AMERIPRISE FINANCIAL INC
Form 10-Q
November 05, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q
x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Quarterly Period Ended September 30, 2013
OR
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Transition Period from_______________________to_______________________
Commission File No. 1-32525
AMERIPRISE FINANCIAL, INC.
(Exact name of registrant as specified in its charter)

Delaware	13-3180631
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1099 Ameriprise Financial Center, Minneapolis, Minnesota	55474
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (612) 671-3131
Former name, former address and former fiscal year, if changed since last report: Not Applicable
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer x	Accelerated Filer o
Non-Accelerated Filer (Do not check if a smaller reporting company) o	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes o No x
Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at	October 18, 2013
Common Stock (par value $.01 per share)	194,540,676 shares	

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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,	
	2013	2012	2013	2012
Revenues				
Management and financial advice fees	$1,318	$1,191	$3,856	$3,475
Distribution fees	441	391	1,323	1,189
Net investment income	491	427	1,431	1,430
Premiums	324	309	949	912
Other revenues	247	161	718	569
Total revenues	2,821	2,479	8,277	7,575
Banking and deposit interest expense	8	11	24	32
Total net revenues	2,813	2,468	8,253	7,543
Expenses				
Distribution expenses	757	667	2,243	1,996
Interest credited to fixed accounts	204	207	600	622
Benefits, claims, losses and settlement expenses	492	542	1,391	1,456
Amortization of deferred acquisition costs	(14)	67	153	197
Interest and debt expense	68	68	194	209
General and administrative expense	704	718	2,181	2,243
Total expenses	2,211	2,269	6,762	6,723
Income from continuing operations before income tax provision	602	199	1,491	820
Income tax provision	154	47	395	248
Income from continuing operations	448	152	1,096	572
Income (loss) from discontinued operations, net of tax	1	(1)	(1)	(3)
Net income	449	151	1,095	569
Less: Net income (loss) attributable to noncontrolling interests	67	(22)	57	(71)
Net income attributable to Ameriprise Financial	$382	$173	$1,038	$640
Earnings per share attributable to Ameriprise Financial, Inc. common shareholders				
Basic				
Income from continuing operations	$1.90	$0.81	$5.07	$2.91
Loss from discontinued operations	—	(0.01)	—	(0.02)
Net income	$1.90	$0.80	$5.07	$2.89
Diluted				
Income from continuing operations	$1.86	$0.79	$4.97	$2.85
Loss from discontinued operations	—	—	—	(0.01)
Net income	$1.86	$0.79	$4.97	$2.84
Cash dividends declared per common share	$0.52	$0.35	$1.49	$0.70
Supplemental Disclosures:				
Total other-than-temporary impairment losses on securities	$(7)	$(8)	$(11)	$(27)
Portion of loss recognized in other comprehensive income (loss) (before taxes)	6	(7)	5	(2)
Net impairment losses recognized in net investment income	$(1)	$(15)	$(6)	$(29)

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,	
	2013	2012	2013	2012
Net income	$449	$151	$1,095	$569
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustment	80	33	7	43
Net unrealized gains (losses) on securities:				
Net unrealized securities gains (losses) arising during the period	(67)	378	(869)	615
Reclassification of net securities (gains) losses included in net income	(5)	44	(5)	49
Impact on deferred acquisition costs, deferred sales inducement costs, benefit reserves and reinsurance recoverables	18	(112)	283	(174)
Total net unrealized gains (losses) on securities	(54)	310	(591)	490
Net unrealized gains on derivatives:				
Net unrealized derivative gains arising during the period	—	—	—	10
Reclassification of net derivative (gains) losses included in net income	1	—	1	(1)
Total net unrealized gains on derivatives	1	—	1	9
Total other comprehensive income (loss), net of tax	27	343	(583)	542
Total comprehensive income	476	494	512	1,111
Less: Comprehensive income (loss) attributable to noncontrolling interests	114	(4)	63	(45)
Comprehensive income attributable to Ameriprise Financial	$362	$498	$449	$1,156

See Notes to Consolidated Financial Statements.

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AMERIPRISE FINANCIAL, INC.
CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(in millions, except share amounts)

	September 30, 2013	December 31, 2012
Assets		
Cash and cash equivalents	$3,125	$2,371
Cash of consolidated investment entities	340	579
Investments	35,404	36,877
Investments of consolidated investment entities, at fair value	4,636	4,370
Separate account assets	77,788	72,397
Receivables	4,362	4,220
Receivables of consolidated investment entities (includes $26 and $77, respectively, at fair value)	141	95
Deferred acquisition costs	2,610	2,399
Restricted and segregated cash and investments	2,259	2,538
Other assets	7,943	7,667
Other assets of consolidated investment entities, at fair value	1,600	1,216
Total assets	$140,208	$134,729
Liabilities and Equity		
Liabilities:		
Policyholder account balances, future policy benefits and claims	$29,943	$31,217
Separate account liabilities	77,788	72,397
Customer deposits	6,744	6,526
Short-term borrowings	500	501
Long-term debt	2,947	2,403
Debt of consolidated investment entities (includes $4,459 and $4,450, respectively, at fair value)	5,242	4,981
Accounts payable and accrued expenses	1,290	1,228
Accounts payable and accrued expenses of consolidated investment entities	127	96
Other liabilities	6,329	5,467
Other liabilities of consolidated investment entities (includes $94 and $166, respectively, at fair value)	129	201
Total liabilities	131,039	125,017
Equity:		
Ameriprise Financial, Inc.:		
Common shares ($.01 par value; shares authorized, 1,250,000,000; shares issued, 316,115,977 and 309,399,529, respectively)	3	3
Additional paid-in capital	6,840	6,503
Retained earnings	7,107	6,381
Appropriated retained earnings of consolidated investment entities	335	336
Treasury shares, at cost (120,876,387 and 105,456,535 shares, respectively)	(6,565)	(5,325)
Accumulated other comprehensive income, net of tax	605	1,194
Total Ameriprise Financial, Inc. shareholders’ equity	8,325	9,092
Noncontrolling interests	844	620
Total equity	9,169	9,712
Total liabilities and equity	$140,208	$134,729

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	Accumulated Other Comprehensive Income	Total Ameriprise Financial, Inc. Shareholders' Equity	Non-controlling Interests	Total
Balances at January 1, 2012	221,942,983	$ 3	$ 6,237	$ 5,603	$ 428	$ (4,034)	$ 751	$ 8,988	$ 706	$ 9,694
Comprehensive income (loss):										
Net income (loss)	—	—	—	640	—	—	—	640	(71)	569
Other comprehensive income, net of tax	—	—	—	—	—	—	516	516	26	542
Total comprehensive income (loss)								1,156	(45)	1,111
Net loss reclassified to appropriated retained earnings	—	—	—	—	(30)	—	—	(30)	30	—
Dividends to shareholders	—	—	—	(156)	—	—	—	(156)	—	(156)
Noncontrolling interests investments in subsidiaries	—	—	—	—	—	—	—	—	123	123
Distributions to noncontrolling interests	—	—	—	—	—	—	—	—	(158)	(158)
Repurchase of common shares	(19,209,287)	—	—	—	—	(1,008)	—	(1,008)	—	(1,008)
Share-based compensation plans	4,693,531	—	126	—	—	89	—	215	8	223
Other	—	—	—	—	(8)	—	—	(8)	—	(8)
Balances at September 30, 2012	207,427,227	$ 3	$ 6,363	$ 6,087	$ 390	$ (4,953)	$ 1,267	$ 9,157	$ 664	$ 9,821
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),	—	—	—	—	—	—	(589)	(589)	6	(583)

net of tax										
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

See Notes to Consolidated Financial Statements.

