AMERIPRISE FINANCIAL INC
Form 10-Q
November 03, 2014

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, 2014

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<br>(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 24, 2014 |
|---|---|---|
| Common Stock (par value $.01 per share) | 184,532,059 shares | |

AMERIPRISE FINANCIAL, INC.

FORM 10-Q

INDEX


| | | | |
|---|---|---|---|
| Part I. | Financial Information: | | |
| | Item 1. | Financial Statements | |
| | | Consolidated Statements of Operations — Three months and nine months ended September 30, 2014 and 2013 | 3 |
| | | Consolidated Statements of Comprehensive Income — Three months and nine months ended September 30, 2014 and 2013 | 4 |
| | | Consolidated Balance Sheets — September 30, 2014 and December 31, 2013 | 5 |
| | | Consolidated Statements of Equity — Nine months ended September 30, 2014 and 2013 | 6 |
| | | Consolidated Statements of Cash Flows — Nine months ended September 30, 2014 and 2013 | 7 |
| | | Notes to Consolidated Financial Statements | 9 |
| | Item 2. | Management's Discussion and Analysis of Financial Condition and Results of Operations | 55 |
| | Item 3. | Quantitative and Qualitative Disclosures About Market Risk | 96 |
| | Item 4. | Controls and Procedures | 96 |
| Part II. | Other Information: | | |
| | Item 1. | Legal Proceedings | 97 |
| | Item 1A. | Risk Factors | 97 |
| | Item 2. | Unregistered Sales of Equity Securities and Use of Proceeds | 97 |
| | Item 6. | Exhibits | 97 |
| | Signatures | | 98 |
| | Exhibit Index | | E-1 |

AMERIPRISE FINANCIAL, INC.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
(in millions, except per share amounts)

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

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

See Notes to Consolidated Financial Statements.

3

AMERIPRISE FINANCIAL, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)
(in millions)

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

See Notes to Consolidated Financial Statements.

AMERIPRISE FINANCIAL, INC.

CONSOLIDATED BALANCE SHEETS
(in millions, except share amounts)

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

See Notes to Consolidated Financial Statements.

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, 2013 | 203,942,994 | $ 3 | $ 6,503 | $ 6,381 | $ 336 | $ (5,325 ) | $ 1,194 | $ 9,092 | $ 620 | $ 9,712 |
| Comprehensive income: | | | | | | | | | | |
| Net income | — | — | — | 1,038 | — | — | — | 1,038 | 57 | 1,095 |
| Other comprehensive income (loss), net of tax | — | — | — | — | — | — | (589 ) | (589 ) | 6 | (583 ) |
| Total comprehensive income | | | | | | | | 449 | 63 | 512 |
| Net loss reclassified to appropriated retained earnings | — | — | — | — | (1 ) | — | — | (1 ) | 1 | — |
| Dividends to shareholders | — | — | — | (307 ) | — | — | — | (307 ) | — | (307 ) |
| Noncontrolling interests investments in subsidiaries | — | — | — | — | — | — | — | — | 290 | 290 |
| Distributions to noncontrolling interests | — | — | — | — | — | — | — | — | (142 ) | (142 ) |
| Repurchase of common shares | (17,362,549 ) | — | — | — | — | (1,339 ) | — | (1,339 ) | — | (1,339 ) |
| Share-based compensation plans | 8,659,145 | — | 337 | (5 ) | — | 99 | — | 431 | 12 | 443 |
| Balances at September 30, 2013 | 195,239,590 | $ 3 | $ 6,840 | $ 7,107 | $ 335 | $ (6,565 ) | $ 605 | $ 8,325 | $ 844 | $ 9,169 |
| Balances at January 1, 2014 | 192,118,307 | $ 3 | $ 6,929 | $ 7,289 | $ 337 | $ (6,961 ) | $ 595 | $ 8,192 | $ 1,040 | $ 9,232 |
| Comprehensive income: | | | | | | | | | | |
| Net income | — | — | — | 1,194 | — | — | — | 1,194 | 353 | 1,547 |
| Other comprehensive income (loss), net of tax | — | — | — | — | — | — | 151 | 151 | (16 ) | 135 |
| Total comprehensive income | | | | | | | | 1,345 | 337 | 1,682 |
| Net loss reclassified to appropriated retained earnings | — | — | — | — | (29 ) | — | — | (29 ) | 29 | — |
| Dividends to shareholders | — | — | — | (326 ) | — | — | — | (326 ) | — | (326 ) |
| Noncontrolling interests investments | — | — | — | — | — | — | — | — | 113 | 113 |

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

See Notes to Consolidated Financial Statements.

6

AMERIPRISE FINANCIAL, INC.

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

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

See Notes to Consolidated Financial Statements.

AMERIPRISE FINANCIAL, INC.

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

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

See Notes to Consolidated Financial Statements.

AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

## 1. Basis of Presentation

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

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

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

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

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

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

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

Within financing activities, the increase in policyholder account balances for interest credited was reclassified from "Policyholder account balances: Surrenders and other benefits" to "Policyholder account balances: Deposits and other additions." The increase in certificate account balances for interest credited was reclassified from "Investment certificates: Maturities, withdrawals and cash surrenders" to "Investment certificates: Proceeds from additions."

The Company evaluated events or transactions that may have occurred after the balance sheet date for potential recognition or disclosure through the date the financial statements were issued.

## 2. Recent Accounting Pronouncements

### Adoption of New Accounting Standards

#### Income Taxes

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

Investment Companies

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

Future Adoption of New Accounting Standards

Presentation of Financial Statements - Going Concern

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

Consolidation

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

Compensation - Stock Compensation

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

Transfers and Servicing

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

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

Revenue from Contracts with Customers
In May 2014, the FASB updated the accounting standards for revenue from contracts with customers. The update provides a five step revenue recognition model for all revenue arising from contracts with customers and affects all entities that enter into contracts to provide goods or services to their customers (unless the contracts are in the scope of other standards). The standard also updates the accounting for certain costs associated with obtaining and fulfilling a customer contract. In addition, the standard requires disclosure of quantitative and qualitative information that enables users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The standard is effective for interim and annual periods beginning after December 15, 2016 and early adoption is prohibited. The standard may be applied retrospectively for all periods presented or retrospectively with a cumulative-effect adjustment at the date of adoption. The Company is currently evaluating the impact of the standard on its consolidated results of operations and financial condition.
Receivables - Troubled Debt Restructuring by Creditors
In January 2014, the FASB updated the accounting standard related to recognizing residential real estate obtained through a repossession or foreclosure from a troubled debtor. The update clarifies the criteria for derecognition of the loan receivable and recognition of the real estate property. The standard is effective for interim and annual periods beginning after December 15, 2014 and can be applied under a modified retrospective transition method or a prospective transition method. Early adoption is permitted. The adoption of the standard is not expected to have a material impact on the Company’s consolidated results of operations and financial condition.
Investments - Equity Method and Joint Ventures
In January 2014, the FASB updated the accounting standard related to investments in qualified affordable housing projects. The update allows for an accounting policy election to account for investments in qualified affordable housing projects using the proportional amortization method if certain conditions are met. Under the proportional amortization method, the investment in a qualified affordable housing project is amortized in proportion to the tax credits and other tax benefits received. The net investment performance is recognized as a component of income tax expense (benefit). The standard is effective for interim and annual periods beginning after December 15, 2014 and should be applied retrospectively to all periods presented. Early adoption is permitted. The Company is currently evaluating the impact of the standard on its consolidated results of operations and financial condition.

3. Consolidated Investment Entities
The Company provides asset management services to various collateralized debt obligations (“CDOs”) and other investment products (collectively, “investment entities”), which are sponsored by the Company. Certain of these investment entities are considered to be VIEs while others are considered to be voting rights entities (“VREs”). The Company consolidates certain of these investment entities.
The CDOs managed by the Company are considered VIEs. These CDOs are asset backed financing entities collateralized by a pool of assets, primarily syndicated loans and, to a lesser extent, high-yield bonds. Multiple tranches of debt securities are issued by a CDO, offering investors various maturity and credit risk characteristics. The debt securities issued by the CDOs are non-recourse to the Company. The CDO’s debt holders have recourse only to the assets of the CDO. The assets of the CDOs cannot be used by the Company. Scheduled debt payments are based on the performance of the CDO’s collateral pool. The Company generally earns management fees from the CDOs based on the par value of outstanding debt and, in certain instances, may also receive performance-based fees. In the normal course of business, the Company has invested in certain CDOs, generally an insignificant portion of the unrated, junior subordinated debt.
For certain of the CDOs, the Company has determined that consolidation is required as it has power over the CDOs and holds a variable interest in the CDOs for which the Company has the potential to receive benefits or the potential obligation to absorb losses that are significant to the CDO. For other CDOs managed by the Company, the Company has determined that consolidation is not required as the Company does not hold a variable interest in the CDOs or it

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

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

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

The Company also provides investment advisory, distribution and other services to the Columbia and Threadneedle mutual fund families. The Company has determined that consolidation is not required for these mutual funds.
In addition, the Company may invest in structured investments including VIEs for which it is not the sponsor. These structured investments typically invest in fixed income instruments and are managed by third parties and include asset backed securities, commercial mortgage backed securities and residential mortgage backed securities. The Company includes these investments in Available-for-Sale securities. The Company has determined that it is not the primary beneficiary of these structures due to its relative size, position in the capital structure of these entities and the Company's lack of power over the structures. The Company's maximum exposure to loss as a result of its investment in structured investments that it does not consolidate is limited to its carrying value. The Company has no obligation to provide further financial or other support to these structured investments nor has the Company provided any support to these structured investments. See Note 4 for additional information about these structured investments.
During the nine months ended September 30, 2014, the Company consolidated three new investment entities with assets of approximately $1.3 billion and liquidated one investment entity resulting in the sale of approximately $300 million in assets.
Fair Value of Assets and Liabilities
The Company categorizes its fair value measurements according to a three-level hierarchy. See Note 10 for the definition of the three levels of the fair value hierarchy.
The following tables present the balances of assets and liabilities held by consolidated investment entities measured at fair value on a recurring basis:

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

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

| | December 31, 2013 | | | |
|---|---|---|---|---|
| | 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 |

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

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

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

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

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

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

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

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

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

| | Corporate Debt Securities | 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 loss | — | — | — | (1) | — |
| Purchases | 1 | — | 265 | 434 | — |
| Sales | (1) | (3) | (52) | (77) | — |
| Issues | — | — | — | — | (926) |
| Settlements | (1) | — | (46) | — | 955 |
| Transfers into Level 3 | — | 15 | 232 | 8 | — |
| Transfers out of Level 3 | — | (19) | (299) | (9) | — |
| Balance, September 30, 2013 | $2 | $7 | $302 | $1,591 | $(4,459) |
| Changes in unrealized gains (losses) included in income relating to assets and liabilities held at September 30, 2013 | $— | $(2) [1] | $(1) [1] | $5 [2] | $(10) [1] |

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

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

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

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

| | December 31, 2013 | | | | |
|---|---|---|---|---|---|
| | Fair Value (in millions) | Valuation Technique | Unobservable Input | Range | Weighted Average |
| Other assets | $1,936 | | Equivalent yield | 4.4 %– 12.4% | 7.4 % |

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

(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.

15

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

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

Sensitivity of Fair Value Measurements to Changes in Unobservable Inputs

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

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

Determination of Fair Value

Assets

Investments

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

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

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

Receivables

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

Other Assets

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

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

classified as Level 3.

Liabilities

Debt

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

Other Liabilities

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

Fair Value Option

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

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

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

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

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

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

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

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

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

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

4. Investments

The following is a summary of Ameriprise Financial investments:

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

The following is a summary of net investment income:

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

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

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

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

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

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

(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.

As of September 30, 2014 and December 31, 2013, investment securities with a fair value of $1.7 billion and $2.3 billion, respectively, were pledged to meet contractual obligations under derivative contracts and short-term borrowings.

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

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

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

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

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

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

| | September 30, 2014 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 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 | 132 | $1,464 | $ (12) | 43 | $748 | $ (21) | 175 | $2,212 | $ (33) |
| Residential mortgage backed securities | 66 | 847 | (9) | 140 | 1,454 | (64) | 206 | 2,301 | (73) |
| Commercial mortgage backed securities | 13 | 134 | (1) | 11 | 125 | (4) | 24 | 259 | (5) |
| Asset backed securities | 17 | 173 | — | 14 | 227 | (4) | 31 | 400 | (4) |
| State and municipal obligations | 10 | 26 | — | 28 | 151 | (29) | 38 | 177 | (29) |
| Foreign government bonds and obligations | 4 | 18 | — | 14 | 27 | (5) | 18 | 45 | (5) |
| Total | 242 | $2,662 | $ (22) | 250 | $2,732 | $ (127) | 492 | $5,394 | $ (149) |

| | December 31, 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 | 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.

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

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

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

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

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

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

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

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

21

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, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | (in millions) | | | |
| Gross realized gains | $12 | $8 | $23 | $15 |
| Gross realized losses | (1) | — | (5) | (2) |
| Other-than-temporary impairments | (5) | (1) | (6) | (6) |
| Total | $6 | $7 | $12 | $7 |

Other-than-temporary impairments for the three months and nine months ended September 30, 2014 primarily related to credit losses on corporate debt securities and non-agency residential mortgage backed securities.
Other-than-temporary impairments for the three months and nine months ended September 30, 2013 primarily related to credit losses on non-agency residential mortgage backed securities.
Available-for-Sale securities by contractual maturity at September 30, 2014 were as follows:

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

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

## 5. Financing Receivables

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

### Allowance for Loan Losses

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

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

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

| | September 30, 2014 | | | |
|---|---|---|---|---|
| | Commercial Mortgage Loans | Syndicated Loans | Consumer Loans | Total |
| | (in millions) | | | |
| Beginning balance | $26 | $6 | $5 | $37 |
| Charge-offs | (1) | (2) | (1) | (4) |
| Provisions | — | 2 | — | 2 |
| Ending balance | $25 | $6 | $4 | $35 |
| | | | | |
| Individually evaluated for impairment | $8 | $— | $1 | $9 |
| Collectively evaluated for impairment | 17 | 6 | 3 | 26 |

| | September 30, 2013 | | | |
|---|---|---|---|---|
| | Commercial Mortgage Loans | Syndicated Loans | Consumer Loans | Total |
| | (in millions) | | | |
| Beginning balance | $29 | $7 | $8 | $44 |
| Charge-offs | (3) | (1) | (2) | (6) |
| Recoveries | — | — | 1 | 1 |
| Ending balance | $26 | $6 | $7 | $39 |
| | | | | |
| Individually evaluated for impairment | $6 | $— | $1 | $7 |
| Collectively evaluated for impairment | 20 | 6 | 6 | 32 |

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

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

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

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

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

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

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

Credit Quality Information

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

Commercial Mortgage Loans

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

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

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

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

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

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

Syndicated Loans
The Company’s syndicated loan portfolio is diversified across industries and issuers. The primary credit indicator for syndicated loans is whether the loans are performing in accordance with the contractual terms of the syndication. Total nonperforming syndicated loans at September 30, 2014 and December 31, 2013 were $5 million and $4 million, respectively.
Consumer Loans
The Company considers the credit worthiness of borrowers (FICO score), collateral characteristics such as loan-to-value (“LTV”) and geographic concentration in determining the allowance for loan losses for consumer loans. At a minimum, management updates FICO scores and LTV ratios semiannually.
As of September 30, 2014 and December 31, 2013, approximately 6% and 5%, respectively, of consumer loans had FICO scores below 640. As of both September 30, 2014 and December 31, 2013, approximately 2% of the Company’s residential mortgage loans had LTV ratios greater than 90%. The Company’s most significant geographic concentration for consumer loans is in California representing 37% and 38% of the portfolio as of September 30, 2014 and December 31, 2013, respectively. No other state represents more than 10% of the total consumer loan portfolio.
Troubled Debt Restructurings
The following table presents the number of loans restructured by the Company during the period and their recorded investment at the end of the period:

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

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

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

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

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

25

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

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

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

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

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

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

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

Separate account liabilities consisted of the following:

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

26

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

8. Variable Annuity and Insurance Guarantees

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

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

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

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

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

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

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

| | September 30, 2014 | December 31, 2013 |
|---|---|---|

| | Net Amount at Risk | Weighted Average Attained Age | Net Amount at Risk | Weighted Average Attained Age |
|---|---|---|---|---|
| | (in millions, except age) | | | |
| UL secondary guarantees | $5,943 | 62 | $5,674 | 62 |

The net amount at risk for UL secondary guarantees is defined as the current guaranteed death benefit amount in excess of the current policyholder value.

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

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

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

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

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

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

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

9. Debt

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

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

| | | |
|---|---|---|
| Total | $3,259 | $3,220 |

[1] Amounts include adjustments for fair value hedges on the Company's long-term debt. See Note 12 for information on the Company's fair value hedges.

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

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

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

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

Long-term Debt

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

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

Short-term Borrowings

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

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

10. Fair Values of Assets and Liabilities

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

Valuation Hierarchy

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

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

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

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

29

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

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

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

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

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

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

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

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

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

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

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

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

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

| | Policyholder Account Balances, Future Policy Benefits and Claims | | |
|---|---|---|---|
| | IUL Embedded Derivatives | GMWB and GMAB Embedded Derivatives | Total |
| | (in millions) | | |
| Balance, July 1, 2014 | $184 | $(347) | $(163) |
| Total losses included in: | | | |
| Net income | — | 207 [1] | 207 |
| Issues | 21 | 65 | 86 |
| Settlements | (3) | (2) | (5) |
| Balance, September 30, 2014 | $202 | $(77) | $125 |
| Changes in unrealized losses relating to liabilities held at September 30, 2014 included in: | | | |
| Benefits, claims, losses and settlement expenses | $— | $208 | $208 |

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

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

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

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

| | Policyholder Account Balances, Future Policy Benefits and Claims | | |
|---|---|---|---|
| | IUL Embedded Derivatives | GMWB and GMAB Embedded Derivatives | Total |
| | (in millions) | | |
| Balance, July 1, 2013 | $76 | $11 | $87 |
| Total (gains) losses included in: | | | |
| Net income | 2 [1] | (322) [2] | (320) |
| Issues | 17 | 60 | 77 |
| Settlements | 1 | (5) | (4) |
| Balance, September 30, 2013 | $96 | $(256) | $(160) |
| Changes in unrealized (gains) losses relating to liabilities held at September 30, 2013 included in: | | | |
| Interest credited to fixed accounts | $2 | $— | $2 |
| Benefits, claims, losses and settlement expenses | — | (321) | (321) |

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

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

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

[(1)] Included in net investment income in the Consolidated Statements of Operations.
[(2)] Included in benefits, claims, losses and settlement expenses in the Consolidated Statements of Operations.

| | Policyholder Account Balances, Future Policy Benefits and Claims | | |
|---|---|---|---|
| | IUL Embedded Derivatives | GMWB and GMAB Embedded Derivatives | Total |
| | (in millions) | | |
| Balance, January 1, 2014 | $125 | $(575) | $(450) |
| Total losses included in: | | | |
| Net income | 14 [(1)] | 327 [(2)] | 341 |
| Issues | 69 | 184 | 253 |
| Settlements | (6) | (13) | (19) |
| Balance, September 30, 2014 | $202 | $(77) | $125 |
| Changes in unrealized losses relating to liabilities held at September 30, 2014 included in: | | | |
| Interest credited to fixed accounts | $14 | $— | $14 |
| Benefits, claims, losses and settlement expenses | — | 327 | 327 |

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

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

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

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

| | Policyholder Account Balances, Future Policy Benefits and Claims | | |
|---|---|---|---|
| | IUL Embedded Derivatives | GMWB and GMAB Embedded Derivatives | Total |
| | (in millions) | | |
| Balance, January 1, 2013 | $45 | $833 | $878 |
| Total (gains) losses included in: | | | |
| Net income | 8 [(1)] | (1,246) [(2)] | (1,238) |
| Issues | 42 | 163 | 205 |
| Settlements | 1 | (6) | (5) |
| Balance, September 30, 2013 | $96 | $(256) | $(160) |
| Changes in unrealized (gains) losses relating to liabilities held at September 30, 2013 included in: | | | |
| Interest credited to fixed accounts | $8 | $— | $8 |
| Benefits, claims, losses and settlement expenses | — | (1,229) | (1,229) |

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

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

The impact to pretax income of the Company's adjustment for nonperformance risk on the fair value of its embedded derivatives was $59 million and $(14) million, net of DAC, DSIC, unearned revenue amortization and the reinsurance accrual, for the three months ended September 30, 2014 and 2013, respectively. The impact to pretax income of the Company's adjustment for nonperformance risk on the fair value of its embedded derivatives was $68 million and $(104) million, net of DAC, DSIC, unearned revenue amortization and the reinsurance accrual, for the nine months ended September 30, 2014 and 2013, respectively.
Securities transferred from Level 3 primarily represent securities with fair values that are now obtained from a third party pricing service with observable inputs. Securities transferred to Level 3 represent securities with fair values that are now based on a single non-binding broker quote. The Company recognizes transfers between levels of the fair value hierarchy as of the beginning of the quarter in which each transfer occurred. For assets and liabilities held at the end of the reporting periods that are measured at fair value on a recurring basis, there were no transfers between Level 1 and Level 2.
The following tables provide a summary of the significant unobservable inputs used in the fair value measurements developed by the Company or reasonably available to the Company of Level 3 assets and liabilities:

| | September 30, 2014 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Fair Value | Valuation Technique | Unobservable Input | Range | | | Weighted Average |
| | (in millions) | | | | | | |
| Corporate debt securities (private placements) | $1,509 | Discounted cash flow | Yield/spread to U.S. Treasuries | 0.9 | % – | 3.5% | 1.2% |
| Other derivative contracts | $1 | Option pricing model | Correlation [1] | (3.0 | )% – | (84.0)% | (60.0)% |
| IUL embedded derivatives | $202 | Discounted cash flow | Nonperformance risk [2] | 69 | | bps | |
| GMWB and GMAB embedded derivatives | $(77) | Discounted cash flow | Utilization of guaranteed withdrawals [3] | 0.0 | % – | 51.1% | |
| | | | Surrender rate | 0.0 | % – | 59.1% | |
| | | | Market volatility [4] | 4.9 | % – | 19.4% | |
| | | | Nonperformance risk [2] | 69 | | bps | |
| | | | Elective contractholder strategy allocations [5] | 0.0 | % – | 31.0% | |

| | December 31, 2013 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Fair Value | Valuation Technique | Unobservable Input | Range | | | Weighted Average |
| | (in millions) | | | | | | |
| Corporate debt securities (private placements) | $1,589 | Discounted cash flow | Yield/spread to U.S. Treasuries | 0.9 | % – | 5.3% | 1.5% |
| IUL embedded derivatives | $125 | Discounted cash flow | Nonperformance risk [2] | 74 | | bps | |
| GMWB and GMAB embedded derivatives | $(575) | Discounted cash flow | Utilization of guaranteed withdrawals [3] | 0.0 | % – | 51.1% | |
| | | | Surrender rate | 0.1 | % – | 57.9% | |
| | | | Market volatility [4] | 4.9 | % – | 18.8% | |
| | | | Nonperformance risk [2] | 74 | | bps | |

| | | |
|---|---|---|
| Elective contractholder strategy allocations [5] | 0.0 %– | 50.0% |

[1] Represents the correlation between equity returns and interest rates used in the valuation of the derivative contract.

