

AMERIPRISE FINANCIAL INC
Form 10-Q
November 03, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended September 30, 2014

OR
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition Period from _____ to _____

Commission File No. 1-32525

AMERIPRISE FINANCIAL, INC.

(Exact name of registrant as specified in its charter)

Delaware

13-3180631

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

1099 Ameriprise Financial Center, Minneapolis, Minnesota

55474

(Address of principal executive offices)

(Zip Code)

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

Former name, former address and former fiscal year, if changed since last report: Not Applicable

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer

Smaller reporting company

(Do not check if a smaller reporting company)

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

Yes 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 24, 2014

Common Stock (par value \$.01 per share)

184,532,059 shares

AMERIPRISE FINANCIAL, INC.

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AMERIPRISE FINANCIAL, INC.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

(in millions, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Revenues				
Management and financial advice fees	\$1,483	\$1,318	\$4,321	\$3,856
Distribution fees	464	441	1,410	1,323
Net investment income	428	491	1,332	1,431
Premiums	351	324	1,026	949
Other revenues	392	247	1,111	718
Total revenues	3,118	2,821	9,200	8,277
Banking and deposit interest expense	7	8	21	24
Total net revenues	3,111	2,813	9,179	8,253
Expenses				
Distribution expenses	813	731	2,409	2,161
Interest credited to fixed accounts	168	204	529	600
Benefits, claims, losses and settlement expenses	458	492	1,414	1,391
Amortization of deferred acquisition costs	116	(14)	281	153
Interest and debt expense	79	68	237	194
General and administrative expense	757	730	2,320	2,263
Total expenses	2,391	2,211	7,190	6,762
Income from continuing operations before income tax provision	720	602	1,989	1,491
Income tax provision	155	154	441	395
Income from continuing operations	565	448	1,548	1,096
Income (loss) from discontinued operations, net of tax	—	1	(1)	(1)
Net income	565	449	1,547	1,095
Less: Net income attributable to noncontrolling interests	145	67	353	57
Net income attributable to Ameriprise Financial	\$420	\$382	\$1,194	\$1,038
Earnings per share attributable to Ameriprise Financial, Inc. common shareholders				
Basic				
Income from continuing operations	\$2.21	\$1.90	\$6.20	\$5.07
Loss from discontinued operations	—	—	(0.01)	—
Net income	\$2.21	\$1.90	\$6.19	\$5.07
Diluted				
Income from continuing operations	\$2.17	\$1.86	\$6.09	\$4.97
Loss from discontinued operations	—	—	(0.01)	—
Net income	\$2.17	\$1.86	\$6.08	\$4.97
Cash dividends declared per common share	\$0.58	\$0.52	\$1.68	\$1.49

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Supplemental Disclosures:

Total other-than-temporary impairment losses on securities	\$ (5)	\$ (7)	\$ (6)	\$ (11)
Portion of loss recognized in other comprehensive income (loss) (before taxes)	—	6	—	5
Net impairment losses recognized in net investment income	\$ (5)	\$ (1)	\$ (6)	\$ (6)

See Notes to Consolidated Financial Statements.

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AMERIPRISE FINANCIAL, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

(in millions)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Net income	\$565	\$449	\$1,547	\$1,095
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustment	(84)	80	(31)	7
Net unrealized gains (losses) on securities:				
Net unrealized securities gains (losses) arising during the period	(137)	(67)	341	(869)
Reclassification of net securities gains included in net income	(4)	(5)	(8)	(5)
Impact of deferred acquisition costs, deferred sales inducement costs, benefit reserves and reinsurance recoverables	(1)	18	(168)	283
Total net unrealized gains (losses) on securities	(142)	(54)	165	(591)
Net unrealized losses on derivatives:				
Reclassification of net derivative losses included in net income	1	1	1	1
Total net unrealized losses on derivatives	1	1	1	1
Total other comprehensive income (loss), net of tax	(225)	27	135	(583)
Total comprehensive income	340	476	1,682	512
Less: Comprehensive income attributable to noncontrolling interests	94	114	337	63
Comprehensive income attributable to Ameriprise Financial	\$246	\$362	\$1,345	\$449

See Notes to Consolidated Financial Statements.

AMERIPRISE FINANCIAL, INC.

CONSOLIDATED BALANCE SHEETS

(in millions, except share amounts)

	September 30, 2014 (unaudited)	December 31, 2013
Assets		
Cash and cash equivalents	\$2,876	\$2,632
Cash of consolidated investment entities	279	419
Investments	35,899	35,735
Investments of consolidated investment entities, at fair value	5,661	5,002
Separate account assets	82,420	81,223
Receivables	4,827	4,538
Receivables of consolidated investment entities (includes \$28 and \$32, respectively, at fair value)	68	72
Deferred acquisition costs	2,605	2,663
Restricted and segregated cash and investments	2,382	2,360
Other assets	8,158	7,983
Other assets of consolidated investment entities, at fair value	2,018	1,949
Total assets	\$147,193	\$144,576
Liabilities and Equity		
Liabilities:		
Policyholder account balances, future policy benefits and claims	\$29,810	\$29,620
Separate account liabilities	82,420	81,223
Customer deposits	7,513	7,062
Short-term borrowings	200	500
Long-term debt	3,059	2,720
Debt of consolidated investment entities (includes \$5,466 and \$4,804, respectively, at fair value)	6,394	5,736
Accounts payable and accrued expenses	1,411	1,367
Accounts payable and accrued expenses of consolidated investment entities	50	62
Other liabilities	6,882	6,829
Other liabilities of consolidated investment entities (includes \$81 and \$193, respectively, at fair value)	114	225
Total liabilities	137,853	135,344
Equity:		
Ameriprise Financial, Inc.:		
Common shares (\$.01 par value; shares authorized, 1,250,000,000; shares issued, 320,039,778 and 316,816,851, respectively)	3	3
Additional paid-in capital	7,232	6,929
Retained earnings	8,152	7,289
Appropriated retained earnings of consolidated investment entities	308	337
Treasury shares, at cost (134,646,639 and 124,698,544 shares, respectively)	(8,181)	(6,961)
Accumulated other comprehensive income, net of tax	746	595
Total Ameriprise Financial, Inc. shareholders' equity	8,260	8,192
Noncontrolling interests	1,080	1,040
Total equity	9,340	9,232
Total liabilities and equity	\$147,193	\$144,576

See Notes to Consolidated Financial Statements.

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AMERIPRISE FINANCIAL, INC.

CONSOLIDATED STATEMENTS OF EQUITY (UNAUDITED)

(in millions, except share data)

Ameriprise Financial, Inc.

	Number of Outstanding Shares	Common Shares	Additional Paid-In Capital	Retained Earnings	Appropriated Retained Earnings of Consolidated Investment Entities	Treasury Shares	Other Com- prehensive Income	Total Ameriprise Financial, Inc. Share- holders' Equity	Non-controlling Interests	Total
Balances at January 1, 2013	203,942,994	\$ 3	\$ 6,503	\$ 6,381	\$ 336	\$(5,325)	\$ 1,194	\$ 9,092	\$ 620	\$ 9,712
Comprehensive income:										
Net income	—	—	—	1,038	—	—	—	1,038	57	1,095
Other comprehensive income (loss), net of tax	—	—	—	—	—	—	(589)	(589)	6	(583)
Total comprehensive income								449	63	512
Net loss reclassified to appropriated retained earnings	—	—	—	—	(1)	—	—	(1)	1	—
Dividends to shareholders	—	—	—	(307)	—	—	—	(307)	—	(307)
Noncontrolling interests investments in subsidiaries	—	—	—	—	—	—	—	—	290	290
Distributions to noncontrolling interests	—	—	—	—	—	—	—	—	(142)	(142)
Repurchase of common shares	(17,362,549)	—	—	—	—	(1,339)	—	(1,339)	—	(1,339)
Share-based compensation plans	8,659,145	—	337	(5)	—	99	—	431	12	443
Balances at September 30, 2013	195,239,590	\$ 3	\$ 6,840	\$ 7,107	\$ 335	\$(6,565)	\$ 605	\$ 8,325	\$ 844	\$ 9,169
Balances at January 1, 2014	192,118,307	\$ 3	\$ 6,929	\$ 7,289	\$ 337	\$(6,961)	\$ 595	\$ 8,192	\$ 1,040	\$ 9,232
Comprehensive income:										
Net income	—	—	—	1,194	—	—	—	1,194	353	1,547
Other comprehensive income (loss), net of tax	—	—	—	—	—	—	151	151	(16)	135
Total comprehensive income								1,345	337	1,682
Net loss reclassified to appropriated retained earnings	—	—	—	—	(29)	—	—	(29)	29	—
Dividends to shareholders	—	—	—	(326)	—	—	—	(326)	—	(326)
Noncontrolling interests investments	—	—	—	—	—	—	—	—	113	113

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in subsidiaries										
Distributions to noncontrolling interests	—	—	—	—	—	—	—	—	(448)	(448)
Repurchase of common shares	(11,505,559)	—	—	—	—	(1,309)	—	(1,309)	—	(1,309)
Share-based compensation plans	4,780,391	—	303	(5)	—	89	—	387	9	396
Balances at September 30, 2014	185,393,139	\$3	\$7,232	\$8,152	\$308	\$(8,181)	\$746	\$8,260	\$1,080	\$9,340

See Notes to Consolidated Financial Statements.

AMERIPRISE FINANCIAL, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(in millions)

	Nine Months Ended September 30,	
	2014	2013
Cash Flows from Operating Activities		
Net income	\$1,547	\$1,095
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion, net	193	175
Deferred income tax benefit	(75)	(73)
Share-based compensation	97	106
Net realized investment gains	(18)	(13)
Net trading gains	(6)	—
Loss (income) from equity method investments	10	(28)
Other-than-temporary impairments and provision for loan losses	8	7
Net gains of consolidated investment entities	(337)	(63)
Changes in operating assets and liabilities:		
Restricted and segregated cash and investments	(23)	193
Deferred acquisition costs	28	(98)
Other investments, net	(152)	(2)
Policyholder account balances, future policy benefits and claims, net	516	(1,024)
Derivatives, net of collateral	(485)	1,094
Receivables	(346)	(138)
Brokerage deposits	202	(157)
Accounts payable and accrued expenses	52	62
Cash held by consolidated investment entities	149	249
Investment properties of consolidated investment entities	177	(357)
Other operating assets and liabilities of consolidated investment entities, net	39	(46)
Other, net	405	124
Net cash provided by operating activities	1,981	1,106
Cash Flows from Investing Activities		
Available-for-Sale securities:		
Proceeds from sales	435	327
Maturities, sinking fund payments and calls	2,856	3,826
Purchases	(2,513)	(4,094)
Proceeds from maturities and repayments of mortgage loans	419	548
Funding of mortgage loans	(375)	(478)
Proceeds from sales and collections of other investments	153	248
Purchase of other investments	(334)	(267)
Purchase of investments by consolidated investment entities	(2,368)	(2,437)
Proceeds from sales, maturities and repayments of investments by consolidated investment entities	1,643	2,215
Purchase of land, buildings, equipment and software	(89)	(68)
Other, net	1	37
Net cash used in investing activities	(172)	(143)
See Notes to Consolidated Financial Statements.		

AMERIPRISE FINANCIAL, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED) (Continued)
(in millions)

	Nine Months Ended September 30,	
	2014	2013
Cash Flows from Financing Activities		
Investment certificates:		
Proceeds from additions	\$1,894	\$1,752
Maturities, withdrawals and cash surrenders	(1,646)	(1,377)
Policyholder account balances:		
Deposits and other additions	1,526	1,589
Net transfers to separate accounts	(167)	(54)
Surrenders and other benefits	(1,896)	(1,479)
Cash paid for purchased options with deferred premiums	(318)	(290)
Cash received from purchased options with deferred premiums	54	—
Issuance of debt, net of issuance costs	543	593
Repayments of debt	(200)	—
Change in short-term borrowings, net	(301)	(2)
Dividends paid to shareholders	(319)	(300)
Repurchase of common shares	(1,191)	(1,205)
Exercise of stock options	25	100
Excess tax benefits from share-based compensation	133	101
Borrowings by consolidated investment entities	1,559	1,187
Repayments of debt by consolidated investment entities	(918)	(969)
Noncontrolling interests investments in subsidiaries	113	290
Distributions to noncontrolling interests	(448)	(142)
Other, net	(1)	(1)
Net cash used in financing activities	(1,558)	(207)
Effect of exchange rate changes on cash	(7)	(2)
Net increase in cash and cash equivalents	244	754
Cash and cash equivalents at beginning of period	2,632	2,371
Cash and cash equivalents at end of period	\$2,876	\$3,125
Supplemental Disclosures:		
Interest paid excluding consolidated investment entities	\$123	\$124
Interest paid by consolidated investment entities	140	113
Income taxes paid, net	345	182
Non-cash investing activity:		
Affordable housing partnership commitments not yet remitted	—	26
See Notes to Consolidated Financial Statements.		

AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. Basis of Presentation

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

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

The results of Securities America Financial Corporation and its subsidiaries (collectively, "Securities America") have been presented as discontinued operations for all periods presented. The Company completed the sale of Securities America in the fourth quarter of 2011.

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

The accompanying Consolidated Financial Statements are prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). Results of operations reported for interim periods are not necessarily indicative of results for the entire year. These Consolidated Financial Statements and Notes should be read in conjunction with the Consolidated Financial Statements and Notes in the Company's Annual Report on Form 10-K for the year ended December 31, 2013, filed with the Securities and Exchange Commission ("SEC") on February 27, 2014.

In the Consolidated Statements of Operations, the Company reclassified certain fixed wholesaling costs from distribution expenses to general and administrative expense on a retroactive basis to improve consistency in its presentation of wholesaling distribution expense. The amount reclassified for the three months and nine months ended September 30, 2013 was \$26 million and \$82 million, respectively. The Company also reclassified certain prior period amounts in the Consolidated Statements of Cash Flows, as discussed below, to improve the transparency of its cash flows. Total cash flows provided by (used in) operating, investing and financing activities did not change as a result of the reclassifications.

Within investing activities, the change in residential mortgage loans was reclassified from "Change in consumer loans, net" to "Proceeds from maturities and repayments of mortgage loans" and "Funding of mortgage loans." These lines also include changes in commercial mortgage loans.

Within financing activities, the increase in policyholder account balances for interest credited was reclassified from "Policyholder account balances: Surrenders and other benefits" to "Policyholder account balances: Deposits and other additions." The increase in certificate account balances for interest credited was reclassified from "Investment certificates: Maturities, withdrawals and cash surrenders" to "Investment certificates: Proceeds from additions." The Company evaluated events or transactions that may have occurred after the balance sheet date for potential recognition or disclosure through the date the financial statements were issued.

2. Recent Accounting Pronouncements

Adoption of New Accounting Standards

Income Taxes

In July 2013, the Financial Accounting Standards Board (“FASB”) updated the accounting standard for income taxes. The update provides guidance on the financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. The standard is effective for interim and annual periods beginning after December 15, 2013 and should be applied prospectively to all unrecognized tax benefits that exist at the effective date. Retrospective application is permitted. The Company adopted the standard in the first quarter of 2014. The adoption of the standard did not have a material impact on the Company’s consolidated results of operations and financial condition.

AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

Investment Companies

In June 2013, the FASB updated the accounting standard related to investment companies. The standard provides a new two-tiered approach for determining whether a company is an investment company and requires new disclosures for investment companies. The guidance does not directly apply to the Company and did not impact investment entities that the Company consolidates. The standard is effective for interim and annual periods beginning after December 15, 2013 and is required to be applied prospectively. The adoption of the standard did not have a material impact on the Company's consolidated results of operations and financial condition.

Future Adoption of New Accounting Standards

Presentation of Financial Statements - Going Concern

In August 2014, the FASB updated the accounting standard related to an entity's assessment of its ability to continue as a going concern. The standard requires that management evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued. In situations where there is substantial doubt about an entity's ability to continue as a going concern, disclosure should be made so that a reader can understand the conditions that raise substantial doubt, management's assessment of those conditions and any plan management has to mitigate those conditions. The standard is effective for the annual period ending after December 15, 2016, and for annual periods and interim periods thereafter. Early adoption is permitted. The adoption of the standard is not expected to have a material impact on the Company's consolidated results of operations and financial condition.

Consolidation

In August 2014, the FASB updated the accounting standard related to consolidation of collateralized financing entities. The update applies to reporting entities that consolidate a collateralized financing entity and measures all financial assets and liabilities of the collateralized financing entity at fair value. The update provides a measurement alternative which would allow an entity to measure both the financial assets and financial liabilities at the fair value of the more observable of the fair value of the financial assets or financial liabilities. When the measurement alternative is elected, the reporting entity's net income should reflect its own economic interests in the collateralized financing entity, including changes in the fair value of the beneficial interests retained by the reporting entity and beneficial interests that represent compensation for services. If the measurement alternative is not elected, the financial assets and financial liabilities should be measured separately in accordance with the requirements of the fair value topic. Any difference in the fair value of the assets and liabilities would be recorded to net income attributable to the reporting entity. The standard is effective for interim and annual periods beginning after December 15, 2015 and early adoption is permitted as of the beginning of an annual period. The Company is currently evaluating the impact of the standard on its consolidated results of operations and financial condition.

