

AMERIPRISE FINANCIAL INC

Form 10-Q

November 02, 2015

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, 2015

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 23, 2015

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

174,111,562 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,	
	2015	2014	2015	2014
Revenues				
Management and financial advice fees	\$1,465	\$1,483	\$4,451	\$4,321
Distribution fees	451	464	1,389	1,410
Net investment income	321	428	1,228	1,332
Premiums	360	351	1,081	1,026
Other revenues	296	392	939	1,111
Total revenues	2,893	3,118	9,088	9,200
Banking and deposit interest expense	7	7	21	21
Total net revenues	2,886	3,111	9,067	9,179
Expenses				
Distribution expenses	806	813	2,460	2,409
Interest credited to fixed accounts	171	168	503	529
Benefits, claims, losses and settlement expenses	471	458	1,547	1,414
Amortization of deferred acquisition costs	133	116	302	281
Interest and debt expense	98	79	271	237
General and administrative expense	744	757	2,288	2,320
Total expenses	2,423	2,391	7,371	7,190
Income from continuing operations before income tax provision	463	720	1,696	1,989
Income tax provision	111	155	389	441
Income from continuing operations	352	565	1,307	1,548
Loss from discontinued operations, net of tax	—	—	—	(1)
Net income	352	565	1,307	1,547
Less: Net income (loss) attributable to noncontrolling interests	(45)	145	102	353
Net income attributable to Ameriprise Financial	\$397	\$420	\$1,205	\$1,194
Earnings per share attributable to Ameriprise Financial, Inc. common shareholders				
Basic				
Income from continuing operations	\$2.20	\$2.21	\$6.57	\$6.20
Loss from discontinued operations	—	—	—	(0.01)
Net income	\$2.20	\$2.21	\$6.57	\$6.19
Diluted				
Income from continuing operations	\$2.17	\$2.17	\$6.48	\$6.09
Loss from discontinued operations	—	—	—	(0.01)
Net income	\$2.17	\$2.17	\$6.48	\$6.08
Cash dividends declared per common share	\$0.67	\$0.58	\$1.92	\$1.68

Supplemental Disclosures:

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Total other-than-temporary impairment losses on securities	\$ (7)	\$ (5)	\$ (8)	\$ (6)
Portion of loss recognized in other comprehensive income (before taxes)	—	—	—	—
Net impairment losses recognized in net investment income	\$ (7)	\$ (5)	\$ (8)	\$ (6)
See Notes to Consolidated Financial Statements.				

AMERIPRISE FINANCIAL, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

(in millions)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net income	\$352	\$565	\$1,307	\$1,547
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustment	(65	) (84	) (50	) (31
Net unrealized gains (losses) on securities:				
Net unrealized securities gains (losses) arising during the period	(76	) (137	) (365	) 341
Reclassification of net securities (gains) losses included in net income	6	(4	) (4	) (8
Impact of deferred acquisition costs, deferred sales inducement costs, unearned revenue, benefit reserves and reinsurance recoverables	51	(1	) 183	(168
Total net unrealized gains (losses) on securities	(19	) (142	) (186	) 165
Net unrealized gains on derivatives:				
Reclassification of net derivative losses included in net income	1	1	1	1
Total net unrealized gains on derivatives	1	1	1	1
Total other comprehensive income (loss), net of tax	(83	) (225	) (235	) 135
Total comprehensive income	269	340	1,072	1,682
Less: Comprehensive income (loss) attributable to noncontrolling interests	(89	) 94	68	337
Comprehensive income attributable to Ameriprise Financial	\$358	\$246	\$1,004	\$1,345

See Notes to Consolidated Financial Statements.

AMERIPRISE FINANCIAL, INC.

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(in millions, except share amounts)

	September 30, 2015	December 31, 2014
Assets		
Cash and cash equivalents	\$2,780	\$2,638
Cash of consolidated investment entities	790	390
Investments	34,746	35,582
Investments of consolidated investment entities, at fair value	6,977	6,148
Separate account assets	78,636	83,256
Receivables	5,187	4,887
Receivables of consolidated investment entities (includes \$65 and \$49, respectively, at fair value)	102	140
Deferred acquisition costs	2,634	2,608
Restricted and segregated cash and investments	2,703	2,614
Other assets	8,625	8,611
Other assets of consolidated investment entities (includes \$2,129 and \$1,936, respectively, at fair value)	2,140	1,936
Total assets	\$145,320	\$148,810
Liabilities and Equity		
Liabilities:		
Policyholder account balances, future policy benefits and claims	\$30,046	\$30,350
Separate account liabilities	78,636	83,256
Customer deposits	8,046	7,664
Short-term borrowings	200	200
Long-term debt	3,019	3,062
Debt of consolidated investment entities (includes \$6,976 and \$6,030, respectively, at fair value)	7,926	6,867
Accounts payable and accrued expenses	1,435	1,482
Accounts payable and accrued expenses of consolidated investment entities	62	41
Other liabilities	6,567	6,357
Other liabilities of consolidated investment entities (includes \$529 and \$193, respectively, at fair value)	562	226
Total liabilities	136,499	139,505
Equity:		
Ameriprise Financial, Inc.:		
Common shares (\$.01 par value; shares authorized, 1,250,000,000; shares issued, 322,742,143 and 320,990,255, respectively)	3	3
Additional paid-in capital	7,557	7,345
Retained earnings	9,319	8,469
Appropriated retained earnings of consolidated investment entities	174	234
Treasury shares, at cost (147,720,668 and 137,880,746 shares, respectively)	(9,885)	(8,589)
Accumulated other comprehensive income, net of tax	461	662
Total Ameriprise Financial, Inc. shareholders' equity	7,629	8,124
Noncontrolling interests	1,192	1,181
Total equity	8,821	9,305

