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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AMERIPRISE FINANCIAL, INC.
PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
(in millions, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	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.

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.

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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.

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.

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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 (in millions)	Common Stocks	Syndicated Loans	Other Assets	Debt
#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 (in millions)	Common Stocks	Syndicated Loans	Other Assets	Debt
#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.

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

	Corporate Debt Securities	Common Stocks	Syndicated Loans	Other Assets	Debt
	(in millions)				
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	Common Stocks	Syndicated Loans	Other Assets	Debt
	(in millions)				
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.

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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 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.

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.

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)

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

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 %

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

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.

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.

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
	(in millions)			
Gross realized gains	$8	$11	$15	&#16