiums	246	244	725	693
Other revenues	174	171	524	571
Total revenues	2,202	1,977	6,447	5,979
<b>Expenses</b>				
Compensation and benefits	855	756	2,602	2,261
Interest credited to account values	282	317	872	948
Benefits, claims, losses and settlement expenses	383	233	832	685
Amortization of deferred acquisition costs	128	87	387	368
Interest and debt expense	29	32	93	83
Separation costs	60	87	208	238
Other expenses	248	248	775	802
Total expenses	1,985	1,760	5,769	5,385
Income before income tax provision	217	217	678	594
Income tax provision	19	43	119	134
Net income	\$ 198	\$ 174	\$ 559	\$ 460
<b>Earnings per Common Share:</b>				
Basic	\$ 0.84	\$ 0.71	\$ 2.35	\$ 1.86
Diluted	0.83	0.71	2.32	1.85
Weighted average common shares outstanding:				
Basic	235.4	244.5	237.8	247.6
Diluted	239.2	246.4	241.4	249.3
Cash dividends paid per common share	\$ 0.15	\$ 0.11	\$ 0.41	\$ 0.33

See Notes to Consolidated Financial Statements.



**AMERIPRISE FINANCIAL, INC.**



**CONSOLIDATED BALANCE SHEETS**

(in millions, except share data)



Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

	September 30, 2007 (unaudited)	December 31, 2006
<b>Assets</b>		
Cash and cash equivalents	\$ 3,972	\$ 2,717
Investments	31,161	35,553
Separate account assets	62,371	53,848
Receivables	3,079	2,960
Deferred acquisition costs	4,502	4,499
Restricted and segregated cash	1,206	1,236
Other assets	3,563	3,359
Total assets	\$ 109,854	\$ 104,172
<b>Liabilities and Shareholders Equity</b>		
Liabilities:		
Future policy benefits and claims	\$ 28,051	\$ 30,033
Separate account liabilities	62,371	53,848
Customer deposits	6,029	6,707
Debt	2,197	2,225
Accounts payable and accrued expenses	1,688	1,788
Other liabilities	1,760	1,646
Total liabilities	102,096	96,247
Shareholders Equity:		
Common shares (\$.01 par value; shares authorized, 1,250,000,000; shares issued, 255,684,444 and 252,909,389, respectively)	3	3
Additional paid-in capital	4,593	4,353
Retained earnings	4,591	4,268
Treasury shares, at cost (23,267,227 and 11,517,958 shares, respectively)	(1,180)	(490)
Accumulated other comprehensive loss, net of tax:		
Net unrealized securities losses	(226)	(187)
Net unrealized derivatives losses	(5)	(1)
Foreign currency translation adjustment	(15)	(18)
Defined benefit plans	(3)	(3)
Total accumulated other comprehensive loss	(249)	(209)
Total shareholders equity	7,758	7,925
Total liabilities and shareholders equity	\$ 109,854	\$ 104,172

See Notes to Consolidated Financial Statements.

**AMERIPRISE FINANCIAL, INC.**





Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**

(in millions)



Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

	Nine Months Ended September 30,	
	2007	2006
<b>Cash Flows from Operating Activities</b>		
Net income	\$ 559	\$ 460
Adjustments to reconcile net income to net cash provided by operating activities:		
Capitalization of deferred acquisition and sales inducement costs	(682)	(647)
Amortization of deferred acquisition and sales inducement costs	423	406
Depreciation and amortization	126	134
Deferred income taxes	48	16
Share-based compensation	110	83
Net realized investment gains	(28)	(25)
Other-than-temporary impairments and provision for loan losses	(21)	2
Premium and discount amortization on Available-for-Sale and other securities	84	94
Changes in operating assets and liabilities:		
Segregated cash	107	152
Trading securities and equity method investments in hedge funds, net	(10)	145
Future policy benefits and claims, net	281	(40)
Receivables	(128)	(286)
Accounts payable and accrued expenses	(114)	188
Other, net	(20)	34
Net cash provided by operating activities	735	716
<b>Cash Flows from Investing Activities</b>		
Available-for-Sale securities:		
Proceeds from sales	3,021	2,125
Maturities, sinking fund payments and calls	2,139	2,552
Purchases	(982)	(2,233)
Open securities transactions payable and receivable, net	83	34
Proceeds from sales and maturities of commercial mortgage loans	410	381
Funding of commercial mortgage loans	(338)	(308)
Proceeds from sale of AMEX Assurance	115	
Proceeds from sales of other investments	106	109
Purchase of other investments	(56)	(116)
Purchase of land, buildings, equipment and software	(238)	(115)
Proceeds from sale of land, buildings, equipment and other	8	66
Change in restricted cash	(82)	(54)
Acquisition of bank deposits and loans, net		951
Other, net	(5)	(2)
Net cash provided by investing activities	4,181	3,390

*See Notes to Consolidated Financial Statements.*

**AMERIPRISE FINANCIAL, INC.**



Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED) (CONTINUED)**

(in millions)





Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

	Nine Months Ended September 30,	
	2007	2006
<b>Cash Flows from Financing Activities</b>		
Investment certificates and banking time deposits:		
Proceeds from additions	647	1,239
Interest credited to account values	152	153
Maturities, withdrawals and cash surrenders	(1,612)	(2,431)
Change in other customer deposits	135	(164)
Policyholder and contractholder account values:		
Consideration received	795	980
Interest credited to account values	720	795
Surrenders and other benefits	(3,736)	(3,620)
Proceeds from issuance of debt, net of issuance costs		516
Principal repayments of debt	(28)	(252)
Dividends paid to shareholders	(98)	(82)
Repurchase of common shares	(690)	(438)
Exercise of stock options	30	11
Excess tax benefits from share-based compensation	40	24
Policy loans:		
Repayments	85	71
Issuances	(115)	(96)
Other, net	2	2
Net cash used in financing activities	(3,673)	(3,292)
Effect of exchange rate changes on cash	12	21
Net increase in cash and cash equivalents	1,255	835
Cash and cash equivalents at beginning of period	2,717	2,474
Cash and cash equivalents at end of period	\$ 3,972	\$ 3,309
<b>Supplemental Disclosures:</b>		
Interest paid	\$ 75	\$ 63
Income taxes paid	\$ 92	\$ 185

*See Notes to Consolidated Financial Statements.*

**AMERIPRISE FINANCIAL, INC.**



Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (UNAUDITED)**



(in millions, except share amounts)





Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

	Number of Outstanding Shares	Common Shares	Additional Paid-In Capital	Retained Earnings	Treasury Shares	Accumulated Other Comprehensive Loss	Total
<b>Balances at December 31, 2005</b>	249,875,554	\$ 2	\$ 4,091	\$ 3,745	\$	\$ (151)	\$ 7,687
Comprehensive income:							
Net income				460			460
Change in net unrealized securities losses						(74)	(74)
Change in net unrealized derivative gains						(5)	(5)
Foreign currency translation adjustment						4	4
Total comprehensive income							385
Dividends paid to shareholders				(82)			(82)
Treasury shares	(10,335,108)				(438)		(438)
Share-based compensation plans	2,572,936	1	200				201
<b>Balances at September 30, 2006</b>	242,113,382	\$ 3	\$ 4,291	\$ 4,123	\$ (438)	\$ (226)	\$ 7,753
<b>Balances at December 31, 2006</b>	241,391,431	\$ 3	\$ 4,353	\$ 4,268	\$ (490)	\$ (209)	\$ 7,925
Change in accounting principles				(138)			(138)
Comprehensive income:							
Net income				559			559
Change in net unrealized securities losses						(39)	(39)
Change in net unrealized derivatives losses						(4)	(4)
Foreign currency translation adjustment						3	3
Total comprehensive income							519
Dividends paid to shareholders				(98)			(98)
Treasury shares	(11,749,269)				(690)		(690)
Share-based compensation plans	2,775,055		186				186
Other, net			54				54
<b>Balances at September 30, 2007</b>	232,417,217	\$ 3	\$ 4,593	\$ 4,591	\$ (1,180)	\$ (249)	\$ 7,758

See Notes to Consolidated Financial Statements.

**AMERIPRISE FINANCIAL, INC.**



Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**



**1. Basis of Presentation**



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

The accompanying Consolidated Financial Statements include the accounts of Ameriprise Financial, Inc. ( Ameriprise Financial ), companies in which it directly or indirectly has a controlling financial interest, variable interest entities in which it is the primary beneficiary and certain limited partnerships for which it is the general partner (collectively, the Company ). All material intercompany transactions and balances between or among Ameriprise Financial and its subsidiaries and affiliates have been eliminated in consolidation. Ameriprise Financial is a holding company, which primarily conducts business through its subsidiaries to provide financial planning, products and services that are designed to offer solutions for clients' asset accumulation, income management and insurance protection needs. The Company's foreign operations in the United Kingdom are conducted through its subsidiary, Threadneedle Asset Management Holdings Limited ( 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 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. Results of operations reported for interim periods are not necessarily indicative of results for the entire year. These Consolidated Financial Statements and Notes should be read in conjunction with the Consolidated Financial Statements and Notes which are incorporated by reference in the Annual Report on Form 10-K of Ameriprise Financial, Inc. for the year ended December 31, 2006, filed with the Securities and Exchange Commission ( SEC ) on February 27, 2007.

### **2. Recent Accounting Pronouncements**





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

In June 2007, the American Institute of Certified Public Accountants ( AICPA ) issued Statement of Position ( SOP ) 07-1, Clarification of the Scope of the Audit and Accounting Guide Investment Companies and Accounting by Parent Companies and Equity Method Investors for Investments in Investment Companies ( SOP 07-1 ). SOP 07-1 provided clarification on the definition of an investment company. In October 2007, the Financial Accounting Standards Board ( FASB ) indefinitely deferred the effective date of SOP 07-1 with the intention of re-deliberating the guidance provided. The Company will delay evaluating the impact of adopting SOP 07-1 until after the FASB finalizes its deliberations.

In May 2007, the FASB issued FASB Staff Position ( FSP ) FASB Interpretation No. ( FIN ) 46(R)-7, Application of FIN 46(R) to Investment Companies ( FSP 46(R)-7 ). FSP 46(R)-7 is dependent upon clarification of the definition of an investment company as provided in SOP 07-1 and is effective upon the adoption of that SOP. The Company will delay evaluating the impact of adopting FSP 46(R)-7 until after the FASB finalizes its deliberations.

In February 2007, the FASB issued Statement of Financial Accounting Standards ( SFAS ) No. 159, The Fair Value Option for Financial Assets and Financial Liabilities Including an amendment of FASB Statement No. 115 ( SFAS 159 ). SFAS 159 gives entities the option to measure certain financial instruments and other items at fair value that are not currently permitted to be measured at fair value. The objective of SFAS 159 is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. SFAS 159 requires entities to report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. SFAS 159 also establishes presentation and disclosure requirements. SFAS 159 is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. The Company is currently evaluating whether or not it will elect to adopt SFAS 159 for certain assets and liabilities.

In September 2006, the FASB issued SFAS No. 158, Employers Accounting for Defined Benefit Pension and Other Postretirement Plans an Amendment of FASB Statements No. 87, 88, 106, and 132(R) ( SFAS 158 ). As of December 31, 2006, the Company adopted the recognition provisions of SFAS 158, which require an entity to recognize the overfunded or underfunded status of an employer's defined benefit postretirement plan as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through comprehensive income. The Company's adoption of this provision did not have a material effect on the consolidated results of operations and financial condition. Effective for fiscal years ending after December 15, 2008, SFAS 158 also requires an employer to measure plan assets and benefit obligations as of the date of the employer's fiscal year-end statement of financial position. As of December 31, 2008, the Company will adopt the measurement provisions of SFAS 158, which the Company does not believe will have a material effect on its consolidated results of operations and financial condition.

**AMERIPRISE FINANCIAL, INC.**



Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)**



**2. Recent Accounting Pronouncements (continued)**





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

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. SFAS 157 is effective for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. 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 which will require retrospective application of SFAS 157. The transition adjustment, if any, will be recognized as a cumulative-effect adjustment to the opening balance of retained earnings for the fiscal year of adoption. The Company is currently evaluating the impact of adopting SFAS 157 on its consolidated results of operations and financial condition.

In June 2006, the FASB issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109 ( FIN 48 ). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in accordance with FASB Statement No. 109, Accounting for Income Taxes. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The Company adopted FIN 48 as of January 1, 2007 and recorded as a cumulative change in accounting principle an increase in the liability for unrecognized tax benefits and a decrease in beginning retained earnings of \$4 million.

In February 2006, the FASB issued SFAS No. 155, Accounting for Certain Hybrid Financial Instruments ( SFAS 155 ). SFAS 155 amends SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities ( SFAS 133 ) and SFAS 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities ( SFAS 140 ). SFAS 155: (i) permits fair value remeasurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation; (ii) clarifies which interest-only and principal-only strips are not subject to the requirements of SFAS 133; (iii) establishes a requirement to evaluate interests in securitized financial assets to identify interests that are freestanding derivatives or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation; (iv) clarifies that concentrations of credit risk in the form of subordination are not embedded derivatives; and (v) amends SFAS 140 to eliminate the prohibition on a qualifying special-purpose entity from holding a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument. The Company adopted SFAS 155 as of January 1, 2007. The effect of adopting SFAS 155 was not material.

In September 2005, the AICPA issued SOP 05-1, Accounting by Insurance Enterprises for Deferred Acquisition Costs in Connection With Modifications or Exchanges of Insurance Contracts ( SOP 05-1 ). SOP 05-1 provides clarifying guidance on accounting for deferred acquisition costs ( DAC ) associated with an insurance or annuity contract that is significantly modified or internally replaced with another contract. Prior to adoption, the Company accounted for many of these transactions as contract continuations and continued amortizing existing DAC against revenue from the new or modified contract. Effective on January 1, 2007, the Company adopted SOP 05-1 resulting in these transactions being prospectively accounted for as contract terminations. Consistent with this, the Company now anticipates these transactions in establishing amortization periods and other valuation assumptions. As a result of adopting SOP 05-1, the Company recorded as a cumulative change in accounting principle a pretax charge of \$206 million, reducing DAC by \$204 million, deferred sales inducement costs ( DSIC ) by \$11 million and liabilities for future policy benefits by \$9 million. The after-tax decrease to retained earnings for these changes was \$134 million. The adoption of SOP 05-1, among other things, has resulted in an increase to DAC and DSIC amortization in 2007.

