

AMERIPRISE FINANCIAL INC  
Form 10-Q  
May 03, 2017

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
FORM 10-Q

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

For the Quarterly Period Ended March 31, 2017

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

For the Transition Period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No. 1-32525

AMERIPRISE FINANCIAL, INC.

(Exact name of registrant as specified in its charter)

Delaware

13-3180631

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

1099 Ameriprise Financial Center, Minneapolis, Minnesota 55474

(Address of principal executive offices) (Zip Code)

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

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

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

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

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

Large

Accelerated Filer

Filer

Smaller reporting company

~~Not an emerging growth~~ company o  
Filer o  
(Do  
not  
check  
if  
a  
smaller  
reporting  
company)

If an emerging growth  
company, indicate by check  
mark if the registrant has  
elected not to use the  
extended transition period for  
complying with any new or  
revised financial accounting  
standards provided pursuant  
to Section 13(a) of the  
Exchange Act. 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 21, 2017
Common Stock (par value \$.01 per share)	152,453,907 shares

AMERIPRISE FINANCIAL, INC.

FORM 10-Q

INDEX

Part I. Financial  
Information

Item

1.

Financial

Statements

(Unaudited)

Consolidated

Statements

of

Operations

— Three

months

ended

March

31,

2017

and

2016

Consolidated

Statements

of

Comprehensive

Income

— Three

~~4~~ months

ended

March

31,

2017

and

2016

Consolidated

Balance

Sheets

— March

~~3~~ 1,

2017

and

December

31,

2016

Consolidated

Statements

of

Equity

— Three  
months  
ended  
March  
31,  
2017  
and  
2016  
Consolidated  
Statements  
of  
Cash  
Flows  
— Three  
months  
ended  
March  
31,  
2017  
and  
2016  
Notes  
to  
Consolidated  
Financial  
Statements  
1.  
Basis  
of  
Presentation  
2.  
Recent  
Accounting  
Pronouncements  
3.  
Variable  
Interest  
Entities  
4.  
Investments  
5.  
Financing  
Receivables  
6.  
Deferred  
Acquisition  
Costs  
and  
Deferred  
Sales  
Inducement

Costs

7.

Policyholder

Account

Balances,

Future

Policy

~~Benefits~~

and

Claims

and

Separate

Account

Liabilities

8.

Variable

Annuity

~~and~~

Insurance

Guarantees

9

~~Debt~~

10.

Fair

Values

~~26~~

Assets

and

Liabilities

11.

Offsetting

~~Assets~~

and

Liabilities

12.

Derivatives

~~38d~~

Hedging

Activities

13.

~~Shareholders'~~

Equity

14.

~~Income~~

Taxes

15.

~~Contingencies~~

16.

Earnings

~~per~~

Share

17.

~~37~~gment  
Information  
Item

2. Management's  
Discussion  
and  
Analysis

of  
~~49~~  
Financial  
Condition  
and  
Results

of  
Operations  
Item

3. Quantitative  
and

Qualitative  
~~8~~  
Disclosures

About  
Market  
Risk

Item

4. Controls  
~~73~~  
and

Procedures

Part II. Other  
~~74~~  
Information

Item

~~74~~ Legal  
Proceedings

Item

~~74~~. Risk  
Factors

Item

2. Unregistered  
Sales

of

Equity

~~74~~  
Securities

and

Use

of

Proceeds

Item

~~74~~ Exhibits

~~55~~  
Signatures

Exhibit

Index



## AMERIPRISE FINANCIAL, INC.

## PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

## CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	Three Months Ended March 31, 2017 2016 (in millions, except per share amounts)	
Revenues		
Management and financial advice fees	\$1,482	\$1,386
Distribution fees	443	435
Net investment income	391	331
Premiums	339	368
Other revenues	256	254
Total revenues	2,911	2,774
Banking and deposit interest expense	10	9
Total net revenues	2,901	2,765
Expenses		
Distribution expenses	823	770
Interest credited to fixed accounts	162	146
Benefits, claims, losses and settlement expenses	567	482
Amortization of deferred acquisition costs	72	110
Interest and debt expense	50	55
General and administrative expense	752	727
Total expenses	2,426	2,290
Pretax income	475	475
Income tax provision	72	111
Net income	\$403	\$364
Earnings per share		
Basic	\$2.56	\$2.11
Diluted	\$2.52	\$2.09
Cash dividends declared per common share	\$0.75	\$0.67
Supplemental Disclosures:		
Total other-than-temporary impairment losses on securities	\$(1 )	\$(2 )
Portion of loss recognized in other comprehensive income (before taxes)	—	1
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)

	Three Months Ended March 31, 2017 2016 (in millions)	
Net income	\$403	\$364
Other comprehensive income, net of tax:		
Foreign currency translation adjustment	7	(11 )
Net unrealized gains on securities	7	193
Net unrealized gains on derivatives	1	1
Defined benefit plans	5	—
Other	(1 )	—
Total other comprehensive income, net of tax	19	183
Total comprehensive income	\$422	\$547

See Notes to Consolidated Financial Statements.