Compensation - Stock Compensation

In June 2014, the FASB updated the accounting standards related to stock compensation. The update clarifies the accounting for share-based payments with a performance target that could be achieved after the requisite service period. The update specifies the performance target should not be reflected in estimating the grant-date fair value of the award. Instead, the probability of achieving the performance target should impact vesting of the award. The standard is effective for interim and annual periods beginning after December 15, 2015 and early adoption is permitted. The adoption of the standard is not expected to have a material impact on the Company's consolidated results of operations and financial condition.

Transfers and Servicing

In June 2014, the FASB updated the accounting standards related to transfers and servicing. The update requires repurchase-to-maturity transactions and linked repurchase financings to be accounted for as secured borrowings consistent with the accounting for other repurchase agreements. The standard requires disclosures related to transfers of financial assets accounted for as sales in transactions that are similar to repurchase agreements. The standard also requires disclosures on the remaining contractual maturity of the agreements, disaggregation of the gross obligation by

class of collateral pledged and potential risks associated with the agreements and the related collateral pledged in repurchase agreements, securities lending transactions, and repurchase-to-maturity transactions accounted for as secured borrowings. The standard is effective for interim and annual periods beginning after December 15, 2014, except for the disclosure requirements for repurchase-to-maturity transactions accounted for as secured borrowings which are effective for interim periods beginning after March 15, 2015. Early adoption of the standard is prohibited. The standard requires entities to present changes in accounting for transactions outstanding at the effective date as a cumulative-effect adjustment to retained earnings as of the beginning of the period of adoption. As the Company does not have repurchase-to-maturity transactions, the adoption of the standard is not expected to have a material impact on the Company's consolidated results of operations and financial condition.

AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

Revenue from Contracts with Customers

In May 2014, the FASB updated the accounting standards for revenue from contracts with customers. The update provides a five step revenue recognition model for all revenue arising from contracts with customers and affects all entities that enter into contracts to provide goods or services to their customers (unless the contracts are in the scope of other standards). The standard also updates the accounting for certain costs associated with obtaining and fulfilling a customer contract. In addition, the standard requires disclosure of quantitative and qualitative information that enables users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The standard is effective for interim and annual periods beginning after December 15, 2016 and early adoption is prohibited. The standard may be applied retrospectively for all periods presented or retrospectively with a cumulative-effect adjustment at the date of adoption. The Company is currently evaluating the impact of the standard on its consolidated results of operations and financial condition.

Receivables - Troubled Debt Restructuring by Creditors

In January 2014, the FASB updated the accounting standard related to recognizing residential real estate obtained through a repossession or foreclosure from a troubled debtor. The update clarifies the criteria for derecognition of the loan receivable and recognition of the real estate property. The standard is effective for interim and annual periods beginning after December 15, 2014 and can be applied under a modified retrospective transition method or a prospective transition method. Early adoption is permitted. The adoption of the standard is not expected to have a material impact on the Company's consolidated results of operations and financial condition.

Investments - Equity Method and Joint Ventures

In January 2014, the FASB updated the accounting standard related to investments in qualified affordable housing projects. The update allows for an accounting policy election to account for investments in qualified affordable housing projects using the proportional amortization method if certain conditions are met. Under the proportional amortization method, the investment in a qualified affordable housing project is amortized in proportion to the tax credits and other tax benefits received. The net investment performance is recognized as a component of income tax expense (benefit). The standard is effective for interim and annual periods beginning after December 15, 2014 and should be applied retrospectively to all periods presented. Early adoption is permitted. The Company is currently evaluating the impact of the standard on its consolidated results of operations and financial condition.

3. Consolidated Investment Entities

The Company provides asset management services to various collateralized debt obligations ("CDOs") and other investment products (collectively, "investment entities"), which are sponsored by the Company. Certain of these investment entities are considered to be VIEs while others are considered to be voting rights entities ("VREs"). The Company consolidates certain of these investment entities.

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

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

does hold a variable interest but does not have the potential to receive benefits or the potential obligation to absorb losses that are significant to the CDO.

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

AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

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

During the nine months ended September 30, 2014, the Company consolidated three new investment entities with assets of approximately \$1.3 billion and liquidated one investment entity resulting in the sale of approximately \$300 million in assets.

Fair Value of Assets and Liabilities

The Company categorizes its fair value measurements according to a three-level hierarchy. See Note 10 for the definition of the three levels of the fair value hierarchy.

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

	September 30, 2014			Total
	Level 1 (in millions)	Level 2	Level 3	
Assets				
Investments:				
Corporate debt securities	\$—	\$183	\$—	\$183
Common stocks	152	44	7	203
Other investments	4	25	—	29
Syndicated loans	—	4,932	314	5,246
Total investments	156	5,184	321	5,661
Receivables	—	28	—	28
Other assets	—	1	2,017	2,018
Total assets at fair value	\$156	\$5,213	\$2,338	\$7,707
Liabilities				
Debt	\$—	\$—	\$5,466	\$5,466
Other liabilities	—	81	—	81
Total liabilities at fair value	\$—	\$81	\$5,466	\$5,547

AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

	December 31, 2013			Total
	Level 1	Level 2	Level 3	
(in millions)				
Assets				
Investments:				
Corporate debt securities	\$—	\$200	\$2	\$202
Common stocks	147	31	14	192
Other investments	3	33	—	36
Syndicated loans	—	4,204	368	4,572
Total investments	150	4,468	384	5,002
Receivables	—	32	—	32
Other assets	—	13	1,936	1,949
Total assets at fair value	\$150	\$4,513	\$2,320	\$6,983
Liabilities				
Debt	\$—	\$—	\$4,804	\$4,804
Other liabilities	—	193	—	193
Total liabilities at fair value	\$—	\$193	\$4,804	\$4,997

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

	Corporate Debt Securities (in millions)	Common Stocks	Syndicated Loans	Other Assets	Debt
Balance, July 1, 2014	\$—	\$7	\$427	\$2,389	\$(5,511)
Total gains (losses) included in:					
Net income	—	—	(1) ⁽¹⁾	144	(7) ⁽²⁾
Other comprehensive income	—	—	—	(151)	—
Purchases	—	—	41	23	—
Sales	—	—	(14)	(388)	—
Settlements	—	—	(38)	—	52
Transfers into Level 3	—	1	84	—	—
Transfers out of Level 3	—	(1)	(185)	—	—
Balance, September 30, 2014	\$—	\$7	\$314	\$2,017	\$(5,466)
Changes in unrealized gains (losses) included in					
income relating to assets and liabilities held at	\$—	\$—	\$(1) ⁽¹⁾	\$95	\$(7) ⁽²⁾
September 30, 2014					

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

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

AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

	Corporate Debt Securities (in millions)	Common Stocks	Syndicated Loans	Other Assets	Debt
Balance, July 1, 2013	\$3	\$16	\$292	\$1,322	\$(4,677)
Total gains (losses) included in:					
Net income	—	(1) ⁽¹⁾	(1) ⁽¹⁾	20	⁽²⁾ 50 ⁽¹⁾
Other comprehensive loss	—	—	—	73	—
Purchases	—	—	72	239	—
Sales	—	—	(8)	(54)	—
Settlements	(1)	—	(13)	—	168
Transfers into Level 3	—	—	105	—	—
Transfers out of Level 3	—	(8)	(145)	(9)	—
Balance, September 30, 2013	\$2	\$7	\$302	\$1,591	\$(4,459)
Changes in unrealized gains (losses) included in income relating to assets and liabilities held at September 30, 2013	\$—	\$(1) ⁽¹⁾	\$(2) ⁽¹⁾	\$(1) ⁽²⁾	\$50 ⁽¹⁾

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

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

	Corporate Debt Securities (in millions)	Common Stocks	Syndicated Loans	Other Assets	Debt
Balance, January 1, 2014	\$2	\$14	\$368	\$1,936	\$(4,804)
Total gains (losses) included in:					
Net income	1	⁽¹⁾ 2	⁽¹⁾ 5	⁽¹⁾ 330	⁽²⁾ (32) ⁽¹⁾
Other comprehensive income	—	—	—	(84)	—
Purchases	2	—	280	282	—
Sales	(9)	(2)	(42)	(458)	—
Issues	—	—	—	—	(1,064)
Settlements	—	—	(76)	—	434
Transfers into Level 3	10	12	328	11	—
Transfers out of Level 3	(6)	(19)	(549)	—	—
Balance, September 30, 2014	\$—	\$7	\$314	\$2,017	\$(5,466)
Changes in unrealized gains included in income relating to assets and liabilities held at September 30, 2014	\$—	\$1	⁽¹⁾ \$1	⁽¹⁾ \$280	⁽²⁾ \$3 ⁽¹⁾

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

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

AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

	Corporate Debt Securities (in millions)	Common Stocks	Syndicated Loans	Other Assets	Debt
Balance, January 1, 2013	\$3	\$14	\$202	\$1,214	\$(4,450)
Total gains (losses) included in:					
Net income	—	—	—	22	(2) (38) ⁽¹⁾
Other comprehensive loss	—	—	—	(1)	—
Purchases	1	—	265	434	—
Sales	(1)	(3)	(52)	(77)	—
Issues	—	—	—	—	(926)
Settlements	(1)	—	(46)	—	955
Transfers into Level 3	—	15	232	8	—
Transfers out of Level 3	—	(19)	(299)	(9)	—
Balance, September 30, 2013	\$2	\$7	\$302	\$1,591	\$(4,459)
Changes in unrealized gains (losses) included in income relating to assets and liabilities held at September 30, 2013	\$—	\$(2) ⁽¹⁾	\$(1) ⁽¹⁾	\$5	(2) \$(10) ⁽¹⁾

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

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

Securities and loans transferred from Level 2 to Level 3 represent assets with fair values that are now based on a single non-binding broker quote. Securities and loans transferred from Level 3 to Level 2 represent assets with fair values that are now obtained from a third party pricing service with observable inputs or priced in active markets. During the reporting periods, there were no transfers between Level 1 and Level 2.

The following tables provide a summary of the significant unobservable inputs used in the fair value measurements developed by the Company or reasonably available to the Company of Level 3 assets and liabilities held by consolidated investment entities:

		September 30, 2014				Weighted Average	
	Fair Value (in millions)	Valuation Technique	Unobservable Input	Range			
Other assets	\$2,017	Discounted cash flow/ market comparables	Equivalent yield	4.1 %– 12.0%	6.7	%	
			Expected rental value (per square foot)	\$3 – \$103	\$35		
Debt	\$5,466	Discounted cash flow	Annual default rate	2.5%			
			Discount rate	1.3 %– 7.3%	2.5	%	
			Constant prepayment rate	5.0 %– 10.0%	9.8	%	
			Loss recovery	36.4 %– 63.6%	62.6	%	
		December 31, 2013				Weighted Average	
	Fair Value (in millions)	Valuation Technique	Unobservable Input	Range			
Other assets	\$1,936		Equivalent yield	4.4 %– 12.4%	7.4	%	

Discounted cash flow/
market comparables

			Expected rental value (per square foot) ⁽¹⁾	\$3	–	\$165	\$27	
Debt	\$4,804	Discounted cash flow	Annual default rate	2.5%				
			Discount rate	1.5	%–	8.3%	2.7	%
			Constant prepayment rate	5.0	%–	10.0%	9.8	%
			Loss recovery	36.4	%–	63.6%	62.3	%

The previously reported range and weighted average for the expected rental value was \$5-\$373 per square foot and ⁽¹⁾ \$33 per square foot, respectively. These inputs have been revised in this disclosure only and the change does not impact the fair value of other assets.

AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

Level 3 measurements not included in the tables above are obtained from non-binding broker quotes where unobservable inputs are not reasonably available to the Company.

Sensitivity of Fair Value Measurements to Changes in Unobservable Inputs

Generally, a significant increase (decrease) in the expected rental value used in the fair value measurement of properties held by consolidated investment entities in isolation would result in a significantly higher (lower) fair value measurement and a significant increase (decrease) in the equivalent yield in isolation would result in a significantly lower (higher) fair value measurement.

Generally, a significant increase (decrease) in the annual default rate and discount rate used in the fair value measurement of the CDO's debt in isolation would result in a significantly lower (higher) fair value measurement and a significant increase (decrease) in loss recovery in isolation would result in a significantly higher (lower) fair value measurement. A significant increase (decrease) in the constant prepayment rate in isolation would result in a significantly higher (lower) fair value measurement.

Determination of Fair Value

Assets

Investments

The fair value of syndicated loans obtained from third party pricing services using a market approach with observable inputs is classified as Level 2. The fair value of syndicated loans obtained from third party pricing services with a single non-binding broker quote as the underlying valuation source is classified as Level 3. The underlying inputs used in non-binding broker quotes are not readily available to the Company.

In consideration of the above, management is responsible for the fair values recorded on the financial statements.

Prices received from third party pricing services are subjected to exception reporting that identifies loans with significant daily price movements as well as no movements. The Company reviews the exception reporting and resolves the exceptions through reaffirmation of the price or recording an appropriate fair value estimate. The Company also performs subsequent transaction testing. The Company performs annual due diligence of the third party pricing services. The Company's due diligence procedures include assessing the vendor's valuation qualifications, control environment, analysis of asset-class specific valuation methodologies and understanding of sources of market observable assumptions and unobservable assumptions, if any, employed in the valuation methodology. The Company also considers the results of its exception reporting controls and any resulting price challenges that arise.

See Note 10 for a description of the Company's determination of the fair value of corporate debt securities, U.S. government and agencies obligations, common stocks and other investments.

Receivables

For receivables of the consolidated CDOs, the carrying value approximates fair value as the nature of these assets has historically been short term and the receivables have been collectible. The fair value of these receivables is classified as Level 2.

Other Assets

Other assets consist primarily of properties held in consolidated pooled investment vehicles managed by Threadneedle. The fair value of these properties is calculated by a third party appraisal service by discounting future cash flows generated by the expected market rental value for the property using the equivalent yield of a similar investment property. Inputs used in determining the equivalent yield and expected rental value of the property may include: rental cash flows, current occupancy, historical vacancy rates, tenant history and assumptions regarding how quickly the property can be occupied and at what rental rates. Management reviews the valuation report and assumptions used to ensure that the valuation was performed in accordance with applicable independence, appraisal and valuation standards. Given the significance of the unobservable inputs to these measurements, these assets are classified as Level 3.

Other assets of the consolidated CDOs consist primarily of warrants. Warrants are classified as Level 2 when the price is derived from observable market data. Warrants from an issuer whose securities are not priced in active markets are

classified as Level 3.

Liabilities

Debt

The fair value of the CDOs' debt is determined using a discounted cash flow model. Inputs used to determine the expected cash flows include assumptions about default, discount, prepayment and recovery rates of the CDOs' underlying assets. Given the significance of the unobservable inputs to this fair value measurement, the fair value of the CDOs' debt is classified as Level 3.

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AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

Other Liabilities

Other liabilities consist primarily of securities purchased but not yet settled held by consolidated CDOs. The carrying value approximates fair value as the nature of these liabilities has historically been short term. The fair value of these liabilities is classified as Level 2.

Fair Value Option

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

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

	September 30, 2014	December 31, 2013
	(in millions)	
Syndicated loans		
Unpaid principal balance	\$5,301	\$4,628
Excess unpaid principal over fair value	(55	) (56
Fair value	\$5,246	\$4,572
Fair value of loans more than 90 days past due	\$34	\$23
Fair value of loans in nonaccrual status	34	23
Difference between fair value and unpaid principal of loans more than 90 days past due, loans in nonaccrual status or both	23	33
Debt		
Unpaid principal balance	\$5,680	\$5,032
Excess unpaid principal over fair value	(214	) (228
Fair value	\$5,466	\$4,804

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

Total net gains (losses) recognized in net investment income related to changes in the fair value of financial assets and liabilities for which the fair value option was elected were \$(16) million and \$32 million for the three months ended September 30, 2014 and 2013, respectively. Total net gains recognized in net investment income related to changes in the fair value of financial assets and liabilities for which the fair value option was elected were \$4 million and \$23 million for the nine months ended September 30, 2014 and 2013, respectively. The majority of the syndicated loans and debt have floating rates; as such, changes in their fair values are primarily attributable to changes in credit spreads.

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

	Carrying Value		Weighted Average Interest Rate	
	September 30, 2014	December 31, 2013	September 30, 2014	December 31, 2013
	(in millions)			
Debt of consolidated CDOs due 2016-2026	\$5,466	\$4,804	1.2	% 1.0
Floating rate revolving credit borrowings due 2014	181	305	2.3	2.6
Floating rate revolving credit borrowings due 2015	63	97	2.4	2.4
Floating rate revolving credit borrowings due 2017	118	120	2.6	4.5

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Floating rate revolving credit borrowings due 2018	416	377	2.6	3.5
Floating rate revolving credit borrowings due 2019	150	33	3.3	3.0
Total	\$6,394	\$5,736		

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AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

The debt of the consolidated CDOs has both fixed and floating interest rates, which range from 0% to 9.23%. The interest rates on the debt of CDOs are weighted average rates based on the outstanding principal and current interest rates. The carrying value of the debt of the consolidated CDOs represents the fair value of the aggregate debt. The carrying value of the floating rate revolving credit borrowings represents the outstanding principal amount of debt of certain consolidated pooled investment vehicles managed by Threadneedle. The fair value of this debt was \$928 million and \$932 million as of September 30, 2014 and December 31, 2013, respectively. The consolidated pooled investment vehicles have entered into interest rate swaps and collars to manage the interest rate exposure on the floating rate revolving credit borrowings. The fair value of these derivative instruments is recorded gross and was a liability of \$5 million at both September 30, 2014 and December 31, 2013. The overall effective interest rate reflecting the impact of the derivative contracts was 3.2% and 4.2% as of September 30, 2014 and December 31, 2013, respectively.