[2] The nonperformance risk is the spread added to the observable interest rates used in the valuation of the embedded derivatives.

[3] The utilization of guaranteed withdrawals represents the percentage of contractholders that will begin withdrawing in any given year.

[4] Market volatility is implied volatility of fund of funds and managed volatility funds.

[5] The elective allocation represents the percentage of contractholders that are assumed to electively switch their investment allocation to a different allocation model.

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

Sensitivity of Fair Value Measurements to Changes in Unobservable Inputs

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

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

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

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

Determination of Fair Value

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

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

Assets

Cash Equivalents

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

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

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

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

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

Separate Account Assets

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

Other Assets

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

Liabilities

Policyholder Account Balances, Future Policy Benefits and Claims

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

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

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

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

Customer Deposits

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

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

Other Liabilities

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

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

Securities sold but not yet purchased include highly liquid investments which are short-term in nature. Securities sold but not yet purchased are measured using amortized cost, which is a reasonable estimate of fair value because of the short time between the purchase of the instrument and its expected realization and are classified as Level 2.
During the reporting periods, there were no material assets or liabilities measured at fair value on a nonrecurring basis.
The following tables provide the carrying value and the estimated fair value of financial instruments that are not reported at fair value. All other financial instruments that are reported at fair value have been included above in the table with balances of assets and liabilities Ameriprise Financial measured at fair value on a recurring basis.

| | September 30, 2014 | | | | |
|---|---|---|---|---|---|
| | Carrying Value | Fair Value Level 1 | Level 2 | Level 3 | Total |
| | (in millions) | | | | |
| Financial Assets | | | | | |
| Mortgage loans, net | $3,457 | $— | $— | $3,495 | $3,495 |
| Policy and certificate loans | 805 | — | 1 | 788 | 789 |
| Receivables | 1,357 | 174 | 1,176 | 6 | 1,356 |
| Restricted and segregated cash | 2,382 | 2,382 | — | — | 2,382 |
| Other investments and assets | 537 | — | 460 | 74 | 534 |
| Financial Liabilities | | | | | |
| Policyholder account balances, future policy benefits and claims | $13,203 | $— | $— | $13,819 | $13,819 |
| Investment certificate reserves | 4,225 | — | — | 4,218 | 4,218 |
| Brokerage customer deposits | 3,290 | 3,290 | — | — | 3,290 |
| Separate account liabilities | 4,500 | — | 4,500 | — | 4,500 |
| Debt and other liabilities | 3,536 | 249 | 3,440 | 94 | 3,783 |

| | December 31, 2013 | | | | |
|---|---|---|---|---|---|
| | Carrying Value | Fair Value Level 1 | Level 2 | Level 3 | Total |
| | (in millions) | | | | |
| Financial Assets | | | | | |
| Mortgage loans, net | $3,510 | $— | $— | $3,490 | $3,490 |
| Policy and certificate loans | 774 | — | 1 | 765 | 766 |
| Receivables | 1,141 | 107 | 1,026 | 8 | 1,141 |
| Restricted and segregated cash | 2,360 | 2,360 | — | — | 2,360 |
| Other investments and assets | 440 | — | 368 | 73 | 441 |
| Financial Liabilities | | | | | |
| Policyholder account balances, future policy benefits and claims | $14,106 | $— | $— | $14,724 | $14,724 |
| Investment certificate reserves | 3,977 | — | — | 3,982 | 3,982 |
| Brokerage customer deposits | 3,088 | 3,088 | — | — | 3,088 |
| Separate account liabilities | 4,007 | — | 4,007 | — | 4,007 |
| Debt and other liabilities | 3,416 | 137 | 3,372 | 134 | 3,643 |

Mortgage Loans, Net

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

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

Policy and Certificate Loans

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

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

Receivables

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

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

Restricted and Segregated Cash

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

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

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

Other Investments and Assets

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

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

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

Policyholder Account Balances, Future Policy Benefits and Claims

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

Investment Certificate Reserves

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

Brokerage Customer Deposits

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

Separate Account Liabilities

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

Debt and Other Liabilities

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

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

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

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

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

11. Offsetting Assets and Liabilities

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

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

| | September 30, 2014 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Gross Amounts of Recognized Assets | Gross Amounts Offset in the Consolidated Balance Sheets | Amounts of Assets Presented in the Consolidated Balance Sheets | Gross Amounts Not Offset in the Consolidated Balance Sheets | | | |
| | | | | Financial Instruments [1] | Cash Collateral | Securities Collateral | Net Amount |
| | (in millions) | | | | | | |
| Derivatives: | | | | | | | |
| OTC | $3,248 | $— | $3,248 | $(2,895) | $(157) | $(176) | $20 |
| OTC cleared | 145 | — | 145 | (92) | (53) | — | — |
| Exchange-traded | 71 | — | 71 | — | — | — | 71 |
| Total derivatives | 3,464 | — | 3,464 | (2,987) | (210) | (176) | 91 |
| Securities borrowed | 175 | — | 175 | (82) | — | (92) | 1 |
| Total | $3,639 | $— | $3,639 | $(3,069) | $(210) | $(268) | $92 |

| | December 31, 2013 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Gross Amounts of Recognized Assets | Gross Amounts Offset in the Consolidated Balance Sheets | Amounts of Assets Presented in the Consolidated Balance Sheets | Gross Amounts Not Offset in the Consolidated Balance Sheets | | | |
| | | | | Financial Instruments [1] | Cash Collateral | Securities Collateral | Net Amount |
| | (in millions) | | | | | | |
| Derivatives: | | | | | | | |
| OTC | $3,337 | $— | $3,337 | $(3,227) | $(75) | $(15) | $20 |
| OTC cleared | 21 | — | 21 | (20) | (1) | — | — |
| Exchange-traded | 60 | — | 60 | — | — | — | 60 |
| Total derivatives | 3,418 | — | 3,418 | (3,247) | (76) | (15) | 80 |
| Securities borrowed | 107 | — | 107 | (15) | — | (90) | 2 |
| Total | $3,525 | $— | $3,525 | $(3,262) | $(76) | $(105) | $82 |

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

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

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

| | September 30, 2014 | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | Gross Amounts Not Offset in the Consolidated Balance Sheets | | | |
| | Gross Amounts of Recognized Liabilities | Gross Amounts Offset in the Consolidated Balance Sheets | Amounts of Liabilities Presented in the Consolidated Balance Sheets | Financial Instruments [1] | Cash Collateral | Securities Collateral | Net Amount |
| | (in millions) | | | | | | |
| Derivatives: | | | | | | | |
| OTC | $3,908 | $— | $3,908 | $(2,895) | $(8) | $(1,005) | $— |
| OTC cleared | 94 | — | 94 | (92) | (2) | — | — |
| Total derivatives | 4,002 | — | 4,002 | (2,987) | (10) | (1,005) | — |
| Securities loaned | 249 | — | 249 | (82) | — | (159) | 8 |
| Repurchase agreements | 50 | — | 50 | — | — | (50) | — |
| Total | $4,301 | $— | $4,301 | $(3,069) | $(10) | $(1,214) | $8 |

| | December 31, 2013 | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | Gross Amounts Not Offset in the Consolidated Balance Sheets | | | |
| | Gross Amounts of Recognized Liabilities | Gross Amounts Offset in the Consolidated Balance Sheets | Amounts of Liabilities Presented in the Consolidated Balance Sheets | Financial Instruments [1] | Cash Collateral | Securities Collateral | Net Amount |
| | (in millions) | | | | | | |
| Derivatives: | | | | | | | |
| OTC | $4,786 | $— | $4,786 | $(3,227) | $— | $(1,498) | $61 |
| OTC cleared | 22 | — | 22 | (20) | (2) | — | — |
| Total derivatives | 4,808 | — | 4,808 | (3,247) | (2) | (1,498) | 61 |
| Securities loaned | 136 | — | 136 | (15) | — | (117) | 4 |
| Repurchase agreements | 50 | — | 50 | — | — | (50) | — |
| Total | $4,994 | $— | $4,994 | $(3,262) | $(2) | $(1,665) | $65 |

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

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

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

## 12. Derivatives and Hedging Activities

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

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

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

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

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

N/A Not applicable.
[1] The fair values of GMWB and GMAB embedded derivatives fluctuate based on changes in equity, interest rate and credit markets.

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

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

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

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

| | | | | |
|---|---|---|---|---|
| Total derivatives | $(22 ) | $(104 ) | $(150 ) | $(254 ) |

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

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

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

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

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

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

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

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

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

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

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

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

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

Embedded Derivatives

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

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

Cash Flow Hedges

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

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

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

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

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

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

Fair Value Hedges

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

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

Credit Risk

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

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

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

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

13. Shareholders' Equity

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

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

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

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

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

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

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

48

## 14. Income Taxes

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

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

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

As of September 30, 2014 and December 31, 2013, the Company had $226 million and $209 million, respectively, of gross unrecognized tax benefits. If recognized, approximately $48 million and $62 million, net of federal tax benefits, of unrecognized tax benefits would affect the effective tax rate as of September 30, 2014 and December 31, 2013, respectively.

It is reasonably possible that the total amounts of unrecognized tax benefits will change in the next 12 months. Based on the current audit position of the Company, it is estimated that the total amount of gross unrecognized tax benefits may decrease by $160 million to $170 million in the next 12 months.

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

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

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

## 15. Guarantees and Contingencies

### Guarantees

The Company is required by law to be a member of the guaranty fund association in every state where it is licensed to do business. In the event of insolvency of one or more unaffiliated insurance companies, the Company could be adversely affected by the requirement to pay assessments to the guaranty fund associations. Uncertainty and volatility in the U.S. economy and financial markets in recent years have weakened the financial condition of numerous insurers, including insurers currently in receiverships, increasing the risk of triggering guaranty fund assessments.
The Company projects its cost of future guaranty fund assessments based on estimates of insurance company insolvencies provided by the National Organization of Life and Health Insurance Guaranty Associations ("NOLHGA") and the amount of its premiums written relative to the industry-wide premium in each state. The Company accrues the estimated cost of future guaranty fund assessments when it is considered probable that an assessment will be imposed, the event obligating the Company to pay the assessment has occurred and the amount of the assessment can be reasonably estimated.
The Company has a liability for estimated guaranty fund assessments and a related premium tax asset.
At September 30, 2014 and December 31, 2013, the estimated liability was $13 million and $14 million, respectively. At both September 30, 2014 and December 31, 2013, the related premium tax asset was $11 million. The expected period over which guaranty fund assessments will be made and the related tax credits recovered is not known.

### Contingencies

The Company and its subsidiaries are involved in the normal course of business in legal, regulatory and arbitration proceedings, including class actions, concerning matters arising in connection with the conduct of its activities as a diversified financial services firm. These include proceedings specific to the Company as well as proceedings generally applicable to business practices in the industries in which it operates. The Company can also be subject to litigation arising out of its general business activities, such as its investments, contracts, leases and employment relationships. Uncertain economic conditions, heightened and sustained volatility in the financial markets and significant financial reform legislation may increase the likelihood that clients and other persons or regulators may present or threaten legal claims or that regulators increase the scope or frequency of examinations of the Company or the financial services industry generally.
As with other financial services firms, the level of regulatory activity and inquiry concerning the Company's businesses remains elevated. From time to time, the Company receives requests for information from, and/or has been subject to examination or claims by, the SEC, the Financial Industry Regulatory Authority, the Office of the Comptroller of the Currency, the UK Financial Conduct Authority, state insurance and securities regulators, state attorneys general and various other domestic or foreign governmental and quasi-governmental authorities on behalf of themselves or clients concerning the Company's business activities and practices, and the practices of the Company's financial advisors. The Company has numerous pending matters which include information requests, exams or inquiries that the Company has received during recent periods regarding certain matters, including: sales and distribution of mutual funds, annuities, equity and fixed income securities, investment personnel's potential access and use of material non-public information, real estate investment trusts, insurance products, and financial advice offerings; supervision of the Company's financial advisors; administration of insurance claims; security of client information; and front office systems and controls at the Company's UK subsidiary. The Company is also responding to regulatory audits, market conduct examinations and other state inquiries relating to an industry-wide investigation of unclaimed property and escheatment practices and procedures. The number of reviews and investigations has increased in recent years with regard to many firms in the financial services industry, including Ameriprise Financial. The Company has cooperated and will continue to cooperate with the applicable regulators regarding their inquiries.
These legal and regulatory proceedings and disputes are subject to uncertainties and, as such, it is inherently difficult to determine whether any loss is probable or even possible, or to reasonably estimate the amount of any loss. The Company cannot predict with certainty if, how or when any such proceedings will be initiated or resolved or what the

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

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

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

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

Certain legal and regulatory proceedings are described below.

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

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

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

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

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

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

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

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

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

17. Segment Information

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

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

- Ameriprise interest and debt expense was allocated to all segments to more accurately reflect management’s assessment of capital allocation.
- Interest accretion income from the intercompany transfer of former bank assets was eliminated for segment reporting resulting in this accretion no longer being allocated to the Annuities and Protection segments. The corresponding offset is no longer reported in the Corporate & Other segment.
- Certain fixed wholesaling costs were reclassified from distribution expenses to general and administrative expense to improve consistency in our presentation of wholesaling distribution expense across all segments.

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

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

Operating earnings is defined as operating net revenues less operating expenses. Operating net revenues and operating expenses exclude the results of discontinued operations, the market impact on IUL benefits (net of hedges and the related DAC amortization, unearned revenue amortization, and the reinsurance accrual), restructuring charges and the impact of consolidating investment entities. Operating net revenues also exclude net realized gains or losses. Operating expenses also exclude the market impact on variable annuity guaranteed benefits (net of hedges and the related DSIC and DAC amortization). The market impact on variable annuity guaranteed benefits and IUL benefits includes changes in liability values caused by changes in financial market conditions, net of changes in associated economic hedge values. The market impact also includes certain valuation adjustments made in accordance with FASB Accounting Standards Codification 820, Fair Value Measurements and Disclosures, including the impact on liability values of discounting projected benefits to reflect a current estimate of the Company’s life insurance subsidiary’s nonperformance spread. Restructuring charges include expenses related to the Company’s transition of its federal savings bank subsidiary, Ameriprise Bank, FSB, to a limited powers national trust bank.

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

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

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

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

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

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

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

AMERIPRISE FINANCIAL, INC.

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

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

Overview

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

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

Our wealth management capabilities are centered on the long-term, personal relationships between our clients and our financial advisors and registered representatives (our "advisors"). Through our advisors, we offer financial planning, products and services designed to be used as solutions for our clients' cash and liquidity, asset accumulation, income, protection, and estate and wealth transfer needs. Our focus on personal relationships, together with our discipline in financial planning and strengths in product development and advice, allow us to address the evolving financial and retirement-related needs of our clients, including our primary target market segment, the mass affluent and affluent, which we define as households with investable assets of more than $100,000. The financial product solutions we offer through our advisors include both our own products and services and the products of other companies. Our advisor network is the primary channel through which we offer our affiliated insurance and annuity products and services.

Our network of more than 9,600 advisors is the primary means through which we engage in our wealth management activities. We offer our advisors training, tools, leadership, marketing programs and other field and centralized support to assist them in delivering advice and product solutions. We believe that our nationally recognized brand and practice vision, local marketing support, integrated operating platform and comprehensive set of products and solutions constitute a compelling value proposition for financial advisors, as evidenced by our strong advisor retention rate and our ability to attract and retain experienced and productive advisors. We have and will continue to invest in and develop capabilities and tools designed to maximize advisor productivity and client satisfaction.

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

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

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

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

AMERIPRISE FINANCIAL, INC.

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

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

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

- Ameriprise interest and debt expense was allocated to all segments to more accurately reflect management's assessment of capital allocation.
- Interest accretion income from the intercompany transfer of former bank assets was eliminated for segment reporting resulting in this accretion no longer being allocated to the Annuities and Protection segments. The corresponding offset is no longer reported in the Corporate & Other segment.
- Certain fixed wholesaling costs were reclassified from distribution expenses to general and administrative expense to improve consistency in our presentation of wholesaling distribution expense across all segments. This change also impacted the Consolidated Statements of Income.

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

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

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

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

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

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

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

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

AMERIPRISE FINANCIAL, INC.

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

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

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

Our financial targets are:

- Operating total net revenue growth of 6% to 8%,
- Operating earnings per diluted share growth of 12% to 15%, and
- Operating return on equity excluding accumulated other comprehensive income of 19% to 23%.

The following tables reconcile our GAAP measures to operating measures:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | (in millions) | | | |
| Total net revenues | $3,111 | $2,813 | $9,179 | $8,253 |
| Less: Revenue attributable to CIEs | 206 | 114 | 543 | 208 |
| Less: Net realized gains | 4 | 6 | 10 | 7 |
| Less: Market impact on indexed universal life benefits | 2 | (2) | — | (3) |
| Operating total net revenues | $2,899 | $2,695 | $8,626 | $8,041 |

| | | | Per Diluted Share | |
|---|---|---|---|---|
| | Three Months Ended September 30, | | Three Months Ended September 30, | |
| | 2014 | 2013 | 2014 | 2013 |
| | (in millions, except per share amounts) | | | |
| Net income | $565 | $449 | | |
| Less: Net income attributable to noncontrolling interests | 145 | 67 | | |
| Net income attributable to Ameriprise Financial | 420 | 382 | $2.17 | $1.86 |
| Less: Income from discontinued operations, net of tax | — | 1 | — | — |
| Net income from continuing operations attributable to Ameriprise Financial | 420 | 381 | 2.17 | 1.86 |
| Add: Market impact on variable annuity guaranteed benefits, net of tax [(1)] | (5) | 13 | (0.03) | 0.06 |
| Add: Market impact on indexed universal life benefits, net of tax [(1)] | (5) | 2 | (0.03) | 0.01 |
| Less: Net realized gains, net of tax [(1)] | 3 | 4 | 0.01 | 0.02 |

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

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

AMERIPRISE FINANCIAL, INC.

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

[1] Calculated using the statutory tax rate of 35%.

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

| | Twelve Months Ended September 30, | |
|---|---|---|
| | 2014 | 2013 |
| | (in millions) | |
| Net income attributable to Ameriprise Financial | $1,490 | $1,427 |
| Less: Loss from discontinued operations, net of tax | (3) | — |
| Net income from continuing operations attributable to Ameriprise Financial | 1,493 | 1,427 |
| Less: Adjustments [1] | (107) | (22) |
| Operating earnings | $1,600 | $1,449 |
| | | |
| Total Ameriprise Financial, Inc. shareholders' equity | $8,310 | $8,775 |
| Less: Accumulated other comprehensive income, net of tax | 723 | 955 |
| Total Ameriprise Financial, Inc. shareholders' equity from continuing operations, excluding AOCI | 7,587 | 7,820 |
| Less: Equity impacts attributable to CIEs | 331 | 344 |
| Operating equity | $7,256 | $7,476 |
| | | |
| Return on equity from continuing operations, excluding AOCI | 19.7 % | 18.2 % |
| Operating return on equity, excluding AOCI [2] | 22.1 % | 19.4 % |

[1] Adjustments reflect the trailing twelve months' sum of after-tax net realized gains/losses; the market impact on variable annuity guaranteed benefits, net of hedges and related DSIC and DAC amortization; the market impact on indexed universal life benefits, net of hedges and the related DAC amortization, unearned revenue amortization, and the reinsurance accrual; and integration and restructuring charges. After-tax is calculated using the statutory tax rate of

35%.

(2) Operating return on equity, excluding accumulated other comprehensive income (“AOCI”), is calculated using the trailing twelve months of earnings excluding the after-tax net realized gains/losses; market impact on variable annuity guaranteed benefits, net of hedges and related DSIC and DAC amortization; the market impact on indexed universal benefits, net of hedges and the related DAC amortization, unearned revenue amortization, and the reinsurance accrual; integration/restructuring charges; and discontinued operations in the numerator, and Ameriprise Financial shareholders’ equity, excluding AOCI and the impact of consolidating investment entities using a five-point average of quarter-end equity in the denominator. After-tax is calculated using the statutory rate of 35%.

AMERIPRISE FINANCIAL, INC.

Critical Accounting Policies

The accounting and reporting policies that we use affect our Consolidated Financial Statements. Certain of our accounting and reporting policies are critical to an understanding of our consolidated results of operations and financial condition. In some cases, the application of these policies can be significantly affected by the estimates, judgments and assumptions made by management during the preparation of our Consolidated Financial Statements. These accounting policies are discussed in detail in “Management’s Discussion and Analysis — Critical Accounting Policies” in our 2013 10-K.

Recent Accounting Pronouncements

For information regarding recent accounting pronouncements and their expected impact on our future consolidated results of operations and financial condition, see Note 2 to our Consolidated Financial Statements.

Assets Under Management and Administration

Assets under management (“AUM”) include external client assets for which we provide investment management services, such as the assets of the Columbia funds and Threadneedle funds, assets of institutional clients and assets of clients in our advisor platform held in wrap accounts as well as assets managed by sub-advisers selected by us. AUM also includes certain assets on our Consolidated Balance Sheets for which we provide investment management services and recognize management fees in our Asset Management segment, such as the assets of the general account and the variable product funds held in the separate accounts of our life insurance subsidiaries and client assets of CIEs. These assets do not include assets under advisement, for which we provide model portfolios but do not have full discretionary investment authority. Corporate & Other AUM primarily includes former bank assets that are managed within our Corporate & Other segment.