### 3. Separation and Distribution from American Express



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

Ameriprise Financial was formerly a wholly owned subsidiary of American Express Company ( American Express ). On February 1, 2005, the American Express Board of Directors announced its intention to pursue the disposition of 100% of its shareholdings in Ameriprise Financial (the Separation ) through a tax-free distribution to American Express shareholders. Effective as of the close of business on September 30, 2005, American Express completed the separation of Ameriprise Financial and the distribution of the Ameriprise Financial common shares to American Express shareholders (the Distribution ).

American Express has historically provided a variety of corporate and other support services for the Company, including information technology, treasury, accounting, financial reporting, tax administration, human resources, marketing, legal, procurement and other services. Following the Distribution, American Express provided the Company with many of these services pursuant to transition services agreements for transition periods of up to two years or more, if extended by mutual agreement of the Company and American Express. As of September 30, 2007, the Company has terminated all of these service agreements and has completed the separation from American Express.

**AMERIPRISE FINANCIAL, INC.**



Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)**

**3. Separation and Distribution from American Express (continued)**





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

The Company has incurred significant non-recurring separation costs as a result of the Separation. These costs have primarily been associated with establishing the Ameriprise Financial brand, separating and reestablishing the Company's technology platforms and advisor and employee retention programs.

As of September 30, 2005, we entered into an agreement to sell the AMEX Assurance Company ( AMEX Assurance ) legal entity to American Express within two years after the Distribution for a fixed price equal to the net book value of AMEX Assurance as of the Distribution. The sale was completed on September 30, 2007 for a sale price of \$115 million.

#### **4. Investments**



Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

The following is a summary of investments:

	September 30, 2007	December 31, 2006
	(in millions)	
Available-for-Sale securities, at fair value	\$ 26,564	\$ 30,880
Commercial mortgage loans, net	3,007	3,056
Trading securities, at fair value, and equity method investments in hedge funds	596	579
Policy loans	683	652
Other investments	311	386
Total	\$ 31,161	\$ 35,553

Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

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

Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
	(in millions)			
Gross realized gains from sales	\$ 16	\$ 15	\$ 50	\$ 38
Gross realized losses from sales	(1)		(22)	(13)
Other-than-temporary impairments		(1)	(2)	(2)

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

In the third quarter of 2007, the Company recorded a \$23 million decrease to the allowance for loan losses on commercial mortgage loans.

### **5. Deferred Acquisition Costs**



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

Effective January 1, 2007, the Company adopted SOP 05-1. SOP 05-1 provides clarifying guidance on accounting for DAC associated with an insurance or annuity contract that is significantly modified or internally replaced with another contract. Prior to adoption, the Company accounted for many of these transactions as contract continuations and continued amortization of existing DAC against revenue from the new or modified contract. The Company's adoption of SOP 05-1 resulted in these transactions being prospectively accounted for as contract terminations. As a result of adopting SOP 05-1, the Company recorded as a cumulative change in accounting principle a pretax reduction of \$204 million.

The balances of and changes in DAC were as follows:

	<b>2007</b>	<b>(in millions)</b>	<b>2006</b>
Balance at January 1	\$	4,499	\$ 4,182
Cumulative effect of SOP 05-1 adoption		(204)	
Capitalization of acquisition costs		585	554
Amortization, excluding impact of changes in assumptions		(383)	(384)
Amortization, impact of annual third quarter changes in DAC-related assumptions		(16)	38
Amortization, impact of other quarter changes in DAC-related assumptions		12	(22)
Impact of change in net unrealized securities losses		9	55
Balance at September 30	\$	4,502	\$ 4,423



**AMERIPRISE FINANCIAL, INC.**

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

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



Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

Future policy benefits and claims consisted of the following:

	September 30, 2007	December 31, 2006
	(in millions)	
Fixed annuities	\$ 14,968	\$ 16,841
Equity indexed annuities accumulated host values	255	267
Equity indexed annuities embedded derivatives	60	50
Variable annuities fixed sub-accounts	5,542	5,975
Guaranteed minimum withdrawal benefits variable annuity guarantees	76	(12)
Guaranteed minimum accumulation benefits variable annuity guarantees	12	(5)
Other variable annuity guarantees	27	31
Total annuities	20,940	23,147
Variable universal life ( VUL )/universal life insurance	2,565	2,562
Other life, disability income and long-term care insurance	4,041	3,852
Auto and home insurance	400	381
Policy claims and other policyholders funds	105	91
Total	\$ 28,051	\$ 30,033

Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

Separate account liabilities consisted of the following:

	September 30, 2007	(in millions)	December 31, 2006
Variable annuity variable sub-accounts	\$ 51,587	\$	43,515
VUL insurance variable sub-accounts	6,446		5,772
Threadneedle investment liabilities	4,338		4,561
Total	\$ 62,371	\$	53,848

**7. Customer Deposits**

Customer deposits consisted of the following:

	September 30, 2007	(in millions)	December 31, 2006
Fixed rate certificates	\$ 2,745		\$ 3,540
Stock market based certificates	1,038		1,041
Stock market embedded derivative reserves	46		48
Other	80		91
Less: accrued interest classified in other liabilities	(37)		(42)
Total investment certificate reserves	3,872		4,678
Brokerage deposits	1,101		1,176
Banking deposits	1,056		853
Total	\$ 6,029		\$ 6,707

**AMERIPRISE FINANCIAL, INC.**



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

**8. Debt**

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

Debt and the stated interest rates were as follows:

	September 30, 2007		December 31, 2006	
	Outstanding Balance (in millions)	Stated Interest Rate	Outstanding Balance (in millions)	Stated Interest Rate
Senior notes due 2010	\$ 800	5.4%	\$ 800	5.4%
Senior notes due 2015	700	5.7	700	5.7
Junior subordinated notes due 2066	500	7.5	500	7.5
Fixed and floating rate notes due 2011:				
Floating rate senior notes	56	5.9	84	5.9
Fixed rate notes	86	8.6	86	8.6
Fixed rate senior notes	46	7.2	46	7.2
Fixed rate notes	9	13.3	9	13.3
<b>Total</b>	<b>\$ 2,197</b>		<b>\$ 2,225</b>	

On November 23, 2005, the Company issued \$1.5 billion of unsecured senior notes ( senior notes ) including \$800 million of five-year senior notes, which mature November 15, 2010, and \$700 million of 10-year senior notes, which mature November 15, 2015, and incurred debt issuance costs of \$7 million. Interest payments are due semi-annually on May 15 and November 15.

In June 2005, the Company entered into interest rate swap agreements totaling \$1.5 billion, which qualified as cash flow hedges related to planned debt offerings. The Company terminated the swap agreements in November 2005 when the senior notes were issued. The related gain on the swap agreements of \$71 million was recorded to accumulated other comprehensive income and is being amortized as a reduction to interest expense over the period in which the hedged cash flows are expected to occur. Considering the impact of the hedge credits, the effective interest rates on the senior notes due 2010 and 2015 are 4.8% and 5.2%, respectively.

On May 26, 2006, the Company issued \$500 million of unsecured junior subordinated notes ( junior notes ), which mature June 1, 2066, and incurred debt issuance costs of \$6 million. For the initial 10-year period, the junior notes carry a fixed interest rate of 7.5% payable semi-annually in arrears on June 1 and December 1. From June 1, 2016 until the maturity date, interest on the junior notes will accrue at an annual rate equal to the three-month LIBOR plus a margin equal to 290.5 basis points, payable quarterly in arrears.

The fixed and floating rate notes due 2011 are non-recourse debt of a collateralized debt obligation ( CDO ). The debt will be extinguished from the cash flows of the investments held within the portfolio of the CDO, which assets are held for the benefit of the CDO debt holders. The related interest expense on these notes is reflected in net investment income.

On September 30, 2005, the Company obtained an unsecured revolving credit facility for \$750 million expiring in September 2010 from various third party financial institutions. Under the terms of the credit agreement, the Company may increase the amount of this facility to \$1.0 billion. As of September 30, 2007 and December 31, 2006, no borrowings were outstanding under this facility. Outstanding letters of credit issued against this facility were \$6 million and \$5 million as of September 30, 2007 and December 31, 2006, respectively. The Company has agreed under this credit agreement not to pledge the shares of its principal subsidiaries and was in compliance with this covenant as of September 30, 2007 and December 31, 2006.

### 9. Share-Based Compensation



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

The Company's share-based compensation plans consist of the Ameriprise Financial 2005 Incentive Compensation Plan and the Deferred Equity Program for Independent Financial Advisors.

The Ameriprise Financial 2005 Incentive Compensation Plan ( 2005 ICP ) as amended and restated effective as of April 25, 2007, allows for the grant of stock and cash incentive awards to employees, directors and independent contractors, including stock options, stock appreciation rights, restricted stock awards, restricted stock units, performance shares and similar awards designed to comply with the applicable federal regulations and laws of jurisdiction.

The Deferred Equity Program for Independent Financial Advisors ( P2 Deferral Plan ) adopted as of September 30, 2005, gives certain advisors the option to defer a portion of their commissions in the form of share-based awards, which are subject to forfeiture based on future service requirements. The Company provides a match of the share-based awards.

**AMERIPRISE FINANCIAL, INC.**

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

**9. Share-Based Compensation (continued)**





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

For the three months and nine months ended September 30, 2007, the Company recognized expense of \$35 million and \$110 million, respectively, related to awards under these share-based compensation plans. For the three months and nine months ended September 30, 2006, the Company recognized expense of \$27 million and \$83 million, respectively, related to awards under these share-based compensation plans.

As of September 30, 2007, there was \$199 million of total unrecognized compensation cost related to non-vested awards under the Company's share-based compensation plans. That cost is expected to be recognized over a weighted-average period of 2.5 years.

### **10. Other Expenses**

Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

Other expenses consisted of the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
	(in millions)			
Professional and consultant fees	\$ 123	\$ 84	\$ 328	\$ 260
Information technology and communications	45	40	109	141
Facilities and equipment	41	47	131	141
Advertising and promotion	24	22	76	84
Legal and regulatory	16	27	64	98
Travel and meetings	23	22	74	61
Printing and distribution	20	23	75	74
Minority interest	(3)	35	24	63
Other	41	27	149	112
Other expenses capitalized as DAC	(82)	(79)	(255)	(232)
Total	\$ 248	\$ 248	\$ 775	\$ 802

**11. Income Taxes**

The Company's effective tax rates were 8.8% and 17.6% for the three months and nine months ended September 30, 2007, respectively. The Company's effective tax rates for the three months and nine months ended September 30, 2006 were 19.8% and 22.6%, respectively. The effective tax rate for the three months ended September 30, 2007 was impacted by a \$21 million tax benefit related to our plan to begin repatriating earnings of certain Threadneedle entities through dividends and a \$7 million tax benefit related to the finalization of the prior year tax return. The effective tax rate for the three months ended September 30, 2006 was impacted by a \$13 million tax benefit related to the finalization of the prior year tax return. The effective tax rates are also impacted by the levels of pretax income relative to tax advantaged items, including the dividends received deduction, in each period.

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. Additionally, the Company has \$45 million in capital loss carryforwards that expire December 31, 2009 as a result of the 2005 first short period tax return filed with American Express. 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 was established as of September 30, 2007 and December 31, 2006.

Effective January 1, 2007, the Company adopted the provisions of FIN 48. As a result of the implementation of FIN 48 the Company recognized a \$4 million increase in the liability for unrecognized tax benefits, which was accounted for as a reduction to the January 1, 2007 balance of retained earnings. As of the date of adoption the Company had \$113 million of gross unrecognized tax benefits. If recognized, approximately \$57 million, net of federal tax benefits, would affect the effective tax rate. As of September 30, 2007, the Company had \$109 million of gross unrecognized tax benefits. If recognized, approximately \$42 million, net of federal tax benefits, would affect the effective tax rate.

**AMERIPRISE FINANCIAL, INC.**

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

**11. Income Taxes (continued)**





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

The Company recognizes interest and penalties related to unrecognized tax benefits as a component of the income tax provision. The Company recognized no net change in interest and penalties for the three months ended September 30, 2007 and a net reduction of interest and penalties of \$7 million for the nine months ended September 30, 2007. The Company had \$16 million and \$9 million for the payment of interest and penalties accrued at January 1, 2007 and September 30, 2007, respectively.

It is reasonably possible that the total amounts of unrecognized tax benefits will change in the next 12 months. Based on the current audit position of the Company it is estimated that the total amount of unrecognized tax benefits and interest may decrease by \$15 million to \$18 million in the next 12 months.

The Company or one or more of its subsidiaries files income tax returns in the U.S. federal jurisdiction, and various states and foreign jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 1997. The Internal Revenue Service ( IRS ), as part of the overall examination of the American Express Company consolidated return, commenced an examination of the Company's U.S. income tax returns for 1997 through 2002 in the third quarter of 2005. In the first quarter of 2007, the IRS expanded the period of the exam to include 2003 through 2004. The Company or certain of its subsidiaries state income tax returns are currently under examination by various jurisdictions for years ranging from 1998 through 2005.

The Company's Tax Allocation Agreement with American Express, dated as of September 30, 2005, governs the allocation of consolidated U.S. federal and applicable combined or unitary state and local income tax liabilities between American Express and the Company for tax periods prior to September 30, 2005. In addition, this Tax Allocation Agreement provides for certain restrictions and indemnities in connection with the tax treatment of the Distribution and addresses other tax-related matters.

### **12. Earnings per Common Share**

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

Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
(in millions, except per share amounts)				
<b>Numerator:</b>				
Net income	\$ 198	\$ 174	\$ 559	\$ 460
<b>Denominator:</b>				
Basic: Weighted-average common shares outstanding	235.4	244.5	237.8	247.6
Effect of potentially dilutive nonqualified stock options and other share-based awards	3.8	1.9	3.6	1.7
Diluted: Weighted-average common shares outstanding	239.2	246.4	241.4	249.3
<b>Earnings per Common Share:</b>				
Basic	\$ 0.84	\$ 0.71	\$ 2.35	\$ 1.86
Diluted	0.83	0.71	2.32	1.85

Basic weighted average common shares for the three months and nine months ended September 30, 2007 included 1.4 million and 1.7 million, respectively, of vested, nonforfeitable restricted stock units and 3.5 million and 3.6 million, respectively, of non-vested restricted stock awards and restricted stock units that are forfeitable but receive nonforfeitable dividends. Basic weighted average common shares for the three months and nine months ended September 30, 2006 included 1.4 million and 1.8 million, respectively, of vested, nonforfeitable restricted stock units and 3.7 million and 3.7 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.

**AMERIPRISE FINANCIAL, INC.**

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

**13. Segment Information**



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

The Company's two main operating segments, Asset Accumulation and Income ( AA&I ) and Protection, are aligned with the financial solutions the Company offers to address clients' needs.