## AMERIPRISE FINANCIAL, INC.

## CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	March 31, 2017	December 31, 2016
	(in millions, except share amounts)	
<b>Assets</b>		
Cash and cash equivalents	\$1,996	\$2,318
Cash of consolidated investment entities	181	168
Investments	35,771	35,834
Investments of consolidated investment entities, at fair value	2,249	2,254
Separate account assets	82,169	80,210
Receivables	5,355	5,299
Receivables of consolidated investment entities, at fair value	17	11
Deferred acquisition costs	2,643	2,648
Restricted and segregated cash and investments	3,403	3,331
Other assets	7,073	7,748
Total assets	\$140,857	\$139,821
<b>Liabilities and Equity</b>		
<b>Liabilities:</b>		
Policyholder account balances, future policy benefits and claims	\$29,762	\$30,202
Separate account liabilities	82,169	80,210
Customer deposits	10,316	10,036
Short-term borrowings	200	200
Long-term debt	2,911	2,917
Debt of consolidated investment entities, at fair value	2,341	2,319
Accounts payable and accrued expenses	1,470	1,727
Other liabilities	5,375	5,823
Other liabilities of consolidated investment entities, at fair value	86	95
Total liabilities	134,630	133,529
<b>Equity:</b>		
<b>Ameriprise Financial, Inc.:</b>		
Common shares (\$.01 par value; shares authorized, 1,250,000,000; shares issued, 325,634,302 and 324,006,315, respectively)	3	3
Additional paid-in capital	7,857	7,765
Retained earnings	10,633	10,351
Treasury shares, at cost (172,645,698 and 169,246,411 shares, respectively)	(12,485 )	(12,027 )
Accumulated other comprehensive income, net of tax	219	200
Total equity	6,227	6,292
Total liabilities and equity	\$140,857	\$139,821
See Notes to Consolidated Financial Statements.		

## AMERIPRISE FINANCIAL, INC.

## CONSOLIDATED STATEMENTS OF EQUITY (UNAUDITED)

	Ameriprise Financial, Inc.									
	Number of Common Outstanding 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	
	(in millions, except share data)									
Balances at January 1, 2016 <sup>(1)</sup>	1,033	\$260,611	\$ 9,525	\$ 137	\$ (10,338)	253	\$ 7,191	\$ 1,188	\$ 8,379	
Cumulative effect of change in accounting policies	—	—	1	(137)	—	6	(130)	(1,188)	(1,318)	
Comprehensive income:										
Net income	—	—	364	—	—	—	364	—	364	
Other comprehensive income, net of tax	—	—	—	—	—	183	183	—	183	
Total comprehensive income							547	—	547	
Dividends to shareholders	—	—	(117)	—	—	—	(117)	—	(117)	
Repurchase of common shares	5,542,213	—	—	—	(485)	—	(485)	—	(485)	
Share-based compensation plans	1,313,404	—	—	—	62	—	61	—	61	
Balances at March 31, 2016 <sup>(1)</sup>	1,668,804	\$497,610	\$ 9,773	\$ —	\$ (10,761)	442	\$ 7,067	\$ —	\$ 7,067	
Balances at January 1, 2017	1,475,997	\$907,765	\$ 10,351	\$ —	\$ (12,027)	200	\$ 6,292	\$ —	\$ 6,292	
Comprehensive income:										
Net income	—	—	403	—	—	—	403	—	403	
Other comprehensive income, net of tax	—	—	—	—	—	19	19	—	19	
Total comprehensive income							422	—	422	
Dividends to shareholders	—	—	(121)	—	—	—	(121)	—	(121)	
Repurchase of common shares	4,118,826	—	—	—	(509)	—	(509)	—	(509)	
Share-based compensation plans	2,347,526	—	—	—	51	—	143	—	143	
Balances at March 31, 2017	1,298,888	\$607,857	\$ 10,631	\$ —	\$ (12,485)	219	\$ 6,227	\$ —	\$ 6,227	

<sup>(1)</sup> Prior period retained earnings were restated in the fourth quarter of 2016. See Note 1 in the Company's Annual Report on Form 10-K for the year ended December 31, 2016.