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AMERIPRISE FINANCIAL, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(in millions)

	Nine Months Ended September 30, 2013	2012
Cash Flows from Operating Activities		
Net income	$1,095	$569
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion, net	175	168
Deferred income tax benefit	(73)	—
Share-based compensation	106	98
Net realized investment losses (gains)	(13)	46
Net unrealized trading losses	—	2
Loss (income) and gain from sale of equity method investments	(28)	9
Other-than-temporary impairments and provision for loan losses	7	33
Net losses (gains) of consolidated investment entities	(63)	95
Changes in operating assets and liabilities:		
Restricted and segregated cash and investments	193	(109)
Deferred acquisition costs	(98)	(32)
Other investments, net	(2)	19
Policyholder account balances, future policy benefits and claims, net	(1,024)	(428)
Derivatives, net of collateral	1,094	309
Receivables	(138)	(139)
Brokerage deposits	(157)	207
Accounts payable and accrued expenses	62	90
Cash held by consolidated investment entities	249	(137)
Investment properties of consolidated investment entities	(357)	(94)
Other operating assets and liabilities of consolidated investment entities, net	(46)	25
Other, net	124	152
Net cash provided by operating activities	1,106	883
Cash Flows from Investing Activities		
Available-for-Sale securities:		
Proceeds from sales	327	600
Maturities, sinking fund payments and calls	3,826	3,668
Purchases	(4,094)	(3,345)
Proceeds from sales, maturities and repayments of commercial mortgage loans	229	197
Funding of commercial mortgage loans	(292)	(162)
Proceeds from sales of other investments	248	136
Purchase of other investments	(267)	(273)
Purchase of investments by consolidated investment entities	(2,437)	(1,215)
Proceeds from sales, maturities and repayments of investments by consolidated investment entities	2,215	1,619
Purchase of land, buildings, equipment and software	(68)	(143)
Change in consumer loans, net	143	40
Other, net	27	(9)
Net cash provided by (used in) investing activities	(143)	1,113

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, 2013	2012
Cash Flows from Financing Activities		
Investment certificates and banking time deposits:		
Proceeds from additions	$1,724	$966
Maturities, withdrawals and cash surrenders	(1,349)	(724)
Change in other banking deposits	—	(246)
Policyholder account balances:		
Consideration received	1,020	1,082
Net transfers to separate accounts	(54)	(30)
Surrenders and other benefits	(910)	(909)
Cash paid for purchased options with deferred premiums	(290)	(256)
Issuance of debt, net of issuance costs	593	—
Change in short-term borrowings, net	(2)	(5)
Dividends paid to shareholders	(300)	(212)
Repurchase of common shares	(1,205)	(1,008)
Exercise of stock options	100	77
Excess tax benefits from share-based compensation	101	41
Borrowings by consolidated investment entities	1,187	175
Repayments of debt by consolidated investment entities	(969)	(374)
Noncontrolling interests investments in subsidiaries	290	123
Distributions to noncontrolling interests	(142)	(158)
Other, net	(1)	(3)
Net cash used in financing activities	(207)	(1,461)
Effect of exchange rate changes on cash	(2)	9
Net increase in cash and cash equivalents	754	544
Cash and cash equivalents at beginning of period	2,371	2,781
Cash and cash equivalents at end of period	$3,125	$3,325
Supplemental Disclosures:		
Interest paid before consolidated investment entities	$124	$133
Income taxes paid, net	182	174
Non-cash investing activity:		
Affordable housing partnership commitments not yet remitted	26	16

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 accompanying Consolidated Financial Statements are prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). Certain reclassifications of prior period amounts have been made to conform to the current presentation. Results of operations reported for interim periods are not necessarily indicative of results for the entire year. These Consolidated Financial Statements and Notes should be read in conjunction with the consolidated Financial Statements and Notes in the Company's annual report on Form 10-K for the year ended December 31, 2012, filed with the Securities and Exchange Commission ("SEC") on February 27, 2013.

The Company has reclassified certain prior year amounts in the Consolidated Statements of Cash Flows within operating activities to provide more detail related to derivatives. The Company previously classified the change in freestanding derivatives hedging guaranteed minimum withdrawal benefits ("GMWB") and guaranteed minimum accumulation benefits ("GMAB") liabilities in the "Policyholder account balances, future policy benefits and claims" line, the change in all other freestanding derivatives in the "Other, net" line, and the change in derivatives collateral in the "Derivatives collateral, net" line within operating cash flows. The Company reclassified the changes in freestanding derivatives, as well as the change in derivatives collateral, to a new line titled "Derivatives, net of collateral" within operating cash flows.

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

In the second quarter of 2012, the Company made a correction for a tax item related to prior periods, which resulted in a $32 million decrease to net income attributable to Ameriprise Financial. The Company discovered it had received incomplete data from a third party service provider for securities lending activities that resulted in the miscalculation of the Company's dividend received deduction and foreign tax credit, which resulted in an understatement of taxes payable and an overstatement of reported earnings in prior periods. Management determined that the effect of this correction was not material to the Consolidated Financial Statements for all prior periods. The Company resolved the data issue and stopped the securities lending that negatively impacted its tax position.

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.

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2. Recent Accounting Pronouncements

Adoption of New Accounting Standards

Comprehensive Income

In February 2013, the Financial Accounting Standards Board (“FASB”) updated the accounting standard related to comprehensive income. The update requires entities to provide information about significant amounts reclassified out of accumulated other comprehensive income (“AOCI”). The standard is effective for interim and annual periods beginning after December 15, 2012 and is required to be applied prospectively. The Company adopted the standard in the first quarter of 2013. The adoption of the standard did not have any effect on the Company’s consolidated results of operations and financial condition. See Note 13 for the required disclosures.

Balance Sheet

In December 2011, the FASB updated the accounting standards to require new disclosures about offsetting assets and liabilities. The standard requires an entity to disclose both gross and net information about certain financial instruments and transactions subject to master netting arrangements (or similar agreements) or eligible for offset in the statement of financial position. The standard is effective for interim and annual periods beginning on or after January 1, 2013 on a retrospective basis. The Company adopted the standard in the first quarter of 2013. The adoption of the standard did not have any effect on the Company’s consolidated results of operations and financial condition. See Note 11 for the required disclosures.

Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts

In October 2010, the FASB updated the accounting standard for deferred acquisition costs (“DAC”). Under this new standard, only the following costs incurred in the acquisition of new and renewal insurance contracts are capitalizable as DAC: (i) incremental direct costs of a successful contract acquisition, (ii) portions of employees’ compensation and benefits directly related to time spent performing acquisition activities (that is, underwriting, policy issuance and processing, medical and inspection, and contract selling) for a contract that has been acquired, (iii) other costs related to acquisition activities that would not have been incurred had the acquisition of the contract not occurred, and (iv) advertising costs that meet the capitalization criteria in other GAAP guidance for certain direct-response marketing. All other acquisition related costs are expensed as incurred. The Company retrospectively adopted the new standard on January 1, 2012. The cumulative effect of the adoption reduced retained earnings by $1.4 billion after-tax and increased AOCI by $113 million after-tax, totaling to a $1.3 billion after-tax reduction in total equity at January 1, 2012.

Future Adoption of New Accounting Standards

Income Taxes

In July 2013, the 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 adoption of the standard is not expected to have a material impact on the Company's consolidated results of operations and financial condition.

3. Consolidated Investment Entities

The Company provides asset management services to various 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.

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.

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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, 2013			
	Level 1	Level 2	Level 3	Total
	(in millions)			
Assets				
Investments:				
Corporate debt securities	$—	$217	$2	$219
U.S. government and agencies obligations	3	—	—	3
Common stocks	136	32	7	175
Other structured investments	—	33	—	33
Syndicated loans	—	3,904	302	4,206
Total investments	139	4,186	311	4,636
Receivables	—	26	—	26
Other assets	—	9	1,591	1,600
Total assets at fair value	$139	$4,221	$1,902	$6,262
Liabilities				
Debt	$—	$—	$4,459	$4,459
Other liabilities	—	94	—	94
Total liabilities at fair value	$—	$94	$4,459	$4,553

	December 31, 2012			
	Level 1	Level 2	Level 3	Total
	(in millions)			
Assets				
Investments:				
Corporate debt securities	$—	$251	$3	$254
Common stocks	91	32	14	137
Other structured investments	—	57	—	57
Syndicated loans	—	3,720	202	3,922
Total investments	91	4,060	219	4,370
Receivables	—	77	—	77
Other assets	—	2	1,214	1,216
Total assets at fair value	$91	$4,139	$1,433	$5,663
Liabilities				
Debt	$—	$—	$4,450	$4,450
Other liabilities	—	166	—	166
Total liabilities at fair value	$—	$166	$4,450	$4,616

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

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

	Corporate Debt Securities	Common Stocks	Syndicated Loans	Other Assets	Debt
	(in millions)				
#VALUE!	$3	$16	$292	$1,322	$(4,677)
Total gains (losses) included in:					
Net income	—	(1) [1]	(1) [1]	20 [2]	50 [1]
Other comprehensive income	—	—	—	73	—
Purchases	—	—	72	239	—
Sales	—	—	(8)	(54)	—
Issues	—	—	—	—	—
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	Common Stocks	Syndicated Loans	Other Assets	Debt
	(in millions)				
#VALUE!	$4	$12	$169	$1,080	$(4,726)
Total gains (losses) included in:					
Net income	—	—	2 [1]	(27) [2]	(82) [1]
Other comprehensive income	—	—	—	21	—
Purchases	—	—	26	146	—
Sales	—	—	(2)	(62)	—
Settlements	—	—	(22)	—	117
Transfers into Level 3	—	1	59	—	—
Transfers out of Level 3	—	—	(49)	—	—
Balance, September 30, 2012	$4	$13	$183	$1,158	$(4,691)
Changes in unrealized gains (losses) included in income relating to assets and liabilities held at September 30, 2012	$—	$—	$1 [1]	$(39) [2]	$(81) [1]

[1] Included in net investment income in the Consolidated Statements of Operations.
[2] Included in other revenues in the Consolidated Statements of Operations.

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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 income (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.

	Corporate Debt Securities (in millions)	Common Stocks	Syndicated Loans	Other Assets	Debt
Balance, January 1, 2012	$4	$13	$342	$1,108	$(4,712)
Total gains (losses) included in:					
Net income	—	(1) [1]	6 [1]	(64) [2]	(223) [1]
Other comprehensive income	—	—	—	20	—
Purchases	—	6	59	254	—
Sales	—	(4)	(8)	(160)	—
Issues	—	—	—	—	—
Settlements	—	—	(84)	—	244
Transfers into Level 3	—	14	186	—	—
Transfers out of Level 3	—	(15)	(318)	—	—
Balance, September 30, 2012	$4	$13	$183	$1,158	$(4,691)
Changes in unrealized losses included in income relating to assets and liabilities held at September 30, 2012	$—	$—	$—	$(86) [2]	$(221) [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, 2013							
	Fair Value	Valuation Technique	Unobservable Input	Range			Weighted Average	
	(in millions)							
Other assets	$1,591	Discounted cash flow/ market comparables	Equivalent yield	3.5	%–	12.5%	7.6	%
			Expected rental value (per square foot)	$5	–	$308	$29	
Debt	$4,459	Discounted cash flow	Annual default rate	2.5	%–	2.5%	2.5	%
			Discount rate	1.5	%–	9.3%	2.8	%
			Constant prepayment rate	5.0	%–	10.0%	9.7	%
			Loss recovery	36.4	%–	63.6%	62.5	%

	December 31, 2012							
	Fair Value	Valuation Technique	Unobservable Input	Range			Weighted Average	
	(in millions)							
Other assets	$1,214	Discounted cash flow/ market comparables	Equivalent yield	4.1	%–	12.9%	7.2	%
			Expected rental value (per square foot)	$4	–	$309	$32	
Debt	$4,450	Discounted cash flow	Annual default rate	2.5	%–	4.5%	2.5	%
			Discount rate	1.6	%–	30.0%	2.9	%
			Constant prepayment rate	5.0	%–	10.0%	9.6	%
			Loss recovery	36.4	%–	63.6%	62.0	%

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 with multiple non-binding broker quotes as the underlying valuation source 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 structured 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 CDO’s consist primarily of warrants. Warrants that are traded directly with the issuer 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.

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.

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.

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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, 2013	December 31, 2012
	(in millions)	
Syndicated loans		
Unpaid principal balance	$4,261	$4,023
Excess unpaid principal over fair value	(55)	(101)
Fair value	$4,206	$3,922
Fair value of loans more than 90 days past due	$24	$34
Fair value of loans in nonaccrual status	24	34
Difference between fair value and unpaid principal of loans more than 90 days past due, loans in nonaccrual status or both	34	38
Debt		
Unpaid principal balance	$4,696	$4,757
Excess unpaid principal over fair value	(237)	(307)
Fair value	$4,459	$4,450

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 $32 million and $(8) million for the three months ended September 30, 2013 and 2012, 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 $23 million and $(34) million for the nine months ended September 30, 2013 and 2012, 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, 2013	December 31, 2012	September 30, 2013	December 31, 2012
	(in millions)			
Debt of consolidated CDOs due 2016-2025	$4,459	$4,450	1.0 %	0.9 %
Floating rate revolving credit borrowings due 2014	302	309	2.6	2.6
Floating rate revolving credit borrowings due 2015	95	104	2.4	2.4
Floating rate revolving credit borrowings due 2017	118	118	4.5	4.5
Floating rate revolving credit borrowings due 2018	268	—	3.5	—
Total	$5,242	$4,981		

The debt of the consolidated CDOs has both fixed and floating interest rates, which range from 0% to 13.2%. The interest rates on the debt of CDOs are weighted average rates based on the outstanding principal and contractual 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 $783 million and $531 million as of September 30, 2013 and December 31, 2012, 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 $11 million and $17 million at September 30, 2013 and December 31, 2012, respectively. The overall effective interest rate reflecting the impact of the derivative contracts was 4.3% and 4.8% as of September 30, 2013 and December 31, 2012, respectively.

