

AMERIPRISE FINANCIAL INC
Form 10-Q
August 04, 2014

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

FORM 10-Q

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

For the Quarterly Period Ended June 30, 2014

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

For the Transition Period from _____ to _____

Commission File No. 1-32525

AMERIPRISE FINANCIAL, INC.

(Exact name of registrant as specified in its charter)

Delaware

13-3180631

(State or other jurisdiction of incorporation or organization)

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

1099 Ameriprise Financial Center, Minneapolis, Minnesota

55474

(Address of principal executive offices)

(Zip Code)

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

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

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

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

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

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer

Smaller reporting company

(Do not check if a smaller reporting company)

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

Yes No

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

Class

Outstanding at

July 25, 2014

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

187,200,583 shares

AMERIPRISE FINANCIAL, INC.

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AMERIPRISE FINANCIAL, INC.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

(in millions, except per share amounts)

	Three Months Ended		Six Months Ended June		
	June 30, 2014	2013	30, 2014	2013	
Revenues					
Management and financial advice fees	\$ 1,452	\$ 1,294	\$ 2,838	\$ 2,538	
Distribution fees	470	448	946	882	
Net investment income	433	451	904	940	
Premiums	345	315	675	625	
Other revenues	379	249	719	471	
Total revenues	3,079	2,757	6,082	5,456	
Banking and deposit interest expense	7	8	14	16	
Total net revenues	3,072	2,749	6,068	5,440	
Expenses					
Distribution expenses	810	732	1,596	1,430	
Interest credited to fixed accounts	175	198	361	396	
Benefits, claims, losses and settlement expenses	506	490	956	899	
Amortization of deferred acquisition costs	78	92	165	167	
Interest and debt expense	79	60	158	126	
General and administrative expense	805	775	1,563	1,533	
Total expenses	2,453	2,347	4,799	4,551	
Income from continuing operations before income tax provision	619	402	1,269	889	
Income tax provision	152	120	286	241	
Income from continuing operations	467	282	983	648	
Loss from discontinued operations, net of tax	—	(1) (1) (2)
Net income	467	281	982	646	
Less: Net income (loss) attributable to noncontrolling interests	93	(40) 208	(10)
Net income attributable to Ameriprise Financial	\$ 374	\$ 321	\$ 774	\$ 656	
Earnings per share attributable to Ameriprise Financial, Inc. common shareholders					
Basic					
Income from continuing operations	\$ 1.94	\$ 1.57	\$ 3.99	\$ 3.18	
Loss from discontinued operations	—	—	—	(0.01)
Net income	\$ 1.94	\$ 1.57	\$ 3.99	\$ 3.17	
Diluted					
Income from continuing operations	\$ 1.91	\$ 1.54	\$ 3.92	\$ 3.13	
Loss from discontinued operations	—	—	—	(0.01)
Net income	\$ 1.91	\$ 1.54	\$ 3.92	\$ 3.12	
Cash dividends declared per common share	\$ 0.58	\$ 0.52	\$ 1.10	\$ 0.97	
Supplemental Disclosures:					
Total other-than-temporary impairment losses on securities	\$—	\$(3) \$(1) \$(4)
Portion of loss recognized in other comprehensive income (loss) (before taxes)	—	1	—	(1)

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Net impairment losses recognized in net investment income \$— \$(2) \$(1) \$(5)
See Notes to Consolidated Financial Statements.

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AMERIPRISE FINANCIAL, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

(in millions)

	Three Months Ended		Six Months Ended June	
	June 30,		30,	
	2014	2013	2014	2013
Net income	\$467	\$281	\$982	\$646
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustment	38	—	53	(73)
Net unrealized gains (losses) on securities:				
Net unrealized securities gains (losses) arising during the period	239	(661)	478	(802)
Reclassification of net securities (gains) losses included in net income	(1)	1	(4)	—
Impact on deferred acquisition costs, deferred sales inducement costs, benefit reserves and reinsurance recoverables	(76)	201	(167)	265
Total net unrealized gains (losses) on securities	162	(459)	307	(537)
Total other comprehensive income (loss), net of tax	200	(459)	360	(610)
Total comprehensive income (loss)	667	(178)	1,342	36
Less: Comprehensive income (loss) attributable to noncontrolling interests	119	(40)	243	(51)
Comprehensive income (loss) attributable to Ameriprise Financial	\$548	\$(138)	\$1,099	\$87

See Notes to Consolidated Financial Statements.

AMERIPRISE FINANCIAL, INC.