4. Investments

The following is a summary of Ameriprise Financial investments:

	September 30, 2014	December 31, 2013
	(in millions)	
Available-for-Sale securities, at fair value	\$30,256	\$30,310
Mortgage loans, net	3,457	3,510
Policy and certificate loans	805	774
Other investments	1,381	1,141
Total	\$35,899	\$35,735

The following is a summary of net investment income:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
	(in millions)			
Investment income on fixed maturities	\$365	\$390	\$1,114	\$1,194
Net realized gains	4	6	10	7
Affordable housing partnerships	(8	) (3	) (20	) (11
Other	26	17	70	76
Consolidated investment entities	41	81	158	165
Total net investment income	\$428	\$491	\$1,332	\$1,431

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

Description of Securities	September 30, 2014				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Noncredit OTTI ⁽¹⁾
	(in millions)				
Corporate debt securities	\$15,804	\$1,551	\$(33	) \$17,322	\$3
Residential mortgage backed securities	6,152	153	(73	) 6,232	(16
Commercial mortgage backed securities	2,522	120	(5	) 2,637	—
Asset backed securities	1,440	52	(4	) 1,488	—
State and municipal obligations	2,066	220	(29) 2,257	—
U.S. government and agencies obligations	42	5	—	47	—

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Foreign government bonds and obligations	237	21	(5) 253	—	
Common stocks	8	12	—	20	5	
Total	\$28,271	\$2,134	\$(149) \$30,256	\$(8)

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AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

Description of Securities	December 31, 2013				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Noncredit OTTI ⁽¹⁾
	(in millions)				
Corporate debt securities	\$16,233	\$1,330	\$(97)	\$17,466	\$3
Residential mortgage backed securities	6,114	147	(137)	6,124	(33)
Commercial mortgage backed securities	2,612	141	(12)	2,741	—
Asset backed securities	1,459	53	(8)	1,504	—
State and municipal obligations	2,132	106	(78)	2,160	—
U.S. government and agencies obligations	47	5	—	52	—
Foreign government bonds and obligations	235	18	(8)	245	—
Common stocks	7	11	—	18	4
Total	\$28,839	\$1,811	\$(340)	\$30,310	\$(26)

Represents the amount of other-than-temporary impairment (“OTTI”) losses in accumulated other comprehensive ⁽¹⁾ income. Amount includes unrealized gains and losses on impaired securities subsequent to the initial impairment measurement date. These amounts are included in gross unrealized gains and losses as of the end of the period. As of September 30, 2014 and December 31, 2013, investment securities with a fair value of \$1.7 billion and \$2.3 billion, respectively, were pledged to meet contractual obligations under derivative contracts and short-term borrowings.

At September 30, 2014 and December 31, 2013, fixed maturity securities comprised approximately 84% and 85%, respectively, of Ameriprise Financial investments. Rating agency designations are based on the availability of ratings from Nationally Recognized Statistical Rating Organizations (“NRSROs”), including Moody’s Investors Service (“Moody’s”), Standard & Poor’s Ratings Services (“S&P”) and Fitch Ratings Ltd. (“Fitch”). The Company uses the median of available ratings from Moody’s, S&P and Fitch, or, if fewer than three ratings are available, the lower rating is used. When ratings from Moody’s, S&P and Fitch are unavailable, the Company may utilize ratings from other NRSROs or rate the securities internally. At September 30, 2014 and December 31, 2013, the Company’s internal analysts rated \$1.3 billion and \$1.4 billion, respectively, of securities using criteria similar to those used by NRSROs.

A summary of fixed maturity securities by rating was as follows:

Ratings	September 30, 2014			December 31, 2013		
	Amortized Cost	Fair Value	Percent of Total Fair Value	Amortized Cost	Fair Value	Percent of Total Fair Value
	(in millions, except percentages)					
AAA	\$7,545	\$7,785	26 %	\$7,562	\$7,746	25 %
AA	1,657	1,851	6	1,587	1,707	6
A	5,977	6,572	22	6,381	6,738	22
BBB	11,236	12,190	40	11,427	12,272	41
Below investment grade	1,848	1,838	6	1,875	1,829	6
Total fixed maturities	\$28,263	\$30,236	100 %	\$28,832	\$30,292	100 %

At September 30, 2014 and December 31, 2013, approximately 51% and 45%, respectively, of the securities rated AAA were GNMA, FNMA and FHLMC mortgage backed securities. No holdings of any other issuer were greater than 10% of total equity.

AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

The following tables provide information about Available-for-Sale securities with gross unrealized losses and the length of time that individual securities have been in a continuous unrealized loss position:

Description of Securities	September 30, 2014								
	Less than 12 months			12 months or more			Total		
	Number of Securities	Fair Value	Unrealized Losses	Number of Securities	Fair Value	Unrealized Losses	Number of Securities	Fair Value	Unrealized Losses
	(in millions, except number of securities)								
Corporate debt securities	132	\$1,464	\$ (12)	43	\$748	\$ (21)	175	\$2,212	\$ (33)
Residential mortgage backed securities	66	847	(9)	140	1,454	(64)	206	2,301	(73)
Commercial mortgage backed securities	13	134	(1)	11	125	(4)	24	259	(5)
Asset backed securities	17	173	—	14	227	(4)	31	400	(4)
State and municipal obligations	10	26	—	28	151	(29)	38	177	(29)
Foreign government bonds and obligations	4	18	—	14	27	(5)	18	45	(5)
Total	242	\$2,662	\$ (22)	250	\$2,732	\$ (127)	492	\$5,394	\$ (149)
Description of Securities	December 31, 2013								
	Less than 12 months			12 months or more			Total		
	Number of Securities	Fair Value	Unrealized Losses	Number of Securities	Fair Value	Unrealized Losses	Number of Securities	Fair Value	Unrealized Losses

As part of Ameriprise Financial's ongoing monitoring process, management determined that a majority of the change in gross unrealized losses on its Available-for-Sale securities is attributable to movement in interest rates.

AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
	(in millions)			
Beginning balance	\$ 148	\$ 157	\$ 147	\$ 176
Credit losses for which an other-than-temporary impairment was not previously recognized	—	2	—	2
Credit losses for which an other-than-temporary impairment was previously recognized	—	—	1	4
Reductions for securities sold during the period (realized)	(50)	—	(50)	(23)
Ending balance	\$ 98	\$ 159	\$ 98	\$ 159

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

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

	Net Unrealized Securities Gains	Deferred Income Tax	AOCI Related to Net Unrealized Securities Gains
	(in millions)		
Balance at January 1, 2013	\$2,017	\$(705)	\$ 1,312
Net unrealized securities losses arising during the period ⁽¹⁾	(1,326)	457	(869)
Reclassification of net securities gains included in net income	(7)	2	(5)
Impact of DAC, DSIC, benefit reserves and reinsurance recoverables	436	(153)	283
Balance at September 30, 2013	\$ 1,120	\$(399)	\$ 721 ⁽²⁾
Balance at January 1, 2014	\$ 1,016	\$(361)	\$ 655
Net unrealized securities gains arising during the period ⁽¹⁾	526	(185)	341
Reclassification of net securities gains included in net income	(12)	4	(8)
Impact of DAC, DSIC, benefit reserves and reinsurance recoverables	(258)	90	(168)
Balance at September 30, 2014	\$ 1,272	\$(452)	\$ 820 ⁽²⁾

⁽¹⁾ Includes other-than-temporary impairment losses on Available-for-Sale securities related to factors other than credit that were recognized in other comprehensive income (loss) during the period.

⁽²⁾ Includes \$5 million and \$(11) million of noncredit related impairments on securities and net unrealized securities gains (losses) on previously impaired securities at September 30, 2014 and 2013, respectively.

AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2014	2013	2014	2013
	(in millions)			
Gross realized gains	\$12	\$8	\$23	\$15
Gross realized losses	(1	) —	(5	) (2
Other-than-temporary impairments	(5	) (1	) (6	) (6
Total	\$6	\$7	\$12	\$7

Other-than-temporary impairments for the three months and nine months ended September 30, 2014 primarily related to credit losses on corporate debt securities and non-agency residential mortgage backed securities.

Other-than-temporary impairments for the three months and nine months ended September 30, 2013 primarily related to credit losses on non-agency residential mortgage backed securities.

Available-for-Sale securities by contractual maturity at September 30, 2014 were as follows:

	Amortized Cost	Fair Value
	(in millions)	
Due within one year	\$1,556	\$1,578
Due after one year through five years	7,171	7,761
Due after five years through 10 years	4,781	5,022
Due after 10 years	4,641	5,518
	18,149	19,879
Residential mortgage backed securities	6,152	6,232
Commercial mortgage backed securities	2,522	2,637
Asset backed securities	1,440	1,488
Common stocks	8	20
Total	\$28,271	\$30,256

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

5. Financing Receivables

The Company's financing receivables include commercial mortgage loans, syndicated loans, consumer loans, policy loans, certificate loans and margin loans. Commercial mortgage loans, syndicated loans, consumer loans, policy loans and certificate loans are reflected in investments. Margin loans are recorded in receivables.

Allowance for Loan Losses

Policy and certificate loans do not exceed the cash surrender value at origination. As there is minimal risk of loss related to policy and certificate loans, the Company does not record an allowance for loan losses. The Company monitors collateral supporting margin loans and requests additional collateral when necessary in order to mitigate the risk of loss. As there is minimal risk of loss related to margin loans, the allowance for loan losses is immaterial.

AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

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

	September 30, 2014			
	Commercial Mortgage Loans	Syndicated Loans	Consumer Loans	Total
	(in millions)			
Beginning balance	\$26	\$6	\$5	\$37
Charge-offs	(1	) (2	) (1	) (4
Provisions	—	2	—	2
Ending balance	\$25	\$6	\$4	\$35

Individually evaluated for impairment	\$8	\$—	\$1	\$9
Collectively evaluated for impairment	17	6	3	26

	September 30, 2013			
	Commercial Mortgage Loans	Syndicated Loans	Consumer Loans	Total
	(in millions)			
Beginning balance	\$29	\$7	\$8	\$44
Charge-offs	(3	) (1	) (2	) (6
Recoveries	—	—	1	1
Ending balance	\$26	\$6	\$7	\$39

Individually evaluated for impairment	\$6	\$—	\$1	\$7
Collectively evaluated for impairment	20	6	6	32

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

	September 30, 2014			
	Commercial Mortgage Loans	Syndicated Loans	Consumer Loans	Total
	(in millions)			
Individually evaluated for impairment	\$36	\$5	\$7	\$48
Collectively evaluated for impairment	2,678	489	780	3,947
Total	\$2,714	\$494	\$787	\$3,995

	December 31, 2013			
	Commercial Mortgage Loans	Syndicated Loans	Consumer Loans	Total
	(in millions)			
Individually evaluated for impairment	\$42	\$9	\$7	\$58
Collectively evaluated for impairment	2,640	370	873	3,883
Total	\$2,682	\$379	\$880	\$3,941

As of September 30, 2014 and December 31, 2013, the Company's recorded investment in financing receivables individually evaluated for impairment for which there was no related allowance for loan losses was \$17 million and \$21 million, respectively. Unearned income, unamortized premiums and discounts, and net unamortized deferred fees

and costs are not material to the Company's total loan balance. During the three months and nine months ended September 30, 2014, the Company purchased \$96 million and \$186 million, respectively, and sold \$1 million and \$11 million, respectively, of syndicated loans. During the three months and nine months ended September 30, 2013, the Company purchased \$8 million and \$67 million, respectively, and sold nil and \$2 million, respectively, of syndicated loans.

AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

The Company has not acquired any loans with deteriorated credit quality as of the acquisition date.

Credit Quality Information

Nonperforming loans, which are generally loans 90 days or more past due, were \$12 million and \$22 million as of September 30, 2014 and December 31, 2013, respectively. All other loans were considered to be performing.

Commercial Mortgage Loans

The Company reviews the credit worthiness of the borrower and the performance of the underlying properties in order to determine the risk of loss on commercial mortgage loans. Based on this review, the commercial mortgage loans are assigned an internal risk rating, which management updates as necessary. Commercial mortgage loans which management has assigned its highest risk rating were 1% and 2% of total commercial mortgage loans at September 30, 2014 and December 31, 2013, respectively. Loans with the highest risk rating represent distressed loans which the Company has identified as impaired or expects to become delinquent or enter into foreclosure within the next six months. In addition, the Company reviews the concentrations of credit risk by region and property type.

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

	Loans		Percentage			
	September 30, 2014	December 31, 2013	September 30, 2014	December 31, 2013		
	(in millions)					
East North Central	\$235	\$ 251	9	% 9		%
East South Central	65	71	2	3		
Middle Atlantic	220	211	8	8		
Mountain	261	257	10	10		
New England	141	149	5	5		
Pacific	680	661	25	25		
South Atlantic	733	713	27	26		
West North Central	217	207	8	8		
West South Central	162	162	6	6		
	2,714	2,682	100	% 100		%
Less: allowance for loan losses	25	26				
Total	\$2,689	\$ 2,656				

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

	Loans		Percentage			
	September 30, 2014	December 31, 2013	September 30, 2014	December 31, 2013		
	(in millions)					
Apartments	\$478	\$ 488	18	% 18		%
Hotel	34	33	1	1		
Industrial	476	454	18	17		
Mixed use	45	36	2	1		
Office	556	559	20	21		
Retail	977	951	36	36		
Other	148	161	5	6		
	2,714	2,682	100	% 100		%
Less: allowance for loan losses	25	26				
Total	\$2,689	\$ 2,656				

AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

Syndicated Loans

The Company's syndicated loan portfolio is diversified across industries and issuers. The primary credit indicator for syndicated loans is whether the loans are performing in accordance with the contractual terms of the syndication.

Total nonperforming syndicated loans at September 30, 2014 and December 31, 2013 were \$5 million and \$4 million, respectively.

Consumer Loans

The Company considers the credit worthiness of borrowers (FICO score), collateral characteristics such as loan-to-value ("LTV") and geographic concentration in determining the allowance for loan losses for consumer loans.

At a minimum, management updates FICO scores and LTV ratios semiannually.

As of September 30, 2014 and December 31, 2013, approximately 6% and 5%, respectively, of consumer loans had FICO scores below 640. As of both September 30, 2014 and December 31, 2013, approximately 2% of the Company's residential mortgage loans had LTV ratios greater than 90%. The Company's most significant geographic concentration for consumer loans is in California representing 37% and 38% of the portfolio as of September 30, 2014 and December 31, 2013, respectively. No other state represents more than 10% of the total consumer loan portfolio.

Troubled Debt Restructurings

The following table presents the number of loans restructured by the Company during the period and their recorded investment at the end of the period:

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2014		2013		2014		2013	
	Number of Loans	Recorded Investment	Number of Loans	Recorded Investment	Number of Loans	Recorded Investment	Number of Loans	Recorded Investment
	(in millions, except number of loans)							
Commercial mortgage loans	1	\$ 6	3	\$ 12	3	\$ 14	7	\$ 22
Syndicated loans	—	—	—	—	1	1	1	—
Consumer loans	—	—	4	—	4	—	13	—
Total	1	\$ 6	7	\$ 12	8	\$ 15	21	\$ 22

The troubled debt restructurings did not have a material impact to the Company's allowance for loan losses or income recognized for the three months and nine months ended September 30, 2014 and 2013. There are no material commitments to lend additional funds to borrowers whose loans have been restructured.

6. Deferred Acquisition Costs and Deferred Sales Inducement Costs

In the third quarter of the year, management conducts its annual review of insurance and annuity valuation assumptions relative to current experience and management expectations. To the extent that expectations change as a result of this review, management updates valuation assumptions. The impact in the third quarter of 2014 primarily reflected the difference between the Company's previously assumed interest rates versus the continued low interest rate environment, partially offset by favorable persistency and mortality experience and a benefit from updating the Company's variable annuity living benefit withdrawal utilization assumption. The impact in the third quarter of 2013 primarily reflected the impact of assumed interest rates and changes in assumed policyholder behavior.

