AMERIPRISE FINANCIAL INC
Form 10-Q
May 04, 2015

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 March 31, 2015
OR
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Transition Period from________________________to________________________
Commission File No. 1-32525
AMERIPRISE FINANCIAL, INC.
(Exact name of registrant as specified in its charter)

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

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

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

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

Class	Outstanding at April 17, 2015
Common Stock (par value $.01 per share)	181,380,334 shares

AMERIPRISE FINANCIAL, INC.

FORM 10-Q

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AMERIPRISE FINANCIAL, INC.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	Three Months Ended March 31,	
	2015	2014
Revenues		
Management and financial advice fees	$1,468	$1,386
Distribution fees	466	476
Net investment income	484	471
Premiums	353	330
Other revenues	289	340
Total revenues	3,060	3,003
Banking and deposit interest expense	7	7
Total net revenues	3,053	2,996
Expenses		
Distribution expenses	819	786
Interest credited to fixed accounts	172	186
Benefits, claims, losses and settlement expenses	533	450
Amortization of deferred acquisition costs	75	87
Interest and debt expense	84	79
General and administrative expense	752	758
Total expenses	2,435	2,346
Income from continuing operations before income tax provision	618	650
Income tax provision	139	134
Income from continuing operations	479	516
Loss from discontinued operations, net of tax	—	(1)
Net income	479	515
Less: Net income attributable to noncontrolling interests	86	115
Net income attributable to Ameriprise Financial	$393	$400
Earnings per share attributable to Ameriprise Financial, Inc. common shareholders		
Basic		
Income from continuing operations	$2.11	$2.05
Loss from discontinued operations	—	—
Net income	$2.11	$2.05
Diluted		
Income from continuing operations	$2.08	$2.01
Loss from discontinued operations	—	—
Net income	$2.08	$2.01
Cash dividends declared per common share	$0.58	$0.52
Supplemental Disclosures:		
Total other-than-temporary impairment losses on securities	$(1)	$(1)
Portion of loss recognized in other comprehensive income (before taxes)	—	—
Net impairment losses recognized in net investment income	$(1)	$(1)

See Notes to Consolidated Financial Statements.

AMERIPRISE FINANCIAL, INC.

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

	Three Months Ended March 31,	
	2015	2014
Net income	$479	$515
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustment	(85)	15
Net unrealized gains on securities:		
Net unrealized securities gains arising during the period	147	239
Reclassification of net securities gains included in net income	(7)	(3)
Impact of deferred acquisition costs, deferred sales inducement costs, unearned revenue, benefit reserves and reinsurance recoverables	(69)	(91)
Total net unrealized gains on securities	71	145
Total other comprehensive income (loss), net of tax	(14)	160
Total comprehensive income	465	675
Less: Comprehensive income attributable to noncontrolling interests	30	124
Comprehensive income attributable to Ameriprise Financial	$435	$551

See Notes to Consolidated Financial Statements.

AMERIPRISE FINANCIAL, INC.

CONSOLIDATED BALANCE SHEETS
(in millions, except share amounts)

	March 31, 2015 (unaudited)	December 31, 2014
Assets		
Cash and cash equivalents	$2,809	$2,638
Cash of consolidated investment entities	338	390
Investments	35,726	35,582
Investments of consolidated investment entities, at fair value	6,090	6,148
Separate account assets	84,243	83,256
Receivables	5,063	4,887
Receivables of consolidated investment entities (includes $31 and $49, respectively, at fair value)	77	140
Deferred acquisition costs	2,602	2,608
Restricted and segregated cash and investments	2,714	2,614
Other assets	9,896	8,611
Other assets of consolidated investment entities, at fair value	1,890	1,936
Total assets	$151,448	$148,810
Liabilities and Equity		
Liabilities:		
Policyholder account balances, future policy benefits and claims	$30,482	$30,350
Separate account liabilities	84,243	83,256
Customer deposits	7,878	7,664
Short-term borrowings	200	200
Long-term debt	3,066	3,062
Debt of consolidated investment entities (includes $5,933 and $6,030, respectively, at fair value)	6,779	6,867
Accounts payable and accrued expenses	1,275	1,482
Accounts payable and accrued expenses of consolidated investment entities	46	41
Other liabilities	8,068	6,357
Other liabilities of consolidated investment entities (includes $119 and $193, respectively, at fair value)	152	226
Total liabilities	142,189	139,505
Equity:		
Ameriprise Financial, Inc.:		
Common shares ($.01 par value; shares authorized, 1,250,000,000; shares issued, 321,981,162 and 320,990,255, respectively)	3	3
Additional paid-in capital	7,423	7,345
Retained earnings	8,752	8,469
Appropriated retained earnings of consolidated investment entities	279	234
Treasury shares, at cost (140,185,225 and 137,880,746 shares, respectively)	(8,966)	(8,589)
Accumulated other comprehensive income, net of tax	704	662
Total Ameriprise Financial, Inc. shareholders' equity	8,195	8,124
Noncontrolling interests	1,064	1,181
Total equity	9,259	9,305

Total liabilities and equity	$151,448	$148,810

See Notes to Consolidated Financial Statements.