CONSOLIDATED BALANCE SHEETS

(in millions, except share amounts)

	June 30, 2014 (unaudited)	December 31, 2013
Assets		
Cash and cash equivalents	\$2,141	\$2,632
Cash of consolidated investment entities	718	419
Investments	35,958	35,735
Investments of consolidated investment entities, at fair value	5,626	5,002
Separate account assets	84,027	81,223
Receivables	4,782	4,538
Receivables of consolidated investment entities (includes \$84 and \$32, respectively, at fair value)	127	72
Deferred acquisition costs	2,612	2,663
Restricted and segregated cash and investments	2,344	2,360
Other assets	8,435	7,983
Other assets of consolidated investment entities, at fair value	2,390	1,949
Total assets	\$149,160	\$144,576
Liabilities and Equity		
Liabilities:		
Policyholder account balances, future policy benefits and claims	\$29,607	\$29,620
Separate account liabilities	84,027	81,223
Customer deposits	7,285	7,062
Short-term borrowings	200	500
Long-term debt	2,523	2,720
Debt of consolidated investment entities (includes \$5,511 and \$4,804, respectively, at fair value)	6,672	5,736
Accounts payable and accrued expenses	1,274	1,367
Accounts payable and accrued expenses of consolidated investment entities	47	62
Other liabilities	7,356	6,829
Other liabilities of consolidated investment entities (includes \$457 and \$193, respectively, at fair value)	492	225
Total liabilities	139,483	135,344
Equity:		
Ameriprise Financial, Inc.:		
Common shares (\$.01 par value; shares authorized, 1,250,000,000; shares issued, 319,297,647 and 316,816,851, respectively)	3	3
Additional paid-in capital	7,144	6,929
Retained earnings	7,843	7,289
Appropriated retained earnings of consolidated investment entities	320	337
Treasury shares, at cost (131,550,883 and 124,698,544 shares, respectively)	(7,802)	(6,961)
Accumulated other comprehensive income, net of tax	920	595
Total Ameriprise Financial, Inc. shareholders' equity	8,428	8,192
Noncontrolling interests	1,249	1,040
Total equity	9,677	9,232
Total liabilities and equity	\$149,160	\$144,576

See Notes to Consolidated Financial Statements.

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AMERIPRISE FINANCIAL, INC.

CONSOLIDATED STATEMENTS OF EQUITY (UNAUDITED)

(in millions, except share data)

Ameriprise Financial, Inc.

	Number of Outstanding Shares	Common Shares	Additional Paid-In Capital	Retained Earnings	Appropriated Retained Earnings of Consolidated Investment Entities	Treasury Shares	Other Comprehensive Income	Total Ameriprise Financial, Inc. Shareholders' Equity	Non-controlling Interests	Total
Balances at January 1, 2013	203,942,994	\$ 3	\$ 6,503	\$ 6,381	\$ 336	\$(5,325)	\$ 1,194	\$ 9,092	\$ 620	\$ 9,712
Comprehensive income (loss):										
Net income (loss)	—	—	—	656	—	—	—	656	(10)	646
Other comprehensive loss, net of tax	—	—	—	—	—	—	(569)	(569)	(41)	(610)
Total comprehensive income (loss)								87	(51)	36
Net loss reclassified to appropriated retained earnings	—	—	—	—	(37)	—	—	(37)	37	—
Dividends to shareholders	—	—	—	(202)	—	—	—	(202)	—	(202)
Noncontrolling interests investments in subsidiaries	—	—	—	—	—	—	—	—	81	81
Distributions to noncontrolling interests	—	—	—	—	—	—	—	—	(54)	(54)
Repurchase of common shares	(12,650,339)	—	—	—	—	(922)	—	(922)	—	(922)
Share-based compensation plans	7,166,436	—	227	(4)	—	99	—	322	9	331
Balances at June 30, 2013	198,459,091	\$ 3	\$ 6,730	\$ 6,831	\$ 299	\$(6,148)	\$ 625	\$ 8,340	\$ 642	\$ 8,982
Balances at January 1, 2014	192,118,307	\$ 3	\$ 6,929	\$ 7,289	\$ 337	\$(6,961)	\$ 595	\$ 8,192	\$ 1,040	\$ 9,232
Comprehensive income:										
Net income	—	—	—	774	—	—	—	774	208	982
Other comprehensive income, net of tax	—	—	—	—	—	—	325	325	35	360

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Total comprehensive income								1,099	243	1,342
Net loss										
reclassified to										
appropriated	—	—	—	—	(17)	—	—	(17)	17	—
retained										
earnings										
Dividends to	—	—	—	(215)	—	—	—	(215)	—	(215)
shareholders										
Noncontrolling										
interests										
investments in	—	—	—	—	—	—	—	—	114	114
subsidiaries										
Distributions to										
noncontrolling	—	—	—	—	—	—	—	—	(173)	(173)
interests										
Repurchase of	(8,409,803)	—	—	—	—	(929)	—	(929)	—	(929)
common shares										
Share-based										
compensation	4,038,260	—	215	(5)	—	88	—	298	8	306
plans										
Balances at										
June 30, 2014	187,746,764	\$ 3	\$ 7,144	\$ 7,843	\$ 320	\$(7,802)	\$ 920	\$ 8,428	\$ 1,249	\$ 9,677

See Notes to Consolidated Financial Statements.