Assets under administration (“AUA”) include assets for which we provide administrative services such as client assets invested in other companies’ products that we offer outside of our wrap accounts. These assets include those held in clients’ brokerage accounts. We generally record revenues received from administered assets as distribution fees. We do not exercise management discretion over these assets and do not earn a management fee. These assets are not reported on our Consolidated Balance Sheets. AUA also includes certain assets on our Consolidated Balance Sheets for which we do not provide investment management services and do not recognize management fees, such as investments in non-affiliated funds held in the separate accounts of our life insurance subsidiaries. These assets do not include assets under advisement, for which we provide model portfolios but do not have full discretionary investment authority.

The following table presents detail regarding our AUM and AUA:

| | September 30, | | | |
|---|---|---|---|---|
| | 2014 | 2013 | Change | |
| Assets Under Management and Administration | (in billions) | | | |
| Advice & Wealth Management AUM | $169.8 | $144.5 | $25.3 | 18 % |
| Asset Management AUM | 504.8 | 479.3 | 25.5 | 5 |
| Corporate & Other AUM | 0.9 | 1.0 | (0.1) | (10) |
| Eliminations | (21.7) | (19.7) | (2.0) | (10) |
| Total Assets Under Management | 653.8 | 605.1 | 48.7 | 8 |
| Total Assets Under Administration | 143.0 | 129.8 | 13.2 | 10 |
| Total AUM and AUA | $796.8 | $734.9 | $61.9 | 8 % |

Total AUM increased $48.7 billion, or 8%, to $653.8 billion as of September 30, 2014 compared to $605.1 billion as of September 30, 2013 due to a $25.3 billion increase in Advice & Wealth Management AUM driven by wrap account net inflows and market appreciation and a $25.5 billion increase in Asset Management AUM driven by market appreciation, partially offset by net outflows. See our segment results of operations discussion below for additional information on changes in our AUM.

AMERIPRISE FINANCIAL, INC.

Consolidated Results of Operations for the Three Months Ended September 30, 2014 and 2013

The following table presents our consolidated results of operations:

| | Three Months Ended September 30, | | | |
|---|---|---|---|---|
| | 2014 | 2013 | Change | |
| | (in millions) | | | |
| Revenues | | | | |
| Management and financial advice fees | $1,483 | $1,318 | $165 | 13 % |
| Distribution fees | 464 | 441 | 23 | 5 |
| Net investment income | 428 | 491 | (63 ) | (13 ) |
| Premiums | 351 | 324 | 27 | 8 |
| Other revenues | 392 | 247 | 145 | 59 |
| Total revenues | 3,118 | 2,821 | 297 | 11 |
| Banking and deposit interest expense | 7 | 8 | (1 ) | (13 ) |
| Total net revenues | 3,111 | 2,813 | 298 | 11 |
| Expenses | | | | |
| Distribution expenses | 813 | 731 | 82 | 11 |
| Interest credited to fixed accounts | 168 | 204 | (36 ) | (18 ) |
| Benefits, claims, losses and settlement expenses | 458 | 492 | (34 ) | (7 ) |
| Amortization of deferred acquisition costs | 116 | (14 ) | 130 | NM |
| Interest and debt expense | 79 | 68 | 11 | 16 |
| General and administrative expense | 757 | 730 | 27 | 4 |
| Total expenses | 2,391 | 2,211 | 180 | 8 |
| Income from continuing operations before income tax provision | 720 | 602 | 118 | 20 |
| Income tax provision | 155 | 154 | 1 | 1 |
| Income from continuing operations | 565 | 448 | 117 | 26 |
| Income from discontinued operations, net of tax | — | 1 | (1 ) | NM |
| Net income | 565 | 449 | 116 | 26 |
| Less: Net income attributable to noncontrolling interests | 145 | 67 | 78 | NM |
| Net income attributable to Ameriprise Financial | $420 | $382 | $38 | 10 % |

NM Not Meaningful.

Overall

Income from continuing operations before income tax provision increased $118 million, or 20%, to $720 million for the three months ended September 30, 2014 compared to $602 million for the prior year period primarily reflecting the impact of market appreciation, wrap account net inflows, a $78 million increase in net income attributable to noncontrolling interests and the market impact on variable annuity guaranteed benefits (net of hedges and the related DSIC and DAC amortization), partially offset by a $109 million decrease from unlocking. The market impact on variable annuity guaranteed benefits (net of hedges and the related DSIC and DAC amortization) was a benefit of $9 million for the third quarter of 2014, compared to an expense of $21 million for the prior year period, which included a $17 million benefit associated with unlocking. The impact on DAC and DSIC from actual versus expected market performance based on our view of bond and equity market performance was an expense of $6 million for the third quarter of 2014 compared to a benefit of $13 million for the prior year period as a result of less favorable equity market returns and bond fund returns compared to the prior year period.

AMERIPRISE FINANCIAL, INC.

The following table presents the total pretax impacts on our revenues and expenses attributable to unlocking for the three months ended September 30:

| Pretax Increase (Decrease) | 2014 | 2013 |
|---|---|---|
| | (in millions) | |
| Other revenues | $(29) | $(18) |
| Benefits, claims, losses and settlement expenses | 6 | (5) |
| Amortization of DAC | 8 | (79) |
| Total expenses | 14 | (84) |
| Total [1] | $(43) | $66 |

[1] Includes a $17 million net benefit related to the market impact on variable annuity guaranteed benefits for the three months ended September 30, 2013.

Net Revenues

Net revenues increased $298 million, or 11%, to $3.1 billion for the three months ended September 30, 2014 compared to $2.8 billion for the prior year period primarily due to higher management and financial advice fees and other revenues.

Management and financial advice fees increased $165 million, or 13%, to $1.5 billion for the three months ended September 30, 2014 compared to $1.3 billion for the prior year period primarily due to higher asset-based fees driven by an increase in average AUM. Average AUM increased $70.7 billion, or 12%, compared to the prior year period primarily due to market appreciation and wrap account net inflows, partially offset by asset management net outflows. See our discussion on the changes in AUM in our segment results of operations section below.

Distribution fees increased $23 million, or 5%, to $464 million for the three months ended September 30, 2014 compared to $441 million for the prior year period primarily due to higher client assets.

Net investment income decreased $63 million, or 13%, to $428 million for the three months ended September 30, 2014 compared to $491 million for the prior year period primarily due to a $25 million decrease in investment income on fixed maturities driven by low interest rates and a $40 million decrease in net investment income of CIEs.

Premiums increased $27 million, or 8%, to $351 million for the three months ended September 30, 2014 compared to $324 million for the prior year period primarily due to growth in auto and home policy counts of 11% compared to the prior year period.

Other revenues increased $145 million, or 59%, to $392 million for the three months ended September 30, 2014 compared to $247 million for the prior year period due to a $134 million increase in other revenues of CIEs and higher fees from variable annuity guarantee sales in the prior year where the fees start on the first anniversary date, and higher average fee rates, partially offset by the impact of unlocking. Other revenues for the third quarter of 2014 included a $29 million negative impact from unlocking compared to an $18 million negative impact in the prior year period. The primary driver of the unlocking impact to other revenues in both periods was lower projected gains on reinsurance contracts resulting from favorable mortality experience.

Expenses

Total expenses increased $180 million, or 8%, to $2.4 billion for the three months ended September 30, 2014 compared to $2.2 billion for the prior year period primarily due to increases in distribution expenses and amortization of DAC.

Distribution expenses increased $82 million, or 11%, to $813 million for the three months ended September 30, 2014 compared to $731 million for the prior year period driven by higher compensation due to growth in assets under management. See our discussion on the changes in AUM in our segment results of operations section below.

Interest credited to fixed accounts decreased $36 million, or 18%, to $168 million for the three months ended September 30, 2014 compared to $204 million for the prior year period driven by lower average fixed annuity account balances and a lower average crediting rate on interest sensitive fixed annuities. Average fixed annuity account balances decreased $1.0 billion, or 7%, to $12.5 billion for the three months ended September 30, 2014 compared to

the prior year period due to net outflows reflecting elevated surrenders on products sold through third parties where rates have reset. The average fixed annuity crediting rate excluding capitalized interest decreased to 3.0% for the three months ended September 30, 2014 compared to 3.6% for the prior year period reflecting the re-pricing of the five-year guarantee block. See additional discussion on the re-pricing in the Annuities segment.

Benefits, claims, losses and settlement expenses decreased $34 million, or 7%, to $458 million for the three months ended September 30, 2014 compared to $492 million for the prior year period primarily reflecting the following items:

- The three months ended September 30, 2014 included a $6 million expense from unlocking, which included nil related to the market impact on variable annuity guaranteed benefits. The prior year period included a $5 million benefit from unlocking, which included a $22 million benefit related to the market impact on variable annuity guaranteed benefits. The market impact on

variable annuity guaranteed benefits is discussed below. The unlocking impact for the three months ended September 30, 2014 reflected the difference between our previously assumed interest rates versus the continued low interest rate environment, partially offset by a benefit from updating our variable annuity living benefit withdrawal utilization assumption. The unlocking impact for the prior year period reflected the impact of assumed interest rates and changes in assumed policyholder behavior, partially offset by the impact of variable annuity model changes.

- A $15 million increase in expense related to our auto and home business driven by higher claim and claim adjustment expense reflecting the impact of growth in exposures due to an 11% increase in policies in force.
- A $5 million increase in expense related to higher reserve funding driven by the impact of higher fees from variable annuity guarantee sales in the prior year where the fees start on the first anniversary date.
- An increase in expense compared to the prior year period due to the impact on DSIC from actual versus expected market performance based on our view of bond and equity market performance. This impact was an expense of $1 million for the third quarter of 2014 compared to a benefit of $3 million for the prior year period as a result of less favorable equity market returns and bond fund returns compared to the prior year period.
- A $98 million decrease in expense compared to the prior year period from the unhedged nonperformance credit spread risk adjustment on variable annuity guaranteed benefits.
- A $57 million increase in expense from other market impacts on variable annuity guaranteed benefits, net of hedges in place to offset those risks and the related DSIC amortization. The $57 million increase was the result of an unfavorable $679 million change in the market impact on variable annuity guaranteed living benefits reserves, a favorable $625 million change in the market impact on derivatives hedging the variable annuity guaranteed benefits and an unfavorable $3 million DSIC offset. The main market drivers contributing to these changes are summarized below:
- Interest rates were down in 2014 and up in 2013 resulting in an unfavorable change in the variable annuity guaranteed living benefits liability, partially offset by a favorable change in the related hedge assets.
- Equity market and volatility impacts on the variable annuity guaranteed living benefits liability resulted in an increase in expense in 2014 compared to a decrease in expense in 2013. This unfavorable change was partially offset by a favorable change in 2014 compared to 2013 from equity market and volatility impacts on the related hedge assets.
- Other unhedged items, including the difference between the assumed and actual underlying separate account investment performance, fixed income credit exposures, transaction costs and various behavioral items, were a net favorable impact compared to the prior year period.

Amortization of DAC increased $130 million to a $116 million expense for the three months ended September 30, 2014 compared to a $14 million benefit for the prior year period primarily reflecting the following items:

- Amortization of DAC for the third quarter of 2014 included an $8 million expense from unlocking, primarily driven by the difference between our previously assumed interest rates versus the continued low interest rate environment, partially offset by favorable persistency and mortality experience and a benefit from updating our variable annuity living benefit withdrawal utilization assumption. Amortization of DAC for the prior year period included a $79 million benefit from unlocking, which included a $5 million expense related to the DAC offset to the market impact on variable annuity guaranteed benefits, primarily driven by the impact of assumed interest rates and changes in assumed policyholder behavior.
- The impact on DAC from actual versus expected market performance based on our view of bond and equity performance was an expense of $5 million for the third quarter of 2014 compared to a benefit of $10 million for the prior year period as a result of less favorable equity market returns and bond fund returns compared to the prior year period.
- The DAC offset to the market impact on variable annuity guaranteed benefits (net of hedges and the related DSIC amortization) was an expense of $7 million for the third quarter of 2014 compared to a benefit of $4 million for the prior year period.

Interest and debt expense increased $11 million, or 16%, to $79 million for the three months ended September 30, 2014 compared to $68 million for the prior year period primarily due to a $12 million increase in interest and debt

expense of CIEs.
General and administrative expenses increased $27 million, or 4%, to $757 million for the three months ended September 30, 2014 compared to $730 million for the prior year period primarily due to higher year over year compensation and investments in the business.
Income Taxes
Our effective tax rate on income from continuing operations including income attributable to noncontrolling interests was 21.6% for the three months ended September 30, 2014 compared to 25.5% for the prior year period. Our effective tax rate on income from continuing operations excluding income attributable to noncontrolling interests was 27.0% for the three months ended September 30, 2014 compared to 28.7% for the prior year period. The effective tax rate for the three months ended September 30, 2014 was lower than the statutory rate as a result of tax preferred items including the dividends received deduction and low income housing tax credits.

AMERIPRISE FINANCIAL, INC.

In July 2014, the Internal Revenue Service ("IRS") issued a Large Business & International Directive ("Directive") with respect to the hedging of variable annuity guaranteed minimum benefits. The Directive provides an elective safe harbor method of tax accounting for hedge gains and losses related to variable annuity guaranteed benefits. On October 8, 2014, we filed with the IRS an application for change in accounting method, to conform, in part, to the Directive. If accepted by the IRS, the change in accounting method could have a material impact on our current and deferred income tax balances.

Results of Operations by Segment for the Three Months Ended September 30, 2014 and 2013

Operating earnings is the measure of segment profit or loss management uses to evaluate segment performance. Operating earnings should not be viewed as a substitute for GAAP income from continuing operations before income tax provision. We believe the presentation of segment operating earnings as we measure it for management purposes enhances the understanding of our business by reflecting the underlying performance of our core operations and facilitating a more meaningful trend analysis. See Note 17 to the Consolidated Financial Statements for further information on the presentation of segment results and our definition of operating earnings.

The following table presents summary financial information by segment:

| | Three Months Ended September 30, | |
|---|---|---|
| | 2014 | 2013 |
| | (in millions) | |
| Advice & Wealth Management | | |
| Net revenues | $1,210 | $1,074 |
| Expenses | 1,005 | 922 |
| Operating earnings | $205 | $152 |
| Asset Management | | |
| Net revenues | $839 | $777 |
| Expenses | 631 | 605 |
| Operating earnings | $208 | $172 |
| Annuities | | |
| Net revenues | $655 | $649 |
| Expenses | 527 | 444 |
| Operating earnings | $128 | $205 |
| Protection | | |
| Net revenues | $553 | $535 |
| Expenses | 487 | 467 |
| Operating earnings | $66 | $68 |
| Corporate & Other | | |
| Net revenues | $(1) | $1 |
| Expenses | 52 | 46 |
| Operating loss | $(53) | $(45) |

The following table presents the segment pretax operating impacts on our revenues and expenses attributable to unlocking:

| Segment Pretax Operating Increase (Decrease) | Three Months Ended September 30, | | | |
|---|---|---|---|---|
| | 2014 | | 2013 | |
| | Annuities | Protection | Annuities | Protection |
| | (in millions) | | | |
| Other revenues | $— | $(29) | $— | $(18) |

| | | | | |
|---|---|---|---|---|
| Benefits, claims, losses and settlement expenses | 5 | 1 | 21 | (4 ) |
| Amortization of DAC | 17 | (9 ) | (81 ) | (3 ) |
| Total expenses | 22 | (8 ) | (60 ) | (7 ) |
| Total | $(22 ) | $(21 ) | $60 | $(11 ) |

AMERIPRISE FINANCIAL, INC.

Advice & Wealth Management

Our Advice & Wealth Management segment provides financial planning and advice, as well as full-service brokerage services, primarily to retail clients through our advisors. These services are centered on long-term, personal relationships between our advisors and our clients and focus on helping clients confidently achieve their financial goals. Our advisors provide a distinctive approach to financial planning and have access to a broad selection of both affiliated and non-affiliated products to help clients meet their financial needs. A significant portion of revenues in this segment is fee-based, driven by the level of client assets, which is impacted by both market movements and net asset flows. We also earn net investment income on invested assets primarily from certificate products. This segment earns revenues (distribution fees) for distributing non-affiliated products and intersegment revenues (distribution fees) for distributing our affiliated products and services to our retail clients. Intersegment expenses for this segment include expenses for investment management services provided by the Asset Management segment.

In addition to purchases of affiliated and non-affiliated mutual funds and other securities on a stand-alone basis, clients may purchase mutual funds, among other securities, in connection with investment advisory fee-based "wrap account" programs or services, and pay fees based on a percentage of their assets.

The following table presents the changes in wrap account assets and average balances for the three months ended September 30:

| | 2014 | 2013 |
|---|---|---|
| | (in billions) | |
| Beginning balance | $167.8 | $135.9 |
| Net flows [1] | 3.8 | 3.0 |
| Market appreciation (depreciation) and other [1] | (2.4) | 5.2 |
| Ending balance | $169.2 | $144.1 |
| | | |
| Average balance [2] | $168.7 | $140.0 |

[1] Beginning April 1, 2014, net flows reflect all additions and withdrawals to and from the Ameriprise Strategic Portfolio Service ("SPS") wrap account program. For all periods presented prior to April 1, 2014, additions and withdrawals to and from certain non-billable investments of this program were reflected in the Market appreciation (depreciation) and other line and purchases and sales of billable investments were reported in the Net flows line. Net flows for the SPS program are now reported on a consistent basis with our other wrap account programs.

[2] Average ending balances are calculated using an average of the prior period's ending balance and all months in the current period.

Wrap account assets increased $1.4 billion, or 1%, during the three months ended September 30, 2014 due to net inflows of $3.8 billion offset by market depreciation and other of $2.4 billion. Average wrap account assets increased $28.7 billion, or 21%, compared to the prior year period due to net inflows and market appreciation from the prior year period.

The following table presents the changes in wrap account assets for the twelve months ended September 30:

| | 2014 | 2013 |
|---|---|---|
| | (in billions) | |
| Beginning balance | $144.1 | $120.6 |
| Net flows [1] | 13.9 | 12.3 |
| Market appreciation and other [1] | 11.2 | 11.2 |
| Ending balance | $169.2 | $144.1 |

[1] See Note 1 in the table above.

Wrap account assets increased $25.1 billion, or 17%, from the prior year period reflecting net inflows and market appreciation.

AMERIPRISE FINANCIAL, INC.

The following table presents the results of operations of our Advice & Wealth Management segment on an operating basis:

| | Three Months Ended September 30, | | Change | |
|---|---|---|---|---|
| | 2014 | 2013 | | |
| | (in millions) | | | |
| Revenues | | | | |
| Management and financial advice fees | $621 | $515 | $106 | 21 % |
| Distribution fees | 544 | 519 | 25 | 5 |
| Net investment income | 33 | 31 | 2 | 6 |
| Other revenues | 19 | 17 | 2 | 12 |
| Total revenues | 1,217 | 1,082 | 135 | 12 |
| Banking and deposit interest expense | 7 | 8 | (1 ) | (13 ) |
| Total net revenues | 1,210 | 1,074 | 136 | 13 |
| Expenses | | | | |
| Distribution expenses | 742 | 660 | 82 | 12 |
| Interest and debt expense | 1 | 1 | — | — |
| General and administrative expense | 262 | 261 | 1 | — |
| Total expenses | 1,005 | 922 | 83 | 9 |
| Operating earnings | $205 | $152 | $53 | 35 % |

Our Advice & Wealth Management segment pretax operating earnings, which exclude net realized gains or losses, increased $53 million, or 35%, to $205 million for the three months ended September 30, 2014 compared to $152 million for the prior year period primarily due to strong growth in wrap account assets and continued expense management. Pretax operating margin was 16.9% for the three months ended September 30, 2014 compared to 14.2% for the prior year period.

Net Revenues

Net revenues exclude net realized gains or losses. Net revenues increased $136 million, or 13%, to $1.2 billion for the three months ended September 30, 2014 compared to $1.1 billion for the prior year period primarily reflecting wrap account net inflows and market appreciation. Operating net revenue per branded advisor increased to $125,000 for the three months ended September 30, 2014, up 14%, from $110,000 the prior year period driven by asset growth. Total branded advisors were 9,696 at September 30, 2014 compared to 9,761 at September 30, 2013.

Management and financial advice fees increased $106 million, or 21%, to $621 million for the three months ended September 30, 2014 compared to $515 million for the prior year period driven by growth in wrap account assets. Average wrap account assets increased $28.7 billion, or 21%, compared to the prior year period due to net inflows and market appreciation. See our discussion of the changes in wrap account assets above.

Expenses

Total expenses increased $83 million, or 9%, to $1.0 billion for the three months ended September 30, 2014 compared to $922 million for the prior year period due to an $82 million increase in distribution expenses driven by higher compensation due to growth in client assets.