The balances of and changes in DAC were as follows:

	2014	2013
	(in millions)	
Balance at January 1	\$2,663	\$2,399
Capitalization of acquisition costs	253	252
Amortization, excluding the impact of valuation assumptions review	(274)	(231)
Amortization impact of valuation assumptions review	(7)	78

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Impact of change in net unrealized securities losses (gains)	(30) 112
Balance at September 30	\$2,605	\$2,610

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AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

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

	2014	2013
	(in millions)	
Balance at January 1	\$409	\$404
Capitalization of sales inducement costs	4	4
Amortization, excluding the impact of valuation assumptions review	(39	) (39
Amortization impact of valuation assumptions review	(2	) 25
Impact of change in net unrealized securities losses (gains)	(3	) 18
Balance at September 30	\$369	\$412

7. Policyholder Account Balances, Future Policy Benefits and Claims and Separate Account Liabilities

Policyholder account balances, future policy benefits and claims consisted of the following:

	September 30, 2014	December 31, 2013
	(in millions)	
Policyholder account balances		
Fixed annuities	\$12,922	\$13,826
Variable annuity fixed sub-accounts	4,869	4,926
Variable universal life (“VUL”)/universal life (“UL”) insurance	2,841	2,790
Indexed universal life (“IUL”) insurance	475	315
Other life insurance	846	878
Total policyholder account balances	21,953	22,735
Future policy benefits		
Variable annuity guaranteed minimum withdrawal benefits (“GMWB” ⁽¹⁾)	145	(383
Variable annuity guaranteed minimum accumulation benefits (“GMAB” ⁽¹⁾)	(55	) (62
Other annuity liabilities	118	76
Fixed annuities life contingent liabilities	1,518	1,523
Equity indexed annuities (“EIA”)	29	29
Life, disability income and long term care insurance	5,041	4,739
VUL/UL and other life insurance additional liabilities	403	336
Total future policy benefits	7,199	6,258
Policy claims and other policyholders’ funds	658	627
Total policyholder account balances, future policy benefits and claims	\$29,810	\$29,620

(1) Includes the value of GMWB and GMAB embedded derivatives that was a net asset at both September 30, 2014 and December 31, 2013 reported as a contra liability.

Separate account liabilities consisted of the following:

	September 30, 2014	December 31, 2013
	(in millions)	
Variable annuity	\$71,345	\$70,687
VUL insurance	6,925	6,885
Other insurance	43	44
Threadneedle investment liabilities	4,107	3,607
Total	\$82,420	\$81,223

AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

8. Variable Annuity and Insurance Guarantees

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

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

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

Variable Annuity Guarantees by Benefit Type ⁽¹⁾	September 30, 2014				December 31, 2013			
	Total Contract Value	Contract Value in Separate Accounts	Net Amount at Risk	Weighted Average Attained Age	Total Contract Value	Contract Value in Separate Accounts	Net Amount at Risk	Weighted Average Attained Age
(in millions, except age)								
GMDB:								
Return of premium	\$54,378	\$52,566	\$39	64	\$52,616	\$50,790	\$28	64
Five/six-year reset	10,465	7,925	36	64	11,220	8,663	42	64
One-year ratchet	7,424	7,030	64	66	7,676	7,261	38	65
Five-year ratchet	1,770	1,715	3	62	1,781	1,725	1	62
Other	965	947	40	70	1,015	996	36	69
Total — GMDB	\$75,002	\$70,183	\$182	64	\$74,308	\$69,435	\$145	64
GGU death benefit	\$1,058	\$1,006	\$121	67	\$1,052	\$998	\$121	64
GMIB	\$359	\$336	\$9	67	\$413	\$389	\$8	66
GMWB:								
GMWB	\$3,702	\$3,689	\$1	68	\$3,936	\$3,921	\$1	67
GMWB for life	35,967	35,853	92	65	34,069	33,930	77	64
Total — GMWB	\$39,669	\$39,542	\$93	65	\$38,005	\$37,851	\$78	64
GMAB	\$4,188	\$4,177	\$3	58	\$4,194	\$4,181	\$2	58

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

The net amount at risk for GMDB, GGU and GMAB guarantees is defined as the current guaranteed benefit amount in excess of the current contract value. The net amount at risk for GMIB and GMWB guarantees is defined as the greater of the present value of the minimum guaranteed withdrawal payments less the current contract value or zero. The present value is calculated using a discount rate that is consistent with assumptions embedded in the Company’s annuity pricing models.

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

September 30, 2014 December 31, 2013

	Net Amount at Risk	Weighted Average Attained Age	Net Amount at Risk	Weighted Average Attained Age
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(in millions, except age)

UL secondary guarantees	\$5,943	62	\$5,674	62
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The net amount at risk for UL secondary guarantees is defined as the current guaranteed death benefit amount in excess of the current policyholder value.

AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

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

	GMDB & GGU (in millions)	GMIB	GMWB ⁽¹⁾	GMAB ⁽¹⁾	UL
Balance at January 1, 2013	\$4	\$9	\$799	\$103	\$155
Incurring claims	2	(2)	(908)	(127)	45
Paid claims	(3)	—	—	—	(11)
Balance at September 30, 2013	\$3	\$7	\$(109)	\$(24)	\$189
Balance at January 1, 2014	\$4	\$6	\$(383)	\$(62)	\$206
Incurring claims	8	1	528	7	46
Paid claims	(3)	—	—	—	(5)
Balance at September 30, 2014	\$9	\$7	\$145	\$(55)	\$247

⁽¹⁾ The incurred claims for GMWB and GMAB represent the total change in the liabilities (contra liabilities).

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

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

	September 30, 2014	December 31, 2013
	(in millions)	
Mutual funds:		
Equity	\$40,751	\$39,195
Bond	25,218	26,519
Other	4,149	3,764
Total mutual funds	\$70,118	\$69,478

9. Debt

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

	Outstanding Balance		Stated Interest Rate	
	September 30, 2014	December 31, 2013	September 30, 2014	December 31, 2013
	(in millions)			
Long-term debt:				
Senior notes due 2015	\$360	⁽¹⁾ \$366	⁽¹⁾ 5.7	% 5.7
Senior notes due 2019	324	⁽¹⁾ 327	⁽¹⁾ 7.3	7.3
Senior notes due 2020	783	⁽¹⁾ 783	⁽¹⁾ 5.3	5.3
Senior notes due 2023	750	750	4.0	4.0
Senior notes due 2024	548	—	3.7	—
Senior notes due 2039	—	200	—	7.8
Junior subordinated notes due 2066	294	294	7.5	7.5
Total long-term debt	3,059	2,720		
Short-term borrowings:				
Federal Home Loan Bank (“FHLB”) advances	150	450	0.3	0.3
Repurchase agreements	50	50	0.3	0.3
Total short-term borrowings	200	500		

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Total	\$3,259	\$3,220
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(1) Amounts include adjustments for fair value hedges on the Company's long-term debt. See Note 12 for information on the Company's fair value hedges.

The amounts included in the table above are net of any unamortized discount and premium associated with issuing these notes.

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AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

On September 30, 2013, the Company entered into a restated credit agreement for \$500 million expiring on September 28, 2018. Under the terms of the agreement, the Company may increase the amount of this facility to \$750 million upon satisfaction of certain approval requirements. Available borrowings under the agreement are reduced by any outstanding letters of credit. The Company had no borrowings outstanding under this facility and outstanding letters of credit issued against this facility were \$2 million as of September 30, 2014.

The Company's junior subordinated notes due 2066 and credit facility contain various administrative, reporting, legal and financial covenants. The Company was in compliance with all such covenants at both September 30, 2014 and December 31, 2013.

Long-term Debt

On September 18, 2014, the Company issued \$550 million of unsecured senior notes due October 15, 2024, and incurred debt issuance costs of \$5 million. Interest payments are due semi-annually in arrears on April 15 and October 15, commencing on April 15, 2015.

In May 2014, the Company issued a notice of redemption for \$200 million of its senior notes due 2039. The notes were redeemed on June 16, 2014 pursuant to the terms of the indenture at the principal value plus accrued interest to the redemption date. The Company recognized an expense for the remaining unamortized debt issuance costs on the notes in the second quarter of 2014.

Short-term Borrowings

The Company enters into repurchase agreements in exchange for cash, which it accounts for as secured borrowings. The Company has pledged Available-for-Sale securities consisting of agency residential mortgage backed securities and commercial mortgage backed securities to collateralize its obligation under the repurchase agreements. The fair value of the securities pledged is recorded in investments and was \$52 million at both September 30, 2014 and December 31, 2013. The stated interest rate of the repurchase agreements is a weighted average annualized interest rate on repurchase agreements held as of the balance sheet date.

The Company's life insurance subsidiary is a member of the FHLB of Des Moines which provides access to collateralized borrowings. The Company has pledged Available-for-Sale securities consisting of commercial mortgage backed securities to collateralize its obligation under these borrowings. The fair value of the securities pledged is recorded in investments and was \$456 million and \$574 million at September 30, 2014 and December 31, 2013, respectively. The stated interest rate of the FHLB advances is a weighted average annualized interest rate on the outstanding borrowings as of the balance sheet date.

10. Fair Values of Assets and Liabilities

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

Valuation Hierarchy

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

Level 1 Unadjusted quoted prices for identical assets or liabilities in active markets that are accessible at the measurement date.

Level 2 Prices or valuations based on observable inputs other than quoted prices in active markets for identical assets and liabilities.

Level 3 Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

AMERIPRISE FINANCIAL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

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

	September 30, 2014			Total
	Level 1	Level 2	Level 3	
	(in millions)			
Assets				
Cash equivalents	\$29	\$2,404	\$—	\$2,433
Available-for-Sale securities:				
Corporate debt securities	—	15,756	1,566	17,322
Residential mortgage backed securities	—	5,959	273	6,232
Commercial mortgage backed securities	—	2,544	93	2,637
Asset backed securities	—	1,295	193	1,488
State and municipal obligations	—	2,257	—	2,257
U.S. government and agencies obligations	12	35	—	47
Foreign government bonds and obligations	—	253	—	253
Common stocks	6	9	5	20
Total Available-for-Sale securities	18	28,108	2,130	30,256
Trading securities	114	81	1	196
Separate account assets	—	82,420	—	82,420
Other assets:				
Interest rate derivative contracts	—	1,587	—	1,587
Equity derivative contracts	314	1,552	—	1,866
Credit derivative contracts	—	4	—	4
Foreign exchange derivative contracts	2	4	—	6
Other derivative contracts	—	—	1	1
Other	1	—	—	1
Total other assets	317	3,147	1	3,465
Total assets at fair value	\$478	\$116,160	\$2,132	\$118,770
Liabilities				
Policyholder account balances, future policy benefits and claims:				
EIA embedded derivatives	\$—	\$6	\$—	\$6
IUL embedded derivatives	—	—	202	202
GMWB and GMAB embedded derivatives	—	—	(77)	(77)
Total policyholder account balances, future policy benefits and claims	—	6	125	131
Customer deposits	—	6	—	6
Other liabilities:				
Interest rate derivative contracts	—	1,208	—	1,208
Equity derivative contracts	472	2,205	—	2,677
Other derivative contracts	—	117	—	117
Other	—	17	—	17
Total other liabilities	472	3,547	—	4,019
Total liabilities at fair value	\$472	\$3,559	\$125	\$4,156

(1) The Company's adjustment for nonperformance risk resulted in a \$238 million cumulative decrease to the embedded derivatives.

(2) The fair value of the GMWB and GMAB embedded derivatives was a net asset at September 30, 2014 and the amount is reported as a contra liability.

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AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

	December 31, 2013			Total
	Level 1	Level 2	Level 3	
	(in millions)			
Assets				
Cash equivalents	\$ 12	\$ 1,841	\$—	\$ 1,853
Available-for-Sale securities:				
Corporate debt securities	—	15,826	1,640	17,466
Residential mortgage backed securities	—	5,937	187	6,124
Commercial mortgage backed securities	—	2,711	30	2,741
Asset backed securities	—	1,244	260	1,504
State and municipal obligations	—	2,160	—	2,160
U.S. government and agencies obligations	17	35	—	52
Foreign government bonds and obligations	—	245	—	245
Common stocks	5	7	6	18
Total Available-for-Sale securities	22	28,165	2,123	30,310
Trading securities	3	32	2	37
Separate account assets	—	81,223	—	81,223
Other assets:				
Interest rate derivative contracts	—	1,566	—	1,566
Equity derivative contracts	265	1,576	—	1,841
Credit derivative contracts	—	3	—	3
Foreign exchange derivative contracts	2	2	—	4
Other derivative contracts	—	4	—	4
Total other assets	267	3,151	—	3,418
Total assets at fair value	\$ 304	\$ 114,412	\$ 2,125	\$ 116,841
Liabilities				
Policyholder account balances, future policy benefits and claims:				
EIA embedded derivatives	\$—	\$ 5	\$—	\$ 5
IUL embedded derivatives	—	—	125	125
GMWB and GMAB embedded derivatives	—	—	(575)	(575) ⁽²⁾
Total policyholder account balances, future policy benefits and claims	—	5	(450)	(445) ⁽¹⁾
Customer deposits	—	7	—	7
Other liabilities:				
Interest rate derivative contracts	—	1,672	—	1,672
Equity derivative contracts	550	2,447	—	2,997
Other derivative contracts	—	139	—	139
Other	—	12	—	12
Total other liabilities	550	4,270	—	4,820
Total liabilities at fair value	\$ 550	\$ 4,282	\$ (450)	\$ 4,382

(1) The Company's adjustment for nonperformance risk resulted in a \$150 million cumulative increase to the embedded derivatives.

(2) The fair value of the GMWB and GMAB embedded derivatives was a net asset at December 31, 2013 and the amount is reported as a contra liability.

AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

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

	Available-for-Sale Securities				Common Stocks	Total	Trading Securities	Other Derivative Contracts
	Corporate Debt Securities	Residential Mortgage Backed Securities	Commercial Mortgage Backed Securities	Asset Backed Securities				
	(in millions)							
Balance, July 1, 2014	\$1,565	\$ 214	\$ 15	\$ 185	\$ 6	\$1,985	\$ 1	\$ 1
Total losses included in:								
Net income	—	—	—	—	—	—	—	(1) ⁽¹⁾
Other comprehensive loss	(12)	—	—	(1)	—	(13)	—	—
Purchases	37	170	—	11	—	218	—	1
Settlements	(24)	(6)	—	(2)	—	(32)	—	—
Transfers into Level 3	—	—	78	—	—	78	—	—
Transfers out of Level 3	—	(105)	—	—	(1)	(106)	—	—
Balance, September 30, 2014	\$1,566	\$ 273	\$ 93	\$ 193	\$ 5	\$2,130	\$ 1	\$ 1

Changes in unrealized losses relating to assets held at September 30, 2014 included in:

Net investment income	\$(1)	\$ —	\$ —	\$ —	\$ —	\$(1)	\$ —	\$ —
Benefits, claims, losses and settlement expenses	—	—	—	—	—	—	—	(1)

⁽¹⁾ Included in benefits, claims, losses and settlement expenses in the Consolidated Statements of Operations.

	Policyholder Account Balances, Future Policy Benefits and Claims		
	IUL Embedded Derivatives	GMWB and GMAB Embedded Derivatives	Total
	(in millions)		
Balance, July 1, 2014	\$184	\$(347)	\$(163)
Total losses included in:			
Net income	—	207	⁽¹⁾ 207
Issues	21	65	86
Settlements	(3)	(2)	(5)
Balance, September 30, 2014	\$202	\$(77)	\$125

Changes in unrealized losses relating to liabilities held at September 30, 2014 included in:

Benefits, claims, losses and settlement expenses	\$ —	\$ 208	\$ 208
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⁽¹⁾ Included in benefits, claims, losses and settlement expenses in the Consolidated Statements of Operations.

AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

	Available-for-Sale Securities					Total
	Corporate Debt Securities	Residential Mortgage Backed Securities	Commercial Mortgage Backed Securities	Asset Backed Securities	Common Stocks	
	(in millions)					
Balance, July 1, 2013	\$1,667	\$ 69	\$ 210	\$ 214	\$ 5	\$2,165
Total gains (losses) included in:						
Net income	(1)	—	—	—	—	(1) ⁽¹⁾
Other comprehensive income	3	(1)	—	(2)	—	—
Purchases	—	245	—	29	—	274
Settlements	(37)	(6)	(36)	(1)	—	(80)
Transfers out of Level 3	—	(19)	(159)	(37)	—	(215)
Balance, September 30, 2013	\$1,632	\$ 288	\$ 15	\$ 203	\$ 5	\$2,143

Changes in unrealized gains (losses) relating to assets held at September 30, 2013 included in:

Net investment income	\$(1)	\$ —	\$ —	\$ 1	\$ —	\$ —
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⁽¹⁾ Included in net investment income in the Consolidated Statements of Operations.

	Policyholder Account Balances, Future Policy Benefits and Claims			Total
	IUL Embedded Derivatives	GMWB and GMAB Embedded Derivatives		
	(in millions)			
Balance, July 1, 2013	\$76	\$ 11		\$87
Total (gains) losses included in:				
Net income		2	⁽¹⁾ (322) ⁽²⁾	(320)
Issues		17	60	77
Settlements		1	(5)	(4)
Balance, September 30, 2013	\$96	\$ (256)		\$(160)

Changes in unrealized (gains) losses relating to liabilities held at September 30, 2013 included in:

Interest credited to fixed accounts		\$2	\$ —	\$2
Benefits, claims, losses and settlement expenses		—	(321)	(321)

⁽¹⁾ Included in interest credited to fixed accounts in the Consolidated Statements of Operations.