See Notes to Consolidated Financial Statements.

## AMERIPRISE FINANCIAL, INC.

## CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	March 31,	
	2017	2016
	(in millions)	
Cash Flows from Operating Activities		
Net income	\$403	\$364
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion, net	63	65
Deferred income tax expense	38	36
Share-based compensation	31	34
Net realized investment losses (gains)	(19 )	12
Net trading gains	(1 )	(2 )
Loss from equity method investments	12	9
Other-than-temporary impairments and provision for loan losses	1	—
Net losses of consolidated investment entities	3	4
Changes in operating assets and liabilities:		
Restricted and segregated investments	25	50
Deferred acquisition costs	5	28
Other investments, net	(98 )	(4 )
Policyholder account balances, future policy benefits and claims, net	(434)	669
Derivatives, net of collateral	304	(382 )
Receivables	(59 )	(62 )
Brokerage deposits	77	(108 )
Accounts payable and accrued expenses	(259 )	(295 )
Other operating assets and liabilities of consolidated investment entities, net	—	(12 )
Other, net	(86 )	210
Net cash provided by operating activities	6	616
Cash Flows from Investing Activities		
Available-for-Sale securities:		
Proceeds from sales	46	154
Maturities, sinking fund payments and calls	1,274	956
Purchases	(1,135)	(1,366)
Proceeds from sales, maturities and repayments of mortgage loans	117	410
Funding of mortgage loans	(112 )	(119 )
Proceeds from sales and collections of other investments	90	32
Purchase of other investments	(54 )	(46 )
Purchase of investments by consolidated investment entities	(285 )	(158 )
Proceeds from sales, maturities and repayments of investments by consolidated investment entities	296	182
Purchase of land, buildings, equipment and software	(33 )	(28 )
Other, net	7	(16 )
Net cash provided by investing activities	\$211	\$1

See Notes to Consolidated Financial Statements.

## AMERIPRISE FINANCIAL, INC.

## CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED) (Continued)

	March 31,	
	2017	2016
	(in millions)	
Cash Flows from Financing Activities		
Investment certificates:		
Proceeds from additions	\$1,284	\$ 1,159
Maturities, withdrawals and cash surrenders	(1,083 )	(807 )
Policyholder account balances:		
Deposits and other additions	502	481
Net transfers from (to) separate accounts	(23 )	33
Surrenders and other benefits	(507 )	(497 )
Cash paid for purchased options with deferred premiums	(58 )	(85 )
Cash received from purchased options with deferred premiums	—	33
Repayments of long-term debt	(2 )	(19 )
Dividends paid to shareholders	(117 )	(115 )
Repurchase of common shares	(436 )	(481 )
Exercise of stock options	6	2
Repayments of debt by consolidated investment entities	—	(26 )
Net cash used in financing activities	(434 )	(322 )
Effect of exchange rate changes on cash	5	(12 )
Net increase (decrease) in cash, cash equivalents and restricted cash	(212 )	283
Cash, cash equivalents and restricted cash at beginning of period	5,392	5,407
Net cash outflows upon the deconsolidation of VIEs	—	(346 )
Cash, cash equivalents and restricted cash at end of period	\$5,180	\$ 5,344
Supplemental Disclosures:		
Interest paid excluding consolidated investment entities	\$40	\$ 28
Interest paid by consolidated investment entities	20	25
Income taxes paid, net	137	23
Non-cash investing activity:		
Partnership commitments not yet remitted	9	10
	March	December
	31,	31, 2016
	2017	
	(in millions)	
Reconciliation of cash, cash equivalents and restricted cash:		
Cash and cash equivalents	\$1,996	\$ 2,318
Cash of consolidated investment entities	181	168
Restricted and segregated cash and investments	3,403	3,331
Less: Restricted and segregated investments	(400 )	(425 )
Total cash, cash equivalents and restricted cash per consolidated statements of cash flows	\$5,180	\$ 5,392
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 Threadneedle Asset Management Holdings Sàrl and Ameriprise Asset Management Holdings GmbH (collectively, "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"). All intercompany transactions and balances have been eliminated in consolidation. See Note 3 for additional information on VIEs.

The interim financial information in this report has not been audited. In the opinion of management, all adjustments necessary for fair statement of the consolidated results of operations and financial position for the interim periods have been made. Except for the adjustment described below, all adjustments made were of a normal recurring nature. In the first quarter of 2017, the Company recorded a \$20 million decrease to income tax provision related to an out-of-period correction for a reversal of a tax reserve. The impact to prior period financial statements was not material.