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

4. Investments

The following is a summary of Ameriprise Financial investments:

	September 30, 2013	December 31, 2012
	(in millions)	
Available-for-Sale securities, at fair value	$30,084	$31,472
Mortgage loans, net	3,524	3,609
Policy and certificate loans	769	754
Other investments	1,027	1,042
Total	$35,404	$36,877

The following is a summary of net investment income:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
	(in millions)			
Investment income on fixed maturities	$390	$442	$1,194	$1,353
Net realized gains (losses)	6	(68)	7	(75)
Affordable housing partnerships	(3)	(5)	(11)	(17)
Other	17	15	76	51
Consolidated investment entities	81	43	165	118
Total net investment income	$491	$427	$1,431	$1,430

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

	September 30, 2013				
Description of Securities	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Noncredit OTTI (1)
	(in millions)				
Corporate debt securities	$16,198	$1,392	$(88)	$17,502	$2
Residential mortgage backed securities	5,895	171	(123)	5,943	(43)
Commercial mortgage backed securities	2,612	166	(8)	2,770	—
Asset backed securities	1,377	54	(6)	1,425	—
State and municipal obligations	2,079	116	(72)	2,123	—
U.S. government and agencies obligations	47	6	—	53	—
Foreign government bonds and obligations	240	19	(7)	252	—
Common stocks	7	9	—	16	3
Total	$28,455	$1,933	$(304)	$30,084	$(38)

Description of Securities	December 31, 2012 Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Noncredit OTTI [1]
	(in millions)				
Corporate debt securities	$16,628	$2,196	$(9)	$18,815	$—
Residential mortgage backed securities	5,280	261	(112)	5,429	(58)
Commercial mortgage backed securities	3,120	299	—	3,419	—
Asset backed securities	1,204	75	(4)	1,275	—
State and municipal obligations	2,034	241	(36)	2,239	—
U.S. government and agencies obligations	49	9	—	58	—
Foreign government bonds and obligations	188	36	—	224	—
Common stocks	7	6	—	13	2
Total	$28,510	$3,123	$(161)	$31,472	$(56)

[1] Represents the amount of other-than-temporary impairment (“OTTI”) losses in accumulated other comprehensive income. Amount includes unrealized gains and losses on impaired securities subsequent to the initial impairment measurement date. These amounts are included in gross unrealized gains and losses as of the end of the period.

At September 30, 2013 and December 31, 2012, fixed maturity securities comprised approximately 85% 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, 2013 and December 31, 2012, the Company’s internal analysts rated $1.4 billion and $1.7 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, 2013 Amortized Cost	Fair Value	Percent of Total Fair Value	December 31, 2012 Amortized Cost	Fair Value	Percent of Total Fair Value
	(in millions, except percentages)					
AAA	$7,365	$7,631	25 %	$7,462	$8,021	26 %
AA	1,620	1,750	6	1,620	1,827	6
A	5,812	6,171	21	5,456	6,069	19
BBB	11,705	12,642	42	11,939	13,575	43
Below investment grade	1,946	1,874	6	2,026	1,967	6
Total fixed maturities	$28,448	$30,068	100 %	$28,503	$31,459	100 %

At September 30, 2013 and December 31, 2012, approximately 43% and 35%, respectively, of the securities rated AAA were GNMA, FNMA and FHLMC mortgage backed securities. No holdings of any other issuer were greater than 10% of total equity.

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

	September 30, 2013								
	Less than 12 months			12 months or more			Total		
Description of Securities	Number of Securities	Fair Value	Unrealized Losses	Number of Securities	Fair Value	Unrealized Losses	Number of Securities	Fair Value	Unrealized Losses
	(in millions, except number of securities)								
Corporate debt securities	168	$2,496	$(79)	4	$70	$(9)	172	$2,566	$(88)
Residential mortgage backed securities	114	1,941	(47)	113	528	(76)	227	2,469	(123)
Commercial mortgage backed securities	26	243	(8)	1	—	—	27	243	(8)
Asset backed securities	34	453	(5)	3	21	(1)	37	474	(6)
State and municipal obligations	153	420	(35)	7	106	(37)	160	526	(72)
Foreign government bonds and obligations	22	71	(7)	—	—	—	22	71	(7)
Total	517	$5,624	$(181)	128	$725	$(123)	645	$6,349	$(304)

	December 31, 2012								
	Less than 12 months			12 months or more			Total		
Description of Securities	Number of Securities	Fair Value	Unrealized Losses	Number of Securities	Fair Value	Unrealized Losses	Number of Securities	Fair Value	Unrealized Losses
	(in millions, except number of securities)								
Corporate debt securities	76	$801	$(6)	6	$70	$(3)	82	$871	$(9)
Residential mortgage backed securities	22	408	(5)	134	658	(107)	156	1,066	(112)
Asset backed securities	9	108	(1)	5	86	(3)	14	194	(4)
State and municipal obligations	13	34	(1)	8	113	(35)	21	147	(36)
Total	120	$1,351	$(13)	153	$927	$(148)	273	$2,278	$(161)

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.

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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 securities for which a portion of the securities' total other-than-temporary impairments was recognized in other comprehensive income (loss):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
	(in millions)			
Beginning balance	$157	$294	$176	$303
Credit losses for which an other-than-temporary impairment was not previously recognized	2	1	2	2
Credit losses for which an other-than-temporary impairment was previously recognized	—	12	4	25
Reductions for securities sold during the period (realized)	—	(125)	(23)	(148)
Ending balance	$159	$182	$159	$182

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 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 (losses) on Available-for-Sale securities included in accumulated other comprehensive income:

	Net Unrealized Securities Gains	Deferred Income Tax	Accumulated Other Comprehensive Income Related to Net Unrealized Securities Gains
	(in millions)		
Balance at January 1, 2012	$1,350	$(467)	$ 883
Net unrealized securities gains arising during the period (1)	959	(344)	615
Reclassification of net securities losses included in net income	75	(26)	49
Impact of DAC, DSIC, benefit reserves and reinsurance recoverables	(268)	94	(174)
Balance at September 30, 2012	$2,116	$(743)	$ 1,373 (2)
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)

(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 $11 million and $27 million of noncredit related impairments on securities and net unrealized securities losses on previously impaired securities at September 30, 2013 and 2012, 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,	
	2013	2012	2013	2012
	(in millions)			
Gross realized gains	$8	$11	$15	$19
Gross realized losses	—	(64)	(2)	(65)
Other-than-temporary impairments	(1)	(15)	(6)	(29)
Total	$7	$(68)	$7	$(75)

Other-than-temporary impairments for the three months and nine months ended September 30, 2013 and 2012 primarily related to credit losses on non-agency residential mortgage backed securities.