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AMERIPRISE FINANCIAL, INC.

CONSOLIDATED STATEMENTS OF EQUITY (UNAUDITED)
(in millions, except share data)

	Ameriprise Financial, Inc.									
	Number of Outstanding Shares	Common Shares	Additional Paid-In Capital	Retained Earnings	Appropriated Retained Earnings of Consolidated Investment Entities	Treasury Shares	Accumulated Other Comprehensive Income	Total Ameriprise Financial, Inc. Shareholders' Equity	Non-controlling Interests	Total
Balances at January 1, 2014	192,118,307	$ 3	$ 6,929	$ 7,289	$ 337	$ (6,961)	$ 595	$ 8,192	$ 1,040	$ 9,232
Comprehensive income:										
Net income	—	—	—	400	—	—	—	400	115	515
Other comprehensive income, net of tax	—	—	—	—	—	—	151	151	9	160
Total comprehensive income								551	124	675
Net income reclassified to appropriated retained earnings	—	—	—	—	19	—	—	19	(19)	—
Dividends to shareholders	—	—	—	(103)	—	—	—	(103)	—	(103)
Distributions to noncontrolling interests	—	—	—	—	—	—	—	—	(49)	(49)
Repurchase of common shares	(4,706,057)	—	—	—	—	(516)	—	(516)	—	(516)
Share-based compensation plans	3,149,234	—	117	(4)	—	88	—	201	5	206
Balances at March 31, 2014	190,561,484	$ 3	$ 7,046	$ 7,582	$ 356	$ (7,389)	$ 746	$ 8,344	$ 1,101	$ 9,445
Balances at January 1, 2015	183,109,509	$ 3	$ 7,345	$ 8,469	$ 234	$ (8,589)	$ 662	$ 8,124	$ 1,181	$ 9,305
Comprehensive income:										
Net income	—	—	—	393	—	—	—	393	86	479
Other comprehensive income (loss), net of tax	—	—	—	—	—	—	42	42	(56)	(14)
Total comprehensive income								435	30	465
Net income reclassified to appropriated retained earnings	—	—	—	—	45	—	—	45	(45)	—
Dividends to shareholders	—	—		(110)	—	—	—	(110)	—	(110)
	—	—	—	—	—	—	—	—	117	117

Noncontrolling interests investments in subsidiaries										
Distributions to noncontrolling interests	—	—	—	—	—	—	—	—	(219)	(219)
Repurchase of common shares	(3,347,442)	—	—	—	—	(443)	—	(443)	—	(443)
Share-based compensation plans	2,033,870	—	78	—	—	66	—	144	—	144
Balances at March 31, 2015	181,795,937	$ 3	$ 7,423	$ 8,752	$ 279	$ (8,966)	$ 704	$ 8,195	$ 1,064	$ 9,259

See Notes to Consolidated Financial Statements.

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AMERIPRISE FINANCIAL, INC.

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

	Three Months Ended March 31, 2015	2014
Cash Flows from Operating Activities		
Net income	$479	$515
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion, net	66	63
Deferred income tax expense (benefit)	66	(37)
Share-based compensation	35	30
Net realized investment gains	(12)	(6)
Net trading gains	(3)	(2)
Loss from equity method investments	5	3
Other-than-temporary impairments and provision for loan losses	2	1
Net gains of consolidated investment entities	(9)	(101)
Changes in operating assets and liabilities:		
Restricted and segregated cash and investments	(99)	(31)
Deferred acquisition costs	(5)	8
Other investments, net	(55)	—
Policyholder account balances, future policy benefits and claims, net	419	121
Derivatives, net of collateral	(265)	(85)
Receivables	(184)	(144)
Brokerage deposits	110	60
Accounts payable and accrued expenses	(196)	(183)
Cash held by consolidated investment entities	52	(72)
Investment properties of consolidated investment entities	(33)	49
Other operating assets and liabilities of consolidated investment entities, net	(4)	(14)
Other, net	544	259
Net cash provided by operating activities	913	434
Cash Flows from Investing Activities		
Available-for-Sale securities:		
Proceeds from sales	48	161
Maturities, sinking fund payments and calls	1,351	1,104
Purchases	(1,207)	(1,029)
Proceeds from maturities and repayments of mortgage loans	163	140
Funding of mortgage loans	(91)	(124)
Proceeds from sales and collections of other investments	41	57
Purchase of other investments	(93)	(111)
Purchase of investments by consolidated investment entities	(403)	(742)
Proceeds from sales, maturities and repayments of investments by consolidated investment entities	396	418
Purchase of land, buildings, equipment and software	(29)	(20)
Other, net	6	1
Net cash provided by (used in) investing activities	182	(145)

See Notes to Consolidated Financial Statements.