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, 2016, filed with the Securities and Exchange Commission ("SEC") on February 23, 2017 ("2016 10-K"). 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. No subsequent events or transactions were identified.

2. Recent Accounting Pronouncements

Adoption of New Accounting Standards

Statement of Cash Flows – Restricted Cash

In November 2016, the Financial Accounting Standards Board ("FASB") updated the accounting standards related to the classification of restricted cash on the statement of cash flows. The update requires entities to include restricted cash and restricted cash equivalents in cash and cash equivalent balances on the statement of cash flows and disclose a reconciliation between the balances on the statement of cash flows and the balance sheet. The standard is effective for interim and annual periods beginning after December 15, 2017, with early adoption permitted. The Company early adopted the standard for the interim period ended March 31, 2017 on a retrospective basis. As a result of the adoption of the standard, restricted cash balances of \$3.0 billion and \$2.9 billion as of March 31, 2017 and December 31, 2016, respectively, are included in the cash and cash equivalents balances on the Company's consolidated statements of cash flows. The impact of the change in restricted cash was not material to the Company's operating, investing or financing cash flows for the prior period presented.

Statement of Cash Flows – Classification of Certain Cash Receipts and Cash Payments

In August 2016, the FASB updated the accounting standards related to classification of certain cash receipts and cash payments on the statement of cash flows. The update includes amendments to address diversity in practice for the classification of eight specific cash flow activities. The specific amendments the Company evaluated include the classification of debt prepayment and extinguishment costs, contingent consideration payments, proceeds from insurance settlements and corporate owned life insurance settlements, distributions from equity method investees and the application of the predominance principle to separately identifiable cash flows. The standard is effective for interim and annual periods beginning after December 15, 2017. Early adoption is permitted and all amendments must be adopted during the same period. The Company early adopted the standard for the interim period ended March 31, 2017 on a retrospective basis. The adoption of the standard did not have a material impact on the Company's operating,

investing or financing cash flows.

**Compensation – Stock Compensation**

In March 2016, the FASB updated the accounting standards related to employee share-based payments. The update requires all excess tax benefits and tax deficiencies to be recognized as income tax expense or benefit in the income statement. This change is required to be applied prospectively to excess tax benefits and tax deficiencies resulting from settlements after the date of adoption. No adjustment is recorded for any excess tax benefits or tax deficiencies previously recorded in additional paid in capital. The update also requires excess tax benefits to be classified along with other income tax cash flows as an operating activity in the statement of cash flows. This provision can be applied on either a prospective or retrospective basis. The update permits entities to make an accounting policy election to recognize forfeitures as they occur rather than estimating forfeitures to determine the recognition of expense for share-based payment awards. The standard is effective for interim and annual periods beginning after December 15, 2016 with early

AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

adoption permitted. The Company adopted the standard on January 1, 2017 on a prospective basis, except for the cash flow statement provision, which the Company applied on a retrospective basis. During periods in which the settlement date value differs materially from the grant date fair value of certain share-based payment awards, the Company may experience volatility in income tax recognized in its consolidated results of operations. During the three months ended March 31, 2017, the Company recognized net excess tax benefits of \$28 million as a reduction to the income tax provision in the consolidated statements of operations. The Company maintained its accounting policy of estimating forfeitures. As a result of the adoption of the standard, net excess tax benefits of \$28 million and \$3 million for the three months ended March 31, 2017 and 2016, respectively, are included in the Other, net line within operating cash flows on the Company's consolidated statements of cash flows.

Future Adoption of New Accounting Standards

Receivables - Premium Amortization on Purchased Callable Debt Securities

In March 2017, the FASB updated the accounting standards to shorten the amortization period for certain purchased callable debt securities held at a premium. Under current guidance, premiums are generally amortized over the contractual life of the security. The amendments require the premium to be amortized to the earliest call date. The update applies to securities with explicit, non-contingent call features that are callable at fixed prices and on preset dates. The standard is effective for interim and annual periods beginning after December 15, 2018, and should be applied on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. Early adoption is permitted. The update is not expected to have a material impact on the Company's consolidated results of operations or financial condition.

Intangibles – Goodwill and Other – Simplifying the Test for Goodwill Impairment

In January 2017, the FASB updated the accounting standards to simplify the accounting for goodwill impairment. The update removes the hypothetical purchase price allocation (Step 2) of the goodwill impairment test. Goodwill impairment will now be the amount by which a reporting unit's carrying value exceeds its fair value. The standard is effective for interim and annual periods beginning after December 15, 2019, and should be applied prospectively with early adoption permitted for any impairment tests performed after January 1, 2017. The update is not expected to have a material impact on the Company's consolidated results of operations or financial condition.