Available-for-Sale securities by contractual maturity at September 30, 2013 were as follows:

	Amortized Cost	Fair Value
	(in millions)	
Due within one year	$1,498	$1,520
Due after one year through five years	6,125	6,533
Due after five years through 10 years	6,306	6,731
Due after 10 years	4,635	5,146
	18,564	19,930
Residential mortgage backed securities	5,895	5,943
Commercial mortgage backed securities	2,612	2,770
Asset backed securities	1,377	1,425
Common stocks	7	16
Total	$28,455	$30,084

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.

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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. 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.

Allowance for Loan Losses

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, 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

	September 30, 2012			
	Commercial Mortgage Loans	Syndicated Loans	Consumer Loans	Total
	(in millions)			
Beginning balance	$35	$9	$16	$60
Charge-offs	(6)	(2)	(7)	(15)
Recoveries	—	—	1	1
Provisions	—	—	4	4
Ending balance	$29	$7	$14	$50
Individually evaluated for impairment	$6	$1	$1	$8
Collectively evaluated for impairment	23	6	13	42

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

	September 30, 2013			
	Commercial Mortgage Loans	Syndicated Loans	Consumer Loans	Total

	(in millions)			
Individually evaluated for impairment	$46	$5	$7	$58
Collectively evaluated for impairment	2,609	304	918	3,831
Total	$2,655	$309	$925	$3,889

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

	December 31, 2012			
	Commercial Mortgage Loans	Syndicated Loans	Consumer Loans	Total
	(in millions)			
Individually evaluated for impairment	$44	$2	$8	$54
Collectively evaluated for impairment	2,562	335	1,061	3,958
Total	$2,606	$337	$1,069	$4,012

As of September 30, 2013 and December 31, 2012, the Company's recorded investment in financing receivables individually evaluated for impairment for which there was no related allowance for loan losses was $23 million and $17 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.

Purchases and sales of loans were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
	(in millions)			
Purchases				
Consumer loans	$—	$—	$—	$51
Syndicated loans	8	21	67	74
Total loans purchased	$8	$21	$67	$125
Sales				
Consumer loans	$—	$78	$—	$199
Syndicated loans	—	5	2	5
Total loans sold	$—	$83	$2	$204

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 $15 million and $7 million as of September 30, 2013 and December 31, 2012, 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 2% of total commercial mortgage loans at both September 30, 2013 and December 31, 2012. 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.

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

	Loans		Percentage	
	September 30, 2013	December 31, 2012	September 30, 2013	December 31, 2012
	(in millions)			
East North Central	$256	$260	10 %	10 %
East South Central	71	66	2	3
Middle Atlantic	204	207	8	8
Mountain	259	272	10	10
New England	143	146	5	6
Pacific	643	597	24	23
South Atlantic	710	661	27	25
West North Central	203	232	8	9
West South Central	166	165	6	6
	2,655	2,606	100 %	100 %
Less: allowance for loan losses	26	29		
Total	$2,629	$2,577		

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

	Loans		Percentage	
	September 30, 2013	December 31, 2012	September 30, 2013	December 31, 2012
	(in millions)			
Apartments	$484	$450	18 %	17 %
Hotel	33	36	1	1
Industrial	462	474	18	18
Mixed use	27	42	1	2
Office	565	610	21	24
Retail	924	858	35	33
Other	160	136	6	5
	2,655	2,606	100 %	100 %
Less: allowance for loan losses	26	29		
Total	$2,629	$2,577		

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, 2013 and December 31, 2012 were $4 million and $3 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 both September 30, 2013 and December 31, 2012, approximately 5% of consumer loans had FICO scores below 640. At September 30, 2013 and December 31, 2012, approximately 5% and 8%, respectively, 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 38% of the portfolio as of both September 30, 2013 and December 31, 2012. No other state represents more than 10% of the total consumer loan portfolio.

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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,			
	2013		2012		2013		2012	
	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	3	$ 12	3	$ 12	7	$ 22	4	$ 13
Syndicated loans	—	—	—	—	1	—	2	2
Consumer bank loans	4	—	17	—	13	—	56	1
Total	7	$ 12	20	$ 12	21	$ 22	62	$ 16

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, 2013 and 2012. 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 2013 primarily reflected the impact of expected higher interest rates and changes in assumed policyholder behavior. The impact in the third quarter of 2012 primarily
reflected the low interest rate environment and the assumption of continued low interest rates over the near-term.

The balances of and changes in DAC were as follows:

	2013	2012
	(in millions)	
Balance at January 1	$2,399	$2,440
Capitalization of acquisition costs	252	229
Amortization, excluding the impact of valuation assumptions review	(231)	(186)
Amortization impact of valuation assumptions review	78	(11)
Impact of change in net unrealized securities losses (gains)	112	(75)
Balance at September 30	$2,610	$2,397

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

	2013	2012
	(in millions)	
Balance at January 1	$404	$464
Capitalization of sales inducement costs	4	6
Amortization, excluding the impact of valuation assumptions review	(39)	(30)

Amortization impact of valuation assumptions review	25	(13)
Impact of change in net unrealized securities losses (gains)	18	(11)
Balance at September 30	$412	$416

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, 2013	December 31, 2012
	(in millions)	
Policyholder account balances		
Fixed annuities	$13,998	$14,420
Variable annuity fixed sub-accounts	4,912	4,833
Variable universal life (“VUL”)/universal life (“UL”) insurance	2,770	2,725
Indexed universal life (“IUL”) insurance	263	137
Other life insurance	911	943
Total policyholder account balances	22,854	23,058
Future policy benefits		
Variable annuity GMWB	(109)	799
Variable annuity GMAB	(24)	103
Other annuity liabilities	96	158
Fixed annuities life contingent liabilities	1,524	1,520
Equity indexed annuities ("EIA")	28	33
Life, disability income and long term care insurance	4,686	4,703
VUL/UL insurance additional liabilities	287	296
Total future policy benefits	6,488	7,612
Policy claims and other policyholders’ funds	601	547
Total policyholder account balances, future policy benefits and claims	$29,943	$31,217

Separate account liabilities consisted of the following:

	September 30, 2013	December 31, 2012
	(in millions)	
Variable annuity variable sub-accounts	$67,907	$63,302
VUL insurance variable sub-accounts	6,562	6,051
Other insurance variable sub-accounts	43	42
Threadneedle investment liabilities	3,276	3,002
Total	$77,788	$72,397

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, 2013 Total Contract Value	Contract Value in Separate Accounts	Net Amount at Risk[2]	Weighted Average Attained Age	December 31, 2012 Total Contract Value	Contract Value in Separate Accounts	Net Amount at Risk[2]	Weighted Average Attained Age
	(in millions, except age)							
GMDB:								
Return of premium	$50,219	$48,406	$37	63	$45,697	$43,942	$61	63
Five/six-year reset	11,096	8,549	55	64	11,233	8,722	115	63
One-year ratchet	7,508	7,088	54	65	7,367	6,933	106	65
Five-year ratchet	1,712	1,657	2	62	1,616	1,563	3	61
Other	997	977	45	69	912	885	62	68
Total — GMDB	$71,532	$66,677	$193	63	$66,825	$62,045	$347	63
GGU death benefit	$1,015	$962	$110	64	$958	$907	$93	63
GMIB	$410	$386	$45	66	$425	$399	$72	66
GMWB:								
GMWB	$3,873	$3,857	$14	67	$3,898	$3,880	$34	66
GMWB for life	32,290	32,143	211	65	28,588	28,462	263	64
Total — GMWB	$36,163	$36,000	$225	65	$32,486	$32,342	$297	64
GMAB	$4,026	$4,012	$2	57	$3,773	$3,762	$5	57

[1] Individual variable annuity contracts may have more than one guarantee and therefore may be included in more than one benefit type. Variable annuity contracts for which the death benefit equals the account value are not shown in this table.
[2] Represents the current guaranteed benefit amount in excess of the current contract value. GMIB, GMWB and GMAB benefits are subject to waiting periods and payment periods specified in the contract.