The AA&I segment offers products and services, both the Company's and other companies', to help retail clients address identified financial objectives related to asset accumulation and income management. Products and services in this segment are related to asset management, brokerage and banking, and include mutual funds, wrap accounts, variable and fixed annuities, brokerage accounts and investment certificates. This operating segment also serves institutional clients by providing investment management services in separately managed accounts, sub-advisory and alternative investments. The Company earns revenues in this segment primarily through fees it receives based on managed assets and annuity separate account assets. These fees are impacted by both market movements and net asset flows. The Company also earns net investment income on owned assets, principally supporting the fixed annuity and certificate businesses and capital supporting the business, and distribution fees on sales of mutual funds and other products. This segment includes the results of Securities America Financial Corporation, which through its operating subsidiary, Securities America, Inc. ( SAI ), operates its own separately branded distribution network.

The Protection segment offers a variety of protection products, both the Company's and other companies', including life, disability income, long-term care and auto and home insurance to address the identified protection and risk management needs of retail clients. The Company earns revenues in this operating segment primarily through premiums, fees and charges that the Company receives to assume insurance-related risk, fees the Company receives on assets supporting variable universal life separate account balances and net investment income on owned assets supporting insurance reserves and capital supporting the business.

The Corporate and Other ( Corporate ) segment consists of income derived from financial planning fees, investment income on corporate level assets including unallocated equity and unallocated corporate expenses. This segment also includes non-recurring separation costs.

The accounting policies of the segments are the same as those of the Company, except for the method of capital allocation and the accounting for gains (losses) from intercompany revenues and expenses, which are eliminated in consolidation. The Company allocates capital to each segment based upon an internal capital allocation method that allows the Company to more efficiently manage its capital. The Company evaluates the performance of each segment based on income before income tax provision. The Company allocates certain non-recurring items, such as separation costs, to the Corporate segment.

The following is a summary of assets by segment:

	September 30, 2007	December 31, 2006
	(in millions)	
Asset Accumulation and Income	\$ 86,439	\$ 83,308
Protection	19,812	17,360
Corporate and Other	3,603	3,504
Total assets	\$ 109,854	\$ 104,172



**AMERIPRISE FINANCIAL, INC.**

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

**13. Segment Information (continued)**



Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

The following is a summary of segment operating results:

	Asset Accumulation and Income	Protection	Corporate and Other (in millions)	Eliminations	Consolidated
<b>Three Months Ended September 30,</b>					
<b>2007</b>					
Revenue from external customers	\$ 1,615	\$ 510	\$ 77	\$	\$ 2,202
Intersegment revenue	4	8		(12)	
Total revenues	\$ 1,619	\$ 518	\$ 77	\$ (12)	\$ 2,202
Income (loss) before income tax provision	\$ 259	\$ 73	\$ (115)	\$	\$ 217
Income tax provision					19
Net income					\$ 198
<b>2006</b>					
Revenue from external customers	\$ 1,418	\$ 492	\$ 67	\$	\$ 1,977
Intersegment revenue	5	6		(11)	
Total revenues	\$ 1,423	\$ 498	\$ 67	\$ (11)	\$ 1,977
Income (loss) before income tax provision	\$ 192	\$ 151	\$ (126)	\$	\$ 217
Income tax provision					43
Net income					\$ 174
<b>Nine Months Ended September 30,</b>					
<b>2007</b>					
Revenue from external customers	\$ 4,719	\$ 1,501	\$ 227	\$	\$ 6,447
Intersegment revenue	13	25		(38)	
Total revenues	\$ 4,732	\$ 1,526	\$ 227	\$ (38)	\$ 6,447
Income (loss) before income tax provision	\$ 769	\$ 276	\$ (367)	\$	\$ 678
Income tax provision					119
Net income					\$ 559
<b>2006</b>					
Revenue from external customers	\$ 4,324	\$ 1,450	\$ 205	\$	\$ 5,979
Intersegment revenue	14	17		(31)	
Total revenues	\$ 4,338	\$ 1,467	\$ 205	\$ (31)	\$ 5,979
Income (loss) before income tax provision	\$ 642	\$ 317	\$ (365)	\$	\$ 594
Income tax provision					134
Net income					\$ 460

**AMERIPRISE FINANCIAL, INC.**

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

**14. Related Party Transactions**





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

The Company may engage in transactions in the ordinary course of business with significant shareholders or their subsidiaries, between the Company and its directors and officers or with other companies whose directors or officers may also serve as directors or officers for the Company or its subsidiaries. The Company carries out these transactions on customary terms. Other than for the share repurchase from Berkshire Hathaway Inc. and subsidiaries ( Berkshire ) described below, the transactions have not had a material impact on the Company's consolidated results of operations or financial condition.

Davis Selected Advisors, L.P. or its affiliates ( Davis ) owned approximately 9% of the Company's common stock at June 30, 2007. In the ordinary course of business, the Company obtains investment advisory or sub-advisory services from Davis. The Company, or the mutual funds or other clients to which the Company provides advisory services, pay fees to Davis for its services. In the ordinary course of business, Davis pays fees to the Company for distribution services of Davis' products to the Company's clients.

FMR Corp. or its affiliates ( FMR ) owned approximately 7% of the Company's common stock at June 30, 2007. In the ordinary course of business, the Company pays fees to FMR for distribution services of RiverSource Funds to FMR's clients and FMR pays fees to the Company for distribution services of FMR's investment products to the Company's clients.

On March 29, 2006, the Company entered into a Stock Purchase and Sale Agreement with Warren E. Buffett and Berkshire to repurchase 6.4 million shares of the Company's common stock. The repurchase was completed on March 29, 2006 at a price per share equal to the March 29, 2006 closing price of \$42.91 and reduced Berkshire's ownership of the Company's common stock to approximately 9.8% of common shares then outstanding. Berkshire's ownership of the Company's common stock was further reduced to approximately 1% at June 30, 2007.

The Company's executive officers and directors may have transactions with the Company or its subsidiaries involving financial products and insurance services. All obligations arising from these transactions are in the ordinary course of the Company's business and are on the same terms in effect for comparable transactions with the general public. Such obligations involve normal risks of collection and do not have features or terms that are unfavorable to the Company's subsidiaries.

### 15. Common Share Repurchases



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

In January 2006, the Company's Board of Directors authorized the repurchase of up to 2 million shares of the Company's common stock. In March 2006, the Company's Board of Directors authorized the expenditure of up to \$750 million for the repurchase of additional shares through March 31, 2008. In March 2007, the Company's Board of Directors authorized the expenditure of up to an additional \$1.0 billion for the repurchase of shares through March 15, 2009. During the nine months ended September 30, 2007 and 2006, the Company repurchased a total of 11.1 million shares and 9.7 million shares, respectively, of its common stock for an aggregate cost of \$665 million and \$422 million, respectively. As of September 30, 2007, the Company had purchased all shares under the January 2006 and March 2006 authorizations and had \$701 million remaining under the March 2007 authorization.

The Company may also reacquire shares of its common stock under its 2005 ICP related to restricted stock awards. Restricted shares that are forfeited before the vesting period has lapsed are recorded as treasury shares. In addition, the holders of restricted shares may elect to surrender a portion of their shares on the vesting date to cover their income tax obligations. These vested restricted shares reacquired by the Company and the Company's payment of the holders' income tax obligations are recorded as a treasury share purchase. The restricted shares forfeited under the 2005 ICP and recorded as treasury shares were 0.2 million during both the nine months ended September 30, 2007 and 2006. For the nine months ended September 30, 2007 and 2006, the Company reacquired 0.4 million shares and 0.4 million shares, respectively, of its common stock through the surrender of restricted shares upon vesting and paid in the aggregate \$25 million and \$16 million, respectively, related to the holders' income tax obligations on the vesting date.

**AMERIPRISE FINANCIAL, INC.**

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

**16. Contingencies**





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

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.

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 has been subject to examination by the SEC, Financial Industry Regulatory Authority (FINRA, formerly known as NASD), Office of Thrift Supervision, state insurance regulators and various other governmental and quasi-governmental authorities concerning its business activities and practices, including: sales and product or service features of, or disclosures pertaining to, financial plans, its mutual funds, annuities, insurance products and brokerage services; non-cash compensation paid to its field leaders and financial advisors; supervision of its financial advisors; and sales of, or brokerage or revenue sharing practices relating to, other companies' real estate investment trust (REIT) shares, mutual fund shares or other investment products. Other open matters relate, among other things, to the administration of death claims to multiple beneficiaries under the Company's variable annuities, the portability (or network transferability) of the Company's RiverSource mutual funds, supervisory practices in connection with financial advisors' outside business activities, sales practices associated with the sale of variable annuities, the suitability of product recommendations made to retail financial planning clients and 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 the Company. The Company has cooperated and will continue to cooperate with the applicable regulators regarding their inquiries.

These legal and regulatory proceedings 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 involving the Company 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 are 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 are excessive. On July 6, 2007, the Court granted Ameriprise's motion for summary judgment, dismissing all claims with prejudice. Plaintiffs have appealed the Court's decision.

The settlement of the class action lawsuit filed in October 2004 called *In re American Express Financial Advisors Securities Litigation* was approved by the Court on July 18, 2007. The Court issued an Order and Final Judgment that dismissed the Class Action Complaint with prejudice, released the defendants from all liability for the claims asserted and any other claims based upon the same core allegations, and enjoined class members from asserting such claims in the future. In August 2007 an objector filed an appeal, primarily contesting the attorney's fees allocation. The settlement will not be implemented until the appeal is resolved.

In March 2006, a lawsuit captioned *Good, et al. v. Ameriprise Financial, Inc. et al.* (Case No. 00-cv-01027) was filed in the United States District Court for the District of Minnesota. The lawsuit has been brought as a putative class action and plaintiffs purport to represent all of the Company's advisors who sold shares of REITs and tax credit limited partnerships between March 2000 and March 2006. Plaintiffs seek unspecified compensatory and restitutionary damages as well as injunctive relief, alleging that the Company incorrectly calculated commissions owed advisors for the sale of these products. In September 2007, the Company moved for summary judgment on all claims and is awaiting the Court's ruling on the motion.

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

The Company previously reported two adverse arbitration awards issued in 2006 by FINRA (then known as the National Association of Securities Dealers) panels against Securities America, Inc. and former registered representatives of SAI. Those arbitrations involved customer claims relating to suitability, disclosures, supervision and certain other sales practices. Other clients of those former registered representatives have presented claims.

In October 2007, the State of New Hampshire commenced an action against the Company captioned In the Matter of Ameriprise Financial, Inc., Ameriprise Financial Services, Inc. & Larry Post. The action includes claims of New Hampshire statutory violations related to the alleged failure to deliver financial plans sold to clients, instances of forgery and failure to supervise.

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



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

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. We believe it is useful to read our MD&A in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2006, filed with the Securities and Exchange Commission ( SEC ) on February 27, 2007, as well as our current reports on Form 8-K and other publicly available information.

### **Overview**



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

We are the leading financial planning and services company with approximately 12,000 financial advisors and registered representatives that provides solutions for clients' asset accumulation, income management and insurance protection needs. We seek to deliver solutions through a comprehensive financial planning approach built on a long-term client relationship with a knowledgeable financial advisor and to help clients achieve their identified financial goals by providing investment, insurance and other financial products that position them to realize their financial goals or form of protection while they are accepting an appropriate range and level of risk. We specialize in meeting the retirement-related financial needs of the mass affluent and affluent. We also offer asset management products and services to institutional clients.

We have two main operating segments: Asset Accumulation and Income ( AA&I ) and Protection, as well as a Corporate and Other ( Corporate ) segment. Our two 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 the relative 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.

It is our management's priority to increase shareholder value over a multi-year horizon by achieving our on-average, over-time financial targets. We measure progress against these goals excluding the impact of our separation from American Express Company ( American Express ), specifically, non-recurring separation costs. Our financial targets are:

Annual revenue growth of 6% to 8%,

Annual earnings per diluted share growth of 12% to 15%, and

Return on equity of 12% to 15%.

Our revenues in the third quarter of 2007 were \$2.2 billion, an increase of 11% over the same period last year. The increase in revenues primarily reflected growth in our fee-based businesses, including growth in management, financial advice and services fees and distribution fees, primarily driven by continued strong net inflows in wrap accounts and annuity variable accounts and market appreciation.

Our consolidated net income for the three months ended September 30, 2007 was \$198 million, up \$24 million, or 14%, from net income of \$174 million for the three months ended September 30, 2006. Our adjusted earnings, which exclude after-tax non-recurring separation costs, rose 3% to \$237 million for the three months ended September 30, 2007 from \$231 million for the three months ended September 30, 2006. Our earnings per diluted share for the third quarter of 2007 were \$0.83, an increase of 17% from \$0.71 for the third quarter of 2006. Our adjusted earnings per diluted share were \$0.99 for the three months ended September 30, 2007, up 5% from \$0.94 for the three months ended September 30, 2006.

Return on equity for the trailing twelve months ended September 30, 2007 was 9.4% compared to 7.6% for the trailing twelve months ended September 30, 2006. Adjusted return on equity for the trailing twelve months ended September 30, 2007 rose to 12.4% from 11.2% for the trailing twelve months ended September 30, 2006.

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

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 growth in our mass affluent and affluent client groups, cash sales and owned, managed and administered assets. Our mass affluent and affluent client groups as of September 30, 2007 increased 11% since September 30, 2006. The percentage of our clients with a financial plan at September 30, 2007 was 45% compared to 44% at September 30, 2006. While our franchisee advisors increased 2%, the total number of advisors decreased 3% from the prior year quarter, as we hired fewer employee advisors and continued to focus on further strengthening employee advisor productivity and distribution economics. Advisor productivity increased from the year-ago period as reflected by a 14% growth in total gross dealer concession ( GDC ) compared to the third quarter of 2006, primarily driven by continued strength in variable annuity sales, wrap account net inflows and growth in sales of direct investments. Our franchisee advisor retention rate as of September 30, 2007 remained high at 93%, which was consistent with the year-ago period.