Total liabilities and equity	\$145,320	\$148,810
See Notes to Consolidated Financial Statements.		

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 Consolidated Investment Entities	Treasury Shares	Other Com- prehensive Income	Total Ameriprise Financial, Inc. Share- holders' Equity	Non-controlling Interests	Total
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 income reclassified to appropriated retained earnings	—	—	—	—	(29)	—	—	(29)	29	—
Dividends to shareholders	—	—	—	(326)	—	—	—	(326)	—	(326)
Noncontrolling interests investments in subsidiaries	—	—	—	—	—	—	—	—	113	113
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
Balances at January 1, 2015	183,109,509	\$ 3	\$ 7,345	\$ 8,469	\$ 234	\$(8,589)	\$ 662	\$ 8,124	\$ 1,181	\$ 9,305
Comprehensive income:										
Net income	—	—	—	1,205	—	—	—	1,205	102	1,307
Other comprehensive loss, net of tax	—	—	—	—	—	—	(201)	(201)	(34)	(235)
Total comprehensive income								1,004	68	1,072
Net income reclassified to appropriated retained earnings	—	—	—	—	(60)	—	—	(60)	60	—

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Dividends to shareholders	—	—	—	(355)	—	—	—	(355)	—	(355)
Noncontrolling interests investments in subsidiaries	—	—	—	—	—	—	—	—	225	225
Distributions to noncontrolling interests	—	—	—	—	—	—	—	—	(342)	(342)
Repurchase of common shares	(10,882,885)	—	—	—	—	(1,362)	—	(1,362)	—	(1,362)
Share-based compensation plans	2,794,851	—	212	—	—	66	—	278	—	278
Balances at September 30, 2015	175,021,475	\$ 3	\$ 7,557	\$ 9,319	\$ 174	\$ (9,885)	\$ 461	\$ 7,629	\$ 1,192	\$ 8,821

See Notes to Consolidated Financial Statements.

AMERIPRISE FINANCIAL, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(in millions)

	Nine Months Ended September 30,	
	2015	2014
Cash Flows from Operating Activities		
Net income	\$1,307	\$1,547
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion, net	185	193
Deferred income tax benefit	(23)	(75)
Share-based compensation	108	97
Net realized investment gains	(14)	(18)
Net trading gains	(5)	(6)
Loss from equity method investments	22	10
Other-than-temporary impairments and provision for loan losses	9	8
Net gains of consolidated investment entities	(85)	(337)
Changes in operating assets and liabilities:		
Restricted and segregated cash and investments	(88)	(23)
Deferred acquisition costs	38	28
Other investments, net	61	(152)
Policyholder account balances, future policy benefits and claims, net	681	516
Derivatives, net of collateral	(180)	(485)
Receivables	(294)	(346)
Brokerage deposits	51	202
Accounts payable and accrued expenses	(41)	52
Cash held by consolidated investment entities	(394)	149
Investment properties of consolidated investment entities	(126)	177
Other operating assets and liabilities of consolidated investment entities, net	54	39
Other, net	637	405
Net cash provided by operating activities	1,903	1,981
Cash Flows from Investing Activities		
Available-for-Sale securities:		
Proceeds from sales	151	435
Maturities, sinking fund payments and calls	3,453	2,856
Purchases	(3,340)	(2,513)
Proceeds from maturities and repayments of mortgage loans	481	419
Funding of mortgage loans	(427)	(375)
Proceeds from sales and collections of other investments	198	153
Purchase of other investments	(249)	(334)
Purchase of investments by consolidated investment entities	(2,063)	(2,368)
Proceeds from sales, maturities and repayments of investments by consolidated investment entities	1,429	1,643
Purchase of land, buildings, equipment and software	(109)	(89)
Other, net	29	1
Net cash used in investing activities	(447)	(172)

See Notes to Consolidated Financial Statements.

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AMERIPRISE FINANCIAL, INC.