Changes in variable annuity and insurance guarantees were as follows:

	GMDB & GGU	GMIB	GMWB	GMAB	UL
	(in millions)				
Balance at January 1, 2012	$5	$9	$1,377	$237	$111
Incurred claims	5	1	(304)	(103)	39
Paid claims	(6)	(1)	—	—	(8)
Balance at September 30, 2012	$4	$9	$1,073	$134	$142
Balance at January 1, 2013	$4	$9	$799	$103	$155
Incurred claims	2	(2)	(908)	(127)	45
Paid claims	(3)	—	—	—	(11)
Balance at September 30, 2013	$3	$7	$(109)	$(24)	$189

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, 2013	December 31, 2012
	(in millions)	
Mutual funds:		
Equity	$34,204	$32,054
Bond	25,366	26,165
Other	7,184	3,991
Total mutual funds	$66,754	$62,210

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, 2013	December 31, 2012	September 30, 2013	December 31, 2012
	(in millions)			
Long-term debt:				
Senior notes due 2015	$736 [1]	$750 [1]	5.7 %	5.7 %
Senior notes due 2019	331 [1]	347 [1]	7.3	7.3
Senior notes due 2020	789 [1]	812 [1]	5.3	5.3
Senior notes due 2023	597	—	4.0	—
Senior notes due 2039	200	200	7.8	7.8
Junior subordinated notes due 2066	294	294	7.5	7.5
Total long-term debt	2,947	2,403		
Short-term borrowings:				
Federal Home Loan Bank (“FHLB”) advances	350	—	0.3	—
Repurchase agreements	150	501	0.3	0.4
Total short-term borrowings	500	501		
Total	$3,447	$2,904		

(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 associated with issuing these notes.

On September 6, 2013, the Company issued $600 million of unsecured senior notes due October 15, 2023, and incurred debt issuance costs of $5 million. Interest payments are due semi-annually in arrears on April 15 and October 15, commencing
April 15, 2014.

In October 2013, the Company issued a notice of redemption for $350 million of its senior notes due November 2015. The notes were redeemed pursuant to the terms of the indenture at the principal value plus an aggregate premium and accrued interest to the redemption date. The redemption date of the notes was November 4, 2013. The Company will record a net pretax loss of approximately $20 million on the redemption of the notes in the fourth quarter of 2013.

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, 2013.

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, 2013 and December 31, 2012.

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 $156 million and $518 million at September 30, 2013 and December 31, 2012, respectively. 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 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 $436 million at September 30, 2013. 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.

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

	September 30, 2013			
	Level 1	Level 2	Level 3	Total
	(in millions)			
Assets				
Cash equivalents	$19	$2,375	$—	$2,394
Available-for-Sale securities:				
Corporate debt securities	—	15,870	1,632	17,502
Residential mortgage backed securities	—	5,655	288	5,943
Commercial mortgage backed securities	—	2,755	15	2,770
Asset backed securities	—	1,222	203	1,425
State and municipal obligations	—	2,123	—	2,123
U.S. government and agencies obligations	17	36	—	53
Foreign government bonds and obligations	—	252	—	252
Common stocks	5	6	5	16
Total Available-for-Sale securities	22	27,919	2,143	30,084
Trading securities	3	23	—	26
Separate account assets	—	77,788	—	77,788
Other assets:				
Interest rate derivative contracts	—	1,642	—	1,642
Equity derivative contracts	385	1,133	—	1,518
Foreign currency derivative contracts	1	2	—	3
Total other assets	386	2,777	—	3,163
Total assets at fair value	$430	$110,882	$2,143	$113,455
Liabilities				
Future policy benefits:				
EIA embedded derivatives	$—	$4	$—	$4
IUL embedded derivatives	—	—	96	96
GMWB and GMAB embedded derivatives	—	—	(256)	(256) [2]
Total future policy benefits	—	4	(160)	(156) [1]
Customer deposits	—	7	—	7
Other liabilities:				
Interest rate derivative contracts	—	1,554	—	1,554
Equity derivative contracts	333	2,083	—	2,416
Credit derivative contracts	—	6	—	6
Foreign currency derivative contracts	1	—	—	1
Other	—	12	—	12
Total other liabilities	334	3,655	—	3,989
Total liabilities at fair value	$334	$3,666	$(160)	$3,840

[1] The Company’s adjustment for nonperformance risk resulted in a $238 million cumulative increase to the embedded derivatives.

[2] The fair value of the GMWB and GMAB embedded derivatives was a net asset at September 30, 2013 and the amount is reported as a contra liability.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

	December 31, 2012				
	Level 1	Level 2	Level 3	Total	
	(in millions)				
Assets					
Cash equivalents	$18	$1,539	$—	$1,557	
Available-for-Sale securities:					
Corporate debt securities	—	17,051	1,764	18,815	
Residential mortgage backed securities	—	5,145	284	5,429	
Commercial mortgage backed securities	—	3,213	206	3,419	
Asset backed securities	—	1,097	178	1,275	
State and municipal obligations	—	2,239	—	2,239	
U.S. government and agencies obligations	19	39	—	58	
Foreign government bonds and obligations	—	224	—	224	
Common stocks	3	4	6	13	
Total Available-for-Sale securities	22	29,012	2,438	31,472	
Trading securities	1	24	—	25	
Separate account assets	—	72,397	—	72,397	
Other assets:					
Interest rate derivative contracts	—	2,358	—	2,358	
Equity derivative contracts	285	973	—	1,258	
Foreign currency derivative contracts	—	6	—	6	
Commodity derivative contracts	—	1	—	1	
Total other assets	285	3,338	—	3,623	
Total assets at fair value	$326	$106,310	$2,438	$109,074	
Liabilities					
Future policy benefits:					
EIA embedded derivatives	$—	$2	$—	$2	
IUL embedded derivatives	—	—	45	45	
GMWB and GMAB embedded derivatives	—	—	833	833	
Total future policy benefits	—	2	878	880	(1)
Customer deposits	—	8	—	8	
Other liabilities:					
Interest rate derivative contracts	—	1,486	—	1,486	
Equity derivative contracts	258	1,565	—	1,823	
Foreign currency derivative contracts	1	—	—	1	
Other	1	3	—	4	
Total other liabilities	260	3,054	—	3,314	
Total liabilities at fair value	$260	$3,064	$878	$4,202	

(1) The Company’s adjustment for nonperformance risk resulted in a $398 million cumulative decrease to the embedded derivatives.