AMERIPRISE FINANCIAL, INC.

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

	Three Months Ended March 31, 2015	2014
Cash Flows from Financing Activities		
Investment certificates:		
Proceeds from additions	$662	$617
Maturities, withdrawals and cash surrenders	(559)	(528)
Policyholder account balances:		
Deposits and other additions	470	494
Net transfers to separate accounts	(56)	(56)
Surrenders and other benefits	(788)	(661)
Cash paid for purchased options with deferred premiums	(89)	(124)
Cash received from purchased options with deferred premiums	—	47
Change in short-term borrowings, net	—	(200)
Dividends paid to shareholders	(107)	(100)
Repurchase of common shares	(394)	(457)
Exercise of stock options	6	11
Excess tax benefits from share-based compensation	45	92
Borrowings by consolidated investment entities	199	478
Repayments of debt by consolidated investment entities	(192)	(85)
Noncontrolling interests investments in subsidiaries	117	—
Distributions to noncontrolling interests	(219)	(49)
Net cash used in financing activities	(905)	(521)
Effect of exchange rate changes on cash	(19)	3
Net increase (decrease) in cash and cash equivalents	171	(229)
Cash and cash equivalents at beginning of period	2,638	2,632
Cash and cash equivalents at end of period	$2,809	$2,403
Supplemental Disclosures:		
Interest paid excluding consolidated investment entities	$28	$32
Interest paid by consolidated investment entities	54	44
Income taxes paid, net	21	50
Non-cash investing activity:		
Affordable housing partnership commitments not yet remitted	10	—

See Notes to Consolidated Financial Statements.

AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. Basis of Presentation

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

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

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

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

The accompanying Consolidated Financial Statements are prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). Results of operations reported for interim periods are not necessarily indicative of results for the entire year. These Consolidated Financial Statements and Notes should be read in conjunction with the Consolidated Financial Statements and Notes in the Company's Annual Report on Form 10-K for the year ended December 31, 2014, filed with the Securities and Exchange Commission ("SEC") on February 24, 2015.

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

2. Recent Accounting Pronouncements

Adoption of New Accounting Standards

Transfers and Servicing

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

Receivables - Troubled Debt Restructuring by Creditors

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

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

Investments - Equity Method and Joint Ventures

In January 2014, the FASB updated the accounting standard related to investments in qualified affordable housing projects. The update allows for an accounting policy election to account for investments in qualified affordable housing projects using the proportional amortization method if certain conditions are met. Under the proportional amortization method, the investment in a qualified affordable housing project is amortized in proportion to the tax credits and other tax benefits received. The net investment performance is recognized as a component of income tax expense (benefit). The standard is effective for interim and annual periods beginning after December 15, 2014 and should be applied retrospectively to all periods presented. The Company did not elect the proportional amortization method.

Future Adoption of New Accounting Standards

Interest - Imputation of Interest

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

Consolidation

In February 2015, the FASB updated the accounting standard for consolidation. The update changes the accounting for the consolidation model for limited partnerships and VIEs and excludes certain money market funds out of the consolidation analysis. Specific to the consolidation analysis of a VIE, the update clarifies consideration of fees paid to a decision maker and amends the related party guidance. The standard is effective for periods beginning after December 15, 2015. Early adoption is permitted, including adoption in an interim period. The standard may be applied using a modified retrospective approach by recording a cumulative-effect adjustment to equity at the beginning of the period of adoption or applied retrospectively. The Company is currently evaluating the impact of the standard on its consolidated results of operations and financial condition.

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.

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.

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.

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

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.

3. Variable Interest Entities
The Company provides asset management services to investment entities which are considered to be VIEs, such as CLOs, hedge funds, property funds (pooled investment vehicles) and private equity funds (collectively, “investment entities”), which are sponsored by the Company. The Company consolidates certain CLOs and property funds (collectively, “consolidated investment entities”). In addition, the Company invests in structured investments and affordable housing partnerships which are considered VIEs which the Company does not consolidate.
Non-Consolidated VIEs
The Company has determined that consolidation is not required for hedge funds and private equity funds which are sponsored by the Company. The Company's maximum exposure to loss with respect to its investment in these entities is limited to its carrying value. The carrying value of the Company’s investment in these entities was $94 million and $89 million as of March 31, 2015 and December 31, 2014, respectively.
The Company manages one CLO which it does not consolidate. The Company manages the CLO and earns management fees and incentive fees from the CLO based on the CLO’s collateral pool. Unlike the consolidated CLOs, the Company has no investment in the CLO and no exposure to loss.
The Company has variable interests in affordable housing partnerships for which it is not the primary beneficiary and therefore does not consolidate. The Company’s maximum exposure to loss as a result of its investment in affordable housing partnerships is limited to the carrying value of these investments. The carrying value is reflected in other investments and was $506 million and $504 million as of March 31, 2015 and December 31, 2014, respectively.
The Company invests in structured investments which are considered VIEs for which it is not the sponsor. These structured investments typically invest in fixed income instruments and are managed by third parties and include asset backed securities, commercial mortgage backed securities and residential mortgage backed securities. The Company classifies these investments as Available-for-Sale securities. The Company has determined that it is not the primary beneficiary of these structures due to the size of the Company’s investment in the entities and position in the capital structure of these entities. The Company's maximum exposure to loss as a result of its investment in these structured investments is limited to its carrying value. See Note 4 for additional information about these structured investments.
The Company has no obligation to provide financial or other support to the non-consolidated VIEs beyond its investment nor has the Company provided any support to these entities. The carrying value of the Company’s investment in these entities is included in investments on the consolidated balance sheets.
Consolidated VIEs
The consolidated CLOs are asset backed financing entities collateralized by a pool of assets, primarily syndicated loans and, to a lesser extent, high-yield bonds and stocks. Multiple tranches of debt securities are issued by a CLO, offering investors various maturity and credit risk characteristics. The debt securities issued by the CLOs are non-recourse to the Company. The CLO’s debt holders have recourse only to the assets of the CLO. The assets of the CLOs cannot be used by the Company. Scheduled debt payments are based on the performance of the CLO’s collateral