Asset Management

Our Asset Management segment provides investment advice and investment products to retail, high net worth and institutional clients on a global scale through Columbia Management and Threadneedle. Columbia Management primarily provides products and services in the U.S. and Threadneedle primarily provides products and services internationally. We provide clients with U.S. domestic individual products through unaffiliated third party financial institutions and through our Advice & Wealth Management segment, and we provide institutional products and services through our institutional sales force. International retail products are primarily distributed through third-party

financial institutions and unaffiliated financial advisors. Individual products include U.S. mutual funds and non-U.S. equivalents, exchange-traded funds and variable product funds underlying insurance and annuity separate accounts. Institutional asset management services are designed to meet specific client objectives and may involve a range of products, including those that focus on traditional asset classes, separately managed accounts, individually managed accounts, collateralized loan obligations, hedge funds, collective funds and property funds. Collateralized loan obligations, hedge funds and certain private funds are often classified as alternative assets. Revenues in this segment are primarily earned as fees based on managed asset balances, which are impacted by market movements, net asset flows, asset allocation and product mix. We may also earn performance fees from certain accounts where investment performance meets or exceeds certain pre-identified targets. Our Asset Management segment also provides intercompany asset management services for Ameriprise Financial subsidiaries. The fees for such services are reflected

within the Asset Management segment results through intersegment transfer pricing. Intersegment expenses for this segment include distribution expenses for services provided by our Advice & Wealth Management, Annuities and Protection segments.
From time to time, fee waivers have been provided to the Columbia Money Market Funds (the "Funds") by Columbia Management and certain other subsidiaries performing services for the Funds for the purpose of reducing the expenses charged to a Fund in a given period to maintain or improve a Fund's net yield in that period. Our subsidiaries may enter into contractual arrangements with the Funds identifying the specific fees to be waived and/or expenses to be reimbursed, as well as the time period for which such waivers will apply. In aggregate, we voluntarily waived fees of $3 million for both the three months ended September 30, 2014 and 2013.
The following tables present the mutual fund performance of our retail Columbia and Threadneedle funds as of September 30:

| Columbia<br>Mutual Fund Rankings in top 2 Lipper Quartiles | | | 2014 | 2013 |
|---|---|---|---|---|
| Domestic Equity | Equal weighted | 1 year | 66 % | 55 % |
| | | 3 year | 73 % | 63 % |
| | | 5 year | 54 % | 61 % |
| | Asset weighted | 1 year | 62 % | 35 % |
| | | 3 year | 68 % | 76 % |
| | | 5 year | 60 % | 73 % |
| International Equity | Equal weighted | 1 year | 73 % | 47 % |
| | | 3 year | 59 % | 41 % |
| | | 5 year | 60 % | 56 % |
| | Asset weighted | 1 year | 87 % | 22 % |
| | | 3 year | 40 % | 26 % |
| | | 5 year | 38 % | 81 % |
| Taxable Fixed Income | Equal weighted | 1 year | 44 % | 61 % |
| | | 3 year | 56 % | 71 % |
| | | 5 year | 59 % | 50 % |
| | Asset weighted | 1 year | 66 % | 72 % |
| | | 3 year | 69 % | 83 % |
| | | 5 year | 70 % | 62 % |
| Tax Exempt Fixed Income | Equal weighted | 1 year | 94 % | 94 % |
| | | 3 year | 94 % | 94 % |
| | | 5 year | 100 % | 100 % |
| | Asset weighted | 1 year | 84 % | 98 % |
| | | 3 year | 84 % | 98 % |

| | | | | | | |
|---|---|---|---|---|---|---|
| | | 5 year | 100 | % | 100 | % |
| Asset Allocation Funds | Equal weighted | 1 year | 58 | % | 62 | % |
| | | 3 year | 64 | % | 70 | % |
| | | 5 year | 89 | % | 80 | % |
| | Asset weighted | 1 year | 65 | % | 65 | % |
| | | 3 year | 75 | % | 85 | % |
| | | 5 year | 97 | % | 92 | % |
| Number of funds with 4 or 5 Morningstar star ratings | | Overall | 54 | | 51 | |
| | | 3 year | 48 | | 45 | |
| | | 5 year | 46 | | 40 | |
| Percent of funds with 4 or 5 Morningstar star ratings | | Overall | 51 | % | 52 | % |
| | | 3 year | 46 | % | 46 | % |
| | | 5 year | 47 | % | 43 | % |
| Percent of assets with 4 or 5 Morningstar star ratings | | Overall | 56 | % | 54 | % |
| | | 3 year | 38 | % | 39 | % |
| | | 5 year | 52 | % | 43 | % |

AMERIPRISE FINANCIAL, INC.

Mutual fund performance rankings are based on the performance of Class Z fund shares for Columbia branded mutual funds. Only funds with Class Z shares are included. In instances where a fund's Class Z shares do not have a full five year track record, performance for an older share class of the same fund, typically Class A shares, is utilized for the period before Class Z shares were launched. No adjustments to the historical track records are made to account for differences in fund expenses between share classes of a fund.

Equal Weighted Rankings in Top 2 Quartiles: Counts the number of funds with above median ranking divided by the total number of funds. Asset size is not a factor.

Asset Weighted Rankings in Top 2 Quartiles: Sums the total assets of the funds with above median ranking (using Class Z and appended Class Z) divided by total assets of all funds. Funds with more assets will receive a greater share of the total percentage above or below median.

| Threadneedle<br>Retail Fund Rankings in Top 2 Morningstar Quartiles or Above Index Benchmark | | | 2014 | 2013 |
|---|---|---|---|---|
| Equity | Equal weighted | 1 year | 62 % | 70 % |
| | | 3 year | 73 % | 80 % |
| | | 5 year | 84 % | 84 % |
| | Asset weighted | 1 year | 57 % | 45 % |
| | | 3 year | 61 % | 85 % |
| | | 5 year | 84 % | 90 % |
| Fixed Income | Equal weighted | 1 year | 70 % | 54 % |
| | | 3 year | 74 % | 78 % |
| | | 5 year | 62 % | 67 % |
| | Asset weighted | 1 year | 65 % | 61 % |
| | | 3 year | 62 % | 72 % |
| | | 5 year | 49 % | 44 % |
| Allocation (Managed) Funds | Equal weighted | 1 year | 63 % | 100 % |
| | | 3 year | 83 % | 83 % |
| | | 5 year | 67 % | 100 % |
| | Asset weighted | 1 year | 51 % | 100 % |
| | | 3 year | 93 % | 92 % |
| | | 5 year | 55 % | 100 % |

The performance of each fund is measured on a consistent basis against the most appropriate benchmark — a peer group of similar funds or an index.

Equal weighted: Counts the number of funds with above median ranking (if measured against peer group) or above index performance (if measured against an index) divided by the total number of funds. Asset size is not a factor.

Asset weighted: Sums the assets of the funds with above median ranking (if measured against peer group) or above index performance (if measured against an index) divided by the total sum of assets in the funds. Funds with more assets will receive a greater share of the total percentage above or below median or index.

Aggregated Allocation (Managed) Funds include funds that invest in other funds of the Threadneedle range including those funds that invest in both equity and fixed income.

Aggregated Threadneedle data includes funds on the Threadneedle platform sub-advised by Columbia as well as advisors not affiliated with Ameriprise Financial, Inc.

AMERIPRISE FINANCIAL, INC.

The following table presents ending balances and average managed assets:

| | September 30, | | | | Average[1] Three Months Ended September 30, | | | |
|---|---|---|---|---|---|---|---|---|
| | 2014 | 2013 | Change | | 2014 | 2013 | Change | |
| | (in billions) | | | | | | | |
| Columbia managed assets | $357.6 | $345.0 | $12.6 | 4 % | $361.2 | $340.2 | $21.0 | 6 % |
| Threadneedle managed assets | 150.4 | 137.4 | 13.0 | 9 | 155.1 | 131.5 | 23.6 | 18 |
| Less: Sub-advised eliminations | (3.2) | (3.1) | (0.1) | (3) | (3.3) | (3.0) | (0.3) | (10) |
| Total managed assets | $504.8 | $479.3 | $25.5 | 5 % | $513.0 | $468.7 | $44.3 | 9 % |

[1] Average ending balances are calculated using an average of the prior period's ending balance and all months in the current period.

The following table presents managed asset net flows:

| | Three Months Ended September 30, | | | |
|---|---|---|---|---|
| | 2014 | 2013 | Change | |
| | (in billions) | | | |
| Columbia managed asset net flows | $(2.3) | $(4.2) | $1.9 | 45 % |
| Threadneedle managed asset net flows | (1.9) | (0.1) | (1.8) | NM |
| Less: Sub-advised eliminations | 0.1 | — | 0.1 | NM |
| Total managed asset net flows | $(4.1) | $(4.3) | $0.2 | 5 % |

NM Not Meaningful.

The following table presents managed assets by type:

| | September 30, | | | | Average[1] Three Months Ended September 30, | | | |
|---|---|---|---|---|---|---|---|---|
| | 2014 | 2013 | Change | | 2014 | 2013 | Change | |
| | (in billions) | | | | | | | |
| Equity | $277.3 | $254.7 | $22.6 | 9 % | $284.1 | $246.7 | $37.4 | 15 % |
| Fixed income | 194.6 | 197.8 | (3.2) | (2) | 196.1 | 196.2 | (0.1) | — |
| Money market | 6.6 | 6.6 | — | — | 6.5 | 6.4 | 0.1 | 2 |
| Alternative | 7.0 | 6.1 | 0.9 | 15 | 7.1 | 6.2 | 0.9 | 15 |
| Hybrid and other | 19.3 | 14.1 | 5.2 | 37 | 19.2 | 13.2 | 6.0 | 45 |
| Total managed assets | $504.8 | $479.3 | $25.5 | 5 % | $513.0 | $468.7 | $44.3 | 9 % |

[1] Average ending balances are calculated using an average of the prior period's ending balance and all months in the current period.

AMERIPRISE FINANCIAL, INC.

The following tables present the changes in Columbia and Threadneedle managed assets:

| | Three Months Ended September 30, | |
|---|---|---|
| | 2014 | 2013 |
| | (in billions) | |
| Columbia Managed Assets Rollforward | | |
| Retail Funds | | |
| Beginning assets | $243.8 | $223.3 |
| Mutual fund inflows | 9.1 | 8.6 |
| Mutual fund outflows | (12.0) | (12.3) |
| Net VP/VIT fund flows | (0.2) | (0.1) |
| Net new flows | (3.1) | (3.8) |
| Reinvested dividends | 0.6 | 0.5 |
| Net flows | (2.5) | (3.3) |
| Distributions | (0.7) | (0.6) |
| Market appreciation (depreciation) and other | (3.5) | 11.2 |
| Total ending assets | 237.1 | 230.6 |
| | | |
| Institutional | | |
| Beginning assets | 77.6 | 71.1 |
| Inflows | 5.5 | 5.1 |
| Outflows | (5.2) | (5.9) |
| Net flows | 0.3 | (0.8) |
| Market appreciation and other | 0.1 | 2.4 |
| Total ending assets | 78.0 | 72.7 |
| | | |
| Alternative | | |
| Beginning assets | 6.4 | 5.5 |
| Inflows | — | — |
| Outflows | (0.1) | (0.1) |
| Net flows | (0.1) | (0.1) |
| Market appreciation and other | (0.1) | — |
| Total ending assets | 6.2 | 5.4 |
| Affiliated General Account Assets | 36.3 | 36.3 |
| Total Columbia managed assets | $357.6 | $345.0 |
| Total Columbia net flows | $(2.3) | $(4.2) |

AMERIPRISE FINANCIAL, INC.

| | Three Months Ended September 30, | |
|---|---|---|
| | 2014 | 2013 |
| | (in billions) | |
| Threadneedle Managed Assets Rollforward | | |
| Retail Funds | | |
| Beginning assets | $52.1 | $41.8 |
| Mutual fund inflows | 4.9 | 6.3 |
| Mutual fund outflows | (5.9) | (5.4) |
| Net new flows | (1.0) | 0.9 |
| Reinvested dividends | — | — |
| Net flows | (1.0) | 0.9 |
| Distributions | (0.1) | (0.1) |
| Market appreciation (depreciation) | (0.4) | 0.8 |
| Foreign currency translation [1] | (2.4) | 2.7 |
| Other | 0.1 | 0.2 |
| Total ending assets | 48.3 | 46.3 |
| | | |
| Institutional | | |
| Beginning assets | 105.3 | 84.3 |
| Inflows | 1.8 | 1.8 |
| Outflows | (2.7) | (2.7) |
| Net flows | (0.9) | (0.9) |
| Market appreciation | 1.2 | 0.8 |
| Foreign currency translation [1] | (4.9) | 5.5 |
| Other | 0.7 | 0.6 |
| Total ending assets | 101.4 | 90.3 |
| | | |
| Alternative | | |
| Beginning assets | 0.7 | 0.9 |
| Inflows | — | — |
| Outflows | — | (0.1) |
| Net flows | — | (0.1) |
| Market appreciation | — | — |
| Total ending assets | 0.7 | 0.8 |
| Total Threadneedle managed assets | $150.4 | $137.4 |
| Total Threadneedle net flows | $(1.9) | $(0.1) |

[1] Amounts represent British Pound to US dollar conversion.

Total segment AUM decreased $13.5 billion, or 3%, during the three months ended September 30, 2014 driven by market depreciation, net outflows and a negative impact of foreign currency translation. Total segment AUM net outflows were $4.1 billion for the three months ended September 30, 2014. Management expects, consistent with prior patterns of outflows, that outflows of primarily low margin assets directly or indirectly affiliated with Threadneedle and Columbia former parent companies will continue for the foreseeable future. The overall impact to segment results is difficult to quantify due to uncertain timing, volume and mix of the outflows.

Columbia managed assets decreased $5.9 billion, or 2%, during the three months ended September 30, 2014 primarily due to net outflows and market depreciation. Columbia retail funds decreased $6.8 billion, or 3%, during the three months ended September 30, 2014 due to market depreciation, net outflows and distributions. Columbia retail net

outflows of $2.5 billion during the third quarter of 2014 included $1.8 billion of outflows in the defined contribution/investment only channel, $0.3 billion of outflows from a former parent affiliated distribution relationship, $0.4 billion of outflows in the Registered Investment Advisor ("RIA") channel and $0.2

billion of outflows of a third party sub-advisor. Columbia institutional AUM increased $0.4 billion, or 1%, during the three months ended September 30, 2014 due to market appreciation and net inflows of $0.3 billion primarily reflecting third party institutional inflows offset by outflows from former parent affiliated distribution and former parent influenced mandates.

Threadneedle managed assets decreased $7.8 billion, or 5%, during the three months ended September 30, 2014 due to net outflows and a negative impact of foreign currency translation. Threadneedle retail funds decreased $3.8 billion, or 7%, during the three months ended September 30, 2014 primarily due to a negative impact of foreign currency translation and net outflows. Threadneedle retail net outflows were $1.0 billion. Threadneedle institutional AUM decreased $3.9 billion, or 4%, during the three months ended September 30, 2014 primarily due to net outflows and a negative impact of foreign currency translation. Threadneedle institutional net outflows of $0.9 billion during the third quarter of 2014 were primarily from legacy insurance assets.

The following table presents the results of operations of our Asset Management segment on an operating basis:

| | Three Months Ended September 30, | | Change | |
|---|---|---|---|---|
| | 2014 | 2013 | | |
| | (in millions) | | | |
| Revenues | | | | |
| Management and financial advice fees | $706 | $655 | $51 | 8 % |
| Distribution fees | 124 | 118 | 6 | 5 |
| Net investment income | 7 | 5 | 2 | 40 |
| Other revenues | 2 | — | 2 | — |
| Total revenues | 839 | 778 | 61 | 8 |
| Banking and deposit interest expense | — | 1 | (1) | NM |
| Total net revenues | 839 | 777 | 62 | 8 |
| Expenses | | | | |
| Distribution expenses | 288 | 278 | 10 | 4 |
| Amortization of deferred acquisition costs | 4 | 5 | (1) | (20) |
| Interest and debt expense | 6 | 6 | — | — |
| General and administrative expense | 333 | 316 | 17 | 5 |
| Total expenses | 631 | 605 | 26 | 4 |
| Operating earnings | $208 | $172 | $36 | 21 % |

NM Not Meaningful.

Our Asset Management segment pretax operating earnings, which exclude net realized gains or losses, increased $36 million, or 21%, to $208 million for the three months ended September 30, 2014 compared to $172 million for the prior year period reflecting equity market appreciation, partially offset by the cumulative impact of net outflows.

Net Revenues

Net revenues, which exclude net realized gains or losses, increased $62 million, or 8%, to $839 million for the three months ended September 30, 2014 compared to $777 million for the prior year period driven by an increase in management and financial advice fees.

Management and financial advice fees increased $51 million, or 8%, to $706 million for the three months ended September 30, 2014 compared to $655 million for the prior year period primarily due to an increase in assets under management. Average assets under management increased 9% compared to the prior year period driven by equity market appreciation, partially offset by net outflows. See our discussion above on the changes in assets under management.

Expenses

Total expenses increased $26 million, or 4%, to $631 million for the three months ended September 30, 2014 compared to $605 million for the prior year period primarily due to an increase in distribution expenses and an

increase in general and administrative expenses.
Distribution expenses increased $10 million, or 4%, to $288 million for the three months ended September 30, 2014 compared to $278 million for the prior year period primarily due to equity market appreciation, partially offset by net outflows.
General and administrative expense increased $17 million, or 5%, to $333 million for the three months ended September 30, 2014 compared to $316 million for the prior year period due to the negative impacts of foreign exchange rates during the quarter and investments in the business, partially offset by lower expenses as a result of the cumulative impact of net outflows.

AMERIPRISE FINANCIAL, INC.

Annuities

Our Annuities segment provides variable and fixed annuity products of RiverSource Life companies to individual clients. We provide our variable annuity products through our advisors, and our fixed annuity products are distributed through both affiliated and unaffiliated advisors and financial institutions. Revenues from our variable annuity products are primarily earned as fees based on underlying account balances, which are impacted by both market movements and net asset flows. Revenues from our fixed annuity products are primarily earned as net investment income on assets supporting fixed account balances, with profitability significantly impacted by the spread between net investment income earned and interest credited on the fixed account balances. We also earn net investment income on owned assets supporting reserves for immediate annuities and for certain guaranteed benefits offered with variable annuities and on capital supporting the business. Intersegment revenues for this segment reflect fees paid by our Asset Management segment for marketing support and other services provided in connection with the availability of variable insurance trust funds (“VIT Funds”) under the variable annuity contracts. Intersegment expenses for this segment include distribution expenses for services provided by our Advice & Wealth Management segment, as well as expenses for investment management services provided by our Asset Management segment.

The following table presents the results of operations of our Annuities segment on an operating basis:

| | Three Months Ended September 30, | | | |
|---|---|---|---|---|
| | 2014 | 2013 | Change | |
| | (in millions) | | | |
| Revenues | | | | |
| Management and financial advice fees | $191 | $179 | $12 | 7 % |
| Distribution fees | 91 | 86 | 5 | 6 |
| Net investment income | 235 | 260 | (25) | (10) |
| Premiums | 26 | 27 | (1) | (4) |
| Other revenues | 112 | 97 | 15 | 15 |
| Total revenues | 655 | 649 | 6 | 1 |
| Banking and deposit interest expense | — | — | — | — |
| Total net revenues | 655 | 649 | 6 | 1 |
| Expenses | | | | |
| Distribution expenses | 110 | 104 | 6 | 6 |
| Interest credited to fixed accounts | 136 | 164 | (28) | (17) |
| Benefits, claims, losses and settlement expenses | 136 | 150 | (14) | (9) |
| Amortization of deferred acquisition costs | 78 | (41) | 119 | NM |
| Interest and debt expense | 9 | 10 | (1) | (10) |
| General and administrative expense | 58 | 57 | 1 | 2 |
| Total expenses | 527 | 444 | 83 | 19 |
| Operating earnings | $128 | $205 | $(77) | (38)% |

NM Not Meaningful.

Our Annuities segment pretax operating income, which excludes net realized gains or losses and the market impact on variable annuity guaranteed benefits (net of hedges and the related DSIC and DAC amortization), decreased $77 million, or 38%, to $128 million for the three months ended September 30, 2014 compared to $205 million for the prior year period primarily due to the impact of unlocking partially offset by market appreciation. The impact of unlocking was a decrease to pretax operating income of $22 million for the third quarter of 2014 compared to an increase of $60 million for the prior year period. In addition, the impact on DAC and DSIC from actual versus expected market performance based on our view of bond and equity performance was an expense of $6 million for the third quarter of 2014 compared to an benefit of $13 million for the prior year period as a result of less favorable equity market returns and bond fund returns compared to the prior year period.

RiverSource variable annuity account balances increased 5% to $76.1 billion at September 30, 2014 compared to the prior year period due to market appreciation, partially offset by net outflows of $1.6 billion. RiverSource fixed annuity account balances declined 8% to $12.4 billion at September 30, 2014 compared to the prior year period reflecting elevated surrenders on products sold through third parties where crediting rates have been reset. This decline was offset by the change in crediting rates, which decreased the level of spread compression in the third quarter of 2014. Approximately 98% of the five-year guarantee block totaling $4.1 billion has been re-priced as of September 30, 2014.

Net Revenues
Net revenues, which exclude net realized gains or losses, increased $6 million, or 1%, to $655 million for the three months ended September 30, 2014 compared to $649 million for the prior year period primarily due to higher management and financial advice fees and other revenues, partially offset by a decrease in net investment income.
Management and financial advice fees increased $12 million, or 7%, to $191 million for the three months ended September 30, 2014 compared to $179 million for the prior year period due to higher fees on variable annuities driven by higher separate account balances. Average variable annuity account balances increased $5.2 billion, or 8%, compared to the prior year period due to market appreciation, partially offset by net outflows.
Distribution fees increased $5 million, or 6%, to $91 million for the three months ended September 30, 2014 compared to $86 million for the prior year period due to higher fees on variable annuities driven by higher separate account balances.
Net investment income, which excludes net realized gains or losses, decreased $25 million, or 10%, to $235 million for the three months ended September 30, 2014 compared to $260 million for the prior year period primarily reflecting a decrease of approximately $11 million from lower invested assets due to fixed annuity net outflows and approximately $15 million from lower interest rates.
Other revenues increased $15 million, or 15%, to $112 million for the three months ended September 30, 2014 compared to $97 million for the prior year period due to higher fees from variable annuity guarantee sales in the prior year where the fees start on the first anniversary date, as well as higher average fee rates.
Expenses
Total expenses, which exclude the market impact on variable annuity guaranteed benefits (net of hedges and the related DSIC and DAC amortization) increased $83 million, or 19%, to $527 million for the three months ended September 30, 2014 compared to $444 million for the prior year period primarily due to an increase in amortization of DAC, partially offset by a decrease in interest credited to fixed accounts and benefits, claims, losses and settlement expenses.
Interest credited to fixed accounts decreased $28 million, or 17%, to $136 million for the three months ended September 30, 2014 compared to $164 million for the prior year period driven by lower average fixed annuity account balances and a lower average crediting rate on interest sensitive fixed annuities. Average fixed annuity account balances decreased $1.0 billion, or 7%, to $12.5 billion for the three months ended September 30, 2014 compared to the prior year period due to net outflows reflecting elevated surrenders on products sold through third parties where rates have reset. The average fixed annuity crediting rate excluding capitalized interest decreased to 3.0% for the three months ended September 30, 2014 compared to 3.6% for the prior year period reflecting the re-pricing of the five-year guarantee block.
Benefits, claims, losses and settlement expenses, which exclude the market impact on variable annuity guaranteed benefits (net of hedges and the related DSIC amortization), decreased $14 million, or 9%, to $136 million for the three months ended September 30, 2014 compared to $150 million for the prior year period primarily due to the impact of unlocking partially offset by the impact on DSIC from actual versus expected market performance based on our view of bond and equity market performance and an increase in expense of $5 million related to higher reserve funding driven by the impact of higher fees from variable annuity guarantee sales in the prior year where the fees start on the first anniversary date. Benefits, claims, losses and settlement expenses for the third quarter of 2014 included a $5 million expense from unlocking primarily reflecting the difference between our previously assumed interest rates versus the continued low interest rate environment, partially offset by a benefit from updating our variable annuity living benefit withdrawal utilization assumption. Benefits, claims, losses and settlement expenses for the prior year period included a $21 million expense from unlocking primarily reflecting the impact of variable annuity model changes. The impact on DSIC from actual versus expected market performance based on our view of bond and equity performance was an expense of $1 million for the third quarter of 2014 compared to a benefit of $3 million for the prior year period as a result of less favorable equity market returns and bond fund returns compared to the prior year period.