AMERIPRISE FINANCIAL, INC.

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

	Six Months Ended June 30,	
	2014	2013
Cash Flows from Operating Activities		
Net income	\$982	\$646
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation, amortization and accretion, net	129	116
Deferred income tax expense (benefit)	(45)	) 18
Share-based compensation	63	71
Net realized investment gains	(7)	) (5)
Net trading gains	(4)) —
Loss (income) from equity method investments	4	(25)
Other-than-temporary impairments and provision for loan losses	1	5
Net gains of consolidated investment entities	(206)	) (9)
Changes in operating assets and liabilities:		
Restricted and segregated cash and investments	16	215
Deferred acquisition costs	(1)) —
Other investments, net	(43)	) 1
Policyholder account balances, future policy benefits and claims, net	248	(812)
Derivatives, net of collateral	(244)	) 716
Receivables	(294)	) (239)
Brokerage deposits	23	(147)
Accounts payable and accrued expenses	(98)	) (23)
Cash held by consolidated investment entities	(290)	) (456)
Investment properties of consolidated investment entities	(189)	) (172)
Other operating assets and liabilities of consolidated investment entities, net	(14)	) 11
Other, net	333	(4)
Net cash provided by (used in) operating activities	364	(93)
Cash Flows from Investing Activities		
Available-for-Sale securities:		
Proceeds from sales	292	269
Maturities, sinking fund payments and calls	1,972	2,455
Purchases	(1,622)	) (2,391)
Proceeds from maturities and repayments of mortgage loans	284	363
Funding of mortgage loans	(256)	) (316)
Proceeds from sales and collections of other investments	117	200
Purchase of other investments	(225)	) (207)
Purchase of investments by consolidated investment entities	(1,501)	) (1,501)
Proceeds from sales, maturities and repayments of investments by consolidated investment entities	1,134	1,837
Purchase of land, buildings, equipment and software	(40)	) (38)
Other, net	3	19
Net cash provided by investing activities	158	690
See Notes to Consolidated Financial Statements.		

AMERIPRISE FINANCIAL, INC.

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

	Six Months Ended June 30,	
	2014	2013
Cash Flows from Financing Activities		
Investment certificates:		
Proceeds from additions	\$1,315	\$1,124
Maturities, withdrawals and cash surrenders	(1,114	) (918
Policyholder account balances:		
Deposits and other additions	1,021	1,025
Net transfers to separate accounts	(109	) (44
Surrenders and other benefits	(1,363	) (1,025
Cash paid for purchased options with deferred premiums	(229	) (215
Cash received from purchased options with deferred premiums	54	—
Repayments of debt	(200) —
Change in short-term borrowings, net	(301	) (1
Dividends paid to shareholders	(211	) (197
Repurchase of common shares	(838	) (807
Exercise of stock options	19	74
Excess tax benefits from share-based compensation	109	77
Borrowings by consolidated investment entities	1,554	1,054
Repayments of debt by consolidated investment entities	(675	) (791
Noncontrolling interests investments in subsidiaries	114	81
Distributions to noncontrolling interests	(173	) (54
Other, net	—	(1
Net cash used in financing activities	(1,027	) (618
Effect of exchange rate changes on cash	14	(19
Net decrease in cash and cash equivalents	(491	) (40
Cash and cash equivalents at beginning of period	2,632	2,371
Cash and cash equivalents at end of period	\$2,141	\$2,331
Supplemental Disclosures:		
Interest paid excluding consolidated investment entities	\$91	\$90
Interest paid by consolidated investment entities	96	75
Income taxes paid, net	225	93
Non-cash investing activity:		
Affordable housing partnership commitments not yet remitted	—	28
See Notes to Consolidated Financial Statements.		

AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. Basis of Presentation

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

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

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

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

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

In the Consolidated Statements of Operations, the Company reclassified certain fixed wholesaling costs from distribution expenses to general and administrative expense on a retroactive basis to improve consistency in its presentation of wholesaling distribution expense. The amount reclassified for the three months and six months ended June 30, 2013 was \$28 million and \$56 million, respectively. The Company also reclassified certain prior period amounts in the Consolidated Statements of Cash Flows, as discussed below, to improve the transparency of its cash flows. Total cash flows provided by (used in) operating, investing and financing activities did not change as a result of the reclassifications.