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

	Nine Months Ended September 30,	
	2015	2014
Cash Flows from Financing Activities		
Investment certificates:		
Proceeds from additions	\$2,182	\$1,894
Maturities, withdrawals and cash surrenders	(1,853)	(1,646)
Policyholder account balances:		
Deposits and other additions	1,514	1,526
Net transfers to separate accounts	(141)	(167)
Surrenders and other benefits	(2,169)	(1,896)
Cash paid for purchased options with deferred premiums	(305)	(318)
Cash received from purchased options with deferred premiums	8	54
Issuance of debt, net of issuance costs	—	543
Repayments of debt	(41)	(200)
Change in short-term borrowings, net	—	(301)
Dividends paid to shareholders	(348)	(319)
Repurchase of common shares	(1,293)	(1,191)
Exercise of stock options	14	25
Excess tax benefits from share-based compensation	70	133
Borrowings by consolidated investment entities	1,583	1,559
Repayments of debt by consolidated investment entities	(405)	(918)
Noncontrolling interests investments in subsidiaries	225	113
Distributions to noncontrolling interests	(342)	(448)
Other, net	(1)	(1)
Net cash used in financing activities	(1,302)	(1,558)
Effect of exchange rate changes on cash	(12)	(7)
Net increase in cash and cash equivalents	142	244
Cash and cash equivalents at beginning of period	2,638	2,632
Cash and cash equivalents at end of period	\$2,780	\$2,876
Supplemental Disclosures:		
Interest paid excluding consolidated investment entities	\$122	\$123
Interest paid by consolidated investment entities	175	140
Income taxes paid, net	245	345
Non-cash investing activity:		
Affordable housing partnership commitments not yet remitted	9	—
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, 2014, filed with the Securities and Exchange Commission ("SEC") on February 24, 2015.

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

Transfers and Servicing

In June 2014, the Financial Accounting Standards Board ("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 agreements, security lending transactions and repurchase-to-maturity transactions accounted for as secured borrowings which are effective for interim periods beginning after March 15, 2015. 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. The adoption of the standard did not have any effect on the Company's consolidated results of operations and financial condition. See Note 9 and Note 11 for the required disclosures.

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. The adoption of the standard did not have any effect on the Company's consolidated results of operations and financial condition.

AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

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. The Company did not elect the proportional amortization method.

Future Adoption of New Accounting Standards

Insurance – Disclosure about Short-Duration Contracts

In May 2015, the FASB updated the accounting standard for short-duration insurance contracts. The update requires enhanced disclosures about an insurance entity's initial claim estimates and subsequent adjustments to those estimates, methodologies and judgements in estimating claims and the timing, frequency and severity of claims. The standard is effective for annual periods beginning after December 15, 2015 and interim periods within annual periods beginning after December 15, 2016. Early adoption is permitted. The disclosures should be applied retrospectively by providing comparative disclosures for each period presented, except for those requirements that apply only to the current period. There will be no impact of the standard to the Company's consolidated results of operations and financial condition.

Fair Value Measurement – Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)

In May 2015, the FASB updated the accounting standards related to fair value measurement. The update applies to investments that are measured at net asset value ("NAV"). The standard eliminates the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the NAV per share as a practical expedient. In addition, the update limits disclosures to investments for which the entity elected to measure the fair value using the practical expedient rather than all eligible investments. The standard is effective for interim and annual periods beginning after December 15, 2015. The standard should be applied retrospectively to all periods presented and early adoption is permitted. There will be no impact of the standard to the Company's consolidated results of operations and financial condition.

Interest – Imputation of Interest

In April 2015, the FASB updated the accounting standards related to debt issuance costs. The update requires that debt issuance costs be presented on the balance sheet as a direct deduction from the carrying amount of debt. The update does not impact the measurement or recognition of debt issuance costs. In August 2015, the FASB updated the guidance to allow companies to make a policy election to exclude debt issuance costs for line-of-credit arrangements from the standard. The standard is effective for interim and annual periods beginning after December 15, 2015. The standard is to be applied on a retrospective basis to all periods presented. Early adoption of the standard is permitted. The Company does not expect the reclassification to have a material impact on its consolidated financial condition. There will be no impact of the standard to the Company's consolidated results of operations.

Consolidation

In February 2015, the FASB updated the accounting standard for consolidation. The update changes the accounting for the consolidation model for limited partnerships and VIEs and excludes certain money market funds from the consolidation analysis. Specific to the consolidation analysis of a VIE, the update clarifies consideration of fees paid to a decision maker and amends the related party guidance. The standard is effective for periods beginning after December 15, 2015. Early adoption is permitted, including adoption in an interim period. The standard may be applied using a modified retrospective approach by recording a cumulative-effect adjustment to equity at the beginning of the period of adoption or applied retrospectively. The Company plans to adopt the standard on January 1, 2016 using the modified retrospective approach. The adoption will result in the deconsolidation of several collateralized loan

obligations (“CLOs”) and all property funds with an estimated decrease of approximately \$7.0 billion of assets, \$5.6 billion of liabilities and \$1.4 billion of equity (noncontrolling interests and appropriated retained earnings of consolidated investment entities). The actual impact to assets, liabilities and equity related to the deconsolidation may change depending upon the fair value of consolidated assets and liabilities and any additional CLOs or property funds that may be consolidated or liquidated before January 1, 2016. The Company does not expect the adoption to have a material impact to its consolidated results of operations.

AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

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 adoption of the standard is not expected to have a material impact on the Company's consolidated results of operations and financial condition after the deconsolidation of several CLOs noted above.

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. There will be no impact of the standard to the Company's 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.

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. In August 2015, the FASB updated the accounting standards to defer the effective date by one year. The standard is effective for interim and annual periods beginning after December 15, 2017 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.

3. Variable Interest Entities

The Company provides asset management services to investment entities which are considered to be VIEs, such as CLOs, hedge funds, property funds (pooled investment vehicles) and private equity funds (collectively, “investment entities”), which are sponsored by the Company. The Company consolidates certain CLOs and property funds (collectively, “consolidated investment entities”). In addition, the Company invests in structured investments and affordable housing partnerships which are considered VIEs which the Company does not consolidate.

Non-Consolidated VIEs

The Company has determined that consolidation is not required for hedge funds and private equity funds which are sponsored by the Company. The Company's maximum exposure to loss with respect to its investment in these entities is limited to its carrying value. The carrying value of the Company's investment in these entities was \$89 million at both September 30, 2015 and December 31, 2014.

AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

The Company manages one CLO which it does not consolidate. The Company manages the CLO and earns management fees and incentive fees from the CLO based on the CLO's collateral pool. Unlike the consolidated CLOs, the Company has no investment in the CLO and no exposure to loss.

The Company has variable interests in affordable housing partnerships for which it is not the primary beneficiary and therefore does not consolidate. The Company's maximum exposure to loss as a result of its investments in affordable housing partnerships is limited to the carrying value of these investments. The carrying value is reflected in other investments and was \$486 million and \$504 million as of September 30, 2015 and December 31, 2014, respectively. The Company invests in structured investments which are considered 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 classifies these investments as Available-for-Sale securities. The Company has determined that it is not the primary beneficiary of these structures due to the size of the Company's investment in the entities and position in the capital structure of these entities. The Company's maximum exposure to loss as a result of its investment in these structured investments is limited to its carrying value. See Note 4 for additional information about these structured investments. The Company has no obligation to provide financial or other support to the non-consolidated VIEs beyond its investment nor has the Company provided any support to these entities. The carrying value of the Company's investment in these entities is included in investments on the consolidated balance sheets.

Consolidated VIEs

The consolidated CLOs are asset backed financing entities collateralized by a pool of assets, primarily syndicated loans and, to a lesser extent, high-yield bonds and stocks. Multiple tranches of debt securities are issued by a CLO, offering investors various maturity and credit risk characteristics. The debt securities issued by the CLOs are non-recourse to the Company. The CLO's debt holders have recourse only to the assets of the CLO. The assets of the CLOs cannot be used by the Company. Scheduled debt payments are based on the performance of the CLO's collateral pool. The Company generally earns management fees from the CLOs based on the CLO's collateral pool and, in certain instances, may also receive incentive fees. The Company has invested in a portion of the unrated, junior subordinated notes of certain CLOs. For certain of the CLOs, the Company has determined that consolidation is required as it has power over the CLOs as collateral manager and holds a variable interest in the CLOs for which the Company has the potential to receive benefits or the potential obligation to absorb losses that could be significant to the CLO.

The Company provides investment advice and related services to property funds, certain of which are considered VIEs. 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 has determined that consolidation is required for certain property funds managed by the Company.

During the nine months ended September 30, 2015, the Company consolidated two new CLOs with assets of approximately \$1.3 billion and liquidated no CLOs. During the nine months ended September 30, 2014, the Company consolidated two new CLOs with assets of approximately \$1.1 billion and liquidated one CLO resulting in the sale of approximately \$315 million in assets.

During the nine months ended September 30, 2015, the Company consolidated three new property funds with assets of approximately \$452 million. During the nine months ended September 30, 2014, the Company consolidated one new property fund with assets of approximately \$206 million. The Company terminated one property fund during each of the nine months ended September 30, 2015 and 2014. The liquidation of properties may occur over several years until the fund is terminated. See the summary of changes in Level 3 assets and liabilities for gross sales and purchases of properties, within the other assets caption, for the three months and nine months ended September 30, 2015 and 2014.

AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

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, 2015			Total
	Level 1 (in millions)	Level 2	Level 3	
Assets				
Investments:				
Corporate debt securities	\$—	\$199	\$—	\$199
Common stocks	123	43	6	172
Other investments	4	25	—	29
Syndicated loans	—	6,123	454	6,577
Total investments	127	6,390	460	6,977
Receivables	—	65	—	65
Other assets	—	—	2,129	2,129
Total assets at fair value	\$127	\$6,455	\$2,589	\$9,171
Liabilities				
Debt	\$—	\$—	\$6,976	\$6,976
Other liabilities	—	529	—	529
Total liabilities at fair value	\$—	\$529	\$6,976	\$7,505
	December 31, 2014			Total
	Level 1 (in millions)	Level 2	Level 3	
Assets				
Investments:				
Corporate debt securities	\$—	\$171	\$—	\$171
Common stocks	130	40	7	177
Other investments	4	25	—	29
Syndicated loans	—	5,287	484	5,771
Total investments	134	5,523	491	6,148
Receivables	—	49	—	49
Other assets	—	1	1,935	1,936
Total assets at fair value	\$134	\$5,573	\$2,426	\$8,133
Liabilities				
Debt	\$—	\$—	\$6,030	\$6,030
Other liabilities	—	193	—	193
Total liabilities at fair value	\$—	\$193	\$6,030	\$6,223

AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

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:

	Common Stocks (in millions)	Syndicated Loans	Other Assets	Debt
Balance, July 1, 2015	\$ 11	\$ 457	\$ 1,979	\$(6,487)
Total gains (losses) included in:				
Net income	—	(8) ⁽¹⁾	24	⁽²⁾ 67 ⁽¹⁾
Other comprehensive income	—	—	(61)	—
Purchases	—	101	193	—
Sales	—	(5)	(6)	—
Issues	—	—	—	(699)
Settlements	—	(32)	—	143
Transfers into Level 3	—	136	—	—
Transfers out of Level 3	(5)	(195)	—	—
Balance, September 30, 2015	\$ 6	\$ 454	\$ 2,129	\$(6,976)
Changes in unrealized gains (losses) included in income relating to assets and liabilities held at September 30, 2015	\$— ⁽¹⁾	\$(9) ⁽¹⁾	\$ 26 ⁽²⁾	\$ 67 ⁽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, July 1, 2014	\$—	\$ 7	\$ 427	\$ 2,389	\$(5,511)
Total gains (losses) included in:					
Net income	—	—	(1) ⁽¹⁾	144 ⁽²⁾	(7) ⁽¹⁾
Other comprehensive loss	—	—	—	(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 September 30, 2014	\$—	\$—	\$(1) ⁽¹⁾	\$ 95 ⁽²⁾	\$(7) ⁽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)

	Common Stocks (in millions)	Syndicated Loans	Other Assets	Debt
Balance, January 1, 2015	\$7	\$484	\$1,935	\$(6,030)
Total gains (losses) included in:				
Net income	(1) ⁽¹⁾	(8) ⁽¹⁾	122	⁽²⁾ 96 ⁽¹⁾
Other comprehensive income	—	—	(54)	—
Purchases	—	257	539	—
Sales	—	(23)	(413)	—
Issues	—	—	—	(1,268)
Settlements	—	(105)	—	226
Transfers into Level 3	5	523	—	—
Transfers out of Level 3	(5)	(674)	—	—
Balance, September 30, 2015	\$6	\$454	\$2,129	\$(6,976)
Changes in unrealized gains (losses) included in income relating to assets and liabilities held at September 30, 2015	\$—	\$(11) ⁽¹⁾	\$26	⁽²⁾ \$96 ⁽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 loss	—	—	—	(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⁾	⁽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.

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.

AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

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, 2015								
	Fair Value (in millions)	Valuation Technique	Unobservable Input	Range		Weighted Average		
Other assets (property funds)	\$2,124	Discounted cash flow/ market comparables	Equivalent yield	2.8	%– 11.6%	5.9	%	
			Expected rental value (per square foot)	\$5	– \$173	\$50		
CLO debt	\$6,976	Discounted cash flow	Annual default rate	2.5%				
			Discount rate	1.7	%– 9.0%	2.9	%	
			Constant prepayment rate	5.0	%– 10.0%	9.8	%	
			Loss recovery	36.4	%– 63.6%	62.7	%	
December 31, 2014								
	Fair Value (in millions)	Valuation Technique	Unobservable Input	Range		Weighted Average		
Other assets (property funds)	\$1,935	Discounted cash flow/ market comparables	Equivalent yield	4.4	%– 12.0%	6.5	%	
			Expected rental value (per square foot)	\$3	– \$94	\$34		
CLO debt	\$6,030	Discounted cash flow	Annual default rate	2.5%				
			Discount rate	1.2	%– 8.3%	2.4	%	
			Constant prepayment rate	5.0	%– 10.0%	9.8	%	
			Loss recovery	36.4	%– 63.6%	62.7	%	

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 CLO'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

AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

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 CLOs, 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.