Income Taxes – Intra-Entity Transfers of Assets Other Than Inventory

In October 2016, the FASB updated the accounting standards related to the recognition of income tax impacts on intra-entity transfers. The update requires entities to recognize the income tax consequences of intra-entity transfers, other than inventory, upon the transfer of the asset. The update requires the selling entity to recognize a current tax expense or benefit and the purchasing entity to recognize a deferred tax asset or liability when the transfer occurs. The standard is effective for interim and annual periods beginning after December 15, 2017. Early adoption is permitted. The Company is currently evaluating the impact of the standard on its consolidated results of operations and financial condition.

Financial Instruments – Measurement of Credit Losses

In June 2016, the FASB updated the accounting standards related to accounting for credit losses on certain types of financial instruments. The update replaces the current incurred loss model for estimating credit losses with a new model that requires an entity to estimate the credit losses expected over the life of the asset. Generally, the initial estimate of the expected credit losses and subsequent changes in the estimate will be reported in current period earnings and recorded through an allowance for credit losses on the balance sheet. The current credit loss model for Available-for-Sale debt securities does not change; however, the credit loss calculation and subsequent recoveries are required to be recorded through an allowance. The standard is effective for interim and annual periods beginning after December 15, 2019. Early adoption will be permitted for interim and annual periods beginning after December 15, 2018. A modified retrospective cumulative adjustment to retained earnings should be recorded as of the first reporting period in which the guidance is effective for loans, receivables, and other financial instruments subject to the new expected credit loss model. Prospective adoption is required for establishing an allowance related to



Available-for-Sale debt securities, certain beneficial interests, and financial assets purchased with a more-than-insignificant amount of credit deterioration since origination. The Company is currently evaluating the impact of the standard on its consolidated results of operations and financial condition.

**Leases – Recognition of Lease Assets and Liabilities on Balance Sheet**

In February 2016, the FASB updated the accounting standards for leases. The update was issued to increase transparency and comparability for the accounting of lease transactions. The standard will require most lease transactions for lessees to be recorded on the balance sheet as lease assets and lease liabilities and both quantitative and qualitative disclosures about leasing arrangements. The Company currently discloses information related to operating lease arrangements within Note 23 of the 2016 10-K. The standard is effective for interim and annual periods beginning after December 15, 2018 with early adoption permitted. The update should be applied at the beginning of the earliest period presented using a modified retrospective approach. The Company is currently evaluating the impact of the standard on its consolidated results of operations and financial condition.

AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

#### Financial Instruments – Recognition and Measurement of Financial Assets and Financial Liabilities

In January 2016, the FASB updated the accounting standards on the recognition and measurement of financial instruments. The update requires entities to carry marketable equity securities, excluding investments in securities that qualify for the equity method of accounting, at fair value with changes in fair value reflected in net income each reporting period. The update affects other aspects of accounting for equity instruments, as well as the accounting for financial liabilities utilizing the fair value option. The update eliminates the requirement to disclose the methods and assumptions used to estimate the fair value of financial assets or liabilities held at cost on the balance sheet and requires entities to use the exit price notion when measuring the fair value of financial instruments. The standard is effective for interim and annual periods beginning after December 15, 2017. Early adoption is permitted for certain provisions. Generally, the update should be applied using a modified retrospective approach by recording a cumulative-effect adjustment to equity at the beginning of the period of adoption. The update is not expected to have a material impact on the consolidated results of operations or 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 and requires disclosure of quantitative and qualitative information that enables users of financial statements to understand the nature, amount, timing, and uncertainty of revenues and cash flows arising from contracts with customers. Subsequent related updates provide clarification on certain revenue recognition guidance in the new standard. The standard is effective for interim and annual periods beginning after December 15, 2017 and early adoption is permitted for interim and annual periods beginning after December 15, 2016. The standard may be applied retrospectively for all periods presented or retrospectively with a cumulative-effect adjustment at the date of adoption. The Company plans to adopt the revenue recognition guidance in the first quarter of 2018. The update does not apply to revenue associated with the manufacturing of insurance and annuity products or financial instruments as these revenues are in the scope of other standards. Therefore, the Company does not expect the update to have an impact on these revenues. The Company's implementation efforts include the identification of revenue within the guidance and the review of the customer contracts to determine the Company's performance obligation and the associated timing of each performance obligation. The Company is reviewing certain payments received to determine whether they should be presented as revenue or as a reduction of expense. The Company does not expect a material impact to the timing of revenue recognition; however, the Company's implementation effort to assess the impact of the standard on its consolidated results of operations, financial condition, and disclosures is still in process.