pool. The Company generally earns management fees from the CLOs based on the CLO's collateral pool and, in certain instances, may also receive incentive fees. The Company has invested in a portion of the unrated, junior subordinated notes of certain CLOs. For certain of the CLOs, the Company has determined that consolidation is required as it has power over the CLOs as collateral manager and holds a variable interest in the CLOs for which the Company has the potential to receive benefits or the potential obligation to absorb losses that could be significant to the CLO.

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

The Company provides investment advice and related services to property funds, certain of which are considered VIEs. For investment management services, the Company generally earns management fees based on the market value of assets under management, and in certain instances may also receive performance-based fees. The Company has determined that consolidation is required for certain property funds managed by the Company.
During the three months ended March 31, 2015, the Company consolidated no new CLOs and liquidated no CLOs. During the three months ended March 31, 2014, the Company consolidated one new CLO with assets of approximately $457 million and liquidated no CLOs.
During the three months ended March 31, 2015, the Company consolidated two new property funds with assets of approximately $248 million. During the three months ended March 31, 2014, the Company consolidated no new property funds. The Company terminated one property fund during each of the three months ended March 31, 2015 and 2014. The liquidation of properties may occur over several years until the fund is terminated. See the summary of changes in Level 3 assets and liabilities for gross sales and purchases of properties, within the other assets caption, for the three months ended March 31, 2015 and 2014.
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:

	March 31, 2015			
	Level 1	Level 2	Level 3	Total
	(in millions)			
Assets				
Investments:				
Corporate debt securities	$—	$168	$—	$168
Common stocks	139	34	11	184
Other investments	4	25	—	29
Syndicated loans	—	5,242	467	5,709
Total investments	143	5,469	478	6,090
Receivables	—	31	—	31
Other assets	—	1	1,889	1,890
Total assets at fair value	$143	$5,501	$2,367	$8,011
Liabilities				
Debt	$—	$—	$5,933	$5,933
Other liabilities	—	119	—	119
Total liabilities at fair value	$—	$119	$5,933	$6,052

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

	December 31, 2014			
	Level 1	Level 2	Level 3	Total
	(in millions)			
Assets				
Investments:				
Corporate debt securities	$—	$171	$—	$171
Common stocks	130	40	7	177
Other investments	4	25	—	29
Syndicated loans	—	5,287	484	5,771
Total investments	134	5,523	491	6,148
Receivables	—	49	—	49
Other assets	—	1	1,935	1,936
Total assets at fair value	$134	$5,573	$2,426	$8,133
Liabilities				
Debt	$—	$—	$6,030	$6,030
Other liabilities	—	193	—	193
Total liabilities at fair value	$—	$193	$6,030	$6,223

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

	Common Stocks	Syndicated Loans	Other Assets	Debt
	(in millions)			
Balance, January 1, 2015	$7	$484	$1,935	$(6,030)
Total gains (losses) included in:				
Net income	(1) [1]	(1) [1]	31 [2]	51 [1]
Other comprehensive income	—	—	(110)	—
Purchases	—	37	342	—
Sales	—	(3)	(309)	—
Settlements	—	(31)	—	46
Transfers into Level 3	5	255	—	—
Transfers out of Level 3	—	(274)	—	—
Balance, March 31, 2015	$11	$467	$1,889	$(5,933)
Changes in unrealized gains (losses) included in income relating to assets and liabilities held at March 31, 2015	$(1) [1]	$(1) [1]	$(58) [2]	$51 [1]