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

AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

	Available-for-Sale Securities					Total	Trading Securities	Other Derivative Contracts
	Corporate Debt Securities	Residential Mortgage Backed Securities	Commercial Mortgage Backed Securities	Asset Backed Securities	Common Stocks			
	(in millions)							
Balance, January 1, 2014	\$ 1,640	\$ 187	\$ 30	\$ 260	\$ 6	\$ 2,123	\$ 2	\$ —
Total gains (losses) included in:								
Net income	(1)	—	—	1	—	—	(1)	(1) (2)
Other comprehensive income	4	—	—	(1)	—	3	—	—
Purchases	159	388	60	32	—	639	1	2
Sales	(11)	—	—	—	—	(11)	(2)	—
Settlements	(225)	(18)	—	(10)	—	(253)	—	—
Transfers into Level 3	—	—	78	—	—	78	—	—
Transfers out of Level 3	—	(284)	(75)	(89)	(1)	(449)	—	—
Balance, September 30, 2014	\$ 1,566	\$ 273	\$ 93	\$ 193	\$ 5	\$ 2,130	\$ 1	\$ 1

Changes in unrealized gains (losses) relating to assets held at September 30, 2014 included in:

Net investment income	\$(2)	\$ —	\$ —	\$ 1	\$ —	\$(1)	\$ —	\$ —
Benefits, claims, losses and settlement expenses	—	—	—	—	—	—	—	(1)

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

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

	Policyholder Account Balances, Future Policy Benefits and Claims		
	IUL Embedded Derivatives	GMWB and GMAB Embedded Derivatives	Total
	(in millions)		
Balance, January 1, 2014	\$ 125	\$(575)	\$(450)
Total losses included in:			
Net income	14	(1) 327	(2) 341
Issues	69	184	253
Settlements	(6)	(13)	(19)
Balance, September 30, 2014	\$ 202	\$(77)	\$ 125

Changes in unrealized losses relating to liabilities held at September 30, 2014 included in:

Interest credited to fixed accounts	\$ 14	\$ —	\$ 14
Benefits, claims, losses and settlement expenses	—	327	327

(1) Included in interest credited to fixed accounts in the Consolidated Statements of Operations.

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

AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

	Available-for-Sale Securities					Total
	Corporate Debt Securities	Residential Mortgage Backed Securities	Commercial Mortgage Backed Securities	Asset Backed Securities	Common Stocks	
	(in millions)					
Balance, January 1, 2013	\$1,764	\$ 284	\$ 206	\$ 178	\$ 6	\$2,438
Total gains (losses) included in:						
Net income	(2)	—	—	1	—	(1) ⁽¹⁾
Other comprehensive loss	(34)	(1)	(6)	5	—	(36)
Purchases	74	307	10	200	—	591
Settlements	(170)	(7)	(36)	(4)	—	(217)
Transfers into Level 3	—	—	—	8	—	8
Transfers out of Level 3	—	(295)	(159)	(185)	(1)	(640)
Balance, September 30, 2013	\$1,632	\$ 288	\$ 15	\$ 203	\$ 5	\$2,143

Changes in unrealized gains (losses) relating to assets held at September 30, 2013 included in:

Net investment income	\$(2)	\$ —	\$ —	\$ 1	\$ —	\$(1)
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⁽¹⁾ Included in net investment income in the Consolidated Statements of Operations.

	Policyholder Account Balances, Future Policy Benefits and Claims			Total
	IUL Embedded Derivatives	GMWB and GMAB Embedded Derivatives		
	(in millions)			
Balance, January 1, 2013	\$45	\$833		\$878
Total (gains) losses included in:				
Net income	8	⁽¹⁾ (1,246)	⁽²⁾ (1,238)	(1,238)
Issues	42	163		205
Settlements	1	(6)		(5)
Balance, September 30, 2013	\$96	\$(256)		\$(160)

Changes in unrealized (gains) losses relating to liabilities held at September 30, 2013 included in:

Interest credited to fixed accounts	\$8	\$—	\$8
Benefits, claims, losses and settlement expenses	—	(1,229)	(1,229)

⁽¹⁾ Included in interest credited to fixed accounts in the Consolidated Statements of Operations.

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

AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

The impact to pretax income of the Company's adjustment for nonperformance risk on the fair value of its embedded derivatives was \$59 million and \$(14) million, net of DAC, DSIC, unearned revenue amortization and the reinsurance accrual, for the three months ended September 30, 2014 and 2013, respectively. The impact to pretax income of the Company's adjustment for nonperformance risk on the fair value of its embedded derivatives was \$68 million and \$(104) million, net of DAC, DSIC, unearned revenue amortization and the reinsurance accrual, for the nine months ended September 30, 2014 and 2013, respectively.

Securities transferred from Level 3 primarily represent securities with fair values that are now obtained from a third party pricing service with observable inputs. Securities transferred to Level 3 represent securities with fair values that are now based on a single non-binding broker quote. The Company recognizes transfers between levels of the fair value hierarchy as of the beginning of the quarter in which each transfer occurred. For assets and liabilities held at the end of the reporting periods that are measured at fair value on a recurring basis, there were no transfers between Level 1 and Level 2.

The following tables provide a summary of the significant unobservable inputs used in the fair value measurements developed by the Company or reasonably available to the Company of Level 3 assets and liabilities:

September 30, 2014

	Fair Value	Valuation Technique	Unobservable Input	Range	Weighted Average
	(in millions)				
Corporate debt securities (private placements)	\$1,509	Discounted cash flow	Yield/spread to U.S. Treasuries	0.9 % – 3.5%	1.2%
Other derivative contracts	\$1	Option pricing model	Correlation ⁽¹⁾	(3.0)% – (84.0)%	(60.0)%
IUL embedded derivatives	\$202	Discounted cash flow	Nonperformance risk ⁽²⁾	69	bps
GMWB and GMAB embedded derivatives	\$(77)	Discounted cash flow	Utilization of guaranteed withdrawals ⁽³⁾	0.0 % – 51.1%	
			Surrender rate	0.0 % – 59.1%	
			Market volatility ⁽⁴⁾	4.9 % – 19.4%	
			Nonperformance risk ⁽²⁾	69	bps
			Elective contractholder strategy allocations ⁽⁵⁾	0.0 % – 31.0%	

December 31, 2013

	Fair Value	Valuation Technique	Unobservable Input	Range	Weighted Average
	(in millions)				
Corporate debt securities (private placements)	\$1,589	Discounted cash flow	Yield/spread to U.S. Treasuries	0.9 % – 5.3%	1.5%
IUL embedded derivatives	\$125	Discounted cash flow	Nonperformance risk ⁽²⁾	74	bps
GMWB and GMAB embedded derivatives	\$(575)	Discounted cash flow	Utilization of guaranteed withdrawals ⁽³⁾	0.0 % – 51.1%	
			Surrender rate	0.1 % – 57.9%	
			Market volatility ⁽⁴⁾	4.9 % – 18.8%	
			Nonperformance risk ⁽²⁾	74	bps

Elective contractholder
strategy allocations ⁽⁵⁾ 0.0 %– 50.0%

- (1) Represents the correlation between equity returns and interest rates used in the valuation of the derivative contract.
- (2) The nonperformance risk is the spread added to the observable interest rates used in the valuation of the embedded derivatives.
- (3) The utilization of guaranteed withdrawals represents the percentage of contractholders that will begin withdrawing in any given year.
- (4) Market volatility is implied volatility of fund of funds and managed volatility funds.
- (5) The elective allocation represents the percentage of contractholders that are assumed to electively switch their investment allocation to a different allocation model.

Level 3 measurements not included in the table above are obtained from non-binding broker quotes where unobservable inputs are not reasonably available to the Company.

AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

Sensitivity of Fair Value Measurements to Changes in Unobservable Inputs

Significant increases (decreases) in the yield/spread to U.S. Treasuries used in the fair value measurement of Level 3 corporate debt securities in isolation would result in a significantly lower (higher) fair value measurement.

Significant (decreases) increases in the correlation used in the fair value measurement of Level 3 derivatives in isolation would result in a significantly higher (lower) fair value measurement.

Significant increases (decreases) in nonperformance risk used in the fair value measurement of the IUL embedded derivatives in isolation would result in a significantly lower (higher) fair value measurement.

Significant increases (decreases) in utilization, surrender rate and volatility used in the fair value measurement of the GMWB and GMAB embedded derivatives in isolation would result in a significantly lower (higher) asset value, possibly creating a liability. Significant increases (decreases) in nonperformance risk and elective investment allocation model used in the fair value measurement of the GMWB and GMAB embedded derivatives in isolation would result in a significantly higher (lower) asset value. Utilization of guaranteed withdrawals and surrender rates vary with the type of rider, the duration of the policy, the age of the contractholder, the distribution system and whether the value of the guaranteed benefit exceeds the contract accumulation value.

Determination of Fair Value

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

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

Assets

Cash Equivalents

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

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

When available, the fair value of securities is based on quoted prices in active markets. If quoted prices are not available, fair values are obtained from third party pricing services, non-binding broker quotes, or other model-based valuation techniques. Level 1 securities primarily include U.S. Treasuries. Level 2 securities primarily include corporate bonds, residential mortgage backed securities, commercial mortgage backed securities, asset backed securities, municipal bonds and U.S. agency and foreign government securities. The fair value of these Level 2 securities is based on a market approach with prices obtained from third party pricing services. Observable inputs used to value these securities can include, but are not limited to, reported trades, benchmark yields, issuer spreads and non-binding broker quotes. Level 3 securities primarily include certain corporate bonds, non-agency residential mortgage backed securities, commercial mortgage backed securities and asset backed securities. The fair value of corporate bonds, non-agency residential mortgage backed securities, commercial mortgage backed securities and certain asset backed securities classified as Level 3 is typically based on a single non-binding broker quote. The underlying inputs used for some of the non-binding broker quotes are not readily available to the Company. The Company's privately placed corporate bonds are typically based on a single non-binding broker quote. In addition to the general pricing controls, the Company reviews the broker prices to ensure that the broker quotes are reasonable and, when available, compares prices of privately issued securities to public issues from the same issuer to ensure that the implicit illiquidity premium applied to the privately placed investment is reasonable considering investment

characteristics, maturity, and average life of the investment.

In consideration of the above, management is responsible for the fair values recorded on the financial statements. Prices received from third party pricing services are subjected to exception reporting that identifies investments with significant daily price movements as well as no movements. The Company reviews the exception reporting and resolves the exceptions through reaffirmation of the price or recording an appropriate fair value estimate. The Company also performs subsequent transaction testing. The Company performs annual due diligence of third party pricing services. The Company's due diligence procedures include assessing the vendor's valuation qualifications, control environment, analysis of asset-class specific valuation methodologies, and understanding of sources of market

AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

observable assumptions and unobservable assumptions, if any, employed in the valuation methodology. The Company also considers the results of its exception reporting controls and any resulting price challenges that arise.

Separate Account Assets

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

Other Assets

Derivatives that are measured using quoted prices in active markets, such as foreign currency forwards, or derivatives that are exchange-traded are classified as Level 1 measurements. The fair value of derivatives that are traded in less active over-the-counter ("OTC") markets is generally measured using pricing models with market observable inputs such as interest rates and equity index levels. These measurements are classified as Level 2 within the fair value hierarchy and include swaps and the majority of the Company's options. The fair value of certain derivatives measured using pricing models which include significant unobservable inputs are classified as Level 3 within the fair value hierarchy. Other derivative contracts consist of the Company's macro hedge program. See Note 12 for further information on the macro hedge program. The counterparties' nonperformance risk associated with uncollateralized derivative assets was immaterial at September 30, 2014 and December 31, 2013. See Note 11 and Note 12 for further information on the credit risk of derivative instruments and related collateral.

Liabilities

Policyholder Account Balances, Future Policy Benefits and Claims

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

The Company uses various Black-Scholes calculations to determine the fair value of the embedded derivatives associated with the provisions of its EIA and IUL products. Significant inputs to the EIA calculation include observable interest rates, volatilities and equity index levels and, therefore, are classified as Level 2. The fair value of the IUL embedded derivatives includes significant observable interest rates, volatilities and equity index levels and the significant unobservable estimate of the Company's nonperformance risk. Given the significance of the nonperformance risk assumption to the fair value, the IUL embedded derivatives are classified as Level 3.

The embedded derivatives attributable to these provisions are recorded in policyholder account balances, future policy benefits and claims.

The Company's Corporate Actuarial Department calculates the fair value of the embedded derivatives on a monthly basis. During this process, control checks are performed to validate the completeness of the data. Actuarial management approves various components of the valuation along with the final results. The change in the fair value of the embedded derivatives is reviewed monthly with senior management. The Level 3 inputs into the valuation are consistent with the pricing assumptions and updated as experience develops. Significant unobservable inputs that reflect policyholder behavior are reviewed quarterly along with other valuation assumptions.

Customer Deposits

The Company uses various Black-Scholes calculations to determine the fair value of the embedded derivative liability associated with the provisions of its stock market certificates. The inputs to these calculations are primarily market

observable and include interest rates, volatilities and equity index levels. As a result, these measurements are classified as Level 2.

Other Liabilities

Derivatives that are measured using quoted prices in active markets, such as foreign currency forwards, or derivatives that are exchange-traded, are classified as Level 1 measurements. The fair value of derivatives that are traded in less active OTC markets are generally measured using pricing models with market observable inputs such as interest rates and equity index levels. These measurements are classified as Level 2 within the fair value hierarchy and include swaps and the majority of options. Other derivative contracts consist of the Company's macro hedge program. See Note 12 for further information on the macro hedge program. The Company's nonperformance risk associated with uncollateralized derivative liabilities was immaterial at September 30, 2014 and December 31, 2013. See Note 11 and Note 12 for further information on the credit risk of derivative instruments and related collateral.

AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

Securities sold but not yet purchased include highly liquid investments which are short-term in nature. Securities sold but not yet purchased are measured using amortized cost, which is a reasonable estimate of fair value because of the short time between the purchase of the instrument and its expected realization and are classified as Level 2.

During the reporting periods, there were no material assets or liabilities measured at fair value on a nonrecurring basis. The following tables provide the carrying value and the estimated fair value of financial instruments that are not reported at fair value. All other financial instruments that are reported at fair value have been included above in the table with balances of assets and liabilities Ameriprise Financial measured at fair value on a recurring basis.

	September 30, 2014				
	Carrying	Fair Value			
	Value	Level 1	Level 2	Level 3	Total
	(in millions)				
Financial Assets					
Mortgage loans, net	\$3,457	\$—	\$—	\$3,495	\$3,495
Policy and certificate loans	805	—	1	788	789
Receivables	1,357	174	1,176	6	1,356
Restricted and segregated cash	2,382	2,382	—	—	2,382
Other investments and assets	537	—	460	74	534
Financial Liabilities					
Policyholder account balances, future policy benefits and claims	\$13,203	\$—	\$—	\$13,819	\$13,819
Investment certificate reserves	4,225	—	—	4,218	4,218
Brokerage customer deposits	3,290	3,290	—	—	3,290
Separate account liabilities	4,500	—	4,500	—	4,500
Debt and other liabilities	3,536	249	3,440	94	3,783
	December 31, 2013				
	Carrying	Fair Value			
	Value	Level 1	Level 2	Level 3	Total
	(in millions)				
Financial Assets					
Mortgage loans, net	\$3,510	\$—	\$—	\$3,490	\$3,490
Policy and certificate loans	774	—	1	765	766
Receivables	1,141	107	1,026	8	1,141
Restricted and segregated cash	2,360	2,360	—	—	2,360
Other investments and assets	440	—	368	73	441
Financial Liabilities					
Policyholder account balances, future policy benefits and claims	\$14,106	\$—	\$—	\$14,724	\$14,724
Investment certificate reserves	3,977	—	—	3,982	3,982
Brokerage customer deposits	3,088	3,088	—	—	3,088
Separate account liabilities	4,007	—	4,007	—	4,007
Debt and other liabilities	3,416	137	3,372	134	3,643

AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

Mortgage Loans, Net

The fair value of commercial mortgage loans, except those with significant credit deterioration, is determined by discounting contractual cash flows using discount rates that reflect current pricing for loans with similar remaining maturities, liquidity and characteristics including loan-to-value ratio, occupancy rate, refinance risk, debt-service coverage, location, and property condition. For commercial mortgage loans with significant credit deterioration, fair value is determined using the same adjustments as above with an additional adjustment for the Company's estimate of the amount recoverable on the loan. Given the significant unobservable inputs to the valuation of commercial mortgage loans, these measurements are classified as Level 3.

The fair value of consumer loans is determined by discounting estimated cash flows and incorporating adjustments for prepayment, administration expenses, loss severity, liquidity and credit loss estimates, with discount rates based on the Company's estimate of current market conditions. The fair value of consumer loans is classified as Level 3 as the valuation includes significant unobservable inputs.

Policy and Certificate Loans

Policy loans represent loans made against the cash surrender value of the underlying life insurance or annuity product. These loans and the related interest are usually realized at death of the policyholder or contractholder or at surrender of the contract and are not transferable without the underlying insurance or annuity contract. The fair value of policy loans is determined by estimating expected cash flows discounted at rates based on the U.S. Treasury curve. Policy loans are classified as Level 3 as the discount rate used may be adjusted for the underlying performance of individual policies.

Certificate loans represent loans made against and collateralized by the underlying certificate balance. These loans do not transfer to third parties separate from the underlying certificate. The outstanding balance of these loans is considered a reasonable estimate of fair value and is classified as Level 2.

Receivables

Brokerage margin loans are measured at outstanding balances, which are a reasonable estimate of fair value because of the sufficiency of the collateral and short term nature of these loans. Margin loans that are sufficiently collateralized are classified as Level 2. Margin loans that are not sufficiently collateralized are classified as Level 3.