#### 3. Variable Interest Entities

The Company provides asset management services to investment entities which are considered to be VIEs, such as collateralized loan obligations ("CLOs"), hedge funds, property funds, certain international series funds (Open Ended Investment Companies and Societes d'Investissement A Capital Variable) and private equity funds (collectively, "investment entities"), which are sponsored by the Company. In addition, the Company invests in structured investments other than CLOs and certain affordable housing partnerships which are considered VIEs. The Company consolidates certain investment entities (collectively, "consolidated investment entities"). If the Company is deemed to be the primary beneficiary, it will consolidate the VIE. 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.

#### CLOs

CLOs 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 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 earns management fees from the CLOs based on the CLO's collateral pool and, in certain instances, may also receive incentive fees. The fee arrangement is at market and commensurate with the level of effort required to provide those services. The Company has invested in a portion of the unrated, junior subordinated notes of certain CLOs. The Company has determined that consolidation is required for certain CLOs.

The Company's maximum exposure to loss with respect to non-consolidated CLOs is limited to its investments amortized cost, which was \$9 million as of both March 31, 2017 and December 31, 2016. The Company classifies these investments as Available-for-Sale securities. See Note 4 for additional information on these investments.

AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

Property Funds

The Company provides investment advice and related services to property funds, 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 fee arrangement is at market and commensurate with the level of effort required to provide those services. The Company does not have a significant economic interest and is not required to consolidate the property funds. The carrying value of the Company's investment in property funds is reflected in other investments and was \$25 million and \$26 million as of March 31, 2017 and December 31, 2016, respectively.

Hedge Funds and Private Equity Funds

The Company has determined that consolidation is not required for hedge funds and private equity funds which are sponsored by the Company and considered VIEs. For investment management services, the Company earns management fees based on the market value of assets under management, and in certain instances may also receive performance-based fees. The fee arrangement is at market and commensurate with the level of effort required to provide those services. 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 is reflected in other investments and was \$13 million as of both March 31, 2017 and December 31, 2016.

International Series Funds

The Company manages international series funds, which are considered VIEs. For investment management services, the Company earns management fees based on the market value of assets under management, and in certain instances may also receive performance-based fees. The fee arrangement is at market and commensurate with the level of effort required to provide those services. The Company does not consolidate these funds and its maximum exposure to loss is limited to its carrying value. The carrying value of the Company's investment in these funds is reflected in other assets and was \$26 million and \$33 million as of March 31, 2017 and December 31, 2016, respectively.

Affordable Housing Partnerships and Other Real Estate Partnerships

The Company is a limited partner in affordable housing partnerships that qualify for government-sponsored low income housing tax credit programs and partnerships that invest in multi-family residential properties that were originally developed with an affordable housing component. The Company has determined it is not the primary beneficiary and therefore does not consolidate these partnerships.

A majority of the limited partnerships are VIEs. The Company's maximum exposure to loss as a result of its investment in the VIEs is limited to the carrying value. The carrying value is reflected in other investments and was \$481 million and \$482 million as of March 31, 2017 and December 31, 2016, respectively. The Company had a \$134 million and \$135 million liability recorded as of March 31, 2017 and December 31, 2016, respectively, related to original purchase commitments not yet remitted to the VIEs. The Company has not provided any additional support and is not contractually obligated to provide additional support to the VIEs beyond the above mentioned funding commitments.

Structured Investments

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 on these structured investments.

## AMERIPRISE FINANCIAL, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

## Fair Value of Assets and Liabilities

The Company categorizes its fair value measurements according to a three-level hierarchy. See Note 10 for the definition of the three levels of the fair value hierarchy.

The following tables present the balances of assets and liabilities held by consolidated investment entities measured at fair value on a recurring basis:

	March 31, 2017			
	Level 1	Level 2	Level 3	Total
	(in millions)			
Assets				
Investments:				
Corporate debt securities	\$—	\$31	\$2	\$33
Common stocks	20	6	4	30
Other investments	4	—	—	4
Syndicated loans	—	1,959	223	2,182
Total investments	24	1,996	229	2,249
Receivables	—	17	—	17
Total assets at fair value	\$24	\$2,013	\$229	\$2,266
Liabilities				
Debt <sup>(1)</sup>	\$—	\$2,341	\$—	\$2,341
Other liabilities	—	86	—	86
Total liabilities at fair value	\$—	\$2,427	\$—	\$2,427