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

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

2. Recent Accounting Pronouncements

Adoption of New Accounting Standards

Income Taxes

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

Investment Companies

In June 2013, the FASB updated the accounting standard related to investment companies. The standard provides a new two-tiered approach for determining whether a company is an investment company and requires new disclosures for investment companies. The

AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

guidance does not directly apply to the Company and did not impact investment entities that the Company consolidates. The standard is effective for interim and annual periods beginning after December 15, 2013 and is required to be applied prospectively. The adoption of the standard did not have a material impact on the Company's consolidated results of operations and financial condition.

Future Adoption of New Accounting Standards

Compensation - Stock Compensation

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

Transfers and Servicing

In June 2014, the FASB updated the accounting standards related to transfers and servicing. The update requires repurchase-to-maturity transactions and linked repurchase financings to be accounted for as secured borrowings consistent with the accounting for other repurchase agreements. The standard requires disclosures related to transfers of financial assets accounted for as sales in transactions that are similar to repurchase agreements. The standard also requires disclosures on the remaining contractual maturity of the agreements, disaggregation of the gross obligation by class of collateral pledged and potential risks associated with the agreements and the related collateral pledged in repurchase agreements, securities lending transactions, and repurchase-to-maturity transactions accounted for as secured borrowings. The standard is effective for interim and annual periods beginning after December 15, 2014, except for the disclosure requirements for repurchase-to-maturity transactions accounted for as secured borrowings which are effective for interim periods beginning after March 15, 2015. Early adoption of the standard is prohibited. The standard requires entities to present changes in accounting for transactions outstanding at the effective date as a cumulative-effect adjustment to retained earnings as of the beginning of the period of adoption. As the Company does not have repurchase-to-maturity transactions, the adoption of the standard is not expected to have a material impact on the Company's consolidated results of operations and financial condition.

Revenue from Contracts with Customers

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

Receivables - Troubled Debt Restructuring by Creditors

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

Investments - Equity Method and Joint Ventures

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

AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

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.

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

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:

	June 30, 2014			
	Level 1	Level 2	Level 3	Total
	(in millions)			
Assets				
Investments:				
Corporate debt securities	\$—	\$154	\$—	\$154
Common stocks	144	47	7	198
Other investments	4	32	—	36
Syndicated loans	—	4,811	427	5,238
Total investments	148	5,044	434	5,626
Receivables	—	84	—	84
Other assets	—	1	2,389	2,390
Total assets at fair value	\$148	\$5,129	\$2,823	\$8,100
Liabilities				
Debt	\$—	\$—	\$5,511	\$5,511
Other liabilities	—	457	—	457
Total liabilities at fair value	\$—	\$457	\$5,511	\$5,968
	December 31, 2013			
	Level 1	Level 2	Level 3	Total
	(in millions)			
Assets				
Investments:				
Corporate debt securities	\$—	\$200	\$2	\$202
Common stocks	147	31	14	192
Other investments	3	33	—	36
Syndicated loans	—	4,204	368	4,572
Total investments	150	4,468	384	5,002
Receivables	—	32	—	32
Other assets	—	13	1,936	1,949
Total assets at fair value	\$150	\$4,513	\$2,320	\$6,983
Liabilities				
Debt	\$—	\$—	\$4,804	\$4,804
Other liabilities	—	193	—	193
Total liabilities at fair value	\$—	\$193	\$4,804	\$4,997

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
Balance, April 1, 2014	\$13	\$10	\$384	\$1,993	\$(5,225)
Total gains (losses) included in:					
Net income	—	—	2	(1) 106	(2) (15) (1)
Other comprehensive income	—	—	—	52	—
Purchases	—	—	142	240	—
Sales	(7)	(2)	(27)	(2)	—
Issues	—	—	—	—	(608)
Settlements	—	—	(26)	—	337
Transfers into Level 3	—	5	98	—	—
Transfers out of Level 3	(6)	(6)	(146)	—	—
Balance, June 30, 2014	\$—	\$7	\$427	\$2,389	\$(5,511)

Changes in unrealized gains included in income relating to assets and liabilities held at June 30, 2014