Securities borrowed require the Company to deposit cash or collateral with the lender. As the market value of the securities borrowed is monitored daily, the carrying value is a reasonable estimate of fair value. The fair value of securities borrowed is classified as Level 1 as the value of the underlying securities is based on unadjusted prices for identical assets.

Restricted and Segregated Cash

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

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

The fair value of restricted and segregated cash is classified as Level 1.

Other Investments and Assets

Other investments and assets primarily consist of syndicated loans. The fair value of syndicated loans is obtained from a third party pricing service or non-binding broker quotes. Syndicated loans that are priced using a market approach with observable inputs are classified as Level 2 and syndicated loans priced using a single non-binding broker quote are classified as Level 3.

Other investments and assets also include the Company's membership in the Federal Home Loan Bank of Des Moines and investments related to the Community Reinvestment Act. The fair value of these assets is approximated by the

carrying value and classified as Level 3 due to restrictions on transfer and lack of liquidity in the primary market for these assets.

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AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

Policyholder Account Balances, Future Policy Benefits and Claims

The fair value of fixed annuities, in deferral status, is determined by discounting cash flows using a risk neutral discount rate with adjustments for profit margin, expense margin, early policy surrender behavior, a margin for adverse deviation from estimated early policy surrender behavior and the Company's nonperformance risk specific to these liabilities. The fair value of non-life contingent fixed annuities in payout status, equity indexed annuity host contracts and the fixed portion of a small number of variable annuity contracts classified as investment contracts is determined in a similar manner. Given the use of significant unobservable inputs to these valuations, the measurements are classified as Level 3.

Investment Certificate Reserves

The fair value of investment certificate reserves is determined by discounting cash flows using discount rates that reflect current pricing for assets with similar terms and characteristics, with adjustments for early withdrawal behavior, penalty fees, expense margin and the Company's nonperformance risk specific to these liabilities. Given the use of significant unobservable inputs to this valuation, the measurement is classified as Level 3.

Brokerage Customer Deposits

Brokerage customer deposits are liabilities with no defined maturities and fair value is the amount payable on demand at the reporting date. The fair value of these deposits is classified as Level 1.

Separate Account Liabilities

Certain separate account liabilities are classified as investment contracts and are carried at an amount equal to the related separate account assets. The NAV of the related separate account assets represents the exit price for the separate account liabilities. Separate account liabilities are classified as Level 2 as they are traded in principal-to-principal markets with little publicly released pricing information. A nonperformance adjustment is not included as the related separate account assets act as collateral for these liabilities and minimize nonperformance risk.

Debt and Other Liabilities

The fair value of long-term debt is based on quoted prices in active markets, when available. If quoted prices are not available, fair values are obtained from third party pricing services, broker quotes, or other model-based valuation techniques such as present value of cash flows. The fair value of long-term debt is classified as Level 2.

The fair value of short-term borrowings is obtained from a third party pricing service. A nonperformance adjustment is not included as collateral requirements for these borrowings minimize the nonperformance risk. The fair value of short-term borrowings is classified as Level 2.

The fair value of future funding commitments to affordable housing partnerships is determined by discounting cash flows. The fair value of these commitments includes an adjustment for the Company's nonperformance risk and is classified as Level 3 due to the use of the significant unobservable input.

Securities loaned require the borrower to deposit cash or collateral with the Company. As the market value of the securities loaned is monitored daily, the carrying value is a reasonable estimate of fair value. Securities loaned are classified as Level 1 as the fair value of the underlying securities is based on unadjusted prices for identical assets.

AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

11. Offsetting Assets and Liabilities

Certain financial instruments and derivative instruments are eligible for offset in the Consolidated Balance Sheets. The Company's derivative instruments, repurchase agreements and securities borrowing and lending agreements are subject to master netting arrangements and collateral arrangements and qualify for offset. A master netting arrangement with a counterparty creates a right of offset for amounts due to and from that same counterparty that is enforceable in the event of a default or bankruptcy. Securities borrowed and loaned result from transactions between the Company's broker dealer subsidiary and other financial institutions and are recorded at the amount of cash collateral advanced or received. The Company's policy is to recognize amounts subject to master netting arrangements on a gross basis in the Consolidated Balance Sheets.

The following tables present the gross and net information about the Company's assets subject to master netting arrangements:

	September 30, 2014						
	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Consolidated Balance Sheets	Amounts of Assets Presented in the Consolidated Balance Sheets	Gross Amounts Not Offset in the Consolidated Balance Sheets			
				Financial Instruments ⁽¹⁾	Cash Collateral	Securities Collateral	Net Amount
	(in millions)						
Derivatives:							
OTC	\$3,248	\$—	\$3,248	\$(2,895)	\$(157)	\$(176)	\$20
OTC cleared	145	—	145	(92)	(53)	—	—
Exchange-traded	71	—	71	—	—	—	71
Total derivatives	3,464	—	3,464	(2,987)	(210)	(176)	91
Securities borrowed	175	—	175	(82)	—	(92)	1
Total	\$3,639	\$—	\$3,639	\$(3,069)	\$(210)	\$(268)	\$92
	December 31, 2013						
	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Consolidated Balance Sheets	Amounts of Assets Presented in the Consolidated Balance Sheets	Gross Amounts Not Offset in the Consolidated Balance Sheets			
				Financial Instruments ⁽¹⁾	Cash Collateral	Securities Collateral	Net Amount
	(in millions)						
Derivatives:							
OTC	\$3,337	\$—	\$3,337	\$(3,227)	\$(75)	\$(15)	\$20
OTC cleared	21	—	21	(20)	(1)	—	—
Exchange-traded	60	—	60	—	—	—	60
Total derivatives	3,418	—	3,418	(3,247)	(76)	(15)	80
Securities borrowed	107	—	107	(15)	—	(90)	2
Total	\$3,525	\$—	\$3,525	\$(3,262)	\$(76)	\$(105)	\$82

⁽¹⁾ Represents the amount of assets that could be offset by liabilities with the same counterparty under master netting or similar arrangements that management elects not to offset on the Consolidated Balance Sheets.

AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

The following tables present the gross and net information about the Company's liabilities subject to master netting arrangements:

	September 30, 2014						
	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Consolidated Balance Sheets	Amounts of Liabilities Presented in the Consolidated Balance Sheets	Gross Amounts Not Offset in the Consolidated Balance Sheets			
			Financial Instruments	Cash Collateral	Securities Collateral	Net Amount	
(in millions)							
Derivatives:							
OTC	\$3,908	\$—	\$3,908	\$(2,895)	\$(8)	\$(1,005)	\$—
OTC cleared	94	—	94	(92)	(2)	—	—
Total derivatives	4,002	—	4,002	(2,987)	(10)	(1,005)	—
Securities loaned	249	—	249	(82)	—	(159)	8
Repurchase agreements	50	—	50	—	—	(50)	—
Total	\$4,301	\$—	\$4,301	\$(3,069)	\$(10)	\$(1,214)	\$8
December 31, 2013							
	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Consolidated Balance Sheets	Amounts of Liabilities Presented in the Consolidated Balance Sheets	Financial Instruments	Cash Collateral	Securities Collateral	Net Amount
(in millions)							
Derivatives:							
OTC	\$4,786	\$—	\$4,786	\$(3,227)	\$—	\$(1,498)	\$61
OTC cleared	22	—	22	(20)	(2)	—	—
Total derivatives	4,808	—	4,808	(3,247)	(2)	(1,498)	61
Securities loaned	136	—	136	(15)	—	(117)	4
Repurchase agreements	50	—	50	—	—	(50)	—
Total	\$4,994	\$—	\$4,994	\$(3,262)	\$(2)	\$(1,665)	\$65

⁽¹⁾ Represents the amount of liabilities that could be offset by assets with the same counterparty under master netting or similar arrangements that management elects not to offset on the Consolidated Balance Sheets.

In the tables above, the amounts of assets or liabilities presented in the Consolidated Balance Sheets are offset first by financial instruments that have the right of offset under master netting or similar arrangements, then any remaining amount is reduced by the amount of cash and securities collateral. The actual collateral may be greater than amounts presented in the tables.

The Company's freestanding derivative instruments are reflected in other assets and other liabilities. Repurchase agreements are reflected in short-term borrowings. Securities borrowing and lending agreements are reflected in receivables and other liabilities, respectively. See Note 12 for additional disclosures related to the Company's derivative instruments, Note 9 for additional disclosures related to the Company's repurchase agreements and Note 3 for information related to derivatives held by consolidated investment entities.

12. Derivatives and Hedging Activities

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

The Company's freestanding derivatives are recorded at fair value and are reflected in other assets or other liabilities. The Company's freestanding derivative instruments are all subject to master netting arrangements. The Company's policy on the recognition of derivatives on the Consolidated Balance Sheets is to not offset fair value amounts recognized for derivatives and collateral arrangements executed with the same counterparty under the same master netting arrangement. See Note 11 for additional information regarding the estimated fair value of the Company's freestanding derivatives after considering the effect of master netting arrangements and collateral.

AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

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

Derivatives designated as hedging instruments	Balance Sheet Location	Assets		Balance Sheet Location	Liabilities	
		September 30, 2014 (in millions)	December 31, 2013 (in millions)		September 30, 2014 (in millions)	December 31, 2013 (in millions)
Fair value hedges						
Fixed rate debt	Other assets	\$75	\$82	Other liabilities	\$—	\$—
Total qualifying hedges		75	82		—	—
Derivatives not designated as hedging instruments						
GMWB and GMAB						
Interest rate contracts	Other assets	1,512	1,484	Other liabilities	1,208	1,672
Equity contracts	Other assets	1,798	1,741	Other liabilities	2,636	2,918
Credit contracts	Other assets	4	3	Other liabilities	—	—
Foreign exchange contracts	Other assets	4	2	Other liabilities	—	—
Embedded derivatives ⁽¹⁾	N/A	—	—	Policyholder account balances, future policy benefits and claims ⁽²⁾	(77)	(575)
Total GMWB and GMAB		3,318	3,230		3,767	4,015
Other derivatives:						
Equity						
EIA embedded derivatives	N/A	—	—	Policyholder account balances, future policy benefits and claims	6	5
IUL	Other assets	28	27	Other liabilities	7	13
IUL embedded derivatives	N/A	—	—	Policyholder account balances, future policy benefits and claims	202	125
Stock market certificates	Other assets	40	73	Other liabilities	34	66
Stock market certificates embedded derivatives	N/A	—	—	Customer deposits	6	7
Foreign exchange						
Foreign currency	Other assets	2	2	Other liabilities	—	—
Other						
Macro hedge program	Other assets	1	4	Other liabilities	117	139
Total other derivatives		71	106		372	355
Total non-designated hedges		3,389	3,336		4,139	4,370
Total derivatives		\$3,464	\$3,418		\$4,139	\$4,370

N/A Not applicable.

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

⁽²⁾ The fair value of the GMWB and GMAB embedded derivatives was a net asset at September 30, 2014 and December 31, 2013 and the amount is reported as a contra liability. See Note 10 for additional information regarding the Company's fair value measurement of derivative instruments.

AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

Derivatives Not Designated as Hedges

The following table presents a summary of the impact of derivatives not designated as hedging instruments on the Consolidated Statements of Operations:

Derivatives not designated as hedging instruments	Location of Gain (Loss) on Derivatives Recognized in Income	Amount of Gain (Loss) on Derivatives Recognized in Income			
		Three Months Ended September 30,		Nine Months Ended September 30,	
		2014	2013	2014	2013
		(in millions)			
GMWB and GMAB					
Interest rate contracts	Benefits, claims, losses and settlement expenses	\$ 100	\$(63)	\$ 609	\$(575)
Equity contracts	Benefits, claims, losses and settlement expenses	143	(319)	(244)	(799)
Credit contracts	Benefits, claims, losses and settlement expenses	(1)	(3)	(23)	5
Foreign exchange contracts	Benefits, claims, losses and settlement expenses	(13)	8	(14)	15
Embedded derivatives ⁽¹⁾	Benefits, claims, losses and settlement expenses	(270)	267	(498)	1,089
Total GMWB and GMAB		(41)	(110)	(170)	(265)
Other derivatives:					
Interest rate					
Tax hedge	Net investment income	—	—	3	—
Seed money	Net investment income	—	—	(1)	2
Equity					
IUL	Interest credited to fixed accounts	2	2	13	8
IUL embedded derivatives	Interest credited to fixed accounts	(2)	3	9	8
EIA	Interest credited to fixed accounts	—	1	1	2
EIA embedded derivatives	Interest credited to fixed accounts	—	—	(1)	(1)
Stock market certificates	Banking and deposit interest expense	—	1	2	5
Stock market certificates embedded derivatives	Banking and deposit interest expense	—	—	(2)	(4)
Seed money	Net investment income	1	(4)	(2)	(12)
Deferred compensation	Distribution expenses	1	1	6	3
Deferred compensation	General and administrative expense	(1)	2	1	2
Foreign exchange					
Foreign currency	Net investment income	4	—	2	(3)
Deferred compensation	Distribution expenses	(3)	—	(2)	—
Commodity					
Seed money	Net investment income	—	—	(1)	1
Other					
Macro hedge program	Benefits, claims, losses and settlement expenses	17	—	(8)	—
Total other derivatives		19	6	20	11

Total derivatives \$(22) \$(104) \$(150) \$(254)

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

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

Certain annuity contracts contain GMWB or GMAB provisions, which guarantee the right to make limited partial withdrawals each contract year regardless of the volatility inherent in the underlying investments or guarantee a minimum accumulation value of consideration received at the beginning of the contract period, after a specified holding period, respectively. The Company economically hedges the exposure related to non-life contingent GMWB and GMAB provisions primarily using various futures,

AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

options, interest rate swaptions, interest rate swaps, total return swaps and variance swaps. At September 30, 2014 and December 31, 2013, the gross notional amount of derivative contracts for the Company's GMWB and GMAB provisions was \$135.8 billion and \$142.4 billion, respectively.

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

	Premiums Payable (in millions)	Premiums Receivable
2014 ⁽¹⁾	\$ 111	\$ 49
2015	369	71
2016	336	55
2017	260	70
2018	209	70
2019-2027	655	138
Total	\$1,940	\$453

⁽¹⁾ 2014 amounts represent the amounts payable and receivable for the period from October 1, 2014 to December 31, 2014.

Actual timing and payment amounts may differ due to future contract settlements, modifications or exercises of options prior to the full premium being paid or received.

The Company has a macro hedge program to provide protection against the statutory tail scenario risk arising from variable annuity reserves on its statutory surplus and to cover some of the residual risks not covered by other hedging activities. As a means of economically hedging these risks, the Company uses a combination of options and/or swaps. Certain of the macro hedge derivatives used contain settlement provisions linked to both equity returns and interest rates; the remaining are interest rate contracts or equity contracts. The gross notional amount of these derivative contracts was \$3.6 billion and \$2.8 billion at September 30, 2014 and December 31, 2013, respectively.

EIA, IUL and stock market certificate products have returns tied to the performance of equity markets. As a result of fluctuations in equity markets, the obligation incurred by the Company related to EIA, IUL and stock market certificate products will positively or negatively impact earnings over the life of these products. As a means of economically hedging its obligations under the provisions of these products, the Company enters into index options and futures contracts. The gross notional amount of these derivative contracts was \$1.8 billion and \$1.5 billion at September 30, 2014 and December 31, 2013, respectively.

The Company enters into futures, commodity swaps, and foreign currency forward contracts to manage its exposure to price risk arising from seed money investments in proprietary investment products. The gross notional amount of these contracts was \$99 million and \$111 million at September 30, 2014 and December 31, 2013, respectively.

The Company enters into foreign currency forward contracts to economically hedge its exposure to certain transactions denominated in non-functional currencies. The gross notional amount of these contracts was \$17 million and \$30 million at September 30, 2014 and December 31, 2013, respectively.

The Company enters into futures contracts to economically hedge its exposure related to deferred compensation plans. The gross notional amount of these contracts was \$251 million and \$224 million at September 30, 2014 and December 31, 2013, respectively.

Embedded Derivatives

Certain annuities contain GMAB and non-life contingent GMWB provisions, which are considered embedded derivatives. In addition, the equity component of the EIA, IUL and stock market certificate product obligations are also considered embedded derivatives. These embedded derivatives are bifurcated from their host contracts for valuation purposes and reported on the Consolidated Balance Sheets at fair value with changes in fair value reported

in earnings. As discussed above, the Company uses derivatives to mitigate the financial statement impact of these embedded derivatives.

Cash Flow Hedges

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

AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

For the three months and nine months ended September 30, 2014 and 2013, amounts recognized in earnings related to cash flow hedges due to ineffectiveness were not material. The estimated net amount of existing pretax losses as of September 30, 2014 that the Company expects to reclassify to earnings within the next twelve months is \$1 million, which consists of \$5 million of pretax gains to be recorded as a reduction to interest and debt expense and \$6 million of pretax losses to be recorded in net investment income.

The following table presents the impact of the effective portion of the Company's cash flow hedges on the Consolidated Statements of Operations and the Consolidated Statements of Equity:

Location of Gain (Loss) Reclassified from Accumulated Other Comprehensive Income into Income	Amount of Gain (Loss) Reclassified from Accumulated Other Comprehensive Income into Income			
	Three Months Ended September 30, 2014		Nine Months Ended September 30, 2013	
	2014	2013	2014	2013
	(in millions)			
Interest and debt expense	\$1	\$2	\$3	\$3
Net investment income	(2)	(3)	(4)	(4)
Total	\$(1)	\$(1)	\$(1)	\$(1)

Currently, the longest period of time over which the Company is hedging exposure to the variability in future cash flows is 21 years and relates to forecasted debt interest payments.