Amortization of DAC, which excludes the DAC offset to the market impact on variable annuity guaranteed benefits, increased $119 million to a $78 million expense for the three months ended September 30, 2014 compared to a $41 million benefit for the prior year period primarily reflecting the impact of unlocking and the impact on DAC from actual versus expected market performance based on our view of bond and equity market performance. Amortization of DAC for the third quarter of 2014 included a $17 million expense from unlocking primarily driven by the difference between our previously assumed interest rates versus the continued low interest rate environment, partially offset by favorable persistency and mortality experience and a benefit from updating our variable annuity living benefit withdrawal utilization assumption. Amortization of DAC for the prior year period included an $81 million benefit from unlocking primarily driven by the impact of assumed interest rates and changes in assumed policyholder behavior. The impact on DAC from actual versus expected market performance based on our view of bond and equity performance was an expense of $5 million for the third quarter of 2014 compared to a benefit of $10 million for the prior year period as a result of less favorable equity market returns and bond fund returns compared to the prior year period.

AMERIPRISE FINANCIAL, INC.

Protection

Our Protection segment offers a variety of products to address the protection and risk management needs of our retail clients including life, disability income and property-casualty insurance. Life and disability income products are primarily provided through our advisors. Our property-casualty products are sold primarily through affinity relationships. We issue insurance policies through our life insurance and property casualty subsidiaries. The primary sources of revenues for this segment are premiums, fees and charges we receive to assume insurance-related risk. We earn net investment income on owned assets supporting insurance reserves and capital supporting the business. We also receive fees based on the level of assets supporting variable universal life ("VUL") separate account balances. This segment earns intersegment revenues from fees paid by our Asset Management segment for marketing support and other services provided in connection with the availability of VIT Funds under the VUL contracts. Intersegment expenses for this segment include distribution expenses for services provided by our Advice & Wealth Management segment, as well as expenses for investment management services provided by our Asset Management segment.

The following table presents the results of operations of our Protection segment on an operating basis:

| | Three Months Ended September 30, | | | |
|---|---|---|---|---|
| | 2014 | 2013 | Change | |
| | (in millions) | | | |
| Revenues | | | | |
| Management and financial advice fees | $14 | $15 | $(1) | (7)% |
| Distribution fees | 24 | 22 | 2 | 9 |
| Net investment income | 111 | 110 | 1 | 1 |
| Premiums | 329 | 301 | 28 | 9 |
| Other revenues | 75 | 87 | (12) | (14) |
| Total revenues | 553 | 535 | 18 | 3 |
| Banking and deposit interest expense | — | — | — | — |
| Total net revenues | 553 | 535 | 18 | 3 |
| Expenses | | | | |
| Distribution expenses | 14 | 16 | (2) | (13) |
| Interest credited to fixed accounts | 39 | 40 | (1) | (3) |
| Benefits, claims, losses and settlement expenses | 338 | 317 | 21 | 7 |
| Amortization of deferred acquisition costs | 26 | 26 | — | — |
| Interest and debt expense | 6 | 6 | — | — |
| General and administrative expense | 64 | 62 | 2 | 3 |
| Total expenses | 487 | 467 | 20 | 4 |
| Operating earnings | $66 | $68 | $(2) | (3)% |

Our Protection segment pretax operating income, which excludes net realized gains or losses and the market impact on indexed universal life benefits (net of hedges and the related DAC amortization, unearned revenue amortization and the reinsurance accrual), decreased $2 million, or 3%, to $66 million for the three months ended September 30, 2014 compared to $68 million for the prior year period primarily due to the impact of unlocking offset by higher auto and home earnings.

Net Revenues

Net revenues, which exclude net realized gains or losses and the unearned revenue amortization and the reinsurance accrual offset to the market impact on indexed universal life benefits, increased $18 million, or 3%, to $553 million for the three months ended September 30, 2014 compared to $535 million for the prior year period due to growth in auto and home premiums partially offset by the impact of unlocking.

Premiums increased $28 million, or 9%, to $329 million for the three months ended September 30, 2014 compared to $301 million for the prior year period primarily due to growth in auto and home premiums driven by an 11% increase

in auto and home policies in force compared to the prior year period.

Other revenues decreased $12 million, or 14%, to $75 million for the three months ended September 30, 2014 compared to $87 million for the prior year period due to a $29 million unfavorable impact from unlocking in the third quarter of 2014 compared to an $18 million unfavorable impact in the prior year period. The primary driver of the unlocking impact to other revenues in both periods was lower projected gains on reinsurance contracts resulting from favorable mortality experience.

Expenses

Total expenses, which exclude the market impact on indexed universal life benefits (net of hedges and the related DAC amortization), increased $20 million, or 4%, to $487 million for the three months ended September 30, 2014 compared to $467 million for the prior year period primarily due to higher expenses related to our auto and home business and the impact of unlocking.

Benefits, claims, losses and settlement expenses increased $21 million, or 7%, to $338 million for the three months ended September 30, 2014 compared to $317 million for the prior year period due to the impact of unlocking and higher auto and home claim and claim adjustment expense reflecting the impact of growth in exposures due to a 11% increase in policies in force compared to the prior year period. Catastrophe losses were flat for the three months ended September 30, 2014 compared to the prior year period. The impact of unlocking was a $1 million expense in the third quarter of 2014 primarily driven by the difference between our previously assumed interest rates versus the continued low interest rate environment, partially offset by favorable mortality experience. The impact of unlocking was a $4 million benefit in the prior year period primarily driven by favorable mortality experience.

Corporate & Other

Our Corporate & Other segment consists of net investment income or loss on corporate level assets, including excess capital held in our subsidiaries and other unallocated equity and other revenues as well as unallocated corporate expenses. The Corporate & Other segment also includes revenues and expenses of CIEs, which are excluded on an operating basis.

The following table presents the results of operations of our Corporate & Other segment on an operating basis:

| | Three Months Ended September 30, | | | |
|---|---|---|---|---|
| | 2014 | 2013 | Change | |
| | (in millions) | | | |
| Revenues | | | | |
| Net investment income (loss) | $(3) | $(1) | $(2) | NM |
| Other revenues | 2 | 2 | — | — % |
| Total revenues | (1) | 1 | (2) | NM |
| Banking and deposit interest expense | — | — | — | — |
| Total net revenues | (1) | 1 | (2) | NM |
| Expenses | | | | |
| Distribution expenses | 1 | — | 1 | — |
| Interest and debt expense | 3 | 3 | — | — |
| General and administrative expense | 48 | 43 | 5 | 12 |
| Total expenses | 52 | 46 | 6 | 13 |
| Operating loss | $(53) | $(45) | $(8) | (18)% |

NM Not Meaningful.

Our Corporate & Other segment pretax operating loss excludes net realized gains or losses, the impact of consolidating CIEs and integration/restructuring charges. Our Corporate & Other segment pretax operating loss increased $8 million, or 18%, to $53 million for the three months ended September 30, 2014 compared to $45 million for the prior year period. Our Corporate & Other segment results for the third quarter 2014 included higher expenses primarily related to higher year over year performance based compensation and an incremental increase to a provision for potential resolution of a regulatory matter which was recorded during the second quarter.

AMERIPRISE FINANCIAL, INC.

Consolidated Results of Operations for the Nine Months Ended September 30, 2014 and 2013
The following table presents our consolidated results of operations:

| | Nine Months Ended September 30, | | | |
|---|---|---|---|---|
| | 2014 | 2013 | Change | |
| | (in millions) | | | |
| Revenues | | | | |
| Management and financial advice fees | $4,321 | $3,856 | $465 | 12 % |
| Distribution fees | 1,410 | 1,323 | 87 | 7 |
| Net investment income | 1,332 | 1,431 | (99) | (7) |
| Premiums | 1,026 | 949 | 77 | 8 |
| Other revenues | 1,111 | 718 | 393 | 55 |
| Total revenues | 9,200 | 8,277 | 923 | 11 |
| Banking and deposit interest expense | 21 | 24 | (3) | (13) |
| Total net revenues | 9,179 | 8,253 | 926 | 11 |
| Expenses | | | | |
| Distribution expenses | 2,409 | 2,161 | 248 | 11 |
| Interest credited to fixed accounts | 529 | 600 | (71) | (12) |
| Benefits, claims, losses and settlement expenses | 1,414 | 1,391 | 23 | 2 |
| Amortization of deferred acquisition costs | 281 | 153 | 128 | 84 |
| Interest and debt expense | 237 | 194 | 43 | 22 |
| General and administrative expense | 2,320 | 2,263 | 57 | 3 |
| Total expenses | 7,190 | 6,762 | 428 | 6 |
| Income from continuing operations before income tax provision | 1,989 | 1,491 | 498 | 33 |
| Income tax provision | 441 | 395 | 46 | 12 |
| Income from continuing operations | 1,548 | 1,096 | 452 | 41 |
| Income (loss) from discontinued operations, net of tax | (1) | (1) | — | — |
| Net income | 1,547 | 1,095 | 452 | 41 |
| Less: Net income attributable to noncontrolling interests | 353 | 57 | 296 | NM |
| Net income attributable to Ameriprise Financial | $1,194 | $1,038 | $156 | 15 % |

NM Not Meaningful.

Overall

Income from continuing operations before income tax provision increased $498 million, or 33%, to $2.0 billion for the nine months ended September 30, 2014 compared to $1.5 billion for the prior year period primarily reflecting the impact of market appreciation, wrap account net inflows, a $40 million benefit from policyholder movement of investments in Portfolio Navigator (traditional asset allocation) funds under certain in force variable annuities with living benefit guarantees to the Portfolio Stabilizer (managed volatility) funds, an increase in net income attributable to noncontrolling interests and the market impact on variable annuity guaranteed benefits (net of hedges and the related DSIC and DAC amortization), partially offset by a $109 million decrease from unlocking, the negative impact from spread compression in our interest sensitive product lines, asset management net outflows, higher weather-related losses, an increase in auto liability reserves and a $30 million gain on the sale of Threadneedle's strategic business investment in Cofunds in the second quarter of 2013. The market impact on variable annuity guaranteed benefits (net of hedges and the related DSIC and DAC amortization) was an expense of $60 million for the nine months ended September 30, 2014, which included a $2 million expense associated with policyholder movement of investments in Portfolio Navigator funds under certain in force variable annuities with living benefit guarantees to the Portfolio Stabilizer funds, compared to an expense of $66 million for the prior year period, which included a $17

million benefit associated with unlocking. The negative impact on earnings from spread compression in our interest sensitive product lines was approximately $28 million pretax for the nine months ended September 30, 2014 compared to the prior year period.

AMERIPRISE FINANCIAL, INC.

The following table presents the total pretax impacts on our revenues and expenses attributable to unlocking and model changes for the nine months ended September 30:

| Pretax Increase (Decrease) | 2014 | 2013 |
|---|---|---|
| | (in millions) | |
| Other revenues | $(29) | $(18) |
| Benefits, claims, losses and settlement expenses | 6 | (5) |
| Amortization of DAC | 8 | (79) |
| Total expenses | 14 | (84) |
| Total [(1)] | $(43) | $66 |

[(1)] Includes a $17 million net benefit related to the market impact on variable annuity guaranteed benefits for the nine months ended September 30, 2013.

Net Revenues

Net revenues increased $926 million, or 11%, to $9.2 billion for the nine months ended September 30, 2014 compared to $8.3 billion for the prior year period primarily due to higher management and financial advice fees and other revenues.

Management and financial advice fees increased $465 million, or 12%, to $4.3 billion for the nine months ended September 30, 2014 compared to $3.9 billion for the prior year period primarily due to higher asset-based fees driven by an increase in average AUM. Average AUM increased $65.5 billion, or 11%, compared to the prior year period primarily due to market appreciation and wrap account net inflows, partially offset by asset management net outflows. See our discussion on the changes in AUM in our segment results of operations section below.

Distribution fees increased $87 million, or 7%, to $1.4 billion for the nine months ended September 30, 2014 compared to $1.3 billion for the prior year period due to higher client assets.

Net investment income decreased $99 million, or 7%, to $1.3 billion for the nine months ended September 30, 2014 compared to $1.4 billion for the prior year period primarily due to a $80 million decrease in investment income on fixed maturities driven by low interest rates, a $9 million decrease associated with affordable housing partnerships and a $7 million decrease in net investment income of CIE’s.

Premiums increased $77 million, or 8%, to $1.0 billion for the nine months ended September 30, 2014 compared to $949 million for the prior year period primarily due to growth in auto and home premiums driven by continued new policy sales growth, primarily from our affinity relationships with Costco and Progressive. Auto and home policies in force increased 11% compared to the prior year period.

Other revenues increased $393 million, or 55%, to $1.1 billion for the nine months ended September 30, 2014 compared to $718 million for the prior year period due to a $346 million increase in other revenues of CIEs and higher fees from variable annuity guarantee sales in the prior year where the fees start on the first anniversary date, as well as higher average fee rates, partially offset by the impact of unlocking. Other revenues for the nine months ended September 30, 2014 included a $29 million negative impact from unlocking compared to an $18 million negative impact in the prior year period. The primary driver of the unlocking impact to other revenues in both periods was lower projected gains on reinsurance contracts resulting from favorable mortality experience.

Expenses

Total expenses increased $428 million, or 6%, to $7.2 billion for the nine months ended September 30, 2014 compared to $6.8 billion for the prior year period primarily due to increases in distribution expenses and amortization of DAC.

Distribution expenses increased $248 million, or 11%, to $2.4 billion for the nine months ended September 30, 2014 compared to $2.2 billion for the prior year period driven by higher compensation due to growth in assets under management. See our discussion on the changes in AUM in our segment results of operations section below.

Interest credited to fixed accounts decreased $71 million, or 12%, to $529 million for the nine months ended September 30, 2014 compared to $600 million for the prior year period driven by lower average fixed annuity account

balances and a lower average crediting rate on interest sensitive fixed annuities. Average fixed annuity account balances decreased $827 million, or 6%, to $12.8 billion for the nine months ended September 30, 2014 compared to the prior year period due to net outflows reflecting elevated surrenders on products sold through third parties where rates have reset. The average fixed annuity crediting rate excluding capitalized interest decreased to 3.1% for the nine months ended September 30, 2014 compared to 3.6% for the prior year period reflecting the re-pricing of the five-year guarantee block. See additional discussion on the re-pricing in the Annuities segment.

Benefits, claims, losses and settlement expenses increased $23 million, or 2%, to $1.4 billion for the nine months ended September 30, 2014 compared to $1.4 billion for the prior year period primarily reflecting the following items:

- The nine months ended September 30, 2014 included a $6 million expense from unlocking, which included nil related to the market impact on variable annuity guaranteed benefits. The prior year period included a $5 million benefit from unlocking, which included a $22 million benefit related to the market impact on variable annuity guaranteed benefits. The market impact on variable annuity guaranteed benefits is discussed below. The unlocking impact for the nine months ended September 30, 2014 reflected the difference between our previously assumed interest rates versus the continued low interest rate environment, partially offset by a benefit from updating our variable annuity living benefit withdrawal utilization assumption. The unlocking impact for the prior year period reflected the impact of assumed interest rates and changes in assumed policyholder behavior, partially offset by the impact of variable annuity model changes.
- A $99 million increase in expense related to our auto and home business driven by higher claim and claim adjustment expense reflecting the impact of growth in exposures due to a 7% increase in gross new policies, an increase in catastrophe losses due to severe weather and a $30 million increase in auto liability reserves in the first quarter of 2014 based upon additional analysis and information regarding continued adverse development of bodily injury claims associated with prior accident years. Catastrophe losses were $56 million for the nine months ended September 30, 2014 compared to $35 million for the prior year period.
- A $21 million increase in expense related to higher reserve funding driven by the impact of higher fees from variable annuity guarantee sales in the prior year where the fees start on the first anniversary date.
- A $48 million decrease in expenses from policyholder movement of investments in Portfolio Navigator funds under certain in force variable annuities with living benefit guarantees to the Portfolio Stabilizer funds, which included a $2 million expense related to the market impact on variable annuity guaranteed benefits. See additional discussion in the Annuities segment.
- A decrease in expense compared to the prior year period due to an $8 million increase in disability income reserves in the second quarter of 2013 related to prior periods.
- A $248 million decrease in expense compared to the prior year period from the unhedged nonperformance credit spread risk adjustment on variable annuity guaranteed benefits.
- A $234 million increase in expense from other market impacts on variable annuity guaranteed benefits, net of hedges in place to offset those risks and the related DSIC amortization. The $234 million increase was the result of an unfavorable $1.9 billion change in the market impact on variable annuity guaranteed living benefits reserves, a favorable $1.7 billion change in the market impact on derivatives hedging the variable annuity guaranteed benefits and no difference in the DSIC offset. The main market drivers contributing to these changes are summarized below:
- Interest rates were down in 2014 and up in 2013 resulting in an unfavorable change in the variable annuity guaranteed living benefits liability, partially offset by a favorable change in the related hedge assets.
- Equity market and volatility impacts on the hedge assets resulted in a smaller increase in expense in 2014 compared to 2013. This benefit was partially offset by an unfavorable change in 2014 compared to 2013 from equity market and volatility impacts on the related variable annuity guaranteed living benefits liability.
- Other unhedged items, including the difference between the assumed and actual underlying separate account investment performance, fixed income credit exposures, transaction costs and various behavioral items, were a net favorable impact compared to the prior year period.

Amortization of DAC increased $128 million, or 84%, to $281 million for the nine months ended September 30, 2014 compared to $153 million for the prior year period primarily reflecting the following items:

- Amortization of DAC for the nine months ended September 30, 2014 included an $8 million expense from unlocking, primarily driven by the difference between our previously assumed interest rates versus the continued low interest rate environment, partially offset by favorable persistency and mortality experience and a benefit from updating our variable annuity living benefit withdrawal utilization assumption. Amortization of DAC for the prior year period included a $79 million benefit from unlocking, which included a $5 million expense related to the DAC offset to the

market impact on variable annuity guaranteed benefits, primarily driven by the impact of assumed interest rates and changes in assumed policyholder behavior.

- An $8 million expense related to the DAC offset to the benefit from policyholder movement of investments in Portfolio Navigator funds under certain in force variable annuities with living benefit guarantees to the Portfolio Stabilizer funds.
- The DAC offset to the market impact on variable annuity guaranteed benefits (net of hedges and the related DSIC amortization) was a benefit of $3 million for the nine months ended September 30, 2014 compared to a benefit of $11 million for the prior year period.

Interest and debt expense increased $43 million, or 22%, to $237 million for the nine months ended September 30, 2014 compared to $194 million for the prior year period primarily due to a $31 million increase in interest and debt expense of CIEs, as well as

expenses related to the early redemption of our senior notes due 2039 in the second quarter of 2014 and higher average outstanding debt balances.

General and administrative expenses increased $57 million, or 3%, to $2.3 billion for the nine months ended September 30, 2014 compared to $2.3 billion for the prior year period primarily due to provisions for regulatory reserves in the second quarter of 2014, higher performance driven compensation, investments in the business and an $8 million increase in general and administrative expenses of CIEs.

Income Taxes

Our effective tax rate on income from continuing operations including income attributable to noncontrolling interests was 22.2% for the nine months ended September 30, 2014 compared to 26.4% for the prior year period. Our effective tax rate on income from continuing operations excluding income attributable to noncontrolling interests was 26.9% for the nine months ended September 30, 2014 compared to 27.5% for the prior year period. The effective tax rate for the nine months ended September 30, 2014 was lower than the statutory rate as a result of tax preferred items including the dividends received deduction and low income housing tax credits, as well as a $17 million benefit in the first quarter of 2014 related to the completion of an IRS audit.

In July 2014, the IRS issued a Directive with respect to the hedging of variable annuity guaranteed minimum benefits. The Directive provides an elective safe harbor method of tax accounting for hedge gains and losses related to variable annuity guaranteed benefits. On October 8, 2014, we filed with the IRS an application for change in accounting method, to conform, in part, to the Directive. If accepted by the IRS, the change in accounting method could have a material impact on our current and deferred income tax balances.

Results of Operations by Segment for the Nine Months Ended September 30, 2014 and 2013

Operating earnings is the measure of segment profit or loss management uses to evaluate segment performance. Operating earnings should not be viewed as a substitute for GAAP income from continuing operations before income tax provision. We believe the presentation of segment operating earnings as we measure it for management purposes enhances the understanding of our business by reflecting the underlying performance of our core operations and facilitating a more meaningful trend analysis. See Note 17 to the Consolidated Financial Statements for further information on the presentation of segment results and our definition of operating earnings.

The following table presents summary financial information by segment:

| | Nine Months Ended September 30, | |
|---|---|---|
| | 2014 | 2013 |
| | (in millions) | |
| Advice & Wealth Management | | |
| Net revenues | $3,557 | $3,168 |
| Expenses | 2,977 | 2,736 |
| Operating earnings | $580 | $432 |
| Asset Management | | |
| Net revenues | $2,490 | $2,345 |
| Expenses | 1,900 | 1,841 |
| Operating earnings | $590 | $504 |
| Annuities | | |
| Net revenues | $1,942 | $1,908 |
| Expenses | 1,468 | 1,451 |
| Operating earnings | $474 | $457 |
| Protection | | |
| Net revenues | $1,687 | $1,622 |
| Expenses | 1,471 | 1,360 |

| | | |
|---|---|---|
| Operating earnings | $216 | $262 |
| Corporate & Other | | |
| Net revenues | $3 | $8 |
| Expenses | 186 | 163 |
| Operating loss | $(183) | $(155) |

79

AMERIPRISE FINANCIAL, INC.