	December 31, 2016			
	Level 1	Level 2	Level 3	Total
	(in millions)			
Assets				
Investments:				
Corporate debt securities	\$—	\$19	\$—	\$19
Common stocks	22	6	5	33
Other investments	4	—	—	4
Syndicated loans	—	1,944	254	2,198
Total investments	26	1,969	259	2,254
Receivables	—	11	—	11
Total assets at fair value	\$26	\$1,980	\$259	\$2,265
Liabilities				
Debt <sup>(1)</sup>	\$—	\$2,319	\$—	\$2,319
Other liabilities	—	95	—	95
Total liabilities at fair value	\$—	\$2,414	\$—	\$2,414

<sup>(1)</sup> The carrying value of the CLOs' debt is set equal to the fair value of the CLOs' assets. The estimated fair value of the CLOs' debt was \$2.3 billion as of both March 31, 2017 and December 31, 2016.

## AMERIPRISE FINANCIAL, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

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

	Corporate Debt Securities	Common Stocks	Syndicated Loans		
	(in millions)				
Balance, January 1, 2017	\$—	\$ 5	\$ 254		
Total gains included in:					
Net income	—	—	3	(1)	
Purchases	—	—	55		
Sales	—	—	(8	)	
Settlements	—	—	(23	)	
Transfers into Level 3	2	1	72		
Transfers out of Level 3	—	(2	)	(130	)
Balance, March 31, 2017	\$2	\$ 4	\$ 223		

	Common Stocks	Syndicated Loans	Other Assets	Debt	
	(in millions)				
Balance at January 1, 2016, previously reported	\$3	\$ 529	\$2,065	\$(6,630)	
Cumulative effect of change in accounting policies (2)	(2	)	(304	)	6,630
Balance at January 1, 2016, as adjusted	1	225	—	—	
Total losses included in:					
Net income	—	(9	)	(1)	—
Purchases	—	15	—	—	
Settlements	—	(10	)	—	—
Transfers into Level 3	2	139	—	—	
Transfers out of Level 3	(1	)	(60	)	—
Balance, March 31, 2016	\$2	\$ 300	\$—	\$—	

Changes in unrealized losses included in income relating to assets and liabilities held at March 31, 2016 \$— \$ (10 ) (1) \$— \$—

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

(2) The cumulative effect of change in accounting policies includes the adoption impact of ASU 2015-02 - Consolidation: Amendments to the Consolidation Analysis and ASU 2014-13 - Consolidation: Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity.

Securities and loans transferred from Level 3 primarily represent assets with fair values that are now obtained from a third-party pricing service with observable inputs or priced in active markets. Securities and loans transferred to Level 3 represent assets 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.

All Level 3 measurements as of March 31, 2017 and December 31, 2016 were obtained from non-binding broker quotes where unobservable inputs utilized in the fair value calculation are not reasonably available to the Company.



AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

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.

Liabilities

Debt

The fair value of the CLOs' assets, typically syndicated bank loans, is more observable than the fair value of the CLOs' debt tranches for which market activity is limited and less transparent. As a result, the fair value of the CLOs' debt is set equal to the fair value of the CLOs' assets. The fair value of the CLOs' debt is classified as Level 2.

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.

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.



## AMERIPRISE FINANCIAL, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

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

	March 31, 2017	December 31, 2016
	(in millions)	
Syndicated loans		
Unpaid principal balance	\$2,243	\$ 2,281
Excess unpaid principal over fair value	(61 )	(83 )
Fair value	\$2,182	\$ 2,198
Fair value of loans more than 90 days past due	\$15	\$ 8
Fair value of loans in nonaccrual status	15	8
Difference between fair value and unpaid principal of loans more than 90 days past due, loans in nonaccrual status or both	32	34
Debt		
Unpaid principal balance	\$2,459	\$ 2,459
Excess unpaid principal over carrying value	(118 )	(140 )
Carrying value <sup>(1)</sup>	\$2,341	\$ 2,319

<sup>(1)</sup> The carrying value of the CLOs' debt is set equal to the fair value of the CLOs' assets. The estimated fair value of the CLOs' debt was \$2.3 billion as of both March 31, 2017 and December 31, 2016.

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

Total net losses recognized in net investment income related to changes in the fair value of financial assets and liabilities for which the fair value option was elected were \$3 million and \$4 million for the three months ended March 31, 2017 and 2016, respectively.

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

	Carrying Value		Weighted Average Interest Rate	
	March 31, 2017	December 31, 2016	March 31, 2017	December 31, 2016
	(in millions)			
Debt of consolidated CLOs due 2025-2026	\$2,341	\$ 2,319	2.6%	2.5%

The debt of the consolidated CLOs has both fixed and floating interest rates, which range from 0% to 7.0%. The interest rates on the debt of CLOs are weighted average rates based on the outstanding principal and contractual interest rates.