Our owned, managed and administered assets increased to \$491.6 billion at September 30, 2007, a net increase of 12% from September 30, 2006 assets of \$440.0 billion. For the third quarter of 2007, we had net inflows in RiverSource annuity variable accounts of \$1.3 billion and net inflows in Ameriprise Financial and Securities America, Inc. ( SAI ) wrap accounts of \$2.6 billion, which reflects our clients increasingly choosing fee-based products within their portfolios. Our certificate and annuity fixed accounts had total net outflows of \$1.3 billion for the three months ended September 30, 2007, reflecting the current interest rate environment and our strategy to focus on less capital-intensive products. RiverSource managed retail funds had net inflows of \$0.4 billion in the third quarter of 2007 compared to net outflows of \$0.6 billion in the same period of 2006. This improvement in net flows resulted from increased mutual fund and annuity variable account sales, with sales of long-term mutual funds increasing 84% compared to the prior year period. Administered assets increased over the year-ago period primarily due to increased brokerage activity and market appreciation.

**Significant Factors Affecting our Results of Operations and Financial Condition**



*Share Repurchase*



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

In March 2007, our Board of Directors authorized the expenditure of up to \$1 billion for the repurchase of shares of our common stock through March 15, 2009. This authorization was in addition to a Board authorization in March 2006 for the expenditure of up to \$750 million for the repurchase of shares through the end of March 2008 and a Board authorization in January 2006 to repurchase up to 2 million shares by the end of 2006. Through September 30, 2007, we have purchased 21.8 million shares under these programs for an aggregate cost of \$1.1 billion. As of September 30, 2007, we had purchased all shares under the January 2006 and March 2006 authorizations and had \$701 million remaining under the March 2007 authorization.

*Sale of our Defined Contribution Recordkeeping Business*



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

On June 1, 2006, we completed the sale of our defined contribution recordkeeping business and recognized \$66 million of revenues and \$30 million of expenses in connection with the sale. In addition, the buyer of the business is subject to a contingent payment to be paid to us based on the level of client revenues retained by the buyer after 18 months from the sale closing date. While we believe the payment is likely, it will not be determined or paid until December 2007. The administered assets transferred in connection with this sale were approximately \$16.7 billion. Although our defined contribution recordkeeping business generated approximately \$60 million in annual revenue, we experienced expense savings related to this sale, and the sale has not had a material impact on pretax income. We continue to manage approximately \$11.1 billion of defined contribution assets under investment management only contracts, as of September 30, 2007.

*Launch of Ameriprise Bank, FSB and Acquisition of Bank Deposits and Loans*





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

In September 2006, we obtained our federal savings bank charter and launched Ameriprise Bank, FSB ( Ameriprise Bank ), a wholly owned subsidiary. In the second half of 2006, Ameriprise Bank acquired \$493 million of customer loans and assumed \$963 million of customer deposits from American Express Bank, FSB, a subsidiary of American Express, and received cash of \$470 million in connection with these transactions. Ameriprise Bank offers a suite of borrowing, cash management and personal trust products and services, primarily through our branded advisors. We are currently building our banking platform, and do not expect it to be a significant contributor to earnings in the near term.

### *Financing Arrangements*



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

On May 26, 2006, we issued \$500 million principal amount of junior subordinated notes due 2066 ( junior notes ). These junior notes carry a fixed interest rate of 7.518% for the first 10 years and a variable interest rate thereafter. These junior notes receive at least a 75% equity credit by the majority of our credit rating agencies for purposes of their calculation of our debt to total capital ratio. The net proceeds from the issuance were for general corporate purposes.

*Separation from American Express*



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

Our separation from American Express resulted in specifically identifiable impacts to our consolidated results of operations and financial condition.

### *Separation and Distribution*



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

On February 1, 2005, the American Express Board of Directors announced its intention to pursue the disposition of 100% of its shareholdings in our company (the Separation ) through a tax-free distribution to American Express shareholders. Effective as of the close of business on September 30, 2005, American Express completed the Separation of our company and the distribution of our common shares to American Express shareholders (the Distribution ). Prior to the Distribution, we had been a wholly owned subsidiary of American Express.

*Separation Costs*





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

Since the Separation announcement through September 30, 2007, we have incurred \$862 million of non-recurring separation costs. These costs are primarily associated with establishing the Ameriprise Financial brand, separating and reestablishing our technology platforms and advisor and employee retention programs. We expect to incur approximately \$25 million to \$30 million in costs in the fourth quarter of 2007, reflecting all remaining costs from the Separation, which was completed as of September 30, 2007.

*Services and Operations Provided by American Express*



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

American Express has historically provided us a variety of corporate and other support services, including information technology, treasury, accounting, financial reporting, tax administration, human resources, marketing, legal, procurement and other services. Following the Distribution, American Express provided us with many of these services pursuant to transition services agreements for periods of up to two years or more, if extended by mutual agreement between us and American Express. As of September 30, 2007, the Company has terminated all of these service agreements and has completed the separation from American Express.

*Sale of AMEX Assurance Company ( AMEX Assurance )*



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

As of September 30, 2005, we entered into an agreement to sell the AMEX Assurance legal entity to American Express within two years after the Distribution for a fixed price equal to the net book value of AMEX Assurance as of the Distribution. The sale was completed on September 30, 2007 for a sale price of \$115 million.

### *Equity Markets and Interest Rates*



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

Equity 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.

### **Recent Accounting Pronouncements**





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

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.

### **Non-GAAP Financial Information**



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

We follow accounting principles generally accepted in the United States ( GAAP ). This report includes information on both a GAAP and non-GAAP basis. The non-GAAP presentation in this report excludes non-recurring separation costs. Our non-GAAP financial measures, which we view as important indicators of financial performance, include:

expenses excluding non-recurring separation costs;

adjusted earnings or net income excluding non-recurring separation costs;

adjusted earnings per diluted share; and

adjusted return on equity, using as the numerator adjusted earnings for the last 12 months and as the denominator a five-point average of equity excluding equity allocated to expected non-recurring separation costs as of the last day of the preceding four quarters and the current quarter.

Management believes that the presentation of these non-GAAP financial measures best reflects the underlying performance of our ongoing operations and facilitates a more meaningful trend analysis. These non-GAAP measures are also used for goal setting, certain compensation related to our annual incentive award program and evaluating our performance on a basis comparable to that used by securities analysts.

A reconciliation of non-GAAP measures is as follows:

Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
(in millions, except per share amounts)				
<b>Consolidated Income Data</b>				
Net income	\$ 198	\$ 174	\$ 559	\$ 460
Add: Separation costs, after-tax	39	57	135	155
Adjusted earnings	\$ 237	\$ 231	\$ 694	\$ 615
Weighted average diluted shares	239.2	246.4	241.4	249.3
Adjusted earnings per diluted share	\$ 0.99	\$ 0.94	\$ 2.87	\$ 2.47
Separation costs	\$ 60	\$ 87	\$ 208	\$ 238
Less: Tax benefit attributable to separation costs	21	30	73	83
Separation costs, after-tax	\$ 39	\$ 57	\$ 135	\$ 155

	Twelve Months Ended September 30,	
	2007	2006
(in millions, except percentages)		
<b>Return on Equity</b>		
Return on equity	9.4%	7.6%
Net income	\$ 730	\$ 571
Add: Separation costs, after-tax	215	236
Adjusted earnings	\$ 945	\$ 807
Equity	\$ 7,753	\$ 7,550
Less: Equity allocated to expected separation costs	102	336
Adjusted equity	\$ 7,651	\$ 7,214
Adjusted return on equity	12.4%	11.2%

**Owned, Managed and Administered Assets**



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

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 of 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, financial advice and service 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 and market movements. Owned assets are also affected by changes in our capital structure. During the third quarter of 2007, RiverSource retail funds had \$0.4 billion in net inflows compared to net outflows of \$0.6 billion during the prior year quarter. Overall, during the third quarter of 2007, we had net inflows in our managed assets of \$2.0 billion in Ameriprise Financial wrap accounts, \$0.6 billion in SAI wrap accounts and \$0.3 billion in RiverSource institutional funds, and had \$1.3 billion in net inflows in our owned RiverSource annuity variable accounts. In addition, we had net outflows in our owned certificate and fixed annuity assets of \$1.3 billion during the third quarter of 2007, reflecting a continued trend of net outflows in these assets as clients choose other products in the current interest rate environment and as we focus on fee-based products.

Threadneedle Asset Management Holdings Limited ( Threadneedle ) acquired Convivo Capital Management Limited on October 1, 2007, improving our alternative investment capabilities.



Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

The following table presents information regarding our owned assets, which are included in our Consolidated Balance Sheets, and our managed and administered assets, which are not recorded on our Consolidated Balance Sheets:

	2007	September 30,		% Change	
		(in billions, except percentages)			
		2006			
<b>Owned Assets:</b>					
Separate accounts <sup>(1)</sup>	\$	62.4	\$	48.8	28%
Investments		31.2		36.2	(14)
Other <sup>(2)</sup>		9.2		7.7	19
<b>Total Owned Assets</b>		<b>102.8</b>		<b>92.7</b>	<b>11</b>
<b>Managed Assets:</b>					
<b>Managed Assets Retail</b>					
RiverSource Mutual Funds		63.2		57.6	10
Threadneedle <sup>(3)</sup> Mutual Funds		18.4		15.6	18
Ameriprise Financial Wrap Account Assets		79.6		59.9	33
SAI Wrap Account Assets		13.3		10.2	30
<b>Total Managed Assets Retail</b>		<b>174.5</b>		<b>143.3</b>	<b>22</b>
<b>Managed Assets Institutional</b>					
RiverSource		29.7		26.8	11
Threadneedle <sup>(3)</sup>		111.5		108.0	3
<b>Total Managed Assets Institutional</b>		<b>141.2</b>		<b>134.8</b>	<b>5</b>
<b>Managed Assets Retirement Services</b>					
RiverSource Collective Funds		9.3		11.0	(15)
Managed Assets Elimination <sup>(4)</sup>		(9.6)		(5.7)	(68)
<b>Total Managed Assets</b>		<b>315.4</b>		<b>283.4</b>	<b>11</b>
<b>Administered Assets</b>		<b>73.4</b>		<b>63.9</b>	<b>15</b>
<b>Total Owned, Managed and Administered Assets</b>	\$	<b>491.6</b>	\$	<b>440.0</b>	<b>12</b>

(1) Includes \$25.5 billion and \$20.5 billion, respectively, of RiverSource managed funds supporting separate account assets, which are not included in RiverSource managed assets in this table.

(2) Includes cash and cash equivalents, restricted and segregated cash, receivables and other assets.

(3) Threadneedle is a subsidiary of our company.

(4) Includes eliminations for RiverSource mutual fund assets included in Ameriprise Financial wrap account assets.

**Consolidated Results of Operations**



Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

*Three Months Ended September 30, 2007 Compared to Three Months Ended September 30, 2006*



Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

The following table presents our consolidated results of operations for the three months ended September 30, 2007 and 2006:

Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

	2007	Three Months Ended September 30, 2006		Change	
		(in millions, except percentages)			
<b>Revenues</b>					
Management, financial advice and service fees	\$ 878	\$ 720	\$ 158	22%	
Distribution fees	352	300	52	17	
Net investment income	552	542	10	2	
Premiums	246	244	2	1	
Other revenues	174	171	3	2	
Total revenues	2,202	1,977	225	11	
<b>Expenses</b>					
Compensation and benefits:					
Field	522	428	94	22	
Non-field	333	328	5	2	
Total compensation and benefits	855	756	99	13	
Interest credited to account values	282	317	(35)	(11)	
Benefits, claims, losses and settlement expenses	383	233	150	64	
Amortization of deferred acquisition costs	128	87	41	47	
Interest and debt expense	29	32	(3)	(9)	
Separation costs	60	87	(27)	(31)	
Other expenses	248	248			
Total expenses	1,985	1,760	225	13	
Income before income tax provision	217	217			
Income tax provision	19	43	(24)	(56)	
Net income	\$ 198	\$ 174	\$ 24	14	

Overall





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

Consolidated net income for the three months ended September 30, 2007 was \$198 million, up \$24 million, or 14%, from \$174 million for the three months ended September 30, 2006. This increase was primarily due to recognizing a \$21 million tax benefit resulting from our plan to begin repatriating Threadneedle earnings through dividends. Income before income tax provision was \$217 million for both the three months ended September 30, 2007 and 2006. Total revenues for the three months ended September 30, 2007 were \$2.2 billion, up \$225 million, or 11%, from \$2.0 billion for the three months ended September 30, 2006. The increase in total revenues reflected strong growth in fee-based businesses driven by strong net inflows in wrap accounts and annuity variable accounts, market appreciation and continued advisor productivity gains. Net investment income was positively impacted by income from hedges for variable annuity living benefits, partially offset by expected declines in annuity fixed account and certificate balances. The increase in total revenues was offset by an increase in total expenses due to higher benefits, claims, losses and settlement expenses due to market volatility on variable annuity living benefit reserves, higher DAC amortization resulting from our annual detailed review of DAC valuation assumptions ( DAC unlocking ) and higher field compensation. The strong net inflows in wrap accounts and annuity variable accounts and declining annuity fixed account and certificate balances reflect our strategic shift to less capital intensive, fee-based products.

Third quarter results reflect the impact of DAC unlocking. In the third quarter of 2007, DAC unlocking resulted in a \$30 million negative impact compared to a \$25 million benefit in the prior year period. Income in both the third quarter of 2007 and 2006 was impacted by non-recurring separation costs of \$60 million and \$87 million, respectively (\$39 million and \$57 million, respectively, after-tax).

*Revenues*



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

Management, financial advice and service fees increased \$158 million, or 22%, to \$878 million for the third quarter of 2007, primarily driven by the growth in our fee-based businesses of our AA&I segment. Our AA&I segment had increases in fees related to brokerage and variable annuities of \$64 million and \$52 million, respectively. Wrap account assets increased 33% and annuity variable account assets increased 31% over the prior year quarter driven by strong net inflows and market appreciation.

Distribution fees for the three months ended September 30, 2007 were \$352 million, up \$52 million, or 17%, from the year-ago period, driven by strong advisor cash sales. Total cash sales were up 21% from the year-ago period. Distribution fees were also positively impacted by market appreciation.

Net investment income for the three months ended September 30, 2007 increased \$10 million, or 2%, over the year-ago period. Net investment income attributable to hedges for variable annuity living benefits was \$57 million in the third quarter of 2007, compared to \$3 million in the third quarter of 2006. This increase, in addition to a \$23 million decrease in the allowance for loan losses on commercial mortgage loans, was partially offset by lower net investment income due to declining average account balances in annuity fixed accounts and certificates and lower investment income on other trading securities. As expected, annuity fixed accounts and certificate balances are declining as clients choose other products in the current interest rate environment and as we focus on fee-based products. Included in net investment income were net realized investment gains on Available-for-Sale securities of \$15 million in the third quarter of 2007 compared to \$14 million in the same period of 2006. Net gains on trading securities and equity method investments in hedge funds decreased \$14 million from the prior year quarter. Net investment income related to derivatives used to hedge certain expense line items increased \$46 million, which included a \$54 million increase related to derivatives used to hedge benefits, claims, losses and settlement expenses for variable annuity living benefits and an \$8 million decrease related to derivatives used to hedge interest credited expenses for stock market certificates and equity indexed annuities.