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

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

	Corporate Debt Securities	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]	4 [1]	80 [2]	(10) [1]
Other comprehensive loss	—	—	—	15	—
Purchases	2	—	96	19	—
Sales	(2)	—	—	(68)	—
Issues	—	—	—	—	(456)
Settlements	—	—	(12)	—	45
Transfers into Level 3	10	6	146	11	—
Transfers out of Level 3	—	(12)	(218)	—	—
Balance, March 31, 2014	$13	$10	$384	$1,993	$(5,225)
Changes in unrealized gains (losses) included in income relating to assets and liabilities held at March 31, 2014	$1 [1]	$2 [1]	$3 [1]	$78 [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:

	March 31, 2015				
	Fair Value (in millions)	Valuation Technique	Unobservable Input	Range	Weighted Average
Other assets (property funds)	$1,889	Discounted cash flow/ market comparables	Equivalent yield	4.2% – 13.8%	6.3%
			Expected rental value (per square foot)	$3 – $89	$36
CLO debt	$5,933	Discounted cash flow	Annual default rate	2.5%	
			Discount rate	1.7% – 8.5%	2.8%
			Constant prepayment rate	5.0% – 10.0%	9.8%
			Loss recovery	36.4% – 63.6%	62.7%

	December 31, 2014				
	Fair Value (in millions)	Valuation Technique	Unobservable Input	Range	Weighted Average
Other assets (property funds)	$1,935	Discounted cash flow/ market comparables	Equivalent yield	4.4% – 12.0%	6.5%
				$3 – $94	$34

			Expected rental value (per square foot)		
CLO debt	$6,030	Discounted cash flow	Annual default rate	2.5%	
			Discount rate	1.2 %– 8.3%	2.4 %
			Constant prepayment rate	5.0 %– 10.0%	9.8 %
			Loss recovery	36.4 %– 63.6%	62.7 %

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

Sensitivity of Fair Value Measurements to Changes in Unobservable Inputs

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

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

Determination of Fair Value

Assets

Investments

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

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

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

Receivables

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

Other Assets

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

The CLOs hold an immaterial amount of warrants recorded in other assets. Loans within the CLOs may default and go through a restructuring that can result in the CLO receiving warrants for the issuer's equity securities. Warrants are classified as Level 2 when the price is derived from observable market data. Warrants from an issuer whose securities are not priced in active markets are classified as Level 3.

Liabilities

Debt

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

Other Liabilities

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

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

Fair Value Option

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

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

	March 31, 2015	December 31, 2014
	(in millions)	
Syndicated loans		
Unpaid principal balance	$5,830	$5,871
Excess unpaid principal over fair value	(121)	(100)
Fair value	$5,709	$5,771
Fair value of loans more than 90 days past due	$28	$32
Fair value of loans in nonaccrual status	28	32
Difference between fair value and unpaid principal of loans more than 90 days past due, loans in nonaccrual status or both	30	25
Debt		
Unpaid principal balance	$6,203	$6,248
Excess unpaid principal over fair value	(270)	(218)
Fair value	$5,933	$6,030

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

Total net 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 $41 million and $21 million for the three months ended March 31, 2015 and 2014, respectively. The majority of the syndicated loans and debt have floating rates; as such, changes in their fair values are primarily attributable to changes in credit spreads.

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

	Carrying Value		Weighted Average Interest Rate	
	March 31, 2015	December 31, 2014	March 31, 2015	December 31, 2014
	(in millions)			
Debt of consolidated CLOs due 2016-2026	$5,933	$6,030	1.3 %	1.3 %
Floating rate revolving credit borrowings due 2016-2020	846	837	2.8	2.7
Total	$6,779	$6,867		

The debt of the consolidated CLOs has both fixed and floating interest rates, which range from 0% to 9.2%. The interest rates on the debt of CLOs are weighted average rates based on the outstanding principal and current interest rates. The carrying value of the debt of the consolidated CLOs represents the fair value of the aggregate debt. The carrying value of the floating rate revolving credit borrowings represents the outstanding principal amount of debt of certain consolidated pooled investment vehicles managed by Threadneedle. The fair value of this debt was $846 million and $837 million as of March 31, 2015 and December 31, 2014, respectively. The property funds have entered into interest rate swaps and collars to manage the interest rate exposure on the floating rate revolving credit borrowings. The fair value of these derivative instruments is recorded gross and was a liability of $10 million at both

March 31, 2015 and December 31, 2014. The overall effective interest rate reflecting the impact of the derivative contracts was 3.2% and 3.1% as of March 31, 2015 and December 31, 2014, respectively.