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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						Future Policy Benefits		
	Corporate Debt Securities	Residential Mortgage Backed Securities	Commercial Mortgage Backed Securities	Asset Backed Securities	Common Stocks	Total	IUL Embedded Derivatives	GMWB and GMAB Embedded Derivatives	Total
	(in millions)								
Balance, July 1, 2013	$1,667	$ 69	$ 210	$ 214	$ 5	$2,165	$(76)	$ (11)	$(87)
Total gains (losses) included in:									
Net income	(1)	—	—	—	—	(1) [1]	(2) [2]	322 [3]	320
Other comprehensive income	3	(1)	—	(2)	—	—	—	—	—
Purchases	—	245	—	29	—	274	—	—	—
Sales	—	—	—	—	—	—	—	—	—
Issues	—	—	—	—	—	—	(17)	(60)	(77)
Settlements	(37)	(6)	(36)	(1)	—	(80)	(1)	5	4
Transfers into Level 3	—	—	—	—	—	—	—	—	—
Transfers out of Level 3	—	(19)	(159)	(37)	—	(215)	—	—	—
Balance, September 30, 2013	$1,632	$ 288	$ 15	$ 203	$ 5	$2,143	$(96)	$ 256	$160

Changes in unrealized gains (losses) relating to assets and liabilities held at September 30, 2013 included in:									
Net investment income	$(1)	$ —	$ —	$ 1	$—	$—	$—	$ —	$—
Interest credited to fixed accounts	—	—	—	—	—	—	(2)	—	(2)
Benefits, claims, losses and settlement expenses	—	—	—	—	—	—	—	321	321

[1] Included in net investment income in the Consolidated Statements of Operations.
[2] Included in interest credited to fixed accounts in the Consolidated Statements of Operations.
[3] Included in benefits, claims, losses and settlement expenses in the Consolidated Statements of Operations.

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	Available-for-Sale Securities						Future Policy Benefits		
	Corporate Debt Securities	Residential Mortgage Backed Securities	Commercial Mortgage Backed Securities	Asset Backed Securities	Common Stocks	Total	IUL Embedded Derivatives	GMWB and GMAB Embedded Derivatives	Total
	(in millions)								
Balance, July 1, 2012	$1,485	$238	$69	$185	$5	$1,982	$—	$(1,406)	$(1,406)
Total gains (losses) included in:									
Net income	(1)	(31)	1	1	—	(30) [1]	1 [2]	321 [3]	322
Other comprehensive income	14	40	4	3	—	61	—	—	—
Purchases	139	54	—	—	—	193	—	—	—
Sales	—	(75)	—	—	—	(75)	—	—	—
Issues	—	—	—	—	—	—	(16)	(49)	(65)
Settlements	(40)	(8)	(1)	(4)	—	(53)	—	(8)	(8)
Transfers into Level 3	—	—	146	15	—	161	(22)	—	(22)
Transfers out of Level 3	—	(146)	(7)	—	—	(153)	—	—	—
Balance, September 30, 2012	$1,597	$72	$212	$200	$5	$2,086	$(37)	$(1,142)	$(1,179)
Changes in unrealized gains (losses) relating to assets and liabilities held at September 30, 2012 included in:									
Net investment income	$(1)	$—	$1	$1	$—	1	$—	$—	$—
Interest credited to fixed accounts	—	—	—	—	—	—	1	—	1
Benefits, claims, losses and settlement expenses	—	—	—	—	—	—	—	310	310

[1] Included in net investment income in the Consolidated Statements of Operations.

[2] Included in interest credited to fixed accounts in the Consolidated Statements of Operations.

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

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	Available-for-Sale Securities						Future Policy Benefits		
	Corporate Debt Securities	Residential Mortgage Backed Securities	Commercial Mortgage Backed Securities	Asset Backed Securities	Common Stocks	Total	IUL Embedded Derivatives	GMWB and GMAB Embedded Derivatives	Total
	(in millions)								
Balance, January 1, 2013	$1,764	$ 284	$ 206	$ 178	$6	$2,438	$(45)	$ (833)	$(878)
Total gains (losses) included in:									
Net income	(2)	—	—	1	—	(1) [1]	(8) [2]	1,246 [3]	1,238
Other comprehensive loss	(34)	(1)	(6)	5	—	(36)	—	—	—
Purchases	74	307	10	200	—	591	—	—	—
Sales	—	—	—	—	—	—	—	—	—
Issues	—	—	—	—	—	—	(42)	(163)	(205)
Settlements	(170)	(7)	(36)	(4)	—	(217)	(1)	6	5
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	$(96)	$ 256	$160
Changes in unrealized gains (losses) relating to assets and liabilities held at September 30, 2013 included in:									
Net investment income	$(2)	$ —	$ —	$ 1	$—	$(1)	$—	$ —	$—
Interest credited to fixed accounts	—	—	—	—	—	—	(8)	—	(8)
Benefits, claims, losses and settlement expenses	—	—	—	—	—	—	—	1,229	1,229

[1] Included in net investment income in the Consolidated Statements of Operations.
[2] Included in interest credited to fixed accounts in the Consolidated Statements of Operations.
[3] Included in benefits, claims, losses and settlement expenses in the Consolidated Statements of Operations.

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	Available-for-Sale Securities						Future Policy Benefits		
	Corporate Debt Securities	Residential Mortgage Backed Securities	Commercial Mortgage Backed Securities	Asset Backed Securities	Common Stocks	Total	IUL Embedded Derivatives	GMWB and GMAB Embedded Derivatives	Total
	(in millions)								
Balance, January 1, 2012	$1,355	$215	$50	$189	$5	$1,814	$—	$(1,585)	$(1,585)
Total gains (losses) included in:									
Net income	(1)	(45)	1	2	—	(43) [(1)]	1 [(2)]	577 [(3)]	578
Other comprehensive income	19	68	6	4	—	97	—	—	—
Purchases	349	99	9	—	1	458	—	—	—
Sales	—	(75)	—	—	—	(75)	—	—	—
Issues	—	—	—	—	—	—	(16)	(131)	(147)
Settlements	(135)	(38)	(3)	(17)	—	(193)	—	(3)	(3)
Transfers into Level 3	10	22	183	22	—	237	(22)	—	(22)
Transfers out of Level 3	—	(174)	(34)	—	(1)	(209)	—	—	—
Balance, September 30, 2012	$1,597	$72	$212	$200	$5	$2,086	$(37)	$(1,142)	$(1,179)
Changes in unrealized gains (losses) relating to assets and liabilities held at September 30, 2012 included in:									
Net investment income	$(1)	$—	$1	$1	$—	$1	$—	$—	$—
Interest credited to fixed accounts	—	—	—	—	—	—	1	—	1
Benefits, claims, losses and settlement expenses	—	—	—	—	—	—	—	544	544

(1) Included in net investment income in the Consolidated Statements of Operations.
(2) Included in interest credited to fixed accounts in the Consolidated Statements of Operations.
(3) Included in benefits, claims, losses and settlement expenses in the Consolidated Statements of Operations.