Premiums increased \$2 million, or 1%, to \$246 million for the third quarter of 2007 compared to the same period in 2006. In the third quarter of 2006, a review of our long-term care reinsurance arrangement resulted in an increase to premiums of \$15 million. Excluding this impact, premiums increased \$17 million, which was primarily driven by premium increases of \$11 million in auto and home insurance resulting from increased policy counts.

Other revenues increased \$3 million, or 2%, to \$174 million for the third quarter of 2007 primarily due to higher fees from variable annuity riders and cost of insurance for variable universal life/universal life ( VUL/UL ) insurance, largely offset by lower revenues on certain consolidated limited partnerships.

### *Expenses*



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

Total expenses in the third quarter reflect the impact of DAC unlocking. For the third quarter of 2007, we recorded a net expense from unlocking of \$30 million, comprised of \$16 million additional DAC amortization expense and a \$14 million increase in benefits, claims, losses and settlement expenses. DAC unlocking for the third quarter of 2006 resulted in a \$25 million net benefit, comprised of a \$38 million benefit in DAC amortization expense, a \$12 million increase in benefits, claims, losses and settlement expenses and a \$1 million decrease in other revenues.

The DAC unlocking net expense of \$30 million for the third quarter of 2007 consisted of a \$35 million increase in expense from updating product persistency assumptions, a \$13 million decrease in expense from updating assumptions related to separate account fee levels and net variable annuity rider charges and an \$8 million increase in expense from updating all other assumptions. The DAC unlocking net benefit of \$25 million for the third quarter 2006 consisted of a \$25 million benefit from modeling improvements in increased product persistency, a \$15 million benefit from modeling improvements in mortality, an \$8 million increase from modeling lower variable product fund fee revenue, an \$8 million increase from modeling changes related to Variable Life Second to Die insurance and a \$1 million benefit from other miscellaneous items.

Compensation and benefits field increased \$94 million, or 22%. The increase primarily reflects higher commissions paid driven by overall business growth and increases in advisor productivity, as reflected by 14% growth in total GDC and higher advisor assets under management.

Interest credited to account values decreased \$35 million, or 11%, reflecting a decrease related to annuities of \$26 million and a decrease related to certificates of \$10 million. The decrease related to annuities was primarily attributable to a continued decline in fixed annuity account balances. The decrease in interest credited to certificates was primarily attributable to declining balances and lower stock market participation costs.

Benefits, claims, losses and settlement expenses increased \$150 million, or 64%. In the third quarter of 2007, reserves providing for guaranteed benefits associated with our variable annuity business increased by \$132 million primarily due to changes in financial market factors, offset by a \$9 million related change in DSIC. The related hedge impact was a \$57 million increase to net investment income in the third quarter of 2007. For the three months ended September 30, 2007, benefits, claims, losses and settlement expenses also included \$14 million related to DAC unlocking compared to \$12 million in the prior year period.

Amortization of DAC increased \$41 million, or 47%, primarily due to DAC unlocking. In the third quarter of 2007, DAC unlocking resulted in an increase to amortization of \$16 million compared to a decrease to amortization of \$38 million in the year-ago period. Underlying increases in DAC amortization driven by business growth were offset by lower DAC amortization resulting from the mark-to-market of variable annuity living benefit riders.

Separation costs incurred in both the third quarter of 2007 and 2006 were primarily associated with separating and reestablishing our technology platforms. We expect to incur approximately \$25 million to \$30 million in costs in the fourth quarter of 2007, reflecting all remaining costs from the Separation, which was completed as of September 30, 2007.

Other expenses were consistent with the prior year period at \$248 million. Decreases in other expenses attributable to certain consolidated limited partnerships were offset by increases in professional and consultant fees related to increased spending on investment initiatives.

*Income Taxes*





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

Our effective tax rate was 8.8% for the three months ended September 30, 2007, compared to 19.8% for the three months ended September 30, 2006. The effective tax rate for the three months ended September 30, 2007 was impacted by a \$21 million tax benefit related to our plan to begin repatriating earnings of certain Threadneedle entities through dividends and a \$7 million tax benefit related to the finalization of the prior year tax return. The effective tax rate for the three months ended September 30, 2006 was impacted by a \$13 million tax benefit related to the finalization of the prior year tax return. The effective tax rates are also impacted by the levels of pretax income relative to tax advantaged items, including the dividends received deduction, in each period.

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 and has added the project to the 2007-2008 Priority Guidance Plan. 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 we receive. Management believes that it is likely that any such regulations would apply prospectively only. For the nine months ended September 30, 2007, we recorded a benefit of approximately \$35 million related to the current year s separate account DRD.

### **Results of Operations by Segment**



Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

*Three Months Ended September 30, 2007 Compared to Three Months Ended September 30, 2006*



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

The following tables present summary financial information by segment and reconciliation to consolidated totals derived from Note 13 to our Consolidated Financial Statements for the three months ended September 30, 2007 and 2006:

Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

	Three Months Ended September 30, 2007		Three Months Ended September 30, 2006	
	Percent Share of Total (in millions, except percentages)		Percent Share of Total	
<b>Total revenues</b>				
Asset Accumulation and Income	\$ 1,619	74%	\$ 1,423	72%
Protection	518	24	498	25
Corporate and Other	77	3	67	3
Eliminations	(12)	(1)	(11)	
Consolidated total revenues	\$ 2,202	100%	\$ 1,977	100%
<b>Total expenses</b>				
Asset Accumulation and Income	\$ 1,360	69%	\$ 1,231	70%
Protection	445	22	347	20
Corporate and Other	192	10	193	11
Eliminations	(12)	(1)	(11)	(1)
Consolidated total expenses	\$ 1,985	100%	\$ 1,760	100%
<b>Pretax segment income (loss)</b>				
Asset Accumulation and Income	\$ 259	119%	\$ 192	88%
Protection	73	34	151	70
Corporate and Other	(115)	(53)	(126)	(58)
Consolidated income before income tax provision	\$ 217	100%	\$ 217	100%





*Asset Accumulation and Income*



Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

The following table presents the results of operations of our AA&I segment for the three months ended September 30, 2007 and 2006:

Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

	2007	Three Months Ended September 30,		Change
		2006		
		(in millions, except percentages)		
<b>Revenues</b>				
Management, financial advice and service fees	\$ 789	\$ 657	\$ 132	20%
Distribution fees	323	272	51	19
Net investment income	456	443	13	3
Other revenues	51	51		
Total revenues	1,619	1,423	196	14
<b>Expenses</b>				
Compensation and benefits-field	448	370	78	21
Interest credited to account values	246	281	(35)	(12)
Benefits, claims, losses and settlement expenses	150	3	147	#
Amortization of deferred acquisition costs	60	98	(38)	(39)
Interest and debt expense	3	4	(1)	(25)
Other expenses	453	475	(22)	(5)
Total expenses	1,360	1,231	129	10
Pretax segment income	\$ 259	\$ 192	\$ 67	35



# Variance of 100% or greater.

*Overall*



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

Our AA&I segment results for the three months ended September 30, 2007 were led by the growth in our fee-based businesses, primarily driven by strong wrap and annuity variable account inflows, market appreciation and continued advisor productivity gains. These improvements to profitability were partially offset by the impact of lower account balances in fixed annuity and certificate products, higher field compensation and the negative impact of the mark-to-market on variable annuity benefit riders which was partially offset by the related hedges.

### *Revenues*





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

Management, financial advice and service fees increased primarily as a result of growth in our variable annuity account assets and wrap account assets. Management, financial advice and service fees related to variable annuities increased \$52 million, or 35%, and were driven by higher levels of annuity variable account values, which increased 31% to \$51.6 billion at September 30, 2007. Our brokerage business had an increase in management, financial advice and service fees of \$64 million, or 30%, driven by net increases in wrap account assets of 33% to \$92.9 billion at September 30, 2007. Overall, managed assets increased 11% over the prior year quarter.

The growth in distribution fees was driven by our brokerage business, which had an increase of \$55 million, or 25%, compared to the year-ago period primarily driven by strong advisor cash sales. Distribution fees were also positively impacted by market appreciation.

Net investment income increased \$13 million compared to the third quarter of 2006, primarily due to an increase of \$46 million related to derivatives used to hedge certain expense line items and a \$23 million decrease in the allowance for loan losses on commercial mortgage loans, partially offset by lower net investment income due to declining average account balances in annuity fixed accounts and certificates and lower investment income on trading securities. The \$46 million increase related to derivatives included a \$54 million increase related to derivatives used to hedge benefits, claims, losses and settlement expenses for variable annuity living benefits and an \$8 million decrease related to derivatives used to hedge interest credited expenses for stock market certificates and equity indexed annuities. Net realized investment gains on Available-for-Sale securities were \$12 million in both the third quarter of 2007 and 2006.

Other revenues remained constant at \$51 million compared to the year-ago period. A decrease in revenues on certain consolidated limited partnerships was largely offset by an increase in fees from variable annuity riders, as well as an increase in other revenues from a direct investment recovery and an increase in other revenues related to the sale of a property partnership.

*Expenses*

The increase in compensation and benefits field reflects higher commissions paid driven by strong sales activity and higher GDC.

The decrease in interest credited to account values reflects a decrease related to annuities of \$26 million and a decrease related to certificates of \$10 million. The decrease related to annuities was primarily attributable to the continued decline in fixed annuity account balances. The decrease in interest credited to certificates was primarily attributable to declining balances and lower stock market participation costs.

Benefits, claims, losses and settlement expenses increased \$147 million to \$150 million for the three months ended September 30, 2007. In the third quarter of 2007, reserves providing for guaranteed benefits associated with our variable annuity business increased by \$132 million primarily due to changes in financial market factors, offset by a \$9 million related change in DSIC. The related hedge impact was a \$57 million increase to net investment income in the third quarter of 2007.

DAC amortization decreased \$38 million, or 39%, to \$60 million for the three months ended September 30, 2007, primarily due to a \$34 million decrease in DAC amortization driven by the mark-to-market of variable annuity benefit riders and an \$18 million favorable impact from DAC unlocking. These decreases were partially offset by increases in DAC amortization from growth in business volumes and the recurring impact of adopting Statement of Position ( SOP ) 05-1 Accounting by Insurance Enterprises for Deferred Acquisition Costs in Connection With Modifications or Exchanges of Insurance Contracts. The impact of DAC unlocking was a \$4 million benefit for the three months ended September 30, 2007 compared to \$14 million unfavorable for the year-ago period.

Other expenses, which include compensation and benefits non-field, decreased \$22 million, or 5%, to \$453 million for the third quarter of 2007, primarily due to a decrease in expenses attributable to certain consolidated limited partnerships.

*Protection*



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

The following table presents the results of operations of our Protection segment for the three months ended September 30, 2007 and 2006:

	2007	Three Months Ended September 30, 2006		Change	
		(in millions, except percentages)			
<b>Revenues</b>					
Management, financial advice and service fees	\$ 24	\$ 20	\$ 4	20%	
Distribution fees	29	27	2	7	
Net investment income	93	87	6	7	
Premiums	254	249	5	2	
Other revenues	118	115	3	3	
Total revenues	518	498	20	4	
<b>Expenses</b>					
Compensation and benefits-field	24	22	2	9	
Interest credited to account values	36	36			
Benefits, claims, losses and settlement expenses	233	230	3	1	
Amortization of deferred acquisition costs	68	(11)	79	#	
Other expenses	84	70	14	20	
Total expenses	445	347	98	28	
Pretax segment income	\$ 73	\$ 151	\$ (78)	(52)	



# Variance of 100% or greater.

*Overall*





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

Our Protection segment results for the three months ended September 30, 2007 were impacted unfavorably by DAC unlocking and a decrease in long-term care insurance premiums, partially offset by growth in our auto and home insurance business. We continue to gain market share in our auto and home insurance business as a result of our Costco alliance. Auto and home insurance policies in-force generated through this alliance were up 15% at September 30, 2007 compared to September 30, 2006. Total life insurance in-force increased 8% to \$184.3 billion at September 30, 2007.

*Revenues*



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

Premiums increased \$5 million, or 2%, to \$254 million for the three months ended September 30, 2007, primarily due to higher volumes in our auto and home insurance products, as well as slightly higher premiums for traditional life and disability income products, partially offset by decreases in premiums for long-term care insurance. Auto and home average policy counts increased 7% over the third quarter of 2006. The decrease in long-term care insurance premiums was primarily due to a review of our long-term care reinsurance arrangement during the third quarter of 2006, which resulted in an increase to premiums of \$15 million during that quarter.

The increase in other revenues in the third quarter of 2007 was driven by an increase in cost of insurance revenues for VUL/UL insurance products.

### *Expenses*



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

Benefits, claims, losses and settlement expenses increased \$3 million, or 1%, to \$233 million for the three months ended September 30, 2007, primarily due to higher auto and home and long-term care insurance benefits. In the third quarter of 2007, these expenses included \$11 million related to DAC unlocking compared to \$12 million for the prior year period.

The increase in DAC amortization was largely due to DAC unlocking, primarily related to VUL/UL products. The impact of DAC unlocking was \$20 million unfavorable for the three months ended September 30, 2007 compared to a \$52 million benefit for the year-ago period.

Other expenses, which include compensation and benefits non-field, increased \$14 million, or 20%, over the prior year quarter primarily due to higher sales and marketing expenses.

### *Corporate and Other*



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

The following table presents the results of operations of our Corporate segment for the three months ended September 30, 2007 and 2006:

	2007	Three Months Ended September 30, 2006		Change	
		(in millions, except percentages)			
<b>Revenues</b>					
Management, financial advice and service fees	\$ 68	\$ 46	\$ 22	48%	
Distribution fees		1	(1)		#
Net investment income	4	14	(10)		(71)
Other revenues	5	6	(1)		(17)
Total revenues	77	67	10		15
<b>Expenses</b>					
Compensation and benefits-field	57	42	15		36
Interest and debt expense	27	30	(3)		(10)
Separation costs	60	87	(27)		(31)
Other expenses	48	34	14		41
Total expenses	192	193	(1)		(1)
Pretax segment loss	\$ (115)	\$ (126)	\$ 11		9





# Variance of 100% or greater.

*Overall*



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

Our Corporate pretax segment loss was \$115 million for the three months ended September 30, 2007, compared to \$126 million for the three months ended September 30, 2006. The lower pretax segment loss in the third quarter of 2007 was primarily due to higher financial planning fees and lower separation costs, partially offset by lower net investment income and higher compensation and benefits field and other expenses.