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

4. Investments

The following is a summary of Ameriprise Financial investments:

	March 31, 2015	December 31, 2014
	(in millions)	
Available-for-Sale securities, at fair value	$30,150	$30,027
Mortgage loans, net	3,368	3,440
Policy and certificate loans	813	806
Other investments	1,395	1,309
Total	$35,726	$35,582

The following is a summary of net investment income:

	Three Months Ended March 31, 2015	2014
	(in millions)	
Investment income on fixed maturities	$354	$374
Net realized gains	10	5
Affordable housing partnerships	(8)	(6)
Other	23	24
Consolidated investment entities	105	74
Total net investment income	$484	$471

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

Description of Securities	March 31, 2015 Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Noncredit OTTI [(1)]
	(in millions)				
Corporate debt securities	$15,622	$1,634	$(38)	$17,218	$3
Residential mortgage backed securities	6,147	175	(52)	6,270	(15)
Commercial mortgage backed securities	2,560	136	(2)	2,694	—
Asset backed securities	1,353	55	(3)	1,405	—
State and municipal obligations	2,003	267	(27)	2,243	—
U.S. government and agencies obligations	52	4	—	56	—
Foreign government bonds and obligations	227	24	(6)	245	—
Common stocks	8	11	—	19	5
Total	$27,972	$2,306	$(128)	$30,150	$(7)

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

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

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

As of March 31, 2015 and December 31, 2014, investment securities with a fair value of $1.1 billion and $1.3 billion, respectively, were pledged to meet contractual obligations under derivative contracts and short-term borrowings.

At both March 31, 2015 and December 31, 2014, fixed maturity securities comprised approximately 84% of Ameriprise Financial investments. Rating agency designations are based on the availability of ratings from Nationally Recognized Statistical Rating Organizations ("NRSROs"), including Moody's Investors Service ("Moody's"), Standard & Poor's Ratings Services ("S&P") and Fitch Ratings Ltd. ("Fitch"). The Company uses the median of available ratings from Moody's, S&P and Fitch, or, if fewer than three ratings are available, the lower rating is used. When ratings from Moody's, S&P and Fitch are unavailable, the Company may utilize ratings from other NRSROs or rate the securities internally. At March 31, 2015 and December 31, 2014, 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	March 31, 2015 Amortized Cost	Fair Value	Percent of Total Fair Value	December 31, 2014 Amortized Cost	Fair Value	Percent of Total Fair Value
	(in millions, except percentages)					
AAA	$7,511	$7,817	26 %	$7,500	$7,776	26 %
AA	1,603	1,824	6	1,581	1,799	6
A	5,624	6,294	21	6,028	6,668	22
BBB	11,418	12,372	41	11,187	12,025	40
Below investment grade	1,808	1,824	6	1,762	1,741	6
Total fixed maturities	$27,964	$30,131	100 %	$28,058	$30,009	100 %

At March 31, 2015 and December 31, 2014, approximately 53% and 52%, respectively, of the securities rated AAA were GNMA, FNMA and FHLMC mortgage backed securities. No holdings of any other issuer were greater than 10% of total equity.

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

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

	March 31, 2015								
	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	113	$1,335	$ (33)	14	$169	$ (5)	127	$1,504	$ (38)
Residential mortgage backed securities	69	871	(5)	143	1,389	(47)	212	2,260	(52)
Commercial mortgage backed securities	11	113	(1)	6	85	(1)	17	198	(2)
Asset backed securities	15	171	—	12	218	(3)	27	389	(3)
State and municipal obligations	21	46	(1)	3	102	(26)	24	148	(27)
Foreign government bonds and obligations	3	7	(1)	14	26	(5)	17	33	(6)
Total	232	$2,543	$ (41)	192	$1,989	$ (87)	424	$4,532	$ (128)

	December 31, 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	182	$2,165	$ (41)	40	$689	$ (18)	222	$2,854	$ (59)
Residential mortgage backed securities	73	879	(7)	138	1,387	(53)	211	2,266	(60)
Commercial mortgage backed securities	15	173	—	12	131	(3)	27	304	(3)
Asset backed securities	17	201	(2)	14	238	(4)	31	439	(6)
State and municipal obligations	11	29	(1)	10	115	(25)	21	144	(26)
Foreign government bonds and obligations	4	10	(1)	14	27	(5)	18	37	(6)
Total	302	$3,457	$ (52)	228	$2,587	$ (108)	530	$6,044	$ (160)

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

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

	Three Months Ended March 31,	
	2015	2014
	(in millions)	

Beginning balance	$98	$147
Credit losses for which an other-than-temporary impairment was previously recognized	1	—
Ending balance	$99	$147

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

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

	Net Unrealized Securities Gains	Deferred Income Tax	AOCI Related to Net Unrealized Securities Gains
	(in millions)		
Balance at January 1, 2014	$1,016	$(361)	$ 655
Net unrealized securities gains arising during the period [(1)]	370	(131)	239
Reclassification of net securities gains included in net income	(5)	2	(3)
Impact of other adjustments	(140)	49	(91)
Balance at March 31, 2014	$1,241	$(441)	$ 800 [(2)]
Balance at January 1, 2015	$1,216	$(430)	$ 786
Net unrealized securities gains arising during the period [(1)]	228	(81)	147
Reclassification of net securities gains included in net income	(11)	4	(7)
Impact of other adjustments	(106)	37	(69)
Balance at March 31, 2015	$1,327	$(470)	$ 857 [(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 $1 million of noncredit related impairments on securities and net unrealized securities losses on previously impaired securities at March 31, 2015 and 2014, respectively.
Net realized gains and losses on Available-for-Sale securities, determined using the specific identification method, recognized in earnings were as follows:

	Three Months Ended March 31,	
	2015	2014
	(in millions)	
Gross realized gains	$17	$7
Gross realized losses	(5)	(1)
Other-than-temporary impairments	(1)	(1)
Total	$11	$5

Other-than-temporary impairments for the three months ended March 31, 2015 primarily related to credit losses on non-agency residential mortgage backed securities. Other-than-temporary impairments for the three months ended March 31, 2014 primarily related to the Company’s decision to sell a corporate debt security and credit losses on non-agency residential mortgage backed securities.

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

Available-for-Sale securities by contractual maturity at March 31, 2015 were as follows:

	Amortized Cost	Fair Value
	(in millions)	
Due within one year	$1,505	$1,520
Due after one year through five years	6,818	7,363
Due after five years through 10 years	5,055	5,343
Due after 10 years	4,526	5,536
	17,904	19,762
Residential mortgage backed securities	6,147	6,270
Commercial mortgage backed securities	2,560	2,694
Asset backed securities	1,353	1,405
Common stocks	8	19
Total	$27,972	$30,150

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

5. Financing Receivables

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

Allowance for Loan Losses

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

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

	Three Months Ended March 31,	
	2015	2014
	(in millions)	
Beginning balance	$35	$37
Charge-offs	(2)	(3)
Provisions	1	—
Ending balance	$34	$34
Individually evaluated for impairment	$8	$7
Collectively evaluated for impairment	26	27

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

	March 31, 2015	December 31, 2014

	(in millions)	
Individually evaluated for impairment	$41	$ 42
Collectively evaluated for impairment	3,870	3,951
Total	$3,911	$ 3,993

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

As of March 31, 2015 and December 31, 2014, the Company's recorded investment in financing receivables individually evaluated for impairment for which there was no related allowance for loan losses was $15 million and $13 million, respectively. Unearned income, unamortized premiums and discounts, and net unamortized deferred fees and costs are not material to the Company's total loan balance. During the three months ended March 31, 2015 and 2014, the Company purchased $13 million and $65 million, respectively, and sold $6 million and $4 million, respectively, of syndicated and commercial mortgage loans.

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

Credit Quality Information

Nonperforming loans, which are generally loans 90 days or more past due, were $10 million and $12 million as of March 31, 2015 and December 31, 2014, respectively. All other loans were considered to be performing.

Commercial Mortgage Loans

The Company reviews the credit worthiness of the borrower and the performance of the underlying properties in order to determine the risk of loss on commercial mortgage loans. Based on this review, the commercial mortgage loans are assigned an internal risk rating, which management updates as necessary. Commercial mortgage loans which management has assigned its highest risk rating were 1% of total commercial mortgage loans at both March 31, 2015 and December 31, 2014. Loans with the highest risk rating represent distressed loans which the Company has identified as impaired or expects to become delinquent or enter into foreclosure within the next six months. In addition, the Company reviews the concentrations of credit risk by region and property type.

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

	Loans		Percentage			
	March 31, 2015	December 31, 2014	March 31, 2015		December 31, 2014	
	(in millions)					
East North Central	$208	$238	8	%	9	%
East South Central	55	62	2		2	
Middle Atlantic	208	217	8		8	
Mountain	253	245	9		9	
New England	139	140	5		5	
Pacific	693	694	26		25	
South Atlantic	731	740	27		27	
West North Central	238	233	9		9	
West South Central	158	160	6		6	
	2,683	2,729	100	%	100	%
Less: allowance for loan losses	23	25				
Total	$2,660	$2,704				

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

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

	Loans		Percentage	
	March 31, 2015	December 31, 2014	March 31, 2015	December 31, 2014
	(in millions)			
Apartments	$501	$500	19 %	18 %
Hotel	33	34	1	1
Industrial	451	461	17	17
Mixed use	45	45	2	2
Office	527	545	19	20
Retail	965	988	36	36
Other	161	156	6	6
	2,683	2,729	100 %	100 %
Less: allowance for loan losses	23	25		
Total	$2,660	$2,704		

Syndicated Loans

The recorded investment in syndicated loans at March 31, 2015 and December 31, 2014 was $505 million and $511 million, respectively. The Company's syndicated loan portfolio is diversified across industries and issuers. The primary credit indicator for syndicated loans is whether the loans are performing in accordance with the contractual terms of the syndication. Total nonperforming syndicated loans at March 31, 2015 and December 31, 2014 were $5 million and $4 million, respectively.

Consumer Loans

The recorded investment in consumer loans at March 31, 2015 and December 31, 2014 was $723 million and $753 million, respectively. The Company considers the credit worthiness of borrowers (FICO score), collateral characteristics such as loan-to-value ("LTV") and geographic concentration in determining the allowance for loan losses for consumer loans. At a minimum, management updates FICO scores and LTV ratios semiannually.