The following table presents the segment pretax operating impacts on our revenues and expenses attributable to unlocking and model changes:

| Segment Pretax Operating Increase (Decrease) | Nine Months Ended September 30, 2014 | | 2013 | |
|---|---|---|---|---|
| | Annuities | Protection | Annuities | Protection |
| | (in millions) | | | |
| Other revenues | $— | $(29) | $— | $(18) |
| Benefits, claims, losses and settlement expenses | 5 | 1 | 21 | (4) |
| Amortization of DAC | 17 | (9) | (81) | (3) |
| Total expenses | 22 | (8) | (60) | (7) |
| Total | $(22) | $(21) | $60 | $(11) |

Advice & Wealth Management

The following table presents the changes in wrap account assets and average balances for the nine months ended September 30:

| | 2014 | 2013 |
|---|---|---|
| | (in billions) | |
| Beginning balance | $153.5 | $124.6 |
| Net flows [1] | 11.1 | 10.2 |
| Market appreciation and other [1] | 4.6 | 9.3 |
| Ending balance | $169.2 | $144.1 |
| Average balance [2] | $162.3 | $135.2 |

[1] Beginning April 1, 2014, net flows reflect all additions and withdrawals to and from the SPS wrap account program. For all periods presented prior to April 1, 2014, additions and withdrawals to and from certain non-billable investments of this program were reflected in the Market appreciation and other line and purchases and sales of billable investments were reported in the Net flows line. Nets flows for the SPS program are now reported on a consistent basis with our other wrap account programs.

[2] Average ending balances are calculated using an average of the prior period’s ending balance and all months in the current period.

Wrap account assets increased $15.7 billion, or 10%, during the nine months ended September 30, 2014 due to net inflows of $11.1 billion and market appreciation and other of $4.6 billion. Average wrap account assets increased $27.1 billion, or 20%, compared to the prior year period due to net inflows and market appreciation.

The following table presents the results of operations of our Advice & Wealth Management segment on an operating basis:

| | Nine Months Ended September 30, 2014 | 2013 | Change | |
|---|---|---|---|---|
| | (in millions) | | | |
| Revenues | | | | |
| Management and financial advice fees | $1,780 | $1,496 | $284 | 19 % |
| Distribution fees | 1,642 | 1,557 | 85 | 5 |
| Net investment income | 101 | 94 | 7 | 7 |
| Other revenues | 55 | 45 | 10 | 22 |
| Total revenues | 3,578 | 3,192 | 386 | 12 |
| Banking and deposit interest expense | 21 | 24 | (3) | (13) |

| | | | | | |
|---|---|---|---|---|---|
| Total net revenues | 3,557 | 3,168 | 389 | 12 | |
| Expenses | | | | | |
| Distribution expenses | 2,183 | 1,948 | 235 | 12 | |
| Interest and debt expense | 5 | 4 | 1 | 25 | |
| General and administrative expense | 789 | 784 | 5 | 1 | |
| Total expenses | 2,977 | 2,736 | 241 | 9 | |
| Operating earnings | $580 | $432 | $148 | 34 | % |

80

AMERIPRISE FINANCIAL, INC.

Our Advice & Wealth Management segment pretax operating earnings, which exclude net realized gains or losses, increased $148 million, or 34%, to $580 million for the nine months ended September 30, 2014 compared to $432 million for the prior year period primarily due to strong growth in wrap account assets and continued expense management, partially offset by the impact of low interest rates. The negative impact of lower spreads on cash sweep accounts and certificates was approximately $9 million compared to the prior year period. Pretax operating margin was 16.3% for the nine months ended September 30, 2014 compared to 13.6% for the prior year period.

Net Revenues

Net revenues exclude net realized gains or losses. Net revenues increased $389 million, or 12%, to $3.6 billion for the nine months ended September 30, 2014 compared to $3.2 billion for the prior year period primarily reflecting wrap account net inflows and market appreciation, partially offset by the negative impact of low interest rates. Operating net revenue per branded advisor increased to $367,000 for the nine months ended September 30, 2014, up 13%, from $324,000 the prior year period driven primarily by asset growth. Total branded advisors were 9,696 at September 30, 2014 compared to 9,761 at September 30, 2013.

Management and financial advice fees increased $284 million, or 19%, to $1.8 billion for the nine months ended September 30, 2014 compared to $1.5 billion for the prior year period driven by growth in wrap account assets. Average wrap account assets increased $27.1 billion, or 20%, compared to the prior year period due to net inflows and market appreciation. See our discussion of the changes in wrap account assets above.

Distribution fees increased $85 million, or 5%, to $1.6 billion for the nine months ended September 30, 2014 compared to $1.6 billion for the prior year period primarily due to higher client assets.

Expenses

Total expenses increased $241 million, or 9%, to $3.0 billion for the nine months ended September 30, 2014 compared to $2.7 billion for the prior year period due to a $235 million increase in distribution expenses driven by higher compensation due to growth in client assets.

Asset Management

In aggregate, we voluntarily waived fees of $9 million for both the nine months ended September 30, 2014 and 2013. See our discussion on fee waivers within our Asset Management Results of Operations for the three months ended September 30, 2014.

The following table presents ending balances and average managed assets:

| | September 30, | | | | Average[1] Nine Months Ended September 30, | | | |
|---|---|---|---|---|---|---|---|---|
| | 2014 | 2013 | Change | | 2014 | 2013 | Change | |
| | (in billions) | | | | (in billions) | | | |
| Columbia managed assets | $357.6 | $345.0 | $12.6 | 4 % | $358.6 | $339.4 | $19.2 | 6 % |
| Threadneedle managed assets | 150.4 | 137.4 | 13.0 | 9 | 151.5 | 129.9 | 21.6 | 17 |
| Less: Sub-advised eliminations | (3.2) | (3.1) | (0.1) | (3) | (3.4) | (2.9) | (0.5) | (17) |
| Total managed assets | $504.8 | $479.3 | $25.5 | 5 % | $506.7 | $466.4 | $40.3 | 9 % |

[1] Average ending balances are calculated using an average of the prior period's ending balance and all months in the current period.

The following table presents managed asset net flows:

| | Nine Months Ended September 30, | | | |
|---|---|---|---|---|
| | 2014 | 2013 | Change | |
| | (in billions) | | | |
| Columbia managed asset net flows | $(4.8) | $(11.8) | $7.0 | 59 % |
| Threadneedle managed asset net flows | 1.1 | (0.3) | 1.4 | NM |

| | | | | |
|---|---|---|---|---|
| Less: Sub-advised eliminations | 0.1 | (0.1) | 0.2 | NM |
| Total managed asset net flows | $(3.6) | $(12.2) | $8.6 | 70 % |

NM Not Meaningful.

AMERIPRISE FINANCIAL, INC.

The following table presents managed assets by type:

| | September 30, | | | | Average[1] Nine Months Ended September 30, | | | |
|---|---|---|---|---|---|---|---|---|
| | 2014 | 2013 | Change | | 2014 | 2013 | Change | |
| | (in billions) | | | | | | | |
| Equity | $277.3 | $254.7 | $22.6 | 9 % | $279.0 | $240.4 | $38.6 | 16 % |
| Fixed income | 194.6 | 197.8 | (3.2) | (2) | 196.3 | 200.6 | (4.3) | (2) |
| Money market | 6.6 | 6.6 | — | — | 6.6 | 6.3 | 0.3 | 5 |
| Alternative | 7.0 | 6.1 | 0.9 | 15 | 6.9 | 6.4 | 0.5 | 8 |
| Hybrid and other | 19.3 | 14.1 | 5.2 | 37 | 17.9 | 12.7 | 5.2 | 41 |
| Total managed assets | $504.8 | $479.3 | $25.5 | 5 % | $506.7 | $466.4 | $40.3 | 9 % |

[1] Average ending balances are calculated using an average of the prior period’s ending balance and all months in the current period.

The following tables present the changes in Columbia and Threadneedle managed assets:

| | Nine Months Ended September 30, | |
|---|---|---|
| | 2014 | 2013 |
| | (in billions) | |
| Columbia Managed Assets Rollforward | | |
| Retail Funds | | |
| Beginning assets | $239.4 | $216.3 |
| Mutual fund inflows | 26.4 | 28.4 |
| Mutual fund outflows | (34.6) | (38.1) |
| Net VP/VIT fund flows | (0.6) | (0.4) |
| Net new flows | (8.8) | (10.1) |
| Reinvested dividends | 4.4 | 3.4 |
| Net flows | (4.4) | (6.7) |
| Distributions | (5.3) | (4.0) |
| Market appreciation and other | 7.4 | 25.0 |
| Total ending assets | 237.1 | 230.6 |
| | | |
| Institutional | | |
| Beginning assets | 75.6 | 72.4 |
| Inflows | 14.6 | 15.0 |
| Outflows | (15.5) | (19.6) |
| Net flows | (0.9) | (4.6) |
| Market appreciation and other | 3.3 | 4.9 |
| Total ending assets | 78.0 | 72.7 |
| | | |
| Alternative | | |
| Beginning assets | 5.6 | 5.7 |
| Inflows | 1.1 | 0.9 |
| Outflows | (0.6) | (1.4) |
| Net flows | 0.5 | (0.5) |
| Market appreciation and other | 0.1 | 0.2 |
| Total ending assets | 6.2 | 5.4 |

| | | |
|---|---|---|
| Affiliated General Account Assets | 36.3 | 36.3 |
| Total Columbia managed assets | $357.6 | $345.0 |
| Total Columbia net flows | $(4.8 ) | $(11.8 ) |

82

AMERIPRISE FINANCIAL, INC.

| | Nine Months Ended September 30, | |
|---|---|---|
| | 2014 | 2013 |
| | (in billions) | |
| Threadneedle Managed Assets Rollforward | | |
| Retail Funds | | |
| Beginning assets | $50.6 | $39.1 |
| Mutual fund inflows | 17.7 | 17.3 |
| Mutual fund outflows | (19.7) | (14.1) |
| Net new flows | (2.0) | 3.2 |
| Reinvested dividends | 0.1 | — |
| Net flows | (1.9) | 3.2 |
| Distributions | (0.4) | (0.3) |
| Market appreciation | — | 3.6 |
| Foreign currency translation [1] | (0.8) | 0.2 |
| Other | 0.8 | 0.5 |
| Total ending assets | 48.3 | 46.3 |
| | | |
| Institutional | | |
| Beginning assets | 96.1 | 87.6 |
| Inflows | 11.5 | 5.5 |
| Outflows | (8.4) | (8.9) |
| Net flows | 3.1 | (3.4) |
| Market appreciation | 1.8 | 4.2 |
| Foreign currency translation [1] | (1.8) | (0.2) |
| Other | 2.2 | 2.1 |
| Total ending assets | 101.4 | 90.3 |
| | | |
| Alternative | | |
| Beginning assets | 0.8 | 1.0 |
| Inflows | — | — |
| Outflows | (0.1) | (0.1) |
| Net flows | (0.1) | (0.1) |
| Market depreciation | — | (0.1) |
| Foreign currency translation [1] | — | — |
| Total ending assets | 0.7 | 0.8 |
| Total Threadneedle managed assets | $150.4 | $137.4 |
| Total Threadneedle net flows | $1.1 | $(0.3) |

[1] Amounts represent British Pound to US dollar conversion.

Total segment AUM increased $4.0 billion, or 1%, during the nine months ended September 30, 2014 driven by market appreciation. Total segment AUM net outflows were $3.6 billion for the nine months ended September 30, 2014. Management expects, consistent with prior patterns of outflows, that outflows of primarily low margin assets directly or indirectly affiliated with Threadneedle and Columbia former parent companies will continue for the foreseeable future. The overall impact to segment results is difficult to quantify due to uncertain timing, volume and mix of the outflows.

Columbia managed assets increased $0.9 billion during the nine months ended September 30, 2014 primarily due to market appreciation, partially offset by net outflows. Total Columbia net outflows were $4.8 billion for the nine

months ended September 30, 2014. Columbia retail funds decreased $2.3 billion, or 1%, during the nine months ended September 30, 2014 primarily due to net outflows and distributions, partially offset by market appreciation. Columbia retail net outflows of $4.4 billion during the nine months ended September 30, 2014 included $8.8 billion of outflows, partially offset by $4.4 billion of reinvested dividends, some of which was related to normal seasonal increases in the second quarter from funds underlying our variable annuity products. Columbia retail net new outflows for the nine months ended September 30, 2014 included $3.8 billion of outflows in the defined contribution/

investment only channel, $1.0 billion of outflows from a former parent affiliated distribution relationship, $1.1 billion of outflows in the RIA channel and $0.5 billion of outflows from a third party sub-advisor. Columbia institutional AUM increased $2.4 billion, or 3%, during the nine months ended September 30, 2014 due to market appreciation, partially offset by net outflows of $0.9 billion. Outflows reflect former parent affiliated distribution and former parent influenced mandates, partially offset by third party institutional inflows.

Threadneedle managed assets increased $3.0 billion, or 2%, during the nine months ended September 30, 2014 due to net inflows and market appreciation, partially offset by a negative impact of foreign currency translation. Threadneedle retail funds decreased $2.4 billion, or 5%, during the nine months ended September 30, 2014 primarily due to net outflows and the negative impact of foreign currency translation. Threadneedle retail net outflows were $1.9 billion reflecting approximately $4.1 billion of outflows from the U.S. equities product where we had a portfolio manager change earlier in the year offset by otherwise strong underlying net inflows. Threadneedle institutional AUM increased $5.3 billion, or 6%, during the nine months ended September 30, 2014 primarily due to net inflows and a market appreciation, partially offset by a negative impact of foreign currency translation. Threadneedle institutional net inflows of $3.1 billion during the nine months ended September 30, 2014 included a $5.6 billion mandate from a leading UK wealth management firm to manage assets in a Strategic Managed fund, partially offset by $2.6 billion of outflows from legacy insurance assets.

The following table presents the results of operations of our Asset Management segment on an operating basis:

| | Nine Months Ended September 30, | | | |
|---|---|---|---|---|
| | 2014 | 2013 | Change | |
| | (in millions) | | | |
| Revenues | | | | |
| Management and financial advice fees | $2,093 | $1,944 | $149 | 8 % |
| Distribution fees | 368 | 348 | 20 | 6 |
| Net investment income | 24 | 50 | (26) | (52) |
| Other revenues | 5 | 5 | — | — |
| Total revenues | 2,490 | 2,347 | 143 | 6 |
| Banking and deposit interest expense | — | 2 | (2) | NM |
| Total net revenues | 2,490 | 2,345 | 145 | 6 |
| Expenses | | | | |
| Distribution expenses | 863 | 827 | 36 | 4 |
| Amortization of deferred acquisition costs | 12 | 13 | (1) | (8) |
| Interest and debt expense | 19 | 17 | 2 | 12 |
| General and administrative expense | 1,006 | 984 | 22 | 2 |
| Total expenses | 1,900 | 1,841 | 59 | 3 |
| Operating earnings | $590 | $504 | $86 | 17 % |

NM Not Meaningful.

Our Asset Management segment pretax operating earnings, which exclude net realized gains or losses, increased $86 million, or 17%, to $590 million for the nine months ended September 30, 2014 compared to $504 million for the prior year period reflecting equity market appreciation, partially offset by the impact of net outflows in prior periods and a $30 million gain on the sale of Threadneedle’s strategic business investment in Cofunds in the prior year period.

Net Revenues

Net revenues, which exclude net realized gains or losses, increased $145 million, or 6%, to $2.5 billion for the nine months ended September 30, 2014 compared to $2.3 billion for the prior year period driven by an increase in management and financial advice fees, partially offset by a decrease in net investment income.

Management and financial advice fees increased $149 million, or 8%, to $2.1 billion for the nine months ended September 30, 2014 compared to $1.9 billion for the prior year period primarily due to an increase in assets under

management. Average assets under management increased 9% compared to the prior year period driven by equity market appreciation, partially offset by net outflows. See our discussion above on the changes in assets under management.

Distribution fees increased $20 million, or 6%, to $368 million for the nine months ended September 30, 2014 compared to $348 million for the prior year period primarily due to higher assets levels due to market appreciation, partially offset by the impact of net outflows.

AMERIPRISE FINANCIAL, INC.

Net investment income decreased $26 million, or 52%, to $24 million for the nine months ended September 30, 2014 compared to $50 million for the prior year period due to a $30 million gain on the sale of Threadneedle's investment in Cofunds in the prior year period.

Expenses

Total expenses increased $59 million, or 3%, to $1.9 billion for the nine months ended September 30, 2014 compared to $1.8 billion for the prior year period primarily due to an increase in distribution expenses and an increase in general and administrative expense.

Distribution expenses increased $36 million, or 4%, to $863 million for the three months ended September 30, 2014 compared to $827 million for the prior year period primarily due to higher average retail fund assets, partially offset by net outflows.

General and administrative expense increased $22 million, or 2%, to $1.0 billion for the three months ended September 30, 2014 compared to $984 million for the prior year period due to higher performance driven compensation, negative impacts of foreign exchange rates and investments in the business, partially offset by lower expenses as a result of net outflows for the period.

Annuities

The following table presents the results of operations of our Annuities segment on an operating basis:

| | Nine Months Ended September 30, | | | |
|---|---|---|---|---|
| | 2014 | 2013 | Change | |
| | (in millions) | | | |
| Revenues | | | | |
| Management and financial advice fees | $563 | $523 | $40 | 8 % |
| Distribution fees | 270 | 252 | 18 | 7 |
| Net investment income | 711 | 784 | (73) | (9) |
| Premiums | 84 | 81 | 3 | 4 |
| Other revenues | 314 | 268 | 46 | 17 |
| Total revenues | 1,942 | 1,908 | 34 | 2 |
| Banking and deposit interest expense | — | — | — | — |
| Total net revenues | 1,942 | 1,908 | 34 | 2 |
| Expenses | | | | |
| Distribution expenses | 326 | 307 | 19 | 6 |
| Interest credited to fixed accounts | 423 | 490 | (67) | (14) |
| Benefits, claims, losses and settlement expenses | 335 | 396 | (61) | (15) |
| Amortization of deferred acquisition costs | 183 | 66 | 117 | NM |
| Interest and debt expense | 28 | 26 | 2 | 8 |
| General and administrative expense | 173 | 166 | 7 | 4 |
| Total expenses | 1,468 | 1,451 | 17 | 1 |
| Operating earnings | $474 | $457 | $17 | 4 % |

NM Not Meaningful.

Our Annuities segment pretax operating income, which excludes net realized gains or losses and the market impact on variable annuity guaranteed benefits (net of hedges and the related DSIC and DAC amortization), increased $17 million, or 4%, to $474 million for the nine months ended September 30, 2014 compared to $457 million for the prior year period due to a benefit from policyholder movement of investments in Portfolio Navigator funds under certain in force variable annuities with living benefit guarantees to the Portfolio Stabilizer funds and market appreciation partially offset by the impact of unlocking. The impact of unlocking was a decrease to pretax operating income of $22 million for the third quarter of 2014 compared to an increase of $60 million for the prior year period.

During the fourth quarter of 2013, we added Portfolio Stabilizer fund options for our in force variable annuities with living benefit guarantees. During the nine months ended September 30, 2014, approximately $4.1 billion of account value was moved into these funds, exceeding expectations. The resulting earnings benefit for the nine months ended September 30, 2014 was $42 million.

RiverSource variable annuity account balances increased 5% to $76.1 billion at September 30, 2014 compared to the prior year period due to market appreciation, partially offset by net outflows of $1.6 billion. RiverSource fixed annuity account balances declined 8% to $12.4 billion at September 30, 2014 compared to the prior year period reflecting expected elevated surrenders on products sold through third parties where crediting rates have reset. This decline was offset by the change in crediting rates, which decreased the

level of spread compression for the nine months ended September 30, 2014. Approximately 98% of the five-year guarantee block totaling $4.1 billion has been re-priced as of September 30, 2014.

Net Revenues

Net revenues, which exclude net realized gains or losses, increased $34 million, or 2%, to $1.9 billion for the nine months ended September 30, 2014 compared to $1.9 billion for the prior year period primarily due to an increase in management and financial advice fees and other revenues partially offset by a decrease in net investment income.

Management and financial advice fees increased $40 million, or 8%, to $563 million for the nine months ended September 30, 2014 compared to $523 million for the prior year period due to higher fees on variable annuities driven by higher separate account balances. Average variable annuity account balances increased $5.1 billion, or 8%, compared to the prior year period due to market appreciation, partially offset by net outflows.

Distribution fees increased $18 million, or 7%, to $270 million for the nine months ended September 30, 2014 compared to $252 million for the prior year period due to higher fees on variable annuities driven by higher separate account balances.

Net investment income, which excludes net realized gains or losses, decreased $73 million, or 9%, to $711 million for the nine months ended September 30, 2014 compared to $784 million for the prior year period primarily reflecting a decrease of approximately $25 million from lower invested assets due to fixed annuity net outflows and approximately $52 million from lower interest rates.

Other revenues increased $46 million, or 17%, to $314 million for the nine months ended September 30, 2014 compared to $268 million for the prior year period due to higher fees from variable annuity guarantee sales in the prior year where the fees start on the first anniversary date.

Expenses

Total expenses, which exclude the market impact on variable annuity guaranteed benefits (net of hedges and the related DSIC and DAC amortization) increased $17 million, or 1%, to $1.5 billion for the nine months ended September 30, 2014 compared to $1.5 billion for the prior year period primarily due to an increase in amortization of DAC, partially offset by a decrease in interest credited to fixed accounts and benefits, claims, losses and settlement expenses.

Distribution expenses increased $19 million, or 6%, to $326 million for the nine months ended September 30, 2014 compared to $307 million for the prior year period primarily due to higher variable annuity compensation driven by higher variable annuity contact values.

Interest credited to fixed accounts decreased $67 million, or 14%, to $423 million for the nine months ended September 30, 2014 compared to $490 million for the prior year period driven by lower average fixed annuity account balances and a lower average crediting rate on interest sensitive fixed annuities. Average fixed annuity account balances decreased $827 million, or 6%, to $12.8 billion for the nine months ended September 30, 2014 compared to the prior year period due to net outflows reflecting expected elevated surrenders on products sold through third parties where rates have reset. The average fixed annuity crediting rate excluding capitalized interest decreased to 3.1% for the nine months ended September 30, 2014 compared to 3.6% for the prior year period reflecting the re-pricing of the five-year guarantee block.