The impact to pretax income of the Company’s adjustment for nonperformance risk on the fair value of its embedded derivatives was $(14) million and $(51) million, net of DAC, DSIC and unearned revenue amortization and the reinsurance accrual, for the three months ended September 30, 2013 and 2012, respectively. The impact to pretax income of the Company’s adjustment for nonperformance risk on the fair value of its embedded derivatives was $(104) million and $(45) million, net of DAC, DSIC and unearned revenue amortization and the reinsurance accrual, for the nine months ended September 30, 2013 and 2012, 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 transfer of the IUL embedded derivatives to Level 3 is due to the impact of the unobservable inputs to the valuation becoming more significant. 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.

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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:

	September 30, 2013				
	Fair Value	Valuation Technique	Unobservable Input	Range	Weighted Average
	(in millions)				
Corporate debt securities (private placements)	$1,583	Discounted cash flow	Yield/spread to U.S. Treasuries	1.0 %– 5.5%	1.8%
IUL embedded derivatives	$96	Discounted cash flow	Nonperformance risk (3)	95 bps	
GMWB and GMAB embedded derivatives	$(256)	Discounted cash flow	Utilization of guaranteed withdrawals (1)	0.0 %– 51.1%	
			Surrender rate	0.1 %– 57.9%	
			Market volatility (2)	5.1 %– 19.1%	
			Nonperformance risk (3)	95 bps	
			Elective contractholder strategy allocations (4)	0.0 %– 50.0%	

	December 31, 2012				
	Fair Value	Valuation Technique	Unobservable Input	Range	Weighted Average
	(in millions)				
Corporate debt securities (private placements)	$1,712	Discounted cash flow	Yield/spread to U.S. Treasuries	1.1 %– 8.5%	2.1%
IUL embedded derivatives	$45	Discounted cash flow	Nonperformance risk (3)	97 bps	
GMWB and GMAB embedded derivatives	$833	Discounted cash flow	Utilization of guaranteed withdrawals (1)	0.0 %– 56.4%	
			Surrender rate	0.0 %– 56.3%	
			Market volatility (2)	5.6 %– 21.2%	
			Nonperformance risk (3)	97 bps	

(1) The utilization of guaranteed withdrawals represents the percentage of policyholders that will begin withdrawing in any given year.
(2) Market volatility is implied volatility of fund of funds and portfolio stabilizer funds.
(3) The nonperformance risk is the spread added to the observable interest rates used in the valuation of the embedded derivatives.
(4) 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.

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 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 and volatility used in the fair value measurement of the GMWB and GMAB embedded derivatives in isolation would result in a significantly higher (lower) fair value measurement. Significant increases (decreases) in surrender rate, nonperformance risk and elective allocation used in the fair value measurement of the GMWB and GMAB embedded derivatives in isolation would result in a significantly lower (higher) fair value measurement. 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 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 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. The counterparties’ nonperformance risk associated with uncollateralized derivative assets was immaterial at September 30, 2013 and December 31, 2012. See Note 11 and Note 12 for further information on the credit risk of derivative instruments and related collateral.

Liabilities

Future Policy Benefits

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 is 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. The Company's nonperformance risk associated with uncollateralized derivative liabilities was immaterial at September 30, 2013 and December 31, 2012. See Note 11 and Note 12 for further information on the credit risk of derivative instruments and related collateral.

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, 2013				
	Carrying Value	Fair Value Level 1	Level 2	Level 3	Total
	(in millions)				
Financial Assets					
Mortgage loans, net	$3,524	$—	$—	$3,544	$3,544
Policy and certificate loans	769	—	1	756	757
Receivables	1,092	95	989	8	1,092
Restricted and segregated cash	2,259	2,259	—	—	2,259
Other investments and assets	362	—	294	69	363
Financial Liabilities					
Policyholder account balances, future policy benefits and claims	$14,283	$—	$—	$14,853	$14,853
Investment certificate reserves	3,869	—	—	3,878	3,878
Brokerage customer deposits	2,868	2,868	—	—	2,868
Separate account liabilities	3,654	—	3,654	—	3,654
Debt and other liabilities	3,554	131	3,632	82	3,845

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	December 31, 2012				
	Carrying Value	Fair Value Level 1	Level 2	Level 3	Total
	(in millions)				
Financial Assets					
Mortgage loans, net	$3,609	$—	$—	$3,694	$3,694
Policy and certificate loans	754	—	2	725	727
Receivables	1,067	135	926	12	1,073
Restricted and segregated cash	2,538	2,538	—	—	2,538
Other investments and assets	390	—	333	60	393
Financial Liabilities					
Policyholder account balances, future policy benefits and claims	$14,701	$—	$—	$15,982	$15,982
Investment certificate reserves	3,494	—	—	3,494	3,494
Brokerage customer deposits	3,024	3,024	—	—	3,024
Separate account liabilities	3,362	—	3,362	—	3,362
Debt and other liabilities	3,033	145	3,109	142	3,396

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.

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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 cost at which the securities will be sold. This measurement is a reasonable estimate of fair value because of the short time between entering into the transaction and its expected realization and the reduced risk of credit loss due to pledging U.S. government-backed securities as collateral.

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 by multiple non-binding broker quotes are classified as Level 2 and 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.

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 provision for adverse deviation from estimated early policy surrender behavior and the Company’s nonperformance risk specific to these liabilities. The fair value of other liabilities including non-life contingent fixed annuities in payout status, equity indexed annuity host contracts and the fixed portion of a small number of variable annuity contracts classified as investment contracts is determined in a similar manner. Given the use of significant unobservable inputs to these valuations, the measurements are classified as Level 3.

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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 is classified as Level 3 as the discount rate is adjusted.

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.

11. Offsetting Assets and Liabilities

Certain financial instruments and derivative instruments are eligible for offset in the Consolidated Balance Sheets under GAAP. The Company’s derivative instruments, repurchase agreements and securities borrowing and lending agreements are subject to master netting arrangements and collateral arrangements and meet the GAAP guidance to 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 on the Consolidated Balance Sheets.

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

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

	September 30, 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	$3,030	$—	$3,030	$(2,875)	$(97)	$(35)	$23
OTC cleared	17	—	17	(13)	(4)	—	—
Exchange-traded	116	—	116	—	—	—	116
Total derivatives	3,163	—	3,163	(2,888)	(101)	(35)	139
Securities borrowed	95	—	95	(40)	(55)	—	—
Total	$3,258	$—	$3,258	$(2,928)	$(156)	$(35)	$139

	December 31, 2012						
`	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	$3,527	$—	$3,527	$(2,706)	$(428)	$(355)	$38
Exchange-traded	96	—	96	—	—	—	96
Total derivatives	3,623	—	3,623	(2,706)	(428)	(355)	134
Securities borrowed	135	—	135	(67)	(68)	—	—
Total	$3,758	$—	$3,758	$(2,773)	$(496)	$(355)	