The CLOs hold an immaterial amount of warrants recorded in other assets. Loans within the CLOs may default and go through a restructuring that can result in the CLO receiving warrants for the issuer's equity securities. 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 CLOs' 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 CLOs' underlying assets. Given the significance of the unobservable inputs to this fair value measurement, the fair value of the CLOs' debt is classified as Level 3.

Other Liabilities

Other liabilities consist primarily of securities purchased but not yet settled held by consolidated CLOs. 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 CLOs. Management believes that the use of the fair value option better matches the changes in fair value of assets and liabilities related to the CLOs.

AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

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, 2015	December 31, 2014
	(in millions)	
Syndicated loans		
Unpaid principal balance	\$6,816	\$5,871
Excess unpaid principal over fair value	(239)	(100)
Fair value	\$6,577	\$5,771
Fair value of loans more than 90 days past due	\$30	\$32
Fair value of loans in nonaccrual status	30	32
Difference between fair value and unpaid principal of loans more than 90 days past due, loans in nonaccrual status or both	62	25
Debt		
Unpaid principal balance	\$7,302	\$6,248
Excess unpaid principal over fair value	(326)	(218)
Fair value	\$6,976	\$6,030

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 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 \$61 million and \$16 million for the three months ended September 30, 2015 and 2014, respectively. 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 \$(32) million and \$4 million for the nine months ended September 30, 2015 and 2014, 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, 2015	December 31, 2014	September 30, 2015	December 31, 2014
	(in millions)			
Debt of consolidated CLOs due 2016-2026	\$6,976	\$6,030	1.5	1.3
Floating rate revolving credit borrowings due 2016-2020	950	837	2.8	2.7
Total	\$7,926	\$6,867		

The debt of the consolidated CLOs has both fixed and floating interest rates, which range from 0% to 9.2%. The interest rates on the debt of CLOs are weighted average rates based on the outstanding principal and current interest rates. The carrying value of the debt of the consolidated CLOs 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 \$950 million and \$837 million as of September 30, 2015 and December 31, 2014, respectively. The property funds 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 \$10 million at both September 30, 2015 and December 31, 2014. The overall effective interest rate reflecting the impact of the

derivative contracts was 3.1% at both September 30, 2015 and December 31, 2014.

AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

4. Investments

The following is a summary of Ameriprise Financial investments:

	September 30, 2015	December 31, 2014
	(in millions)	
Available-for-Sale securities, at fair value	\$29,286	\$30,027
Mortgage loans, net	3,382	3,440
Policy and certificate loans	824	806
Other investments	1,254	1,309
Total	\$34,746	\$35,582

The following is a summary of net investment income:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(in millions)			
Investment income on fixed maturities	\$346	\$365	\$1,055	\$1,114
Net realized gains (losses)	(10)	) 4	5	10
Affordable housing partnerships	(7)	) (8)	(25)	) (20)
Other	(10)	) 26	32	70
Consolidated investment entities	2	41	161	158
Total net investment income	\$321	\$428	\$1,228	\$1,332

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

	September 30, 2015				
Description of Securities	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Noncredit OTTI ⁽¹⁾
	(in millions)				
Corporate debt securities	\$15,931	\$1,135	\$(168)	) \$16,898	\$3
Residential mortgage backed securities	5,925	136	(53)	) 6,008	(13)
Commercial mortgage backed securities	2,395	107	(3)	) 2,499	—
Asset backed securities	1,259	48	(5)	) 1,302	—
State and municipal obligations	2,083	204	(28)	) 2,259	—
U.S. government and agencies obligations	69	3	—	72	—
Foreign government bonds and obligations	223	18	(11)	) 230	—
Common stocks	8	11	(1)	) 18	5
Total	\$27,893	\$1,662	\$(269)	) \$29,286	\$(5)

AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

Description of Securities	December 31, 2014			Fair Value	Noncredit OTTI ⁽¹⁾
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses		
	(in millions)				
Corporate debt securities	\$15,742	\$1,482	\$(59)	\$17,165	\$3
Residential mortgage backed securities	6,099	168	(60)	6,207	(15)
Commercial mortgage backed securities	2,513	120	(3)	2,630	—
Asset backed securities	1,417	59	(6)	1,470	—
State and municipal obligations	2,008	257	(26)	2,239	—
U.S. government and agencies obligations	43	4	—	47	—
Foreign government bonds and obligations	236	21	(6)	251	—
Common stocks	8	10	—	18	5
Total	\$28,066	\$2,121	\$(160)	\$30,027	\$(7)

Represents the amount of other-than-temporary impairment (“OTTI”) losses in accumulated other comprehensive income (“AOCI”). 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, 2015 and December 31, 2014, investment securities with a fair value of \$0.9 billion and \$1.3 billion, respectively, were pledged to meet contractual obligations under derivative contracts and short-term borrowings, of which \$398 million and \$769 million, respectively, may be sold, pledged or rehypothecated by the counterparty.