	\$—	\$—	\$1	(1) \$108	(2) \$19	(1)
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(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, April 1, 2013	\$3	\$8	\$205	\$1,176	\$(4,595)
Total gains (losses) included in:					
Net income	—	1	(1) 1	(1) 8	(2) (61) (1)
Other comprehensive loss	—	—	—	3	—
Purchases	1	—	117	144	—
Sales	(1)	(3)	(26)	(17)	—
Issues	—	—	—	—	(518)
Settlements	—	—	(20)	—	497
Transfers into Level 3	—	13	76	8	—
Transfers out of Level 3	—	(3)	(61)	—	—
Balance, June 30, 2013	\$3	\$16	\$292	\$1,322	\$(4,677)
Changes in unrealized gains (losses) included in income relating to assets and liabilities held at June 30, 2013	\$—	\$(1) (1)	\$—	\$12	(2) \$(34) (1)

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

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

AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

	Corporate Debt Securities (in millions)	Common Stocks	Syndicated Loans	Other Assets	Debt
Balance, January 1, 2014	\$2	\$14	\$368	\$1,936	\$(4,804)
Total gains (losses) included in:					
Net income	1	(1) 2	(1) 6	(1) 186	(2) (25) (1)
Other comprehensive income	—	—	—	67	—
Purchases	2	—	238	259	—
Sales	(9)	(2)	(27)	(70)	—
Issues	—	—	—	—	(1,064)
Settlements	—	—	(38)	—	382
Transfers into Level 3	10	11	244	11	—
Transfers out of Level 3	(6)	(18)	(364)	—	—
Balance, June 30, 2014	\$—	\$7	\$427	\$2,389	\$(5,511)
Changes in unrealized gains included in income relating to assets and liabilities held at June 30, 2014	\$—	\$1	(1) \$2	(1) \$186	(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, 2013	\$3	\$14	\$202	\$1,214	\$(4,450)
Total gains (losses) included in:					
Net income	—	1	(1) 1	(1) 2	(2) (88) (1)
Other comprehensive loss	—	—	—	(74)	—
Purchases	1	—	193	195	—
Sales	(1)	(3)	(44)	(23)	—
Issues	—	—	—	—	(926)
Settlements	—	—	(33)	—	787
Transfers into Level 3	—	15	127	8	—
Transfers out of Level 3	—	(11)	(154)	—	—
Balance, June 30, 2013	\$3	\$16	\$292	\$1,322	\$(4,677)
Changes in unrealized gains (losses) included in income relating to assets and liabilities held at June 30, 2013	\$—	\$(1) (1)	\$1	(1) \$7	(2) \$(59) (1)

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

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

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

AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

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

June 30, 2014							
	Fair Value (in millions)	Valuation Technique	Unobservable Input	Range		Weighted Average	
Other assets	\$2,378	Discounted cash flow/ market comparables	Equivalent yield	3.7 %– 12.5%	6.8	%	
			Expected rental value (per square foot)	\$3 – \$108	\$35		
Debt	\$5,511	Discounted cash flow	Annual default rate	2.5%			
			Discount rate	1.3 %– 7.0%	2.5	%	
			Constant prepayment rate	5.0 %– 10.0%	9.8	%	
			Loss recovery	36.4 %– 63.6%	62.7	%	
December 31, 2013							
	Fair Value (in millions)	Valuation Technique	Unobservable Input	Range		Weighted Average	
Other assets	\$1,936	Discounted cash flow/ market comparables	Equivalent yield	4.4 %– 12.4%	7.4	%	
			Expected rental value (per square foot) ⁽¹⁾	\$3 – \$165	\$27		
Debt	\$4,804	Discounted cash flow	Annual default rate	2.5%			
			Discount rate	1.5 %– 8.3%	2.7	%	
			Constant prepayment rate	5.0 %– 10.0%	9.8	%	
			Loss recovery	36.4 %– 63.6%	62.3	%	

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

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

Sensitivity of Fair Value Measurements to Changes in Unobservable Inputs

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

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

Determination of Fair Value

Assets

Investments

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

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

Prices received from third party pricing services are subjected to exception reporting that identifies loans with significant daily price movements as well as no movements. The Company reviews the exception reporting and resolves the exceptions through reaffirmation of the price or recording an appropriate fair value estimate. The Company also performs subsequent transaction testing. The Company performs annual due diligence of the third party pricing services. The Company's due diligence procedures include assessing the vendor's

AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

valuation qualifications, control environment, analysis of asset-class specific valuation methodologies and understanding of sources of market observable assumptions and unobservable assumptions, if any, employed in the valuation methodology. The Company also considers the results of its exception reporting controls and any resulting price challenges that arise.

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

Receivables

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

Other Assets

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

Other assets of the consolidated CDOs consist primarily of warrants. Warrants are classified as Level 2 when the price is derived from observable market data. Warrants from an issuer whose securities are not priced in active markets are classified as Level 3.