Benefits, claims, losses and settlement expenses, which exclude the market impact on variable annuity guaranteed benefits (net of hedges and the related DSIC amortization), decreased $61 million, or 15%, to $335 million for the nine months ended September 30, 2014 compared to $396 million for the prior year period primarily due to a $50 million benefit from policyholder movement of investments in Portfolio Navigator funds under certain in force variable annuities with living benefit guarantees to the Portfolio Stabilizer funds, partially offset by an increase in expense of $21 million related to higher reserve funding driven by the impact of higher fees from variable annuity guarantee sales in the prior year where the fees start on the first anniversary date and the impact of unlocking.

Benefits, claims, losses and settlement expenses for the nine months ended September 30, 2014 included a $5 million expense from unlocking primarily reflecting the difference between our previously assumed interest rates versus the continued low interest rate environment, partially offset by a benefit from updating our variable annuity living benefit

withdrawal utilization assumption. Benefits, claims, losses and settlement expenses for the prior year period included a $21 million expense from unlocking primarily reflecting the impact of variable annuity model changes.
Amortization of DAC, which excludes the DAC offset to the market impact on variable annuity guaranteed benefits, increased $117 million to $183 million for the nine months ended September 30, 2014 compared to $66 million for the prior year period primarily reflecting the impact of unlocking. Amortization of DAC for the nine months ended September 30, 2014 included a $17 million expense from unlocking primarily driven by the difference between our previously assumed interest rates versus the continued low interest rate environment, partially offset by favorable persistency and mortality experience and a benefit from updating our variable annuity living benefit withdrawal utilization assumption. Amortization of DAC for the prior year period included an $81 million benefit from unlocking primarily driven by the impact of assumed interest rates and changes in assumed policyholder behavior. In addition, amortization of DAC for the nine months ended September 30, 2014 included an $8 million expense related to the DAC offset to the benefit from policyholder movement of investments in Portfolio Navigator funds under certain in force variable annuities with living benefit guarantees to the Portfolio Stabilizer funds.

AMERIPRISE FINANCIAL, INC.

Protection

The following table presents the results of operations of our Protection segment on an operating basis:

| | Nine Months Ended September 30, | | | |
|---|---|---|---|---|
| | 2014 | 2013 | Change | |
| | (in millions) | | | |
| Revenues | | | | |
| Management and financial advice fees | $44 | $43 | $1 | 2 % |
| Distribution fees | 69 | 67 | 2 | 3 |
| Net investment income | 332 | 331 | 1 | — |
| Premiums | 954 | 880 | 74 | 8 |
| Other revenues | 288 | 301 | (13 ) | (4 ) |
| Total revenues | 1,687 | 1,622 | 65 | 4 |
| Banking and deposit interest expense | — | — | — | — |
| Total net revenues | 1,687 | 1,622 | 65 | 4 |
| Expenses | | | | |
| Distribution expenses | 44 | 45 | (1 ) | (2 ) |
| Interest credited to fixed accounts | 114 | 108 | 6 | 6 |
| Benefits, claims, losses and settlement expenses | 1,016 | 918 | 98 | 11 |
| Amortization of deferred acquisition costs | 90 | 86 | 4 | 5 |
| Interest and debt expense | 20 | 18 | 2 | 11 |
| General and administrative expense | 187 | 185 | 2 | 1 |
| Total expenses | 1,471 | 1,360 | 111 | 8 |
| Operating earnings | $216 | $262 | $(46 ) | (18 )% |

Our Protection segment pretax operating income, which excludes net realized gains or losses and the market impact on indexed universal life benefits (net of hedges and the related DAC amortization, unearned revenue amortization and the reinsurance accrual), decreased $46 million, or 18%, to $216 million for the nine months ended September 30, 2014 compared to $262 million for the prior year period primarily due to lower auto and home earnings.

Net Revenues

Net revenues, which exclude net realized gains or losses and the unearned revenue amortization and reinsurance accrual offset to the market impact on indexed universal life benefits, increased $65 million, or 4%, to $1.7 billion for the nine months ended September 30, 2014 compared to $1.6 billion for the prior year period due to growth in auto and home premiums partially offset by the impact of unlocking.

Premiums increased $74 million, or 8%, to $954 million for the nine months ended September 30, 2014 compared to $880 million for the prior year period primarily due to growth in auto and home premiums driven by continued new policy sales growth, primarily from our affinity relationships with Costco and Progressive. Auto and home policies in force increased 11% compared to the prior year period.

Other revenues decreased $13 million, or 4%, to $288 million for the nine months ended September 30, 2014 compared to $301 million for the prior year period due to a $29 million unfavorable impact from unlocking for the nine months ended September 30, 2014 compared to an $18 million unfavorable impact in the prior year period. The primary driver of the unlocking impact to other revenues in both periods was lower projected gains on reinsurance contracts resulting from favorable mortality experience.

Expenses

Total expenses, which exclude the market impact on indexed universal life benefits (net of hedges and the related DAC amortization), increased $111 million, or 8%, to $1.5 billion for the nine months ended September 30, 2014 compared to $1.4 billion for the prior year period primarily due to higher expenses related to our auto and home business and the impact of unlocking.

Benefits, claims, losses and settlement expenses increased $98 million, or 11%, to $1.0 billion for the nine months ended September 30, 2014 compared to $918 million for the prior year period due to the impact of unlocking and higher auto and home claim and claim adjustment expense, partially offset by an $8 million increase in disability income reserves in the second quarter of

AMERIPRISE FINANCIAL, INC.

2013 related to prior periods. The increase in auto and home claim and claim adjustment expense reflected the impact of growth in exposures due to a 7% increase in gross new policies, an increase in catastrophe losses due to severe weather and a $30 million increase in auto liability reserves in the first quarter of 2014 based upon additional analysis and information regarding continued adverse development of bodily injury claims associated with prior accident years. Catastrophe losses were $56 million for the nine months ended September 30, 2014 compared to $35 million for the prior year period. The impact of unlocking was an expense of $1 million for the nine months ended September 30, 2014 primarily driven by the difference between our previously assumed interest rates versus the continued low interest rate environment, partially offset by favorable mortality experience. The impact of unlocking was a benefit of $4 million for the prior year period primarily driven by favorable mortality experience.

Corporate & Other

The following table presents the results of operations of our Corporate & Other segment on an operating basis:

| | Nine Months Ended September 30, | | | |
|---|---|---|---|---|
| | 2014 | 2013 | Change | |
| | (in millions) | | | |
| Revenues | | | | |
| Distribution fees | $1 | $1 | $— | — % |
| Net investment income (loss) | (4) | 2 | (6) | NM |
| Other revenues | 6 | 5 | 1 | 20 |
| Total revenues | 3 | 8 | (5) | (63) |
| Banking and deposit interest expense | — | — | — | — |
| Total net revenues | 3 | 8 | (5) | (63) |
| Expenses | | | | |
| Distribution expenses | 1 | 1 | — | — |
| Interest and debt expense | 16 | 11 | 5 | 45 |
| General and administrative expense | 169 | 151 | 18 | 12 |
| Total expenses | 186 | 163 | 23 | 14 |
| Operating loss | $(183) | $(155) | $(28) | (18)% |

NM Not Meaningful.

Our Corporate & Other segment pretax operating loss excludes net realized gains or losses, the impact of consolidating CIEs and restructuring charges. Our Corporate & Other segment pretax operating loss was $183 million for the nine months ended September 30, 2014 compared to $155 million for the prior year period. Our Corporate & Other segment results for the nine months ended September 30, 2014 included higher expenses primarily related to the early redemption of our senior notes due 2039, an incremental increase to a provision for potential resolution of a regulatory matter which was recorded during the second quarter and long-term performance compensation awards.

Market Risk

Our primary market risk exposures are interest rate, equity price, foreign currency exchange rate and credit risk. Equity price and interest rate fluctuations can have a significant impact on our results of operations, primarily due to the effects they have on the asset management and other asset-based fees we earn, the spread income generated on our fixed annuities, fixed insurance, brokerage client cash balances, face-amount certificate products and the fixed portion of our variable annuities and variable insurance contracts, the value of DAC and DSIC assets, the value of liabilities for guaranteed benefits associated with our variable annuities and the value of derivatives held to hedge these benefits. Our earnings from fixed annuities, fixed insurance, and the fixed portion of variable annuities and variable insurance contracts are based upon the spread between rates earned on assets held and the rates at which interest is credited to accounts. We primarily invest in fixed rate securities to fund the rate credited to clients. We guarantee an interest rate

to the holders of these products. Investment assets and client liabilities generally differ as it relates to basis, repricing or maturity characteristics. Rates credited to clients' accounts generally reset at shorter intervals than the yield on the underlying investments. Therefore, in an increasing interest rate environment, higher interest rates may be reflected in crediting rates to clients sooner than in rates earned on invested assets, which could result in a reduced spread between the two rates, reduced earned income and a negative impact on pretax income. However, the current low interest rate environment is resulting in interest rates below the level of some of our liability guaranteed minimum interest rates ("GMIRs"). Hence, a modest rise in interest rates would not necessarily result in changes to all the liability credited rates while projected asset purchases would capture the full increase in interest rates. This dynamic would result in widening spreads under a

modestly rising rate scenario given the current relationship between the current level of interest rates and the underlying GMIRs on the business.

As a result of the low interest rate environment, our current reinvestment yields are generally lower than the current portfolio yield. We expect our portfolio income yields to continue to decline in future periods if interest rates remain low. The carrying value and weighted average yield of non-structured fixed maturity securities and commercial mortgage loans that may generate proceeds to reinvest through 2015 due to prepayment, maturity or call activity at the option of the issuer, excluding securities with a make-whole provision, were $2.6 billion and 3.8%, respectively, as of September 30, 2014. In addition, residential mortgage-backed securities, which are subject to prepayment risk as a result of the low interest rate environment, totaled $6.2 billion and had a weighted average yield of 3.1% as of September 30, 2014. While these amounts represent investments that could be subject to reinvestment risk, it is also possible that these investments will be used to fund liabilities or may not be prepaid and will remain invested at their current yields. In addition to the interest rate environment, the mix of benefit payments versus product sales as well as the timing and volumes associated with such mix may impact our investment yield. Furthermore, reinvestment activities and the associated investment yield may also be impacted by corporate strategies implemented at management's discretion. The average yield for investment purchases during the nine months ended September 30, 2014 was approximately 2.7%.

The reinvestment of proceeds from maturities, calls and prepayments at rates below the current portfolio yield, which may be below the level of some liability guaranteed minimum interest rates, will have a negative impact to future operating results. To mitigate the unfavorable impact that the low interest rate environment has on our spread income, we assess reinvestment risk in our investment portfolio and monitor this risk in accordance with our asset/liability management framework. In addition, we may reduce the crediting rates on our fixed products when warranted, subject to guaranteed minimums. In the first nine months of 2014, we continued the process of setting lower renewal interest rates for a portion of our fixed annuities that are above the guaranteed minimum interest rates, which helps relieve some of the spread compression caused by low rates. Approximately 98% of the five-year guarantee block totaling $4.1 billion has been re-priced as of September 30, 2014.

The following table presents the account values of fixed annuities, fixed insurance, and the fixed portion of variable annuities and variable insurance contracts by range of guaranteed minimum crediting rates and the range of the difference between rates credited to contractholders as of September 30, 2014 and the respective guaranteed minimums, as well as the percentage of account values subject to rate reset in the time period indicated. Rates are reset at our discretion, subject to guaranteed minimums.

| | Account Values with Crediting Rates | | | | | |
|---|---|---|---|---|---|---|
| | At Guaranteed Minimum | 1-49 bps above Guaranteed Minimum | 50-99 bps above Guaranteed Minimum | 100-150 bps above Guaranteed Minimum | Greater Than 150 bps above Guaranteed Minimum | Total |
| Range of Guaranteed Minimum Crediting Rates | (in billions, except percentages) | | | | | |
| 1% - 1.99% | $0.3 | $3.1 | $0.4 | $0.3 | $0.1 | $4.2 |
| 2% - 2.99% | 0.5 | 0.1 | — | — | — | 0.6 |
| 3% - 3.99% | 9.4 | 0.1 | — | — | — | 9.5 |
| 4% - 5.00% | 5.6 | — | — | — | — | 5.6 |
| Total | $15.8 | $3.3 | $0.4 | $0.3 | $0.1 | $19.9 |
| Percentage of Account Values That Reset In: | | | | | | |
| Next 12 months [1] | 99 % | 95 % | 32 % | 54 % | 94 % | 97 % |
| > 12 months to 24 months [2] | — | 1 | 25 | 18 | 6 | 1 |
| > 24 months [2] | 1 | 4 | 43 | 28 | — | 2 |

| Total | 100 | % | 100 | % | 100 | % | 100 | % | 100 | % | 100 | % |
|---|---|---|---|---|---|---|---|---|---|---|---|---|

[1] Includes contracts with annual discretionary crediting rate resets and contracts with twelve or less months until the crediting rate becomes discretionary on an annual basis.
[2] Includes contracts with more than twelve months remaining until the crediting rate becomes an annual discretionary rate.

In addition to the fixed rate exposures noted above, RiverSource Life also has the following variable annuity guarantee benefits: guaranteed minimum withdrawal benefits ("GMWB"), guaranteed minimum accumulation benefits ("GMAB"), guaranteed minimum death benefits ("GMDB") and guaranteed minimum income benefits ("GMIB"). Each of these guaranteed benefits guarantees payouts to the annuity holder under certain specific conditions regardless of the performance of the underlying invested assets.

The variable annuity guarantees continue to be managed by utilizing a hedging program which attempts to match the sensitivity of the assets with the sensitivity of the liabilities. This approach works with the premise that matched sensitivities will produce a highly

effective hedging result. Our comprehensive hedging program focuses mainly on first order sensitivities of assets and liabilities: Equity Market Level (Delta), Interest Rate Level (Rho) and Volatility (Vega). Additionally, various second order sensitivities are managed. We use various index options across the term structure, interest rate swaps and swaptions, total return swaps and futures to manage the risk exposures. The exposures are measured and monitored daily, and adjustments to the hedge portfolio are made as necessary.

We have a macro hedge program to provide protection against the statutory tail scenario risk arising from variable annuity reserves on our statutory surplus and to cover some of the residual risks not covered by other hedging activities. We assess the residual risk under a range of scenarios in creating and executing the macro hedge program. As a means of economically hedging these risks, we use a combination of options and/or swaps. Certain of the macro hedge derivatives used contain settlement provisions linked to both equity returns and interest rates; the remaining are interest rate contracts or equity contracts. The macro hedge program could result in additional earnings volatility as changes in the value of the macro hedge derivatives, which are designed to reduce statutory capital volatility, may not be closely aligned to changes in the variable annuity guarantee embedded derivatives.

To evaluate interest rate and equity price risk we perform sensitivity testing which measures the impact on pretax income from the sources listed below for a 12-month period following a hypothetical 100 basis point increase in interest rates or a hypothetical 10% decline in equity prices. The interest rate risk test assumes a sudden 100 basis point parallel shift in the yield curve, with rates then staying at those levels for the next 12 months. The equity price risk test assumes a sudden 10% drop in equity prices, with equity prices then staying at those levels for the next 12 months. In estimating the values of variable annuity riders, equity indexed annuities, stock market certificates, indexed universal life insurance and the associated hedge assets, we assume no change in implied market volatility despite the 10% drop in equity prices.

The following tables present our estimate of the impact on pretax income from the above defined hypothetical market movements as of September 30, 2014:

| Equity Price Decline 10% | Equity Price Exposure to Pretax Income | | |
|---|---|---|---|
| | Before Hedge Impact | Hedge Impact | Net Impact |
| | (in millions) | | |
| Asset-based management and distribution fees [1] | $(251) | $ 4 | $(247) |
| DAC and DSIC amortization [2] [3] | (98) | — | (98) |
| Variable annuity riders: | | | |
| GMDB and GMIB [3] | (100) | — | (100) |
| GMWB | (229) | 216 | (13) |
| GMAB | (35) | 32 | (3) |
| DAC and DSIC amortization [4] | N/A | N/A | 3 |
| Total variable annuity riders | (364) | 248 | (113) |
| Macro hedge program [5] | — | 19 | 19 |
| Equity indexed annuities | 1 | (1) | — |
| Certificates | 3 | (3) | — |
| Indexed universal life insurance | 14 | (18) | (4) |
| Total | $(695) | $ 249 | $(443) |

AMERIPRISE FINANCIAL, INC.

| Interest Rate Increase 100 Basis Points | Interest Rate Exposure to Pretax Income | | |
|---|---|---|---|
| | Before Hedge Impact | Hedge Impact | Net Impact |
| | (in millions) | | |
| Asset-based management and distribution fees [1] | $(45) | $ — | $(45) |
| Variable annuity riders: | | | |
| GMDB and GMIB | — | — | — |
| GMWB | 653 | (722) | (69) |
| GMAB | 24 | (27) | (3) |
| DAC and DSIC amortization [4] | N/A | N/A | 11 |
| Total variable annuity riders | 677 | (749) | (61) |
| Macro hedge program [5] | — | (32) | (32) |
| Fixed annuities, fixed insurance and fixed portion of variable annuities and variable insurance products | 45 | — | 45 |
| Brokerage client cash balances | 128 | — | 128 |
| Certificates | (1) | — | (1) |
| Indexed universal life insurance | 23 | 1 | 24 |
| Total | $827 | $ (780) | $58 |

N/A Not Applicable.

[1] Excludes incentive income which is impacted by market and fund performance during the period and cannot be readily estimated.

[2] Market impact on DAC and DSIC amortization resulting from lower projected profits.

[3] In estimating the impact on DAC and DSIC amortization resulting from lower projected profits, we have not changed our assumed equity asset growth rates. This is a significantly more conservative estimate than if we assumed management follows its mean reversion guideline and increased near-term rates to recover the drop in equity values over a five-year period. We make this same conservative assumption in estimating the impact from GMDB and GMIB riders.

[4] Market impact on DAC and DSIC amortization related to variable annuity riders is modeled net of hedge impact.

[5] The market impact of the macro hedge program is modeled net of any related impact to DAC and DSIC amortization.

The above results compare to an estimated negative net impact to pretax income of $389 million related to a 10% equity price decline and an estimated positive net impact to pretax income of $49 million related to a 100 basis point increase in interest rates as of December 31, 2013.

Net impacts shown in the above table from GMWB and GMAB riders result largely from differences between the liability valuation basis and the hedging basis. Liabilities are valued using fair value accounting principles, with risk margins incorporated in contractholder behavior assumptions and with discount rates increased to reflect a current market estimate of our risk of nonperformance specific to these liabilities. The nonperformance spread risk is not hedged.

Actual results could differ materially from those illustrated above as they are based on a number of estimates and assumptions. These include assuming that implied market volatility does not change when equity prices fall by 10%, that management does not increase assumed equity asset growth rates to anticipate recovery of the drop in equity values when valuing DAC, DSIC and GMDB and GMIB liability values and that the 100 basis point increase in interest rates is a parallel shift of the yield curve. Furthermore, we have not tried to anticipate changes in client preferences for different types of assets or other changes in client behavior, nor have we tried to anticipate actions management might take to increase revenues or reduce expenses in these scenarios.

The selection of a 100 basis point interest rate increase as well as a 10% equity price decline should not be construed as a prediction of future market events. Impacts of larger or smaller changes in interest rates or equity prices may not

be proportional to those shown for a 100 basis point increase in interest rates or a 10% decline in equity prices.

Fair Value Measurements

We report certain assets and liabilities at fair value; specifically, separate account assets, derivatives, embedded derivatives, properties held by our consolidated property funds, and most investments and cash equivalents. Fair value assumes the exchange of assets or liabilities occurs in orderly transactions and is not the result of a forced liquidation or distressed sale. We include actual market prices, or observable inputs, in our fair value measurements to the extent available. Broker quotes are obtained when quotes from pricing services are not available. We validate prices obtained from third parties through a variety of means such as: price variance analysis, subsequent sales testing, stale price review, price comparison across pricing vendors and due diligence reviews of vendors. See Note 14 to the Consolidated Financial Statements for additional information on our fair value measurements.



---

AMERIPRISE FINANCIAL, INC.

Fair Value of Liabilities and Nonperformance Risk
Companies are required to measure the fair value of liabilities at the price that would be received to transfer the liability to a market participant (an exit price). Since there is not a market for the obligations of our variable annuity riders and indexed universal life insurance, we consider the assumptions participants in a hypothetical market would make to reflect an exit price. As a result, we adjust the valuation of variable annuity riders and indexed universal life insurance by updating certain contractholder assumptions, adding explicit margins to provide for profit, risk and expenses, and adjusting the rates used to discount expected cash flows to reflect a current market estimate of our nonperformance risk. The nonperformance risk adjustment is based on broker quotes for credit default swaps that are adjusted to estimate the risk of our life insurance company subsidiaries not fulfilling these liabilities. Consistent with general market conditions, this estimate resulted in a spread over the LIBOR swap curve as of September 30, 2014. As our estimate of this spread widens or tightens, the liability will decrease or increase. If this nonperformance credit spread moves to a zero spread over the LIBOR swap curve, the reduction to net income would be approximately $120 million, net of DAC, DSIC, unearned revenue amortization, the reinsurance accrual and income taxes (calculated at the statutory tax rate of 35%), based on September 30, 2014 credit spreads.