As of both March 31, 2015 and December 31, 2014, approximately 6% of consumer loans had FICO scores below 640. As of both March 31, 2015 and December 31, 2014, approximately 2% of the Company's residential mortgage loans had LTV ratios greater than 90%. The Company's most significant geographic concentration for consumer loans is in California representing 37% of the portfolio as of both March 31, 2015 and December 31, 2014, respectively. No other state represents more than 10% of the total consumer loan portfolio.

Troubled Debt Restructurings

The recorded investment in restructured loans was not material as of March 31, 2015 and December 31, 2014. The troubled debt restructurings did not have a material impact to the Company's allowance for loan losses or income recognized for the three months ended March 31, 2015 and 2014. 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

The balances of and changes in DAC were as follows:

	2015	2014
	(in millions)	
Balance at January 1	$2,608	$2,663
Capitalization of acquisition costs	80	79
Amortization	(75)	(87)
Impact of change in net unrealized securities gains	(11)	(25)
Balance at March 31	$2,602	$2,630

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

	2015	2014
	(in millions)	
Balance at January 1	$362	$409
Capitalization of sales inducement costs	1	1
Amortization	(9)	(13)
Impact of change in net unrealized securities gains	(2)	(5)
Balance at March 31	$352	$392

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:

	March 31, 2015	December 31, 2014
	(in millions)	
Policyholder account balances		
Fixed annuities	$12,216	$12,700
Variable annuity fixed sub-accounts	4,849	4,860
Variable universal life (“VUL”)/universal life (“UL”) insurance	2,858	2,856
Indexed universal life (“IUL”) insurance	590	534
Other life insurance	826	840
Total policyholder account balances	21,339	21,790
Future policy benefits		
Variable annuity guaranteed minimum withdrawal benefits (“GMWB”)	1,040	693
Variable annuity guaranteed minimum accumulation benefits (“GMAB”)[1]	(35)	(41)
Other annuity liabilities	124	115
Fixed annuities life contingent liabilities	1,502	1,511
Equity indexed annuities (“EIA”)	29	29
Life, disability income and long term care insurance	5,277	5,106
VUL/UL and other life insurance additional liabilities	463	437
Total future policy benefits	8,400	7,850
Policy claims and other policyholders’ funds	743	710
Total policyholder account balances, future policy benefits and claims	$30,482	$30,350

(1) Includes the value of GMAB embedded derivatives that was a net asset at both March 31, 2015 and December 31, 2014 reported as a contra liability.

Separate account liabilities consisted of the following:

	March 31, 2015	December 31, 2014
	(in millions)	
Variable annuity	$73,087	$72,125
VUL insurance	7,110	7,016
Other insurance	37	37
Threadneedle investment liabilities	4,009	4,078
Total	$84,243	$83,256

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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:

	March 31, 2015				December 31, 2014			
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	$56,429	$54,623	$20	64	$55,378	$53,565	$24	64
Five/six-year reset	10,269	7,728	25	65	10,360	7,821	28	64
One-year ratchet	7,395	7,016	30	66	7,392	7,006	39	66
Five-year ratchet	1,774	1,717	1	63	1,773	1,717	2	63
Other	955	937	38	70	959	941	38	70
Total — GMDB	$76,822	$72,021	$114	64	$75,862	$71,050	$131	64
GGU death benefit	$1,104	$1,052	$126	67	$1,072	$1,019	$123	67
GMIB	$331	$310	$9	67	$343	$321	$9	67
GMWB:								
GMWB	$3,641	$3,629	$1	68	$3,671	$3,659	$1	68
GMWB for life	37,711	37,607	93	65	36,843	36,735	95	65
Total — GMWB	$41,352	$41,236	$94	65	$40,514	$40,394	$96	65
GMAB	$4,307	$4,293	$1	58	$4,247	$4,234	$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:

	March 31, 2015	December 31, 2014

	Net Amount at Risk	Weighted Average Attained Age	Net Amount at Risk	Weighted Average Attained Age
	(in millions, except age)			
UL secondary guarantees	$6,162	63	$6,076	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.

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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, 2014	$4	$6	$(383)	$(62)	$206
Incurred claims	1	—	116	(7)	19
Paid claims	(1)	—	—	—	(4)
Balance at March 31, 2014	$4	$6	$(267)	$(69)	$221
Balance at January 1, 2015	$9	$7	$693	$(41)	$263
Incurred claims	1	—	347	6	22
Paid claims	(1)	—	—	—	(6)
Balance at March 31, 2015	$9	$7	$1,040	$(35)	$279

[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:

	March 31, 2015	December 31, 2014
	(in millions)	
Mutual funds:		
Equity	$41,882	$41,403
Bond	25,115	25,060
Other	4,800	4,490
Total mutual funds	$71,797	$70,953

9. Debt

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

Outstanding Balance