Liabilities**Debt**

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

Other Liabilities

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

Fair Value Option

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

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

	June 30, 2014	December 31, 2013
	(in millions)	
Syndicated loans		
Unpaid principal balance	\$5,277	\$4,628
Excess unpaid principal over fair value	(39)	(56)
Fair value	\$5,238	\$4,572

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Fair value of loans more than 90 days past due	\$35	\$23	
Fair value of loans in nonaccrual status	35	23	
Difference between fair value and unpaid principal of loans more than 90 days past due, loans in nonaccrual status or both	21	33	
Debt			
Unpaid principal balance	\$5,724	\$5,032	
Excess unpaid principal over fair value	(213) (228)
Fair value	\$5,511	\$4,804	

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AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

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

Total net losses recognized in net investment income related to changes in the fair value of financial assets and liabilities for which the fair value option was elected were \$(1) million and \$(30) million for the three months ended June 30, 2014 and 2013, 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 \$20 million and \$(9) million for the six months ended June 30, 2014 and 2013, respectively. The majority of the syndicated loans and debt have floating rates; as such, changes in their fair values are primarily attributable to changes in credit spreads.

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

	Carrying Value		Weighted Average Interest Rate	
	June 30, 2014	December 31, 2013	June 30, 2014	December 31, 2013
	(in millions)			
Debt of consolidated CDOs due 2016-2026	\$5,511	\$4,804	1.2	% 1.0
Floating rate revolving credit borrowings due 2014	347	305	2.3	2.6
Floating rate revolving credit borrowings due 2015	105	97	2.4	2.4
Floating rate revolving credit borrowings due 2017	123	120	4.6	4.5
Floating rate revolving credit borrowings due 2018	428	377	2.7	3.5
Floating rate revolving credit borrowings due 2019	158	33	3.3	3.0
Total	\$6,672	\$5,736		

The debt of the consolidated CDOs has both fixed and floating interest rates, which range from 0% to 9.2%. The interest rates on the debt of CDOs are weighted average rates based on the outstanding principal and current interest rates. The carrying value of the debt of the consolidated CDOs represents the fair value of the aggregate debt. The carrying value of the floating rate revolving credit borrowings represents the outstanding principal amount of debt of certain consolidated pooled investment vehicles managed by Threadneedle. The fair value of this debt was \$1.2 billion and \$932 million as of June 30, 2014 and December 31, 2013, respectively. The consolidated pooled investment vehicles have entered into interest rate swaps and collars to manage the interest rate exposure on the floating rate revolving credit borrowings. The fair value of these derivative instruments is recorded gross and was a liability of \$4 million and \$5 million at June 30, 2014 and December 31, 2013, respectively. The overall effective interest rate reflecting the impact of the derivative contracts was 3.3% and 4.2% as of June 30, 2014 and December 31, 2013, respectively.

4. Investments

The following is a summary of Ameriprise Financial investments:

	June 30, 2014	December 31, 2013
	(in millions)	
Available-for-Sale securities, at fair value	\$30,486	\$30,310
Mortgage loans, net	3,474	3,510

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Policy and certificate loans	792	774
Other investments	1,206	1,141
Total	\$35,958	\$35,735

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AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

The following is a summary of net investment income:

	Three Months Ended		Six Months Ended June	
	June 30, 2014	2013	30, 2014	2013
	(in millions)			
Investment income on fixed maturities	\$375	\$403	\$749	\$804
Net realized gains	1	—	6	1
Affordable housing partnerships	(6	) (1	) (12	) (8
Other	20	42	44	59
Consolidated investment entities	43	7	117	84
Total net investment income	\$433	\$451	\$904	\$940

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

Description of Securities	June 30, 2014				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Noncredit OTTI ⁽¹⁾
	(in millions)				
Corporate debt securities	\$15,717	\$1,713	\$(19	) \$17,411	\$3
Residential mortgage backed securities	6,065	173	(80	) 6,158	(21
Commercial mortgage backed securities	2,626	146	(4	) 2,768	—
Asset backed securities	1,451	59	(4	) 1,506	—
State and municipal obligations	2,135	214	(32	) 2,317	—
U.S. government and agencies obligations	42	5	—	47	—
Foreign government bonds and obligations	238	25	(5	) 258	—
Common stocks	8	13	—	21	5
Total	\$28,282	\$2,348	\$(144	) \$30,486	\$(13
	December 31, 2013				
Description of Securities	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Noncredit OTTI ⁽¹⁾
	(in millions)				
Corporate debt securities	\$16,233	\$1,330	\$(97	) \$17,466	\$3
Residential mortgage backed securities	6,114	147	(137	) 6,124	(33
Commercial mortgage backed securities	2,612	141	(12	) 2,741	—
Asset backed securities	1,459	53	(8	) 1,504	—
State and municipal obligations	2,132	106	(78	) 2,160	—
U.S. government and agencies obligations	47	5	—	52	—
Foreign government bonds and obligations	235	18	(8	) 245	—
Common stocks	7	11	—	18	4
Total	\$28,839	\$1,811	\$(340	) \$30,310	\$(26

⁽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.

AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

As of June 30, 2014 and December 31, 2013, investment securities with a fair value of \$2.0 billion and \$2.3 billion, respectively, were pledged to meet contractual obligations under derivative contracts and short-term borrowings. At both June 30, 2014 and December 31, 2013, 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 both June 30, 2014 and December 31, 2013, the Company’s internal analysts rated \$1.4 billion of securities using criteria similar to those used by NRSROs.

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

Ratings	June 30, 2014			December 31, 2013				
	Amortized Cost	Fair Value	Percent of Total Fair Value	Amortized Cost	Fair Value	Percent of Total Fair Value		
	(in millions, except percentages)							
AAA	\$7,443	\$7,723	25	%	\$7,562	\$7,746	25	%
AA	1,496	1,693	6		1,587	1,707	6	
A	6,241	6,798	22		6,381	6,738	22	
BBB	11,281	12,435	41		11,427	12,272	41	
Below investment grade	1,813	1,816	6		1,875	1,829	6	
Total fixed maturities	\$28,274	\$30,465	100	%	\$28,832	\$30,292	100	%

At June 30, 2014 and December 31, 2013, approximately 48% and 45%, respectively, of the securities rated AAA were GNMA, FNMA and FHLMC mortgage backed securities. No holdings of any other issuer were greater than 10% of total equity.

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

Description of Securities	June 30, 2014								
	Less than 12 months			12 months or more			Total		
	Number of Securities	Fair Value	Unrealized Losses	Number of Securities	Fair Value	Unrealized Losses	Number of Securities	Fair Value	Unrealized Losses
	(in millions, except number of securities)								
Corporate debt securities	35	\$270	\$(1)	51	\$801	\$(18)	86	\$1,071	\$(19)
Residential mortgage backed securities	58	657	(6)	150	1,486	(74)	208	2,143	(80)
Commercial mortgage backed securities	9	41	—	9	105	(4)	18	146	(4)
Asset backed securities	5	83	(1)	16	231	(3)	21	314	(4)
State and municipal obligations	10	30	—	55	236	(32)	65	266	(32)
Foreign government bonds and obligations	3	20	—	14	27	(5)	17	47	(5)
Total	120	\$1,101	\$(8)	295	\$2,886	\$(136)	415	\$3,987	\$(144)

AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

Description of Securities	December 31, 2013			12 months or more			Total		
	Less than 12 months			Number of Securities	Fair Value	Unrealized Losses	Number of Securities	Fair Value	Unrealized Losses
	(in millions, except number of securities)								
Corporate debt securities	181	\$2,817	\$ (83)	12	\$181	\$ (14)	193	\$2,998	\$ (97)
Residential mortgage backed securities	128	2,393	(66)	113	663	(71)	241	3,056	(137)
Commercial mortgage backed securities	35	426	(10)	4	22	(2)	39	448	(12)
Asset backed securities	40	531	(7)	4	32	(1)	44	563	(8)
State and municipal obligations	169	468	(36)	14	117	(42)	183	585	(78)
Foreign government bonds and obligations	23	77	(8)	—	—	—	23	77	(8)
Total	576	\$6,712	\$ (210)	147	\$1,015	\$ (130)	723	\$7,727	\$ (340)

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(in millions)			
Beginning balance	\$147	\$165	\$147	\$176
Credit losses for which an other-than-temporary impairment was previously recognized	1	2	1	4
Reductions for securities sold during the period (realized)	—	(10)	—	(23)
Ending balance	\$148	\$157	\$148	\$157