### *Revenues*



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

Management, financial advice and service fees increased \$22 million, or 48%, to \$68 million for the three months ended September 30, 2007, primarily due to higher financial planning fees due to accelerated financial plan delivery standards.

Net investment income decreased \$10 million, or 71%, to \$4 million for the three months ended September 30, 2007, primarily due to the mark-to-market of equity market hedges and trading securities.

*Expenses*





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

The increase in compensation and benefits field in the third quarter of 2007 relates to higher compensation due to higher financial planning fees resulting from accelerated financial plan delivery standards.

Separation costs incurred in the third quarter of 2007 and 2006 were primarily associated with separating and reestablishing our technology platforms. We expect to incur approximately \$25 million to \$30 million in costs in the fourth quarter of 2007, reflecting all remaining costs from the Separation, which was completed as of September 30, 2007.

Other expenses, which include compensation and benefits non-field, increased \$14 million, or 41%, from the year-ago period consisting of higher accrued management incentive compensation in recognition of year-to-date performance and higher expenses related to financial planning.

### **Consolidated Results of Operations**



Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

*Nine Months Ended September 30, 2007 Compared to Nine Months Ended September 30, 2006*



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

The following table presents our consolidated results of operations for the nine months ended September 30, 2007 and 2006:

	2007	Nine Months Ended September 30, 2006		Change	
		(in millions, except percentages)			
<b>Revenues</b>					
Management, financial advice and service fees	\$ 2,532	\$ 2,151	\$ 381	18%	
Distribution fees	1,111	926	185	20	
Net investment income	1,555	1,638	(83)	(5)	
Premiums	725	693	32	5	
Other revenues	524	571	(47)	(8)	
<b>Total revenues</b>	<b>6,447</b>	<b>5,979</b>	<b>468</b>	<b>8</b>	
<b>Expenses</b>					
Compensation and benefits:					
Field	1,546	1,287	259	20	
Non-field	1,056	974	82	8	
<b>Total compensation and benefits</b>	<b>2,602</b>	<b>2,261</b>	<b>341</b>	<b>15</b>	
Interest credited to account values	872	948	(76)	(8)	
Benefits, claims, losses and settlement expenses	832	685	147	21	
Amortization of deferred acquisition costs	387	368	19	5	
Interest and debt expense	93	83	10	12	
Separation costs	208	238	(30)	(13)	
Other expenses	775	802	(27)	(3)	
<b>Total expenses</b>	<b>5,769</b>	<b>5,385</b>	<b>384</b>	<b>7</b>	
Income before income tax provision	678	594	84	14	
Income tax provision	119	134	(15)	(11)	
<b>Net income</b>	<b>\$ 559</b>	<b>\$ 460</b>	<b>\$ 99</b>	<b>22</b>	

*Overall*



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

Consolidated net income for the nine months ended September 30, 2007 was \$559 million, up \$99 million, or 22%, from \$460 million for the nine months ended September 30, 2006. This income growth reflected strong growth in fee-based businesses driven by strong net inflows in wrap accounts and annuity variable accounts, market appreciation and continued advisor productivity gains. These positives were partially offset by higher benefits, claims, losses and settlement expenses due to market volatility on variable annuity living benefit reserves, which were partially offset by the related hedges in net investment income, higher field compensation and lower net investment income.

Income for both the nine months ended September 30, 2007 and 2006 was impacted by DAC unlocking. In the 2007 period, DAC unlocking resulted in a \$30 million negative impact compared to a \$25 million benefit in the prior year period. This impact was partially offset by a \$28 million unfavorable adjustment related to auto and home products recognized in the 2006 period. Income for both the nine months ended September 30, 2007 and 2006 was impacted by non-recurring separation costs of \$208 million and \$238 million, respectively (\$135 million and \$155 million, respectively, after-tax).



*Revenues*



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

Management, financial advice and service fees increased \$381 million, or 18%, primarily driven by the growth in our fee-based businesses of our AA&I segment. Our AA&I segment had increases in fees related to brokerage and variable annuities of \$152 million and \$139 million, respectively. Wrap account assets increased 33% and annuity variable account assets increased 31% over the prior year period driven by strong net inflows and market appreciation. Overall, managed assets increased 11% over the prior year period. Management, financial advice and service fees related to Threadneedle increased \$44 million, primarily due to the favorable impact of the dollar weakening over the prior year period. These increases were partially offset by a decline in fees relative to the prior year period of \$27 million due to the sale of our defined contribution recordkeeping business in the second quarter of 2006.

Distribution fees for the nine months ended September 30, 2007 were \$1.1 billion, up \$185 million, or 20%, from the year-ago period driven by strong advisor cash sales, including an increase in sales of direct investments as clients reinvested proceeds from real estate investment trust liquidations and strong net inflows into Ameriprise Financial and SAI wrap accounts. Total cash sales were up 17% from the year-ago period. Distribution fees were also positively impacted by market appreciation.

Net investment income for the nine months ended September 30, 2007 decreased \$83 million, or 5%, from the prior year period, primarily driven by lower average account balances in annuity fixed accounts and certificates and lower investment income on trading securities, partially offset by an increase in net investment income attributable to hedges for variable annuity living benefits, net investment income related to Ameriprise Bank and a \$23 million decrease in the allowance for loan losses on commercial mortgage loans. As expected, annuity fixed account and certificate balances are declining as clients choose other products in the current interest rate environment and as we focus on fee-based products. Included in net investment income were net realized investment gains on Available-for-Sale securities of \$26 million and \$24 million for the nine months ended September 30, 2007 and 2006, respectively. Net gains on trading securities and equity method investments in owned hedge funds were \$30 million lower for the nine months ended September 30, 2007 compared to the prior year period. Net investment income related to derivatives used to hedge certain expense line items increased \$49 million, which included a \$45 million increase related to derivatives used to hedge benefits, claims, losses and settlement expenses for variable annuity living benefits and a \$4 million increase related to derivatives used to hedge interest credited expenses for stock market certificates and equity indexed annuities.

Premiums increased \$32 million, or 5%, to \$725 million for the nine months ended September 30, 2007 compared to the same period in 2006. This increase was driven by premium increases of \$35 million in auto and home insurance resulting from increased policy counts. A \$17 million decrease in long-term care insurance was offset by increases in traditional life and disability income insurance. The decrease in long-term care insurance premiums was primarily due to a review of our long-term care reinsurance arrangement during the third quarter of 2006, which resulted in an increase to premiums of \$15 million during that quarter.

Other revenues decreased \$47 million, or 8%, to \$524 million for the nine months ended September 30, 2007, compared to the same period in 2006. This decrease was primarily related to the inclusion of \$66 million in proceeds from the sale of our defined contribution recordkeeping business and \$18 million from recognizing previously deferred cost of insurance revenues in the prior year period. Excluding these items, other revenues increased \$37 million, or 8%, primarily due to higher fees from variable annuity rider charges and cost of insurance charges for VUL/UL products, partially offset by lower revenues related to certain consolidated limited partnerships.

### *Expenses*



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

The increase in compensation and benefits field primarily reflects higher commissions paid driven by overall business growth and increases in advisor productivity, as reflected by 17% growth in total GDC and higher advisor assets under management.

Compensation and benefits non-field increased \$82 million, or 8%, from the year-ago period primarily due to higher expenses related to Ameriprise Bank, higher technology related spending on investment initiatives, as well as higher accrued incentive compensation in recognition of year-to-date performance and an increase due to the dollar weakening over the period. These increases were partially offset by lower severance costs and the elimination of expenses related to our defined contribution recordkeeping business, which was sold in the second quarter of 2006.

The decrease in interest credited to account values reflects a decrease related to annuities of \$74 million primarily attributable to the continued decline in annuity fixed account balances. The impact of declining certificate balances was offset by higher crediting rates.

Benefits, claims, losses and settlement expenses increased \$147 million, or 21%. In the third quarter of 2007, reserves providing for guaranteed benefits associated with our variable annuity business increased by \$132 million primarily due to changes in financial market factors, offset by a \$9 million related change in DSIC. The related hedge impact was a \$57 million increase to net investment income in the third quarter of 2007. Expenses for the nine months ended September 30, 2007 included \$14 million related to DAC unlocking and an unfavorable \$12 million adjustment in reserves for disability income insurance claims. Expenses for the nine months ended September 30, 2006 included \$12 million related to DAC unlocking, a \$12 million reduction to auto and home insurance reserves related to accident years 2004 and 2005 and \$7 million of additional claims expense in connection with the recognition of previously deferred cost of insurance revenues.

Amortization of DAC increased \$19 million, or 5%, primarily due to DAC unlocking, which resulted in an unfavorable adjustment of \$16 million for the nine months ended September 30, 2007 compared to a benefit of \$38 million in the prior year period. This increase was partially offset by a \$28 million unfavorable adjustment related to auto and home products recognized in the 2006 period.

Interest and debt expense increased \$10 million, or 12%, due to the issuance of \$500 million of junior notes in May 2006.

Separation costs incurred in the 2007 period were primarily associated with separating and reestablishing our technology platforms. In the 2006 period, these costs were primarily associated with separating and reestablishing our technology platforms and establishing the Ameriprise Financial brand. We expect to incur approximately \$25 million to \$30 million in costs in the fourth quarter of 2007, reflecting all remaining costs from the Separation, which was completed as of September 30, 2007.

Other expenses decreased \$27 million, or 3%, from the year-ago period. Other expenses for the 2006 period included \$14 million of expenses associated with the sale of the defined contribution recordkeeping business in the second quarter of 2006. Decreases in legal and regulatory costs and expenses attributable to certain consolidated limited partnerships were offset by increases in professional and consultant fees related to increased spending on investment initiatives, other expenses related to Ameriprise Bank and an increase due to the dollar weakening over the period.

*Income Taxes*



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

Our effective tax rate was 17.6% for the nine months ended September 30, 2007, compared to 22.6% for the nine months ended September 30, 2006. The effective tax rate for the nine months ended September 30, 2007 was impacted by a \$21 million tax benefit related to our plan to begin repatriating earnings of certain Threadneedle entities through dividends, a \$7 million tax benefit related to the finalization of the prior year tax return and a \$16 million tax benefit related to the finalization of certain income tax audits. The effective tax rate for the nine months ended September 30, 2006 was impacted by a \$13 million tax benefit related to the finalization of the prior year tax return. The effective tax rates are also impacted by the levels of pretax income relative to tax advantaged items, including the dividends received deduction, in each period.

### **Results of Operations by Segment**





Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

*Nine Months Ended September 30, 2007 Compared to Nine Months Ended September 30, 2006*



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

The following tables present summary financial information by segment and reconciliation to consolidated totals derived from Note 13 to our Consolidated Financial Statements for the nine months ended September 30, 2007 and 2006:

	Nine Months Ended September 30, 2007		Nine Months Ended September 30, 2006	
	Percent Share of Total (in millions, except percentages)		Percent Share of Total	
<b>Total revenues</b>				
Asset Accumulation and Income	\$ 4,732	73%	\$ 4,338	73%
Protection	1,526	24	1,467	25
Corporate and Other	227	4	205	3
Eliminations	(38)	(1)	(31)	(1)
Consolidated total revenues	\$ 6,447	100%	\$ 5,979	100%
<b>Total expenses</b>				
Asset Accumulation and Income	\$ 3,963	69%	\$ 3,696	69%
Protection	1,250	22	1,150	21
Corporate and Other	594	10	570	11
Eliminations	(38)	(1)	(31)	(1)
Consolidated total expenses	\$ 5,769	100%	\$ 5,385	100%
<b>Pretax segment income (loss)</b>				
Asset Accumulation and Income	\$ 769	113%	\$ 642	108%
Protection	276	41	317	53
Corporate and Other	(367)	(54)	(365)	(61)
Consolidated income before income tax provision	\$ 678	100%	\$ 594	100%

*Asset Accumulation and Income*



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

The following table presents the results of operations of our AA&I segment for the nine months ended September 30, 2007 and 2006:

	2007	Nine Months Ended September 30, 2006		Change	
		(in millions, except percentages)			
<b>Revenues</b>					
Management, financial advice and service fees	\$ 2,295	\$ 1,957	\$ 338		17%
Distribution fees	1,026	842	184		22
Net investment income	1,263	1,345	(82)		(6)
Other revenues	148	194	(46)		(24)
Total revenues	4,732	4,338	394		9
<b>Expenses</b>					
Compensation and benefits-field	1,339	1,112	227		20
Interest credited to account values	766	840	(74)		(9)
Benefits, claims, losses and settlement expenses	149	19	130		#
Amortization of deferred acquisition costs	244	276	(32)		(12)
Interest and debt expense	9	12	(3)		(25)
Other expenses	1,456	1,437	19		1
Total expenses	3,963	3,696	267		7
Pretax segment income	\$ 769	\$ 642	\$ 127		20





# Variance of 100% or greater.

*Overall*



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

Our AA&I segment results for the nine months ended September 30, 2007 were led by the growth in our fee-based businesses, primarily driven by strong net inflows in wrap and annuity variable accounts, market appreciation, and continued advisor productivity gains. These improvements to profitability were partially offset by the impact of lower account balances and spread compression in annuity fixed accounts and certificate products and the negative impact of the mark-to-market on variable annuity benefit riders which was partially offset by the related hedges.

### *Revenues*



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

Management, financial advice and service fees increased \$338 million, or 17%, primarily as a result of growth in our wrap account assets and variable annuity account assets. Management, financial advice and service fees related to variable annuities increased \$139 million, or 32%, and were driven by higher levels of annuity variable account values, which increased 31% to \$51.6 billion at September 30, 2007. Our brokerage business had an increase in management, financial advice and service fees of \$152 million, or 24%, driven by net increases in wrap account assets of 33% to \$92.9 billion at September 30, 2007. Overall, managed assets increased 11% over the prior year period. Management, financial advice and service fees related to Threadneedle increased \$44 million, primarily due to the favorable impact of the dollar weakening over the prior year period. These increases were partially offset by a decline in fees relative to the prior year period of \$27 million due to the sale of our defined contribution recordkeeping business in the second quarter of 2006.

The growth in distribution fees was driven by our brokerage business, which had an increase in distribution fees of \$199 million, or 29%, compared to the year-ago period primarily due to strong advisor cash sales, including an increase in sales of direct investments as clients reinvested proceeds from real estate investment trust liquidations and strong net inflows into Ameriprise Financial and SAI wrap accounts. Distribution fees were also positively impacted by market appreciation.