At both September 30, 2015 and December 31, 2014, fixed maturity securities comprised approximately 84% 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 both September 30, 2015 and December 31, 2014, the Company’s internal analysts rated \$1.4 billion of securities using criteria similar to those used by NRSROs.

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

Ratings	September 30, 2015			December 31, 2014		
	Amortized Cost	Fair Value	Percent of Total Fair Value	Amortized Cost	Fair Value	Percent of Total Fair Value
	(in millions, except percentages)					
AAA	\$7,052	\$7,282	25 %	\$7,500	\$7,776	26 %
AA	1,696	1,902	6	1,581	1,799	6
A	5,468	5,935	20	6,028	6,668	22
BBB	12,175	12,735	44	11,187	12,025	40
Below investment grade	1,494	1,414	5	1,762	1,741	6
Total fixed maturities	\$27,885	\$29,268	100 %	\$28,058	\$30,009	100 %

At September 30, 2015 and December 31, 2014, approximately 54% and 52%, 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, 2015								
	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	262	\$3,645	\$ (133)	32	\$301	\$ (35)	294	\$3,946	\$ (168)
Residential mortgage backed securities	85	1,190	(7)	152	1,330	(46)	237	2,520	(53)
Commercial mortgage backed securities	23	234	(2)	4	50	(1)	27	284	(3)
Asset backed securities	27	221	(2)	14	253	(3)	41	474	(5)
State and municipal obligations	61	180	(3)	3	102	(25)	64	282	(28)
Foreign government bonds and obligations	8	46	(2)	14	23	(9)	22	69	(11)
Common stocks	3	1	(1)	—	—	—	3	1	(1)
Total	469	\$5,517	\$ (150)	219	\$2,059	\$ (119)	688	\$7,576	\$ (269)
Description of Securities	December 31, 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	182	\$2,165	\$ (41)	40	\$689	\$ (18)	222	\$2,854	\$ (59)
Residential mortgage backed securities	73	879	(7)	138	1,387	(53)	211	2,266	(60)
Commercial mortgage backed securities	15	173	—	12	131	(3)	27	304	(3)
Asset backed securities	17	201	(2)	14	238	(4)	31	439	(6)
State and municipal obligations	11	29	(1)	10	115	(25)	21	144	(26)
Foreign government bonds and obligations	4	10	(1)	14	27	(5)	18	37	(6)
Total	302	\$3,457	\$ (52)	228	\$2,587	\$ (108)	530	\$6,044	\$ (160)

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

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

Three Months Ended		Nine Months Ended	
September 30,		September 30,	
2015	2014	2015	2014

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	(in millions)			
Beginning balance	\$85	\$148	\$98	\$147
Credit losses for which an other-than-temporary impairment was previously recognized	—	—	1	1
Reductions for securities sold during the period (realized)	—	(50)	(14)	(50)
Ending balance	\$85	\$98	\$85	\$98

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AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

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 adjustments primarily consisting of changes in insurance and annuity asset and liability balances, such as deferred acquisition costs (“DAC”), deferred sales inducement costs (“DSIC”), unearned revenue, 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 AOCI:

	Net Unrealized Securities Gains	Deferred Income Tax	AOCI Related to Net Unrealized Securities Gains	
	(in millions)			
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 other adjustments	(258)	) 90	(168))
Balance at September 30, 2014	\$1,272	\$(452)	)	\$ 820 ⁽²⁾
Balance at January 1, 2015	\$1,216	\$(430)	)	\$ 786
Net unrealized securities losses arising during the period ⁽¹⁾	(562)	) 197	(365))
Reclassification of net securities gains included in net income	(6)	) 2	(4))
Impact of other adjustments	281	(98)	)	183
Balance at September 30, 2015	\$929	\$(329)	)	\$ 600 ⁽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 \$6 million and \$5 million of noncredit related impairments on securities and net unrealized securities gains on previously impaired securities at September 30, 2015 and 2014, respectively.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(in millions)			
Gross realized gains	\$1	\$12	\$24	\$23
Gross realized losses	(4)	(1)	(10)	(5)
Other-than-temporary impairments	(7)	(5)	(8)	(6)
Total	\$(10)	\$6	\$6	\$12

Other-than-temporary impairments for the three months and nine months ended September 30, 2015 primarily related to credit losses on corporate debt securities. 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.

AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

Available-for-Sale securities by contractual maturity at September 30, 2015 were as follows:

	Amortized Cost (in millions)	Fair Value
Due within one year	\$1,834	\$1,853
Due after one year through five years	6,570	6,985
Due after five years through 10 years	5,313	5,397
Due after 10 years	4,589	5,224
	18,306	19,459
Residential mortgage backed securities	5,925	6,008
Commercial mortgage backed securities	2,395	2,499
Asset backed securities	1,259	1,302
Common stocks	8	18
Total	\$27,893	\$29,286

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.