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

AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

The following table presents a rollforward of the net unrealized securities gains 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, 2013	\$2,017	\$(705)	\$1,312
Net unrealized securities losses arising during the period ⁽¹⁾	(1,222)	) 420	(802)
Impact of DAC, DSIC, benefit reserves and reinsurance recoverables	407	(142)	) 265
Balance at June 30, 2013	\$1,202	\$(427)	) \$775 ⁽²⁾
Balance at January 1, 2014	\$1,016	\$(361)	) \$655
Net unrealized securities gains arising during the period ⁽¹⁾	739	(261)	) 478
Reclassification of net securities gains included in net income	(6)	) 2	(4)
Impact of DAC, DSIC, benefit reserves and reinsurance recoverables	(257)	) 90	(167)
Balance at June 30, 2014	\$1,492	\$(530)	) \$962 ⁽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 \$(2) million and \$12 million of noncredit related impairments on securities and net unrealized securities (gains) losses on previously impaired securities at June 30, 2014 and 2013, 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 June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(in millions)			
Gross realized gains	\$4	\$3	\$11	\$7
Gross realized losses	(3)	) (2)	(4)	) (2)
Other-than-temporary impairments	—	(2)	(1)	) (5)
Total	\$1	\$(1)	\$6	\$—

Other-than-temporary impairments for the six months ended June 30, 2014 primarily related to the Company's decision to sell a corporate debt security and credit losses on non-agency residential mortgage backed securities. Other-than-temporary impairments for the three months and six months ended June 30, 2013 primarily related to credit losses on non-agency residential mortgage backed securities.

AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

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

	Amortized Cost (in millions)	Fair Value
Due within one year	\$1,604	\$1,633
Due after one year through five years	6,810	7,439
Due after five years through 10 years	5,049	5,385
Due after 10 years	4,669	5,576
	18,132	20,033
Residential mortgage backed securities	6,065	6,158
Commercial mortgage backed securities	2,626	2,768
Asset backed securities	1,451	1,506
Common stocks	8	21
Total	\$28,282	\$30,486

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

5. Financing Receivables

The Company's financing receivables include commercial mortgage loans, syndicated loans, consumer loans, policy loans, certificate loans and margin loans. Commercial mortgage loans, syndicated loans, consumer loans, policy loans and certificate loans are reflected in investments. Margin loans are recorded in receivables. 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 six months ended and the ending balance of the allowance for loan losses by impairment method and type of loan:

	June 30, 2014			
	Commercial Mortgage Loans (in millions)	Syndicated Loans	Consumer Loans	Total
Beginning balance	\$26	\$6	\$5	\$37
Charge-offs	(1	) (2	) (1	) (4
Ending balance	\$25	\$4	\$4	\$33
Individually evaluated for impairment	\$8	\$—	\$1	\$9
Collectively evaluated for impairment	17	4	3	24

AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

	June 30, 2013			
	Commercial Mortgage Loans (in millions)	Syndicated Loans	Consumer Loans	Total
Beginning balance	\$29	\$7	\$8	\$44
Charge-offs	—	(1	) (1	) (2
Ending balance	\$29	\$6	\$7	\$42
Individually evaluated for impairment	\$8	\$—	\$1	\$9
Collectively evaluated for impairment	21	6	6	33

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

	June 30, 2014			
	Commercial Mortgage Loans (in millions)	Syndicated Loans	Consumer Loans	Total
Individually evaluated for impairment	\$36	\$5	\$7	\$48
Collectively evaluated for impairment	2,669	407	807	3,883
Total	\$2,705	\$412	\$814	\$3,931

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

As of June 30, 2014 and December 31, 2013, the Company's recorded investment in financing receivables individually evaluated for impairment for which there was no related allowance for loan losses was \$17 million and \$21 million, respectively. Unearned income, unamortized premiums and discounts, and net unamortized deferred fees and costs are not material to the Company's total loan balance. During the three months and six months ended June 30, 2014, the Company purchased \$25 million and \$90 million, respectively, and sold \$6 million and \$10 million, respectively, of syndicated loans. During the three months and six months ended June 30, 2013, the Company purchased \$37 million and \$59 million, respectively, and sold \$1 million and \$2 million, respectively, of syndicated loans.

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

Credit Quality Information

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

Commercial Mortgage Loans

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

months. In addition, the Company reviews the concentrations of credit risk by region and property type.

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AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

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

	Loans		Percentage	
	June 30, 2014	December 31, 2013	June 30, 2014	December 31, 2013
	(in millions)			
East North Central	\$239	\$251	9	% 9
East South Central	65	71	2	3
Middle Atlantic	221	211	8	8
Mountain	262	257	10	10
New England	142	149	5	5
Pacific	671	661	25	25
South Atlantic	736	713	27	26
West North Central	212	207	8	8
West South Central	157	162	6	6
	2,705	2,682	100	% 100
Less: allowance for loan losses	25	26		
Total	\$2,680	\$2,656		

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

	Loans		Percentage	
	June 30, 2014	December 31, 2013	June 30, 2014	December 31, 2013
	(in millions)			
Apartments	\$465	\$488	17	% 18
Hotel	35	33	1	