Net investment income declined \$82 million, or 6%, compared to the prior year period. The decline was primarily attributable to declining average balances in annuity fixed accounts and certificate products and lower investment income on trading securities, partially offset by an increase in net investment income attributable to hedges for variable annuity living benefits, net investment income related to Ameriprise Bank and a \$23 million decrease in the allowance for loan losses on commercial mortgage loans. Net realized investment gains on Available-for-Sale securities were \$21 million for the nine months ended September 30, 2007 compared to \$19 million in the year-ago period. Net investment income related to derivatives used to hedge certain expense line items increased \$49 million, which included a \$45 million increase related to derivatives used to hedge benefits, claims, losses and settlement expenses for variable annuity living benefits and a \$4 million increase related to derivatives used to hedge interest credited expenses for stock market certificates and equity indexed annuities.

Other revenues decreased \$46 million, or 24%, primarily due to the inclusion of \$66 million in proceeds from the sale of the defined contribution recordkeeping business in of the second quarter of 2006. Excluding this impact, other revenues increased \$20 million, or 16%, primarily due to higher fees from variable annuity rider charges, as well as an increase in other revenues from a direct investment recovery and an increase in other revenues related to the sale of a property partnership, partially offset by lower revenues related to certain consolidated limited partnerships.

*Expenses*



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

The increase in compensation and benefits field reflects higher commissions paid driven by strong sales activity and higher GDC.

The decrease in interest credited to account values reflects a decrease related to annuities of \$74 million, which was primarily attributable to the continued decline in fixed annuity account balances. The impact of declining certificate balances was offset by higher crediting rates.

Benefits, claims, losses and settlement expenses increased \$130 million, from \$19 million in the 2006 period to \$149 million in the 2007 period. In the third quarter of 2007, reserves providing for guaranteed benefits associated with our variable annuity business increased by \$132 million primarily due to changes in financial market factors, offset by a \$9 million related change in DSIC. The related hedge impact was a \$57 million increase to net investment income in the third quarter of 2007.

DAC amortization decreased \$32 million, or 12%, to \$244 million for the nine months ended September 30, 2007 primarily due to a \$34 million decrease in DAC amortization driven by the mark-to-market of variable annuity benefit riders, a decrease in DAC amortization related to mutual fund products and an \$18 million favorable impact from DAC unlocking, partially offset by underlying increases driven by business growth and the recurring impact of adopting SOP 05-1. The decrease in DAC amortization related to mutual fund products was driven by decreased B share sales resulting in fewer deferred commissions to be amortized. DAC unlocking related to annuities resulted in a \$4 million benefit in the third quarter of 2007 compared to a \$14 million unfavorable adjustment in the year-ago period.

Other expenses, which include compensation and benefits non-field, increased \$19 million, or 1%, to \$1.5 billion for the nine months ended September 30, 2007, primarily due to higher expenses related to Ameriprise Bank and an increase due to the dollar weakening over the period, as well as increased spending on investment initiatives. These increases were partially offset by a decrease in expenses attributable to certain consolidated limited partnerships, lower severance costs and the elimination of expenses related to our defined contribution recordkeeping business, which was sold in the second quarter of 2006. In addition, the 2006 period included \$30 million of costs associated with the sale of our defined contribution recordkeeping business.

### *Protection*





Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

The following table presents the results of operations of our Protection segment for the nine months ended September 30, 2007 and 2006:

	2007	Nine Months Ended September 30, 2006		Change	
		(in millions, except percentages)			
<b>Revenues</b>					
Management, financial advice and service fees	\$ 70	\$ 58	\$ 12	21%	
Distribution fees	86	82	4	5	
Net investment income	270	262	8	3	
Premiums	750	709	41	6	
Other revenues	350	356	(6)	(2)	
Total revenues	1,526	1,467	59	4	
<b>Expenses</b>					
Compensation and benefits-field	73	67	6	9	
Interest credited to account values	106	108	(2)	(2)	
Benefits, claims, losses and settlement expenses	683	666	17	3	
Amortization of deferred acquisition costs	143	92	51	55	
Other expenses	245	217	28	13	
Total expenses	1,250	1,150	100	9	
Pretax segment income	\$ 276	\$ 317	\$ (41)	(13)	

*Overall*



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

Our Protection segment results for the nine months ended September 30, 2007 were impacted unfavorably by DAC unlocking and a decrease in long-term care insurance premiums, partially offset by growth in our auto and home insurance business. We continue to gain market share in our auto and home insurance business as a result of our Costco alliance. Auto and home insurance policies in-force generated through this alliance were up 15% at September 30, 2007 compared to September 30, 2006. Total life insurance in-force increased 8% to \$184.3 billion at September 30, 2007.

### *Revenues*



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

The increase in management, financial advice and service fees was primarily driven by fees generated from higher levels of VUL variable account values compared to the year-ago period.

Premiums increased \$41 million, or 6%, to \$750 million for the nine months ended September 30, 2007, primarily due to higher volumes in our auto and home insurance products, partially offset by a decrease in long-term care insurance. Auto and home average policy counts increased 8% over the 2006 period. The decrease in long-term care insurance premiums was primarily due to a review of our long-term care reinsurance arrangement during the third quarter of 2006, which resulted in an increase to premiums of \$15 million during that quarter.

Other revenues decreased primarily due to recognizing \$18 million of previously deferred cost of insurance revenues in the prior year period. This decrease was partially offset by an increase in cost of insurance charges on VUL/UL products due to volume increases.

### *Expenses*





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

Benefits, claims, losses and settlement expenses increased \$17 million, or 3%, to \$683 million for the nine months ended September 30, 2007. These expenses included \$11 million related to DAC unlocking in the 2007 period compared to \$12 million in the prior year period. Expenses for the nine months ended September 30, 2007 included an unfavorable \$12 million adjustment in reserves for disability income insurance claims. Expenses for the nine months ended September 30, 2006 included a \$12 million reduction to auto and home insurance reserves related to accident years 2004 and 2005 and \$7 million of additional claims expense in connection with the recognition of previously deferred cost of insurance revenues.

DAC amortization increased \$51 million, or 55%, to \$143 million for the nine months ended September 30, 2007, primarily due to DAC unlocking related to our VUL/UL products. The impact of DAC unlocking was \$20 million unfavorable for the 2007 period compared to a \$52 million benefit for the year-ago period. This increase was partially offset by a \$28 million unfavorable adjustment related to auto and home products recognized in the 2006 period.

Other expenses, which include compensation and benefits non-field, increased \$28 million, or 13%, over the prior year period, primarily due to higher sales and marketing expenses.

*Corporate and Other*



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

The following table presents the results of operations of our Corporate segment for the nine months ended September 30, 2007 and 2006:

	2007	Nine Months Ended September 30, 2006		Change	
		(in millions, except percentages)			
<b>Revenues</b>					
Management, financial advice and service fees	\$ 175	\$ 145	\$ 30	21%	
Distribution fees	(1)	2	(3)	#	
Net investment income	27	36	(9)	(25)	
Other revenues	26	22	4	18	
Total revenues	227	205	22	11	
<b>Expenses</b>					
Compensation and benefits-field	154	125	29	23	
Interest and debt expense	89	76	13	17	
Separation costs	208	238	(30)	(13)	
Other expenses	143	131	12	9	
Total expenses	594	570	24	4	
Pretax segment loss	\$ (367)	\$ (365)	\$ (2)	(1)	



# Variance of 100% or greater.

*Overall*



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

Our Corporate pretax segment loss was \$367 million for the nine months ended September 30, 2007, compared to \$365 million for the nine months ended September 30, 2006. The higher pretax segment loss in the 2007 period was primarily due to lower net investment income and higher interest and debt expense and other expenses, partially offset by a decrease in separation costs.

### *Revenues*





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

Management, financial advice and service fees increased \$30 million, or 21%, to \$175 million for the nine months ended September 30, 2007, primarily due to higher financial planning fees due to accelerated financial plan delivery standards.

The decrease in net investment income from the prior year period was primarily due to the mark-to-market of equity market hedges and trading securities.

### *Expenses*



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

The increase in compensation and benefits field over the year-ago period relates to higher compensation due to higher financial planning fees resulting from accelerated financial plan delivery standards.

The increase in interest and debt expense over the prior year period primarily reflects the interest on the junior notes issued in May 2006. Interest expense on the junior notes was \$28 million for the nine months ended September 30, 2007 compared to \$13 million for the prior year period.

Separation costs incurred in the 2007 period were primarily associated with separating and reestablishing our technology platforms. In the 2006 period, these costs were primarily associated with separating and reestablishing our technology platforms and establishing the Ameriprise Financial brand. We expect to incur approximately \$25 million to \$30 million in costs in the fourth quarter of 2007, reflecting all remaining costs from the Separation, which was completed as of September 30, 2007.

Other expenses increased \$12 million, or 9%, over the prior year period, primarily due to higher expenses related to financial planning, as well as higher expenses related to corporate overhead, partially offset by lower severance costs.

**Liquidity and Capital Resources**



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

We maintained substantial liquidity during the third quarter of 2007. At September 30, 2007, we had \$4.0 billion in cash and cash equivalents, an increase from \$3.3 billion at September 30, 2006. We have additional liquidity available through an unsecured revolving credit facility for \$750 million that expires in September 2010. Under the terms of the underlying credit agreement, we can increase this facility to \$1.0 billion. Available borrowings under this facility are reduced by any outstanding letters of credit. We have had no borrowings under this credit facility and had \$6 million of outstanding letters of credit at September 30, 2007. We believe cash flows from operating activities, available cash balances and our availability of revolver borrowings will be sufficient to fund our operating liquidity needs.

Ameriprise Financial, Inc. is primarily a parent holding company for the operations carried out by our wholly owned subsidiaries. Because of our holding company structure, our ability to meet our cash requirements, including the payment of dividends on our common stock, substantially depends upon the receipt of dividends or return of capital from our subsidiaries, particularly our life insurance subsidiary, RiverSource Life Insurance Company ( RiverSource Life ), our face-amount certificate subsidiary, Ameriprise Certificate Company, our retail introducing broker-dealer subsidiary, Ameriprise Financial Services, Inc., our clearing broker-dealer subsidiary, American Enterprise Investment Services, Inc., our auto and home insurance subsidiary, IDS Property Casualty Insurance Company, doing business as Ameriprise Auto & Home Insurance, Threadneedle, RiverSource Service Corporation and our investment advisory company, RiverSource Investments, LLC. The payment of dividends or return of capital by many of our subsidiaries is restricted and certain of our subsidiaries are subject to regulatory capital requirements.

Actual capital and regulatory capital requirements for our wholly owned subsidiaries subject to regulatory capital requirements were as follows:

(in millions)	Actual Capital as of		Regulatory Capital Requirement
	September 30, 2007	December 31, 2006	
RiverSource Life Insurance Company(1)(2)	\$ 3,058	\$ 3,511	\$ 590
RiverSource Life Insurance Co. of New York(1)(2)	291	348	38
IDS Property Casualty Insurance Company(1)(3)	568	523	116
Ameriprise Insurance Company(1)(3)	48	47	2
Ameriprise Certificate Company(4)	226	279	211
Threadneedle Asset Management Holdings Limited(5)	238	246	153
Ameriprise Bank, FSB(6)	165	169	165
Ameriprise Financial Services, Inc.(3)(4)	146	85	#
Ameriprise Captive Insurance Company(1)(3)	11		10
Ameriprise Trust Company(3)	43	49	37
American Enterprise Investment Services, Inc.(3)(4)	78	38	5
Securities America, Inc.(3)(4)	20	2	#
RiverSource Distributors, Inc.(3)(4)	7	#	#





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

# Amounts are less than \$1 million.

- (1) Actual capital is determined on a statutory basis.
- (2) Regulatory capital requirement is based on the most recent statutory risk-based capital filing, as of December 31, 2006.
- (3) Regulatory capital requirement is based on the applicable regulatory requirement, calculated as of September 30, 2007.
- (4) Actual capital is determined on an adjusted GAAP basis.
- (5) Actual capital and regulatory capital requirements are determined in accordance with U.K. regulatory legislation. Both actual capital and regulatory capital requirements are as of June 30, 2007, based on the most recent required U.K. filing. Actual capital as of December 31, 2006 relates to the December 31, 2006 filing.
- (6) Ameriprise Bank holds capital in compliance with the Federal Deposit Insurance Corporation policy regarding *de novo* depository institutions.

In addition to the particular regulations restricting dividend payments and establishing subsidiary capitalization requirements, we take into account the overall health of the business, capital levels and risk management considerations in determining a dividend strategy for payments to our company from our subsidiaries and in deciding to use cash to make capital contributions to our subsidiaries. During the nine months ended September 30, 2007, Ameriprise Financial, Inc. received cash dividends from and made cash contributions to subsidiaries of \$1.2 billion and \$40 million, respectively. Of the dividends received, \$800 million came from RiverSource Life.

### *Operating Activities*



Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

Net cash provided by operating activities for the nine months ended September 30, 2007 was \$735 million compared to \$716 million for the nine months ended September 30, 2006, a change of \$19 million. This increase primarily reflects changes in operating assets and liabilities.

*Investing Activities*

Our investing activities primarily relate to our Available-for-Sale investment portfolio. Further, this activity is significantly affected by the net flows of our investment certificate, fixed annuity and insurance products reflected in financing activities.

Net cash provided by investing activities for the nine months ended September 30, 2007 was \$4.2 billion compared to \$3.4 billion for the nine months ended September 30, 2006, a change of \$0.8 billion.

Cash provided by investing activities related to Available-for-Sale securities increased \$1.7 billion over the prior year period. This increase resulted from an increase in proceeds from sales of Available-for-Sale securities and lower purchases of Available-for-Sale securities, partially offset by lower maturities, sinking fund payments and calls.

Investments are principally funded by sales of insurance, annuities and investment certificates and by reinvested income. Our total investments at September 30, 2007 and December 31, 2006 included investments held by our insurance subsidiaries of \$25.9 billion and \$29.6 billion, respectively.

Our Available-for-Sale investments primarily include corporate debt securities and mortgage and other asset-backed securities, which had fair values of \$14.5 billion and \$10.4 billion, respectively, at September 30, 2007 compared to \$16.8 billion and \$12.3 billion, respectively, at December 31, 2006. Our Available-for-Sale corporate debt securities comprise a diverse portfolio, with the largest concentrations of the portfolio in the following industries: 35% in banking and finance, 21% in utilities and 12% in media. Investments also included \$3.0 billion and \$3.1 billion of commercial mortgage loans as of September 30, 2007 and December 31, 2006, respectively. At September 30, 2007 and December 31, 2006, 70% and 69%, respectively, of our Available-for-Sale investment portfolio was rated A or better, while 6% and 7%, respectively, of our Available-for-Sale investment portfolio was below investment grade.