The following table presents a rollforward of the allowance for loan losses for commercial mortgage loans, syndicated loans and consumer loans for the nine months ended and the ending balance of the allowance for loan losses by impairment method:

	September 30, 2015 2014 (in millions)	
Beginning balance	\$35	\$37
Charge-offs	(3)	(4)
Provisions	1	2
Ending balance	\$33	\$35
Individually evaluated for impairment	\$6	\$9
Collectively evaluated for impairment	27	26

AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

The recorded investment in commercial mortgage loans, syndicated loans and consumer loans by impairment method was as follows:

	September 30, 2015	December 31, 2014
	(in millions)	
Individually evaluated for impairment	\$39	\$42
Collectively evaluated for impairment	3,923	3,951
Total	\$3,962	\$3,993

As of September 30, 2015 and December 31, 2014, the Company's recorded investment in financing receivables individually evaluated for impairment for which there was no related allowance for loan losses was \$20 million and \$13 million, respectively. Unearned income, unamortized premiums and discounts, and net unamortized deferred fees and costs are not material to the Company's total loan balance.

During the three months ended September 30, 2015 and 2014, the Company purchased \$93 million and \$96 million, respectively, and sold \$9 million and \$1 million, respectively, of syndicated loans. During the nine months ended September 30, 2015 and 2014, the Company purchased \$134 million and \$186 million, respectively, and sold \$16 million and \$11 million, respectively, consisting primarily of syndicated loans.

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 \$10 million and \$12 million as of September 30, 2015 and December 31, 2014, 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% of total commercial mortgage loans at both September 30, 2015 and December 31, 2014. 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, 2015	December 31, 2014	September 30, 2015	December 31, 2014
	(in millions)			
East North Central	\$202	\$238	7	% 9
East South Central	76	62	3	2
Middle Atlantic	210	217	8	8
Mountain	247	245	9	9
New England	130	140	5	5
Pacific	755	694	27	25
South Atlantic	773	740	28	27
West North Central	231	233	8	9
West South Central	133	160	5	6
	2,757	2,729	100	% 100
Less: allowance for loan losses	22	25		%
Total	\$2,735	\$2,704		

AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

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

	Loans		Percentage	
	September 30, 2015	December 31, 2014	September 30, 2015	December 31, 2014
	(in millions)			
Apartments	\$509	\$ 500	18	% 18
Hotel	35	34	1	1
Industrial	482	461	18	17
Mixed use	36	45	1	2
Office	542	545	20	20
Retail	953	988	35	36
Other	200	156	7	6
	2,757	2,729	100	% 100
Less: allowance for loan losses	22	25		
Total	\$2,735	\$ 2,704		

Syndicated Loans

The recorded investment in syndicated loans at September 30, 2015 and December 31, 2014 was \$545 million and \$511 million, respectively. 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, 2015 and December 31, 2014 were \$6 million and \$4 million, respectively.

Consumer Loans

The recorded investment in consumer loans at September 30, 2015 and December 31, 2014 was \$660 million and \$753 million, respectively. 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, 2015 and December 31, 2014, approximately 4% and 6%, respectively, of consumer loans had FICO scores below 640. As of both September 30, 2015 and December 31, 2014, 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% of the portfolio as of both September 30, 2015 and December 31, 2014. No other state represents more than 10% of the total consumer loan portfolio.

Troubled Debt Restructurings

The recorded investment in restructured loans was not material as of September 30, 2015 and December 31, 2014. 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, 2015 and 2014. There are no material commitments to lend additional funds to borrowers whose loans have been restructured.

AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

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 2015 primarily reflected the difference between the Company's previously assumed interest rates versus the continued low interest rate environment, partially offset by improved persistency. The impact in the third quarter of 2014 primarily reflected the difference between the Company's assumed interest rates, partially offset by improved persistency and mortality experience and a benefit from updating the Company's variable annuity living benefit withdrawal utilization assumption.

The balances of and changes in DAC were as follows:

	2015	2014
	(in millions)	
Balance at January 1	\$2,608	\$2,663
Capitalization of acquisition costs	264	253
Amortization, excluding the impact of valuation assumptions review	(296)	(274)
Amortization, impact of valuation assumptions review	(6)	(7)
Impact of change in net unrealized securities losses (gains)	64	(30)
Balance at September 30	\$2,634	\$2,605

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

	2015	2014
	(in millions)	
Balance at January 1	\$362	\$409
Capitalization of sales inducement costs	3	4
Amortization, excluding the impact of valuation assumptions review	(44)	(39)
Amortization, impact of valuation assumptions review	1	(2)
Impact of change in net unrealized securities losses (gains)	10	(3)
Balance at September 30	\$332	\$369

AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

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, 2015	December 31, 2014
	(in millions)	
Policyholder account balances		
Fixed annuities	\$11,446	\$12,700