Fair Value Hedges

In 2010, the Company entered into and designated as fair value hedges three interest rate swaps to convert senior notes due 2015, 2019 and 2020 from fixed rate debt to floating rate debt. The swaps have identical terms as the underlying debt being hedged so no ineffectiveness is expected to be realized. The Company recognizes gains and losses on the derivatives and the related hedged items within interest and debt expense. The following table presents the amounts recognized in income related to fair value hedges:

Derivatives designated as hedging instruments	Location of Gain Recorded into Income	Amount of Gain Recognized in Income on Derivatives			
		Three Months Ended September 30, 2014		Nine Months Ended September 30, 2013	
		2014	2013	2014	2013
		(in millions)			
Fixed rate debt	Interest and debt expense	\$9	\$20	\$25	\$30

Credit Risk

Credit risk associated with the Company's derivatives is the risk that a derivative counterparty will not perform in accordance with the terms of the applicable derivative contract. To mitigate such risk, the Company has established guidelines and oversight of credit risk through a comprehensive enterprise risk management program that includes members of senior management. Key components of this program are to require preapproval of counterparties and the use of master netting arrangements and collateral arrangements whenever practical. See Note 11 for additional information on the Company's credit exposure related to derivative assets.

Certain of the Company's derivative contracts contain provisions that adjust the level of collateral the Company is required to post based on the Company's debt rating (or based on the financial strength of the Company's life insurance subsidiaries for contracts in which those subsidiaries are the counterparty). Additionally, certain of the Company's derivative contracts contain provisions that allow the counterparty to terminate the contract if the Company's debt does not maintain a specific credit rating (generally an investment grade rating) or the Company's life insurance subsidiary does not maintain a specific financial strength rating. If these termination provisions were to be triggered, the Company's counterparty could require immediate settlement of any net liability position. At September 30, 2014 and

December 31, 2013, the aggregate fair value of derivative contracts in a net liability position containing such credit contingent provisions was \$550 million and \$1.0 billion, respectively. The aggregate fair value of assets posted as collateral for such instruments as of September 30, 2014 and December 31, 2013 was \$550 million and \$959 million, respectively. If the credit contingent provisions of derivative contracts in a net liability position at September 30, 2014 and December 31, 2013 were triggered, the aggregate fair value of additional assets that would be required to be posted as collateral or needed to settle the instruments immediately would have been nil and \$56 million, respectively.

AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

13. Shareholders' Equity

The following table provides information related to amounts reclassified from AOCI:

AOCI Reclassification	Location of Loss (Gain) Recognized in Income	Three Months Ended		Nine Months Ended	
		September 30, 2014	2013	September 30, 2014	2013
(in millions)					
Net unrealized gains on Available-for-Sale securities	Net investment income	\$(6)	\$(7)	\$(12)	\$(7)
Tax expense	Income tax provision	2	2	4	2
Net of tax		\$(4)	\$(5)	\$(8)	\$(5)
Losses (gains) on cash flow hedges:					
Interest rate contracts	Interest and debt expense	\$(1)	\$(2)	\$(3)	\$(3)
Swaptions	Net investment income	2	3	4	4
Total before tax		1	1	1	1
Tax benefit	Income tax provision	—	—	—	—
Net of tax		\$1	\$1	\$1	\$1

See Note 4 for additional information related to the impact of DAC, DSIC, benefit reserves and reinsurance recoverable on net unrealized securities gains/losses included in AOCI. See Note 12 for additional information regarding the Company's cash flow hedges.

In October 2012, the Company's Board of Directors authorized an expenditure of up to \$2.0 billion for the repurchase of shares of our common stock through 2014. In April 2014, the Company's Board of Directors authorized an expenditure of up to an additional \$2.5 billion for the repurchase of shares of our common stock through April 28, 2016. As of September 30, 2014, the Company had \$2.1 billion remaining under its share repurchase authorization. During the nine months ended September 30, 2014 and 2013, the Company repurchased a total of 9.1 million shares and 14.3 million shares, respectively, of its common stock for an aggregate cost of \$1.0 billion and \$1.1 billion, respectively.

The Company may also reacquire shares of its common stock under its share-based compensation plans related to restricted stock awards and certain option exercises. The holders of restricted shares may elect to surrender a portion of their shares on the vesting date to cover their income tax obligation. These vested restricted shares are reacquired by the Company and the Company's payment of the holders' income tax obligations are recorded as a treasury share purchase. For the nine months ended September 30, 2014 and 2013, the Company reacquired 0.8 million shares and 0.4 million shares, respectively, of its common stock through the surrender of shares upon vesting and paid in the aggregate \$92 million and \$26 million, respectively, related to the holders' income tax obligations on the vesting date. Option holders may elect to net settle their vested awards resulting in the surrender of the number of shares required to cover the strike price and tax obligation of the options exercised. These shares are reacquired by the Company and recorded as treasury shares. For the nine months ended September 30, 2014 and 2013, the Company reacquired 1.6 million shares and 2.7 million shares of its common stock through the net settlement of options for an aggregate value of \$180 million and \$203 million, respectively.

During the nine months ended September 30, 2014 and 2013, the Company reissued 1.6 million and 1.9 million treasury shares, respectively, for restricted stock award grants, performance share units and issuance of shares vested under the Ameriprise Financial Franchise Advisor Deferred Compensation Plan.

In April 2014, the Company's shareholders approved an increase of 16.5 million shares to the total number of shares available for all awards under the Amended and Restated Ameriprise Financial 2005 Incentive Compensation Plan ("2005 ICP"). This increases the total shares available to be issued under the 2005 ICP to 54.4 million shares. No more than 4.5 million shares may be issued after April 30, 2014 for full value awards, which are awards other than stock options and stock appreciation rights.

AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

14. Income Taxes

The Company's effective tax rate on income from continuing operations was 21.6% and 25.5% for the three months ended September 30, 2014 and 2013, respectively. The Company's effective tax rate on income from continuing operations was 22.2% and 26.4% for the nine months ended September 30, 2014 and 2013, respectively. The Company's effective tax rates for the three months and nine months ended September 30, 2014 are lower than the statutory rate as a result of tax preferred items including the dividends received deduction and low income housing tax credits, as well as a \$17 million benefit in the first quarter of 2014 related to the completion of an Internal Revenue Service ("IRS") audit.

Included in the Company's deferred income tax assets are tax benefits related to state net operating losses of \$23 million which will expire beginning December 31, 2014.

The Company is required to establish a valuation allowance for any portion of the deferred tax assets that management believes will not be realized. Included in deferred tax assets is a significant deferred tax asset relating to capital losses that have been recognized for financial statement purposes but not yet for tax return purposes. Under current U.S. federal income tax law, capital losses generally must be used against capital gain income within five years of the year in which the capital losses are recognized for tax purposes. Significant judgment is required in determining if a valuation allowance should be established, and the amount of such allowance if required. Factors used in making this determination include estimates relating to the performance of the business including the ability to generate capital gains. Consideration is given to, among other things in making this determination, (i) future taxable income exclusive of reversing temporary differences and carryforwards, (ii) future reversals of existing taxable temporary differences, (iii) taxable income in prior carryback years, and (iv) tax planning strategies. Based on analysis of the Company's tax position, management believes it is more likely than not that the Company will not realize certain state deferred tax assets and state net operating losses and therefore a valuation allowance has been established. The valuation allowance was \$19 million at both September 30, 2014 and December 31, 2013.

As of September 30, 2014 and December 31, 2013, the Company had \$226 million and \$209 million, respectively, of gross unrecognized tax benefits. If recognized, approximately \$48 million and \$62 million, net of federal tax benefits, of unrecognized tax benefits would affect the effective tax rate as of September 30, 2014 and December 31, 2013, 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 gross unrecognized tax benefits may decrease by \$160 million to \$170 million in the next 12 months.

The Company recognizes interest and penalties related to unrecognized tax benefits as a component of the income tax provision. The Company recognized a net increase of \$1 million and \$4 million in interest and penalties for the three months and nine months ended September 30, 2014, respectively. The Company recognized a net increase of \$2 million and \$4 million in interest and penalties for the three months and nine months ended September 30, 2013, respectively. At September 30, 2014 and December 31, 2013, the Company had a payable of \$46 million and \$42 million, respectively, related to accrued interest and penalties.

The Company or one or more of its subsidiaries files income tax returns in the U.S. federal jurisdiction, and various state and foreign jurisdictions. The IRS has completed its field examination of the 1997 through 2007 tax returns. However, for federal income tax purposes, these years, except for 2007, continue to remain open as a consequence of certain unagreed-upon issues. The IRS completed the audits of the Company's 2008 and 2009 tax returns in the first quarter of 2014. The IRS is in the process of completing the audits of the Company's income tax returns for 2010 and 2011 and the Company expects these audits to be completed in 2014. The Company's or certain of its subsidiaries' state income tax returns are currently under examination by various jurisdictions for years ranging from 1997 through 2011 and remain open for all years after 2011.

AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

15. Guarantees and Contingencies

Guarantees

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

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

The Company has a liability for estimated guaranty fund assessments and a related premium tax asset.

At September 30, 2014 and December 31, 2013, the estimated liability was \$13 million and \$14 million, respectively.

At both September 30, 2014 and December 31, 2013, the related premium tax asset was \$11 million. The expected period over which guaranty fund assessments will be made and the related tax credits recovered is not known.

Contingencies

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

As with other financial services firms, the level of regulatory activity and inquiry concerning the Company’s businesses remains elevated. From time to time, the Company receives requests for information from, and/or has been subject to examination or claims by, the SEC, the Financial Industry Regulatory Authority, the Office of the Comptroller of the Currency, the UK Financial Conduct Authority, state insurance and securities regulators, state attorneys general and various other domestic or foreign governmental and quasi-governmental authorities on behalf of themselves or clients concerning the Company’s business activities and practices, and the practices of the Company’s financial advisors. The Company has numerous pending matters which include information requests, exams or inquiries that the Company has received during recent periods regarding certain matters, including: sales and distribution of mutual funds, annuities, equity and fixed income securities, investment personnel’s potential access and use of material non-public information, real estate investment trusts, insurance products, and financial advice offerings; supervision of the Company’s financial advisors; administration of insurance claims; security of client information; and front office systems and controls at the Company’s UK subsidiary. The Company is also responding to regulatory audits, market conduct examinations and other state inquiries relating to an industry-wide investigation of unclaimed property and escheatment practices and procedures. The number of reviews and investigations has increased in recent years with regard to many firms in the financial services industry, including Ameriprise Financial. The Company has cooperated and will continue to cooperate with the applicable regulators regarding their inquiries. These legal and regulatory proceedings and disputes are subject to uncertainties and, as such, it is inherently difficult to determine whether any loss is probable or even possible, or to reasonably estimate the amount of any loss. The Company cannot predict with certainty if, how or when any such proceedings will be initiated or resolved or what the

eventual settlement, fine, penalty or other relief, if any, may be, particularly for proceedings that are in their early stages of development or where plaintiffs seek indeterminate damages. Numerous issues may need to be resolved, including through potentially lengthy discovery and determination of important factual matters, and by addressing unsettled legal questions relevant to the proceedings in question, before a loss or range of loss can be reasonably estimated for any proceeding. An adverse outcome in one or more proceeding could eventually result in adverse judgments, settlements, fines, penalties or other sanctions, in addition to further claims, examinations or adverse publicity that could have a material adverse effect on the Company's consolidated financial condition, results of operations or liquidity.

In accordance with applicable accounting standards, the Company establishes an accrued liability for contingent litigation and regulatory matters when those matters present loss contingencies that are both probable and can be reasonably estimated. In such cases, there still may be an exposure to loss in excess of any amounts reasonably estimated and accrued. When a loss contingency is not both probable and estimable, the Company does not establish an accrued liability, but continues to monitor, in conjunction with

AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

any outside counsel handling a matter, further developments that would make such loss contingency both probable and reasonably estimable. Once the Company establishes an accrued liability with respect to a loss contingency, the Company continues to monitor the matter for further developments that could affect the amount of the accrued liability that has been previously established, and any appropriate adjustments are made each quarter.

Certain legal and regulatory proceedings are described below.

In October 2011, a putative class action lawsuit entitled *Roger Krueger, et al. vs. Ameriprise Financial, et al.* was filed in the United States District Court for the District of Minnesota against the Company, certain of its present or former employees and directors, as well as certain fiduciary committees on behalf of participants and beneficiaries of the Ameriprise Financial 401(k) Plan. The alleged class period is from October 1, 2005 to the present. The action alleges that Ameriprise breached fiduciary duties under ERISA, by selecting and retaining primarily proprietary mutual funds with allegedly poor performance histories, higher expenses relative to other investment options and improper fees paid to Ameriprise Financial or its subsidiaries. The action also alleges that the Company breached fiduciary duties under ERISA because it paid excessive record-keeping fees, used its affiliate Ameriprise Trust Company as the Plan trustee and record-keeper and improperly reaped profits from the sale of the record-keeping business to Wachovia Bank, N.A. Plaintiffs allege over \$20 million in damages. Plaintiffs filed an amended complaint on February 7, 2012. On April 11, 2012, the Company filed its motion to dismiss the Amended Complaint, which was denied on November 20, 2012. On July 3, 2013, the Company moved for summary judgment on statute of limitations grounds. On March 20, 2014, the Court filed its decision, granting in part and denying in part the motion. On October 1, 2013, Plaintiffs filed their Motion to Certify Class Action, and by order dated May 23, 2014, the Court granted Plaintiffs' motion. The case is scheduled to begin trial on April 13, 2015. The Company cannot reasonably estimate the range of loss, if any, that may result from this matter due to the procedural status of the case, the difficulty of predicting the likelihood of success on the merits of any of plaintiffs' claims, and plaintiffs' failure to allege any specific, evidence-based damages.

In October 2012, a putative class action lawsuit entitled *Jeffers vs. Ameriprise Financial Services, et al.* was filed against the Company in the United States District Court for the Northern District of Illinois relating to its sales of the Inland Western (now known as Retail Properties of America, Inc. ("RPAI")) REIT. The action also names as defendants RPAI, several of RPAI's executives, and several members of RPAI's board. The action alleges that the Company failed to perform required due diligence and misrepresented various aspects of the REIT including fees charged to clients, risks associated with the product, and valuation of the shares on client account statements. Plaintiffs seek unspecified damages. The Company was served in December 2012, and, on April 19, 2013, moved to dismiss the complaint. On June 10, 2014, the Court granted the Company's motion to dismiss. On July 10, 2014, the plaintiff filed an amended complaint, naming only Ameriprise Financial Services, Inc. as a defendant. On August 11, 2014, the Company moved to dismiss the amended complaint. Briefing is complete. The Company is awaiting the Court's ruling. The Company cannot reasonably estimate the range of loss, if any, that may result from this matter due to the early procedural status of the case, the absence of class certification, the lack of a formal demand on the Company by the plaintiffs and plaintiffs' failure to allege any specific, evidence-based damages.

In September 2010, the California Department of Insurance ("CA DOI") issued an Order to Show Cause administrative action against the Company's life insurance subsidiary alleging that certain claims handling practices reviewed in connection with a 2007-2008 market conduct exam did not comply with applicable law. In August 2014, the Company's life insurance subsidiary and the CA DOI reached agreement in principle to settle all pending allegations for \$800,000, with the exception of a single allegation related to certain coverage determinations made under long term care insurance policies issued between 1989-1992. An administrative hearing on this remaining allegation is scheduled to conclude in November 2014. The Company cannot reasonably estimate the range of loss, if any, that may result from this matter given the procedural status of the matter, the lack of specific penalty allegations, and the difficulty of predicting outcomes in these administrative proceedings which involve multiple phases and appellate procedures.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

16. Earnings per Share Attributable to Ameriprise Financial, Inc. Common Shareholders

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
	(in millions, except per share amounts)			
Numerator:				
Income from continuing operations	\$565	\$448	\$1,548	\$1,096
Less: Net income attributable to noncontrolling interests	145	67	353	57
Income from continuing operations attributable to Ameriprise Financial	420	381	1,195	1,039
Income (loss) from discontinued operations, net of tax	—	1	(1	) (1
Net income attributable to Ameriprise Financial	\$420	\$382	\$1,194	\$1,038
Denominator:				
Basic: Weighted-average common shares outstanding	190.3	201.3	192.8	204.8
Effect of potentially dilutive nonqualified stock options and other share-based awards	3.4	3.8	3.5	3.9
Diluted: Weighted-average common shares outstanding	193.7	205.1	196.3	208.7
Earnings per share attributable to Ameriprise Financial, Inc. common shareholders:				
Basic:				
Income from continuing operations	\$2.21	\$1.90	\$6.20	\$5.07
Loss from discontinued operations	—	—	(0.01) —
Net income	\$2.21	\$1.90	\$6.19	\$5.07
Diluted:				
Income from continuing operations	\$2.17	\$1.86	\$6.09	\$4.97
Loss from discontinued operations	—	—	(0.01) —
Net income	\$2.17	\$1.86	\$6.08	\$4.97

The calculation of diluted earnings per share excludes the incremental effect of 0.2 million and nil options as of September 30, 2014 and 2013, respectively, due to their anti-dilutive effect.

AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

17. Segment Information

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

In the first quarter of 2014, the Company made the following changes to its previously reported segment data: Ameriprise interest and debt expense was allocated to all segments to more accurately reflect management's assessment of capital allocation.

Interest accretion income from the intercompany transfer of former bank assets was eliminated for segment reporting resulting in this accretion no longer being allocated to the Annuities and Protection segments. The corresponding offset is no longer reported in the Corporate & Other segment.

Certain fixed wholesaling costs were reclassified from distribution expenses to general and administrative expense to improve consistency in our presentation of wholesaling distribution expense across all segments.

Management uses segment operating measures in goal setting, as a basis for determining employee compensation and in evaluating performance on a basis comparable to that used by some securities analysts and investors. Consistent with GAAP accounting guidance for segment reporting, operating earnings is the Company's measure of segment performance. Operating earnings should not be viewed as a substitute for GAAP income from continuing operations before income tax provision. The Company believes the presentation of segment operating earnings as the Company measures it for management purposes enhances the understanding of its business by reflecting the underlying performance of its core operations and facilitating a more meaningful trend analysis.

The accounting policies of the segments are the same as those of the Company, except for operating adjustments defined below, the method of capital allocation, the accounting for gains (losses) from intercompany revenues and expenses and not providing for income taxes on a segment basis.

Operating earnings is defined as operating net revenues less operating expenses. Operating net revenues and operating expenses exclude the results of discontinued operations, the market impact on IUL benefits (net of hedges and the related DAC amortization, unearned revenue amortization, and the reinsurance accrual), restructuring charges and the impact of consolidating investment entities. Operating net revenues also exclude net realized gains or losses.

Operating expenses also exclude the market impact on variable annuity guaranteed benefits (net of hedges and the related DSIC and DAC amortization). The market impact on variable annuity guaranteed benefits and IUL benefits includes changes in liability values caused by changes in financial market conditions, net of changes in associated economic hedge values. The market impact also includes certain valuation adjustments made in accordance with FASB Accounting Standards Codification 820, Fair Value Measurements and Disclosures, including the impact on liability values of discounting projected benefits to reflect a current estimate of the Company's life insurance subsidiary's nonperformance spread. Restructuring charges include expenses related to the Company's transition of its federal savings bank subsidiary, Ameriprise Bank, FSB, to a limited powers national trust bank.

The following tables summarize selected financial information by segment and reconcile segment totals to those reported on the consolidated financial statements:

	September 30, 2014	December 31, 2013
	(in millions)	
Assets:		
Advice & Wealth Management	\$ 10,264	\$ 9,571
Asset Management	7,863	7,223
Annuities	97,723	98,354
Protection	20,409	19,605
Corporate & Other	10,934	9,823
Total assets	\$ 147,193	\$ 144,576

AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
	(in millions)			
Operating net revenues:				
Advice & Wealth Management	\$1,210	\$1,074	\$3,557	\$3,168
Asset Management	839	777	2,490	2,345
Annuities	655	649	1,942	1,908
Protection	553	535	1,687	1,622
Corporate & Other	(1	) 1	3	8
Eliminations ^{(1) (2)}	(357	) (341	) (1,053	) (1,010
Total segment operating revenues	2,899	2,695	8,626	8,041
Net realized gains	4	6	10	7
Revenues attributable to CIEs	206	114	543	208
Market impact on IUL benefits, net	2	(2	) —	(3
Total net revenues per consolidated statements of operations	\$3,111	\$2,813	\$9,179	\$8,253

⁽¹⁾ Represents the elimination of intersegment revenues recognized for the three months ended September 30, 2014 and 2013 in each segment as follows: Advice & Wealth Management (\$250 and \$243, respectively); Asset Management (\$11 and \$10, respectively); Annuities (\$85 and \$77, respectively); Protection (\$11 and \$10, respectively); and Corporate & Other (nil and \$1, respectively).

⁽²⁾ Represents the elimination of intersegment revenues recognized for the nine months ended September 30, 2014 and 2013 in each segment as follows: Advice & Wealth Management (\$740 and \$723, respectively); Asset Management (\$33 and \$29, respectively); Annuities (\$248 and \$226, respectively); Protection (\$31 and \$30, respectively); and Corporate & Other (\$1 and \$2, respectively).

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
	(in millions)			
Operating earnings:				
Advice & Wealth Management	\$205	\$152	\$580	\$432
Asset Management	208	172	590	504
Annuities	128	205	474	457
Protection	66	68	216	262
Corporate & Other	(53	) (45	) (183	) (155
Total segment operating earnings	554	552	1,677	1,500
Net realized gains	4	6	10	7
Net income (loss) attributable to noncontrolling interests	145	67	353	57
Market impact on variable annuity guaranteed benefits, net	9	(21	) (60	) (66
Market impact on IUL benefits, net	8	(2	) 9	(4
Restructuring charges	—	—	—	(3
Income from continuing operations before income tax provision per consolidated statements of operations	\$720	\$602	\$1,989	\$1,491

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

The following discussion and analysis of our consolidated financial condition and results of operations should be read in conjunction with the "Forward-Looking Statements" that follow and our Consolidated Financial Statements and Notes presented in Item 1. Our Management's Discussion and Analysis should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2013, filed with the Securities and Exchange Commission ("SEC") on February 27, 2014 ("2013 10-K"), as well as our current reports on Form 8-K and other publicly available information. Certain reclassifications of prior year amounts have been made to conform to the current presentation. References below to "Ameriprise Financial," "Ameriprise," the "Company," "we," "us," and "our" refer to Ameriprise Financial, Inc. exclusively, to our entire family of companies, or to one or more of our subsidiaries.

Overview

Ameriprise Financial is a diversified financial services company with a 120 year history of providing financial solutions. We offer a broad range of products and services designed to achieve the financial objectives of individual and institutional clients. We are America's leader in financial planning and a leading global financial institution with more than \$796 billion in assets under management and administration as of September 30, 2014.

Our strategy is centered on helping our clients confidently achieve their goals by providing advice and managing their assets and protecting their assets and income. We utilize two go-to-market approaches in carrying out this strategy: Wealth Management and Asset Management.

Our wealth management capabilities are centered on the long-term, personal relationships between our clients and our financial advisors and registered representatives (our "advisors"). Through our advisors, we offer financial planning, products and services designed to be used as solutions for our clients' cash and liquidity, asset accumulation, income, protection, and estate and wealth transfer needs. Our focus on personal relationships, together with our discipline in financial planning and strengths in product development and advice, allow us to address the evolving financial and retirement-related needs of our clients, including our primary target market segment, the mass affluent and affluent, which we define as households with investable assets of more than \$100,000. The financial product solutions we offer through our advisors include both our own products and services and the products of other companies. Our advisor network is the primary channel through which we offer our affiliated insurance and annuity products and services. Our network of more than 9,600 advisors is the primary means through which we engage in our wealth management activities. We offer our advisors training, tools, leadership, marketing programs and other field and centralized support to assist them in delivering advice and product solutions. We believe that our nationally recognized brand and practice vision, local marketing support, integrated operating platform and comprehensive set of products and solutions constitute a compelling value proposition for financial advisors, as evidenced by our strong advisor retention rate and our ability to attract and retain experienced and productive advisors. We have and will continue to invest in and develop capabilities and tools designed to maximize advisor productivity and client satisfaction.

We are in a compelling position to capitalize on significant demographic and market trends driving increased demand for financial advice and solutions. In the U.S., the ongoing transition of baby boomers into retirement, as well as recent economic and financial market crises, continues to drive demand for financial advice and solutions. In addition, the amount of investable assets held by mass affluent and affluent households, our target market, has grown and accounts for over half of U.S. investable assets. We believe our differentiated financial planning model, broad range of products and solutions, as well as our demonstrated financial strength throughout the economic downturn of recent past years, will help us capitalize on these trends.

Our asset management capabilities are increasingly global in scale, with Columbia Management Investment Advisers, LLC ("Columbia" or "Columbia Management") as the primary provider of products and services in the U.S. and Threadneedle Asset Management Holdings Sàrl ("Threadneedle") as the primary provider of products and services outside of the U.S. We offer a broad spectrum of investment advice and products to individual, institutional and high-net worth investors. These investment products are primarily provided through third parties, though we also

provide our asset management products through our advisor channel. Our underlying asset management philosophy is based on delivering consistently strong and competitive investment performance. The quality and breadth of our asset management capabilities are demonstrated by 121 of our mutual funds, including 54 Columbia Management funds and 67 Threadneedle funds, being rated as four- and five-star funds by Morningstar.

We are positioned to continue to grow our assets under management and to strengthen our asset management offerings to existing and new clients. Our asset management capabilities are well positioned to address mature markets in the U.S. and Europe. We also have the capability to leverage existing strengths to effectively expand into new global and emerging markets. In the past few years, we have expanded beyond our traditional strengths in the U.S. and UK to gather assets in Continental Europe, Asia, Australia, the Middle East and Africa. In addition, we continue to pursue opportunities to leverage the collective capabilities of Columbia and Threadneedle to enhance our current range of investment solutions, to develop new solutions that are responsive to client demand in an increasingly complex marketplace and to maximize the distribution capabilities of our global business.

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The financial results from the businesses underlying our go-to-market approaches are reflected in our five operating segments:

- Advice & Wealth Management;
- Asset Management;
- Annuities;
- Protection; and
- Corporate & Other.

In the first quarter of 2014, we made the following changes to our previously reported segment data:

• Ameriprise interest and debt expense was allocated to all segments to more accurately reflect management's assessment of capital allocation.

Interest accretion income from the intercompany transfer of former bank assets was eliminated for segment reporting resulting in this accretion no longer being allocated to the Annuities and Protection segments. The corresponding offset is no longer reported in the Corporate & Other segment.

Certain fixed wholesaling costs were reclassified from distribution expenses to general and administrative expense to improve consistency in our presentation of wholesaling distribution expense across all segments. This change also impacted the Consolidated Statements of Income.

The reallocations and reclassifications did not result in any changes to our previously reported consolidated net income or shareholders' equity.

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

Financial markets and macroeconomic conditions have had and will continue to have a significant impact on our operating and performance results. In addition, the business and regulatory environment in which we operate remains subject to elevated uncertainty and change. To succeed, we expect to continue focusing on our key strategic objectives. The success of these and other strategies may be affected by the factors discussed in "Item 1A. Risk Factors" in our 2013 10-K and other factors as discussed herein.

Equity price, credit market and interest rate fluctuations can have a significant impact on our results of operations, primarily due to the effects they have on the asset management and other asset-based fees we earn, the "spread" income generated on our fixed annuities, fixed insurance, deposit products and the fixed portion of variable annuities and variable insurance contracts, the value of deferred acquisition costs ("DAC") and deferred sales inducement costs ("DSIC") assets, the values of liabilities for guaranteed benefits associated with our variable annuities and the values of derivatives held to hedge these benefits.

Earnings, as well as operating earnings, will continue to be negatively impacted by the ongoing low interest rate environment. In addition to continuing spread compression in our interest sensitive product lines, a sustained low interest rate environment may result in increases to our reserves and changes in various rate assumptions we use to amortize DAC and DSIC, which may negatively impact our operating earnings. For additional discussion on our interest rate risk, see Item 3. "Quantitative and Qualitative Disclosures About Market Risk."

In the third quarter of the year, we conduct our annual review of life insurance and annuity valuation assumptions relative to current experience and management expectations. To the extent that expectations change as a result of this review, we update valuation assumptions and the impact is reflected as part of our annual review of life insurance and annuity valuation assumptions and modeling changes ("unlocking"). The unlocking impact in the third quarter of 2014 primarily reflected the difference between our previously assumed interest rates versus the continued low interest rate environment, partially offset by a benefit from updating our variable annuity living benefit withdrawal utilization assumption. The unlocking impact in the third quarter of 2013 primarily reflected the impact of assumed interest rates

and changes in assumed policyholder behavior. See our Consolidated and Segment Results of Operations sections below for the pretax impacts on our revenues and expenses attributable to unlocking and additional discussion of the drivers of the unlocking impact.

We consolidate certain collateralized debt obligations (“CDOs”) and other investment products (collectively, “investment entities”) for which we provide asset management services and sponsor for the investment of client assets in the normal course of business. These entities are defined as consolidated investment entities (“CIEs”). While the consolidation of the CIEs impacts our balance sheet and income statement, our exposure to these entities is unchanged and there is no impact to the underlying business results. For further information on CIEs, see Note 3 to our Consolidated Financial Statements. Changes in the valuation of the CIE assets and liabilities impact pretax income. The net income (loss) of the CIEs is reflected in net income (loss) attributable to noncontrolling interests. The results of operations of the CIEs are reflected in the Corporate & Other segment. On a consolidated basis, the management fees we

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earn for the services we provide to the CIEs and the related general and administrative expenses are eliminated and the changes in the assets and liabilities related to the CIEs, primarily debt and underlying syndicated loans, are reflected in net investment income. We continue to include the fees in the management and financial advice fees line within our Asset Management segment.

While our consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles (“GAAP”), management believes that operating measures, which exclude net realized gains or losses; the market impact on variable annuity guaranteed benefits, net of hedges and the related DSIC and DAC amortization; the market impact on indexed universal life benefits, net of hedges and the related DAC amortization, unearned revenue amortization and the reinsurance accrual; restructuring charges; income (loss) from discontinued operations; and the impact of consolidating CIEs, best reflect the underlying performance of our core operations and facilitate a more meaningful trend analysis. Management uses certain of these non-GAAP measures to evaluate our financial performance on a basis comparable to that used by some securities analysts and investors. Also, certain of these non-GAAP measures are taken into consideration, to varying degrees, for purposes of business planning and analysis and for certain compensation-related matters. Throughout our Management’s Discussion and Analysis, these non-GAAP measures are referred to as operating measures.

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

Our financial targets are:

• Operating total net revenue growth of 6% to 8%,

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

• Operating return on equity excluding accumulated other comprehensive income of 19% to 23%.

The following tables reconcile our GAAP measures to operating measures:

	Three Months Ended September 30, 2014		September 30, 2013	
			(in millions)	
Total net revenues	\$3,111	\$2,813	\$9,179	\$8,253
Less: Revenue attributable to CIEs	206	114	543	208
Less: Net realized gains	4	6	10	7
Less: Market impact on indexed universal life benefits	2	(2)	—	(3)
Operating total net revenues	\$2,899	\$2,695	\$8,626	\$8,041
			Per Diluted Share	
			Three Months Ended	
			September 30,	
			2014	
			2013	
	(in millions, except per share amounts)			
Net income	\$565	\$449		
Less: Net income attributable to noncontrolling interests	145	67		
Net income attributable to Ameriprise Financial	420	382	\$2.17	\$1.86
Less: Income from discontinued operations, net of tax	—	1	—	—
Net income from continuing operations attributable to Ameriprise Financial	420	381	2.17	1.86
Add: Market impact on variable annuity guaranteed benefits, net of tax ⁽¹⁾	(5)	13	(0.03)	0.06
Add: Market impact on indexed universal life benefits, net of tax ⁽¹⁾	(5)	2	(0.03)	0.01
Less: Net realized gains, net of tax ⁽¹⁾	3	4	0.01	0.02

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Operating earnings	\$407	\$392	\$2.10	\$1.91
Weighted average common shares outstanding:				
Basic	190.3	201.3		
Diluted	193.7	205.1		

⁽¹⁾ Calculated using the statutory tax rate of 35%.

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	Nine Months Ended		Per Diluted Share	
	September 30,		September 30,	
	2014	2013	2014	2013
	(in millions, except per share amounts)			
Net income	\$1,547	\$1,095		
Less: Net income attributable to noncontrolling interests	353	57		
Net income attributable to Ameriprise Financial	1,194	1,038	\$6.08	\$4.97
Less: Loss from discontinued operations, net of tax	(1	) (1	(0.01) —
Net income from continuing operations attributable to Ameriprise Financial	1,195	1,039	6.09	4.97
Add: Integration/restructuring charges, net of tax ⁽¹⁾	—	2	—	0.01
Add: Market impact on variable annuity guaranteed living benefits, net of tax ⁽¹⁾	40	43	0.20	0.21
Add: Market impact on indexed universal life benefits, net of tax ⁽¹⁾	(6	) 3	(0.03	) 0.01
Less: Net realized gains, net of tax ⁽¹⁾	7	5	0.03	0.02
Operating earnings	\$1,222	\$1,082	\$6.23	\$5.18
Weighted average common shares outstanding:				
Basic	192.8	204.8		
Diluted	196.3	208.7		

⁽¹⁾ Calculated using the statutory tax rate of 35%.

The following table reconciles the trailing twelve months' sum of net income attributable to Ameriprise Financial to operating earnings and the five-point average of quarter-end equity to operating equity:

	Twelve Months Ended	
	September 30,	
	2014	2013
	(in millions)	
Net income attributable to Ameriprise Financial	\$1,490	\$1,427
Less: Loss from discontinued operations, net of tax	(3) —
Net income from continuing operations attributable to Ameriprise Financial	1,493	1,427
Less: Adjustments ⁽¹⁾	(107	) (22
Operating earnings	\$1,600	\$1,449

Total Ameriprise Financial,