Investing activities for the nine months ended September 30, 2007 included \$115 million in cash received from the sale of AMEX Assurance to American Express on September 30, 2007. Investing activities for the nine months ended September 30, 2006 included \$951 million in cash received as part of the Purchase and Assumption agreement related to certain of the assets and liabilities of American Express Bank, FSB. Purchases of land, buildings, equipment and software increased \$123 million, primarily due to increased spending on internally-developed software.

*Financing Activities*



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

Net cash used in financing activities was \$3.7 billion for the nine months ended September 30, 2007 compared to \$3.3 billion for the nine months ended September 30, 2006, a change of \$0.4 billion.

Net cash used for investment certificates and banking time deposits decreased \$226 million, increasing cash flows from financing activities over the prior year period. This decrease resulted from a decrease in cash used for maturities, withdrawals and cash surrenders of investment certificates and banking time deposits, partially offset by a decrease in proceeds from additions to investment certificates and banking time deposits.

Change in other customer deposits resulted in cash provided by financing activities of \$135 million for the nine months ended September 30, 2007 compared to cash used in financing activities of \$164 million for the nine months ended September 30, 2006, an increase of \$299 million. The change was primarily due to Ameriprise Bank activity.

Net cash used for policyholder and contractholder account values increased \$376 million, decreasing cash flows from financing activities over the prior year period. This decrease resulted from a decrease in consideration received from policyholder and contractholder account values, lower interest credited to account values and an increase in surrenders and other benefits, most of which related to fixed annuities.

We issued our junior notes in the second quarter of 2006, which resulted in a \$494 million increase in cash. This increase to cash was partially offset by principal repayments of debt of \$252 million in the first nine months of 2006. These changes resulted in a \$264 million net cash inflow for the nine months ended September 30, 2006, compared to a net cash outflow of \$28 million for principal repayments of debt for the nine months ended September 20, 2007.

We used cash of \$665 million for the nine months ended September 30, 2007 for the purchase of 11.1 million treasury shares under our share repurchase programs, an increase of \$243 million over the prior year period. We used our existing working capital to fund these share repurchases, and we currently intend to fund additional share repurchases through existing working capital, future earnings, debt capacity and other customary financing methods. Pursuant to the Ameriprise Financial 2005 Incentive Compensation Plan, we reacquired 0.4 million shares of our common stock in the first nine months of 2007 through the surrender of restricted shares upon vesting and paid in the aggregate \$25 million related to the holders' income tax obligations on the vesting date. As of September 30, 2007, we have \$701 million remaining under a share repurchase program authorized by our Board of Directors. This share repurchase program does not require the purchase of any minimum number of shares, and depending on market conditions and other factors, purchases may be commenced or suspended at any time without prior notice.

*Contractual Commitments*





**There have been no material changes in our contractual obligations disclosed in our Annual Report on Form 10-K for the year ended December 31, 2006.**



*Off-Balance Sheet Arrangements*



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

During the nine months ended September 30, 2007, we closed on two structured investments that we manage. The structures have approximately \$1.1 billion issued and are fully subscribed. During the nine months ended September 30, 2007, we also issued an additional \$188 million on a structured investment closed on in 2006. As a condition to managing these structures, we were required to invest a total of \$7 million in the residual or equity tranches of the facilities closed on in 2007, which are the most subordinated tranches of securities issued by the structured investment entities. As an investor in the residual tranches, our return correlates to the performance of the portfolio of high-yield investments comprising the structured investments. Our exposure as an investor is limited solely to our aggregate investment in these facilities, and we have no obligation, contingent or otherwise, that could require any further funding of the investments. The structured investments are considered variable interest entities but are not consolidated as we are not considered the primary beneficiary.

### **Forward-Looking Statements**



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

This report contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those described in these forward-looking statements. We have made various forward-looking statements in this report. Examples of such forward-looking statements include:

statements of our plans, intentions, expectations, objectives or goals, including those relating to asset flows, mass affluent and affluent client acquisition strategy, the establishment of our new brands and competitive environment;

statements about our future economic performance, the performance of equity markets and interest rate variations and the economic performance of the United States; and

statements of assumptions underlying such statements.

The words believe, expect, anticipate, optimistic, intend, plan, aim, will, may, should, could, would, likely and similar to identify forward-looking statements but are not the exclusive means of identifying such statements. Forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from such statements.

Such factors include, but are not limited to:

changes in the interest rate and equity market environments;

changes in the litigation and regulatory environment, including ongoing legal proceedings and regulatory actions;

investment management performance and consumer acceptance of our products;

effects of competition in the financial services industry and changes in product distribution mix and distribution channels;

our capital structure as a stand-alone company, including ratings and indebtedness, and limitations on subsidiaries to pay dividends;

risks of default by issuers of investments we own or by counterparties to derivative or reinsurance arrangements;

experience deviations from assumptions regarding morbidity, mortality and persistency in certain annuity and insurance products;

the impact of the separation from American Express;

the impacts of our efforts to improve distribution economics and to grow third-party distribution of our products;

our ability to establish our new brands and to realize benefits from tax planning; and

general economic and political factors, including consumer confidence in the economy, and in applicable legislation and regulation, including tax law, tax treaties and regulatory rulings and pronouncements.

Readers are cautioned that the foregoing list of factors is not exhaustive. There may also be other risks that we are unable to predict at this time that may cause actual results to differ materially from those in forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date on which they are made. We undertake no obligation to update publicly or revise any forward-looking statements. The foregoing list of factors should be read in conjunction with the Risk Factors discussion included as Part I, Item 1A of our Annual Report on Form 10-K filed with the SEC on February 27, 2007.



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



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

In the third quarter of 2007, we began hedging our guaranteed minimum accumulation benefit ( GMAB ) riders. The GMAB rider guarantees that, regardless of market performance, at the end of the 10 year waiting period, the contract value will be no less than the original investment or 80% of the highest anniversary value, adjusted for withdrawals. If the contract value is less than the guarantee at the end of the 10 year period, a lump sum will be added to the contract value to make the contract value equal to the guarantee value. We face risk from these riders as the fair value of the guaranteed benefits changes due to changes in levels of equity and bond markets, interest rates, market implied volatilities and other factors.

Our GMAB hedge strategy utilizes longer dated put and call options as the core instruments, supplemented with equity futures and interest rate swaps to further mitigate the risks not covered by the puts and calls. This strategy is semi-static, similar to our guaranteed minimum withdrawal benefit ( GMWB ) hedging strategy, in that we do not anticipate the need for frequent or significant rebalancing.

We have added a new GMWB benefit design, called SecureSource. There are two primary differences between SecureSource and our previous GMWB for life design. First, SecureSource is available in a joint version that promises 6% withdrawals while either contract holder remains alive. Second, once withdrawals begin, the policyholder's funds are moved to one of the three less aggressive asset allocation models (of the five that are available prior to withdrawal).

We have also begun utilizing longer dated put and call derivatives in our GMWB hedging strategy to improve effectiveness and reduce hedging costs. These derivatives are an alternative to the more customized equity puts we have used previously. We continue to supplement the core derivatives with equity futures and interest rate swaps to further mitigate interest rate and equity risk.

The total value of all variable annuity contracts has grown from \$49.5 billion at December 31, 2006 to \$57.1 billion at September 30, 2007. The contracts containing GMWB riders have grown from \$7.2 billion at December 31, 2006 to \$12.0 billion at September 30, 2007. The total value of variable annuity contracts with GMAB riders has grown from \$1.4 billion at December 31, 2006 to \$2.1 billion at September 30, 2007. Reserve liabilities for the guaranteed benefits are recorded in future policy benefits and claims on our Consolidated Balance Sheets. At September 30, 2007, the reserve for the GMWB was \$76 million compared with a reserve of negative \$12 million at December 31, 2006. At September 30, 2007, the reserve for the GMAB was \$12 million compared with a reserve of negative \$5 million at December 31, 2006. The large increases in reserves for the GMWB and GMAB reflect the effects of a substantial increase in long-term volatility on the mark-to-market value of the guarantees.

For additional information, refer to Management's Discussion and Analysis Quantitative and Qualitative Disclosures about Market Risks of the Ameriprise Financial, Inc. 2006 Annual Report to Shareholders filed as Exhibit 13 to our Annual Report on Form 10-K for the year ended December 31, 2006 filed with the SEC on February 27, 2007.

### ITEM 4. CONTROLS AND PROCEDURES



**Disclosure Controls and Procedures**



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

Our company maintains disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the Exchange Act )) designed to provide reasonable assurance that the information required to be reported in the Exchange Act filings is recorded, processed, summarized and reported within the time periods specified and pursuant to SEC regulations, including controls and procedures designed to ensure that this information is accumulated and communicated to our management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding the required disclosure. It should be noted that, because of inherent limitations, our company's disclosure controls and procedures, however well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the disclosure controls and procedures are met.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report. Based upon that evaluation, our company's Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective at a reasonable level of assurance as of September 30, 2007.

### **Changes in Internal Control Over Financial Reporting**





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

There have not been any changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, our company's internal control over financial reporting.

**PART II. OTHER INFORMATION**



**ITEM 1. LEGAL PROCEEDINGS**



Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

The information set forth in Note 16 to Consolidated Financial Statements in Part I, Item 1 is incorporated herein by reference.

**ITEM 1A. RISK FACTORS**



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

There have been no material changes in the risk factors provided in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2006 filed with the SEC on February 27, 2007.

### **ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**





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

The following table presents the information with respect to purchases made by or on behalf of Ameriprise Financial, Inc. or any affiliated purchaser (as defined in Rule 10b-18(a)(3) under the Securities Exchange Act of 1934), of our common stock during the third quarter of 2007.

Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

(a) Period	(b)		(c)		(d)
	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(1)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs(1)	
<b>July 1 to July 31, 2007</b>					
Share repurchase program(1)	100,000	\$ 59.68(2)	100,000	\$ 865,444,903	
Employee transactions(3)	1,667	\$ 64.71	N/A		N/A
<b>August 1 to August 31, 2007</b>					
Share repurchase program(1)	1,977,200	\$ 57.95(2)	1,977,200	\$ 750,869,619	
Employee transactions(3)	981	\$ 56.23	N/A		N/A
<b>September 1 to September 30, 2007</b>					
Share repurchase program(1)	831,620	\$ 60.23(2)	831,620	\$ 700,783,761	
Employee transactions(3)	516	\$ 61.39	N/A		N/A
<b>Totals</b>					
Share repurchase program	2,908,820	\$ 58.66	2,908,820		
Employee transactions	3,164	\$ 61.54	N/A		
	2,911,984		2,908,820		



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

- (1) On March 15, 2007, we announced that our Board of Directors authorized us to repurchase up to \$1.0 billion worth of our common stock through March 15, 2009. The share repurchase program does not require the purchase of any minimum number of shares, and depending on market conditions and other factors, these purchases may be commenced or suspended at any time without prior notice. Acquisitions under the share repurchase program may be made in the open market, through block trades or other means.
- (2) Includes commissions and other transaction costs of approximately \$0.02 per share.
- (3) Restricted shares withheld pursuant to the terms of awards under the Ameriprise Financial 2005 Incentive Compensation Plan ( 2005 ICP ) to offset tax withholding obligations that occur upon vesting and release of restricted shares. The 2005 ICP provides that the value of the shares withheld shall be the average of the high and low prices of common stock of Ameriprise Financial, Inc. on the date the relevant transaction occurs.

### **ITEM 6. EXHIBITS**



Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

The list of exhibits required to be filed as exhibits to this report are listed on page E-1 hereof, under Exhibit Index, which is incorporated herein by reference.

**SIGNATURES**





Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

AMERIPRISE FINANCIAL, INC.  
(Registrant)

Date: November 6, 2007

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

Date: November 6, 2007

By /s/ David K. Stewart  
David K. Stewart  
Senior Vice President and  
Controller  
(Principal Accounting Officer)

**EXHIBIT INDEX**



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

Pursuant to the rules and regulations of the Securities and Exchange Commission, Ameriprise Financial, Inc. has filed certain agreements as exhibits to this Quarterly Report on Form 10-Q. These agreements may contain representations and warranties by the parties. These representations and warranties have been made solely for the benefit of the other party or parties to such agreements and (i) may have been qualified by disclosures made to such other party or parties, (ii) were made only as of the date of such agreements or such other date(s) as may be specified in such agreements and are subject to more recent developments, which may not be fully reflected in Ameriprise Financial, Inc.'s public disclosure, (iii) may reflect the allocation of risk among the parties to such agreements and (iv) may apply materiality standards different from what may be viewed as material to investors. Accordingly, these representations and warranties may not describe Ameriprise Financial, Inc.'s actual state of affairs at the date hereof and should not be relied upon.

The following exhibits are filed as part of this Quarterly Report on Form 10-Q. The exhibit numbers followed by an asterisk (\*) indicate exhibits electronically filed herewith. All other exhibit numbers indicate exhibits previously filed and are hereby incorporated herein by reference.

<b>Exhibit</b>	<b>Description</b>
----------------	--------------------

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

- 3.1 Amended and Restated Certificate of Incorporation of Ameriprise Financial, Inc. (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K, File No. 1-32525, filed on October 4, 2005).
- 3.2 Amended and Restated Bylaws of Ameriprise Financial, Inc. (incorporated by reference to Exhibit 3.2 to the Annual Report on Form 10-K, File No. 1-32525, filed on February 27, 2007).
- 4.1 Form of Specimen Common Stock Certificate (incorporated by reference to Exhibit 4.1 to Amendment No. 3 to Form 10 Registration Statement, File No. 1-32525, filed on August 19, 2005).

Other instruments defining rights of holders of long-term debt securities of the registrant are omitted pursuant to Section (b)(4)(iii)(A) of Item 601 of Regulation S-K. The registrant agrees to furnish copies of these instruments to the SEC upon request.

- 31.1\* Certification of James M. Cracchiolo pursuant to Rule 13a-14(a) promulgated under the Securities Exchange Act of 1934, as amended.
- 31.2\* Certification of Walter S. Berman pursuant to Rule 13a-14(a) promulgated under the Securities Exchange Act of 1934, as amended.
- 32\* Certification of James M. Cracchiolo and Walter S. Berman pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.