Liquidity and Capital Resources
Overview
We maintained substantial liquidity during the nine months ended September 30, 2014. At September 30, 2014, we had $2.9 billion in cash and cash equivalents compared to $2.6 billion at December 31, 2013. We have additional liquidity available through an unsecured revolving credit facility for up to $500 million that expires in September 2018. Under the terms of the underlying credit agreement, we can increase this facility to $750 million upon satisfaction of certain approval requirements. Available borrowings under this facility are reduced by any outstanding letters of credit. At September 30, 2014, we had no outstanding borrowings under this credit facility and had $2.0 million of outstanding letters of credit. Our junior subordinated notes due 2066 and credit facility contain various administrative, reporting, legal and financial covenants. We were in compliance with all such covenants at September 30, 2014.
On September 18, 2014, the Company issued $550 million of unsecured senior notes due October 15, 2024, and incurred debt issuance costs of $5 million. Interest payments are due semi-annually in arrears on April 15 and October 15, commencing on April 15, 2015.
In May 2014, we issued a notice of redemption for $200 million of our senior notes due 2039. The notes were redeemed on June 16, 2014 pursuant to the terms of the indenture at the principal value plus accrued interest to the redemption date. We recognized an expense for the remaining unamortized debt issuance costs on the notes in the second quarter of 2014.
We enter into short-term borrowings, which may include repurchase agreements and Federal Home Loan Bank (“FHLB”) advances, to reduce reinvestment risk from higher levels of expected annuity net cash flows. Short-term borrowings allow us to receive cash to reinvest in longer-duration assets, while paying back the short-term debt with cash flows generated by the fixed income portfolio. The balance of repurchase agreements at both September 30, 2014 and December 31, 2013 was $50 million, which is collateralized with agency residential mortgage backed securities and commercial mortgage backed securities from our investment portfolio. Our subsidiary, RiverSource Life Insurance Company (“RiverSource Life”), is a member of the FHLB of Des Moines, which provides access to collateralized borrowings. As of September 30, 2014 and December 31, 2013, we had $150 million and $450 million, respectively, of borrowings from the FHLB, which is collateralized with commercial mortgage backed securities.
We believe cash flows from operating activities, available cash balances and our availability of revolver borrowings will be sufficient to fund our operating liquidity needs.
Dividends from Subsidiaries
Ameriprise Financial is primarily a parent holding company for the operations carried out by our wholly owned subsidiaries. Because of our holding company structure, our ability to meet our cash requirements, including the

payment of dividends on our common stock, substantially depends upon the receipt of dividends or return of capital from our subsidiaries, particularly our life insurance subsidiary, RiverSource Life, our face-amount certificate subsidiary, Ameriprise Certificate Company ("ACC"), AMPF Holding Corporation, which is the parent company of our retail introducing broker-dealer subsidiary, Ameriprise Financial Services, Inc. ("AFSI") and our clearing broker-dealer subsidiary, American Enterprise Investment Services, Inc. ("AEIS"), our Auto and Home insurance subsidiary, IDS Property Casualty Insurance Company ("IDS Property Casualty"), doing business as Ameriprise Auto & Home Insurance, our transfer agent subsidiary, Columbia Management Investment Services Corp., our investment advisory company, Columbia Management Investment Advisers, LLC, and Threadneedle. The payment of dividends by many of our subsidiaries is restricted and certain of our subsidiaries are subject to regulatory capital requirements.

AMERIPRISE FINANCIAL, INC.

Actual capital and regulatory capital requirements for our wholly owned subsidiaries subject to regulatory capital requirements were as follows:

| | Actual Capital | | Regulatory Capital Requirements | |
|---|---|---|---|---|
| | September 30, 2014 | December 31, 2013 | September 30, 2014 | December 31, 2013 |
| | (in millions) | | | |
| RiverSource Life(1)(2) | $3,412 | $2,747 | N/A | $ 591 |
| RiverSource Life of NY(1)(2) | 297 | 251 | N/A | 49 |
| IDS Property Casualty(1)(3) | 584 | 531 | $ 194 | 177 |
| Ameriprise Insurance Company(1)(3) | 45 | 44 | 2 | 2 |
| ACC(4)(5) | 246 | 230 | 227 | 215 |
| Threadneedle(6) | 236 | 257 | 207 | 158 |
| Ameriprise National Trust Bank(7) | 18 | 19 | 10 | 10 |
| AFSI(3)(4) | 88 | 78 | — | 2 |
| Ameriprise Captive Insurance Company(3) | 73 | 62 | 11 | 11 |
| Ameriprise Trust Company(3) | 26 | 58 | 23 | 56 |
| AEIS(3)(4) | 106 | 100 | 50 | 44 |
| RiverSource Distributors, Inc.(3)(4) | 13 | 23 | # | # |
| Columbia Management Investment Distributors, Inc.(3)(4) | 19 | 23 | # | # |

N/A Not applicable.

# Amounts are less than $1 million.

(1) Actual capital is determined on a statutory basis.

(2) Regulatory capital requirement is based on the statutory risk-based capital filing.

(3) Regulatory capital requirement is based on the applicable regulatory requirement, calculated as of September 30, 2014 and December 31, 2013.

(4) Actual capital is determined on an adjusted GAAP basis.

(5) ACC is required to hold capital in compliance with the Minnesota Department of Commerce and SEC capital requirements.

(6) Actual capital and regulatory capital requirements are determined in accordance with U.K. regulatory legislation. The regulatory capital requirements at September 30, 2014 represent management's assessment at December 31, 2013 of the risk based requirements, as specified by FCA regulations.

(7) Ameriprise National Trust Bank is required to maintain capital in compliance with the Office of the Comptroller of the Currency regulations and policies.

In addition to the particular regulations restricting dividend payments and establishing subsidiary capitalization requirements, we take into account the overall health of the business, capital levels and risk management considerations in determining a dividend strategy for payments to our company from our subsidiaries, and in deciding to use cash to make capital contributions to our subsidiaries.

During the nine months ended September 30, 2014, the parent holding company received cash dividends or a return of capital from its subsidiaries of $1.2 billion (including $500 million from RiverSource Life) and contributed cash to its subsidiaries of $17 million. In addition, Threadneedle paid a non-cash dividend of $152 million to the parent holding company consisting of a note receivable. During the nine months ended September 30, 2013, the parent holding company received cash dividends or a return of capital from its subsidiaries of $1.3 billion (including $675 million from RiverSource Life) and contributed cash to its subsidiaries of $44 million.

Dividends Paid to Shareholders and Share Repurchases

We paid regular quarterly dividends to our shareholders totaling $326 million and $307 million for the nine months ended September 30, 2014 and 2013, respectively. On October 28, 2014, we announced a quarterly dividend of

$0.58 per common share. The dividend will be paid on November 21, 2014 to our shareholders of record at the close of business on November 10, 2014.

In October 2012, our Board of Directors authorized an expenditure of up to $2.0 billion for the repurchase of shares of our common stock through 2014. In April 2014, our Board of Directors authorized an expenditure of up to an additional $2.5 billion for the repurchase of shares of our common stock through April 28, 2016. As of September 30, 2014, the Company had $2.1 billion remaining under its share repurchase authorization. We intend to fund share repurchases through existing working capital, future earnings and other customary financing methods. The share repurchase programs do not require the purchase of any minimum number of shares, and depending on market conditions and other factors, these purchases may be commenced or suspended at any time without prior notice. Acquisitions under the share repurchase programs may be made in the open market, through privately negotiated transactions or block trades or other means. During the nine months ended September 30, 2014, we repurchased a total of 9.1 million shares of our common stock at an average price of $114.19 per share.

AMERIPRISE FINANCIAL, INC.

Cash Flows

Cash flows of CIEs are reflected in our cash flows provided by (used in) operating activities, investing activities and financing activities. Cash held by CIEs is not available for general use by Ameriprise Financial, nor is Ameriprise Financial cash available for general use by its CIEs. As such, the operating, investing and financing cash flows of the CIEs have no impact to the change in cash and cash equivalents.

Operating Activities

Net cash provided by operating activities was $2.0 billion for the nine months ended September 30, 2014 compared to net cash provided by operating activities of $1.1 billion for the prior year period. The change in net cash provided by operating activities compared to prior year period was primarily due to a $534 million increase in cash flows related to net sales of investment properties held by CIEs, a $276 million increase in cash flows related to changes in amounts due to brokers and an increase in fee revenue partially offset by related expenses.

Investing Activities

Our investing activities primarily relate to our Available-for-Sale investment portfolio. Further, this activity is significantly affected by the net flows of our investment certificate, fixed annuity and universal life products reflected in financing activities.

Net cash used in investing activities increased $29 million to $172 million for the nine months ended September 30, 2014 compared to $143 million for the prior year period primarily due to a $572 million decrease in proceeds from sales, maturities and repayments of investments by consolidated investment entities and a $970 million decrease in proceeds from maturities, sinking fund payments and calls of Available-for-Sale securities, partially offset by a $1.6 billion decrease in cash used for purchases of Available-for-Sale securities.

Financing Activities

Net cash used in financing activities increased $1.4 billion to $1.6 billion for the nine months ended September 30, 2014 compared to $207 million for the prior year period. Cash outflows from policyholder account balances increased $593 million compared to the prior year period. Cash outflows related to investment certificates and banking time deposits increased $127 million compared to the prior period. Cash outflows from changes in short-term borrowings increased $299 million compared to the prior year period as we reduced our borrowings from the FHLB during the nine months ended September 30, 2014. Cash outflows related to repayments of debt increased $200 million due to the redemption of our senior notes due 2039 in the second quarter of 2014.

Contractual Commitments

There have been no material changes to our contractual obligations disclosed in our 2013 10-K.

Off-Balance Sheet Arrangements

We provide asset management services to various collateralized debt obligations and other investment products, which are sponsored by us for the investment of client assets in the normal course of business. Certain of these investment entities are considered to be variable interest entities while others are considered to be voting rights entities. We consolidate certain of these investment entities. For entities that we do not consolidate, our maximum exposure to loss is our investment in the entity, which was not material as of September 30, 2014. We have no obligation to provide further financial or other support to these structured investments nor have we provided any support to these structured investments. See Note 3 to our Consolidated Financial Statements for additional information on our arrangements with structured investments.

Forward-Looking Statements

This report contains forward-looking statements that reflect management’s plans, estimates and beliefs. Actual results could differ materially from those described in these forward-looking statements. Examples of such forward-looking statements include:

•

statements of the Company’s plans, intentions, positioning, expectations, objectives or goals, including those relating to asset flows, mass affluent and affluent client acquisition strategy, client retention and growth of our client base, financial advisor productivity, retention, recruiting and enrollments, the introduction, cessation, terms or pricing of new or existing products and services, acquisition integration, general and administrative costs, consolidated tax rate, return of capital to shareholders, and excess capital position and financial flexibility to capture additional growth opportunities;

- other statements about future economic performance, the performance of equity markets and interest rate variations and the economic performance of the United States and of global markets; and
- statements of assumptions underlying such statements.

AMERIPRISE FINANCIAL, INC.

The words “believe,” “expect,” “anticipate,” “optimistic,” “intend,” “plan,” “aim,” “will,” “may,” “should,” “could,” “would,” “on pace,” “project” and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. Forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from such statements.

Such factors include, but are not limited to:

- conditions in the interest rate, credit default, equity market and foreign exchange environments, including changes in valuations, liquidity and volatility;
- changes in and the adoption of relevant accounting standards and securities rating agency standards and processes, as well as changes in the litigation and regulatory environment, including ongoing legal proceedings and regulatory actions, the frequency and extent of legal claims threatened or initiated by clients, other persons and regulators, and developments in regulation and legislation, including the rules and regulations implemented or to be implemented in connection with the Dodd-Frank Wall Street Reform and Consumer Protection Act;
- investment management performance and distribution partner and consumer acceptance of the Company’s products;
- effects of competition in the financial services industry, including pricing pressure, the introduction of new products and services and changes in product distribution mix and distribution channels;
- changes to the Company’s reputation that may arise from employee or advisor misconduct, legal or regulatory actions, perceptions of the financial services industry generally, improper management of conflicts of interest or otherwise;
- the Company’s capital structure, including indebtedness, limitations on subsidiaries to pay dividends, and the extent, manner, terms and timing of any share or debt repurchases management may effect as well as the opinions of rating agencies and other analysts and the reactions of market participants or the Company’s regulators, advisors, distribution partners or customers in response to any change or prospect of change in any such opinion;
- changes to the availability and cost of liquidity and the Company’s credit capacity that may arise due to shifts in market conditions, the Company’s credit ratings and the overall availability of credit;
- risks of default, capacity constraint or repricing by issuers or guarantors of investments the Company owns or by counterparties to hedge, derivative, insurance or reinsurance arrangements or by manufacturers of products the Company distributes, experience deviations from the Company’s assumptions regarding such risks, the evaluations or the prospect of changes in evaluations of any such third parties published by rating agencies or other analysts, and the reactions of other market participants or the Company’s regulators, advisors, distribution partners or customers in response to any such evaluation or prospect of changes in evaluation;
- experience deviations from the Company’s assumptions regarding morbidity, mortality and persistency in certain annuity and insurance products, or from assumptions regarding market returns assumed in valuing or unlocking DAC and DSIC or market volatility underlying the Company’s valuation and hedging of guaranteed benefit annuity riders; or from assumptions regarding anticipated claims and losses relating to the Company’s automobile and home insurance products;
- changes in capital requirements that may be indicated, required or advised by regulators or rating agencies;
- the impacts of the Company’s efforts to improve distribution economics and to grow third-party distribution of its products;
- the ability to pursue and complete strategic transactions and initiatives, including acquisitions, divestitures, restructurings, joint ventures and the development of new products and services;
- the ability to realize the financial, operating and business fundamental benefits of strategic transactions and initiatives the Company has completed, is pursuing or may pursue in the future, which may be impacted by the ability to obtain regulatory approvals, the ability to effectively manage related expenses and by market, business partner and consumer reactions to such strategic transactions and initiatives;
- the ability and timing to realize savings and other benefits from re-engineering and tax planning;
- interruptions or other failures in the Company’s communications, technology and other operating systems, including errors or failures caused by third party service providers, interference or failures caused by third party attacks on the Company’s systems, or the failure to safeguard the privacy or confidentiality of sensitive information and data on such

systems; and

- general economic and political factors, including consumer confidence in the economy and the financial industry, the ability and inclination of consumers generally to invest as well as their ability and inclination to invest in financial instruments and products other than cash and cash equivalents, the costs of products and services the Company consumes in the conduct of its business, and applicable legislation and regulation and changes therein, including tax laws, tax treaties, fiscal and central government treasury policy, and policies regarding the financial services industry and publicly-held firms, and regulatory rulings and pronouncements.

Management cautions the reader that the foregoing list of factors is not exhaustive. There may also be other risks that management is unable to predict at this time that may cause actual results to differ materially from those in forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date on which they are made. Management undertakes no obligation to update publicly or revise any forward-looking statements. The foregoing list of factors should be read in conjunction with the "Risk Factors" discussion included in Part I, Item 1A of our 2013 10-K.
Ameriprise Financial announces financial and other information to investors through the Company's investor relations website at ir.ameriprise.com, as well as SEC filings, press releases, public conference calls and webcasts. Investors and others interested in the company are encouraged to visit the investor relations website from time to time, as information is updated and new information is posted. The website also allows users to sign up for automatic notifications in the event new materials are posted. The information found on the website is not incorporated by reference into this report or in any other report or document the Company furnishes or files with the SEC.

## ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information set forth in Part I, Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations — Market Risk" in this report is incorporated herein by reference. These disclosures should be read in conjunction with the "Quantitative and Qualitative Disclosures About Market Risk" discussion included as Part II, Item 7A of our 2013 10-K filed with the SEC on February 27, 2014.

## ITEM 4. CONTROLS AND PROCEDURES

### Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) designed to provide reasonable assurance that the information required to be reported in the Exchange Act filings is recorded, processed, summarized and reported within the time periods specified in and pursuant to SEC regulations, including controls and procedures designed to ensure that this information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding the required disclosure. It should be noted that, because of inherent limitations, our company's disclosure controls and procedures, however well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the disclosure controls and procedures are met.
Our management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report. Based upon that evaluation, our company's Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective at a reasonable level of assurance as of September 30, 2014.

### Changes in Internal Control over Financial Reporting

There have not been any changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, our company's internal control over financial reporting.

AMERIPRISE FINANCIAL, INC.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS
The information set forth in Note 15 to the Consolidated Financial Statements in Part I, Item 1 is incorporated herein by reference.

ITEM 1A. RISK FACTORS
There have been no material changes in the risk factors provided in Part I, Item 1A of our 2013 10-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS
The following table presents the information with respect to purchases made by or on behalf of Ameriprise Financial, Inc. or any "affiliated purchaser" (as defined in Rule 10b-18(a)(3) under the Securities Exchange Act of 1934), of our common stock during the third quarter of 2014:

| Period | (a) Total Number of Shares Purchased | (b) Average Price Paid Per Share | (c) Total Number of Shares Purchased as part of Publicly Announced Plans or Programs[1] | (d) Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs[1] |
|---|---|---|---|---|
| July 1 to July 31, 2014 | | | | |
| Share repurchase program [1] | 742,997 | $121.76 | 742,997 | $2,353,166,272 |
| Employee transactions [2] | 21,301 | $120.66 | N/A | N/A |
| August 1 to August 31, 2014 | | | | |
| Share repurchase program [1] | 971,615 | $121.26 | 971,615 | $2,235,346,972 |
| Employee transactions [2] | 164,152 | $121.99 | N/A | N/A |
| September 1 to September 30, 2014 | | | | |
| Share repurchase program [1] | 982,403 | $125.19 | 982,403 | $2,112,359,653 |
| Employee transactions [2] | 201,001 | $126.55 | N/A | N/A |
| Totals | | | | |
| Share repurchase program [1] | 2,697,015 | $122.83 | 2,697,015 | |
| Employee transactions [2] | 386,454 | $124.29 | N/A | |
| | 3,083,469 | | 2,697,015 | |

N/A Not applicable.
[1] On October 24, 2012, we announced that our board of directors authorized us to repurchase up to $2.0 billion worth of our common stock through 2014. On April 28, 2014, we announced that our board of directors authorized us to repurchase up to an additional $2.5 billion worth of our common stock through April 28, 2016. The share repurchase programs do not require the purchase of any minimum number of shares, and depending on market conditions and other factors, these purchases may be commenced or suspended at any time without prior notice. Acquisitions under the share repurchase programs may be made in the open market, through privately negotiated transactions or block trades or other means.
[2] Includes restricted shares withheld pursuant to the terms of awards under the Company's share-based compensation plans to offset tax withholding obligations that occur upon vesting and release of restricted shares. The value of the restricted shares withheld is the closing price of common stock of Ameriprise Financial, Inc. on the date the relevant transaction occurs. Also includes shares withheld pursuant to the net settlement of Non-Qualified Stock Option

(“NQSO”) exercises to offset tax withholding obligations that occur upon exercise and to cover the strike price of the NQSO. The value of the shares withheld pursuant to the net settlement of NQSO exercises is the closing price of common stock of Ameriprise Financial, Inc. on the day prior to the date the relevant transaction occurs.

## ITEM 6. EXHIBITS

The list of exhibits required to be filed as exhibits to this report are listed on page E-1 hereof, under “Exhibit Index,” which is incorporated herein by reference.

AMERIPRISE FINANCIAL, INC.

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

AMERIPRISE FINANCIAL, INC.
(Registrant)

| | | |
|---|---|---|
| Date: November 3, 2014 | By | /s/ Walter S. Berman<br>Walter S. Berman<br>Executive Vice President and<br>Chief Financial Officer |
| Date: November 3, 2014 | By | /s/ David K. Stewart<br>David K. Stewart<br>Senior Vice President and Controller<br>(Principal Accounting Officer) |

AMERIPRISE FINANCIAL, INC.

EXHIBIT INDEX

Pursuant to the rules and regulations of the Securities and Exchange Commission, we have filed certain agreements as exhibits to this Quarterly Report on Form 10-Q. These agreements may contain representations and warranties by the parties. These representations and warranties have been made solely for the benefit of the other party or parties to such agreements and (i) may have been qualified by disclosures made to such other party or parties, (ii) were made only as of the date of such agreements or such other date(s) as may be specified in such agreements and are subject to more recent developments, which may not be fully reflected in our public disclosure, (iii) may reflect the allocation of risk among the parties to such agreements and (iv) may apply materiality standards different from what may be viewed as material to investors. Accordingly, these representations and warranties may not describe our actual state of affairs at the date hereof and should not be relied upon.

The following exhibits are filed as part of this Quarterly Report on Form 10-Q. The exhibit numbers followed by an asterisk (*) indicate exhibits electronically filed herewith. All other exhibit numbers indicate exhibits previously filed and are hereby incorporated herein by reference.

| Exhibit | Description |
|---|---|
| 3.1 | Amended and Restated Certificate of Incorporation of Ameriprise Financial, Inc. (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K, File No. 1-32525, filed on May 1, 2014). |
| 3.2 | Amended and Restated Bylaws of Ameriprise Financial, Inc. (incorporated by reference to Exhibit 3.2 to the Current Report on Form 8-K, File No. 1-32525, filed on May 1, 2014). |
| 4.1 | Form of Specimen Common Stock Certificate (incorporated by reference to Exhibit 4.1 to Amendment No. 3 to Form 10 Registration Statement, File No. 1-32525, filed on August 19, 2005). |

Other instruments defining the rights of holders of long-term debt securities of the registrant are omitted pursuant to Section (b)(4)(iii)(A) of Item 601 of Regulation S-K. The registrant agrees to furnish copies of these instruments to the SEC upon request.

| Exhibit | Description |
|---|---|
| 10.1* | Second Amendment to the Ameriprise Advisor Group Deferred Compensation Plan dated August 13, 2014. |
| 10.2* | Third Amendment to the Ameriprise Advisor Group Deferred Compensation Plan dated September 24, 2014. |
| 31.1* | Certification of James M. Cracchiolo pursuant to Rule 13a-14(a) promulgated under the Securities Exchange Act of 1934, as amended. |
| 31.2* | Certification of Walter S. Berman pursuant to Rule 13a-14(a) promulgated under the Securities Exchange Act of 1934, as amended. |
| 32* | Certification of James M. Cracchiolo and Walter S. Berman pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101* | The following materials from Ameriprise Financial, Inc.'s Quarterly Report on Form 10-Q for the period ended September 30, 2014, formatted in XBRL: (i) Consolidated Statements of Operations for the three months and nine months ended September 30, 2014 and 2013; (ii) Consolidated Statements of Comprehensive Income for the three months and nine months ended September 30, 2014 and 2013; (iii) Consolidated Balance Sheets at September 30, 2014 and December 31, 2013; (iv) Consolidated Statements of Equity for the nine months ended September 30, 2014 and 2013; (v) Consolidated Statements of Cash Flows for the nine months ended September 30, 2014 and 2013; and (vi) Notes to the Consolidated Financial Statements. |