#### 4. Investments

The following is a summary of Ameriprise Financial investments:

	March 31, 2017	December 31, 2016
	(in millions)	
Available-for-Sale securities, at fair value	\$30,582	\$ 30,719
Mortgage loans, net	2,981	2,986
Policy and certificate loans	830	831
Other investments	1,378	1,298

Total \$35,771 \$ 35,834

16

---

## AMERIPRISE FINANCIAL, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

The following is a summary of net investment income:

	Three Months Ended March 31, 2017 2016 (in millions)	
Investment income on fixed maturities	\$337	\$343
Net realized gains (losses)	17	(16 )
Affordable housing partnerships	(12 )	(7 )
Other	24	(17 )
Consolidated investment entities	25	28
Total	\$391	\$331

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

March 31, 2017

Description of Securities	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Noncredit OTTI <sup>(1)</sup>
(in millions)				
Corporate securities	\$ 1,068	\$ (43 )	\$ 16,089	\$ —
Residential mortgage backed securities	80	(64 )	6,882	(1 )
Commercial mortgage backed securities	57	(38 )	3,274	—
Asset backed securities	34	(12 )	1,647	6
State and municipal obligations	204	(25 )	2,400	—
U.S. government and agencies obligations	1	—	8	—
Foreign government bonds and	20	(5 )	264	—

obligations				
Description of Securities Cost	Gross Unrealized		Fair Value	Noncredit OTTI <sup>(1)</sup>
	Gains	Losses		
Common stocks	10	(1 )	18	6
<b>\$20,800</b>	<b>\$ 1,470</b>	<b>\$ (188 )</b>	<b>\$ 30,582</b>	<b>\$ 11</b>
December 31, 2016				
Corporate securities	15,231	\$ 1,065	\$ (60 )	\$ 16,236
Residential mortgage backed securities	6,899	86	(67 )	6,918
Commercial mortgage backed securities	3,347	59	(39 )	3,367
Asset backed securities	1,612	33	(16 )	1,549
State and municipal obligations	2,195	198	(35 )	2,358
U.S. government and agencies obligations	7	1	—	8
Foreign government bonds and obligations	651	17	(7 )	261
Common stocks	10	13	(1 )	22
<b>\$20,472</b>	<b>\$ 1,472</b>	<b>\$ (225 )</b>	<b>\$ 30,719</b>	<b>\$ 8</b>

<sup>(1)</sup> 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, 2017 and December 31, 2016, investment securities with a fair value of \$1.5 billion and \$1.6 billion, respectively, were pledged to meet contractual obligations under derivative contracts and short-term borrowings, of which \$566 million and \$473 million, respectively, may be sold, pledged or rehypothecated by the counterparty.

AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

As of March 31, 2017 and December 31, 2016, fixed maturity securities comprised approximately 85% and 86%, 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. As of both March 31, 2017 and December 31, 2016, the Company’s internal analysts rated \$1.1 billion of securities using criteria similar to those used by NRSROs.

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

March 31, 2017			December 31, 2016		
Rating	Fair Value	Percent of Total Fair Value	Amortized Cost	Fair Value	Percent of Total Fair Value
(in millions, except percentages)					
AAA	\$9,351	31 %	\$9,252	\$9,305	31 %
AA	1,998	6	1,729	1,906	6
A	5,394	18	5,157	5,567	18
BBB	12,226	40	11,739	12,340	40
Below investment grade	551	5	1,585	1,579	5
Total	\$30,564	100 %	\$29,462	\$30,697	100 %

maturities

As of March 31, 2017 and December 31, 2016, approximately 45% and 47%, respectively, of the securities rated AAA were GNMA, FNMA and FHLMC mortgage backed securities. No holdings of any other issuer were greater than 10% of total equity.

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

March 31, 2017

Description of Securities	Less than 12 months		12 months or more		Total	
	Number of Securities	Unrealized Losses	Number of Securities	Unrealized Losses	Number of Securities	Unrealized Losses
(in millions, except number of securities)						
Corporate securities	169	\$ (26)	25	\$ (17)	194	\$ (43)
Residential mortgage backed securities	127	(35)	168	(29)	295	(64)
Commercial mortgage	11	(37)	5	(1)	107	(38)

backed securities								
Asset backed securities	405	(7 )	21	225	(5 )	61	630	(12 )
State and municipal obligations	326	(10 )	3	115	(15 )	156	441	(25 )
Foreign government bonds and obligations	10	—	14	21	(5 )	17	31	(5 )
Common and preferred stocks	—	—	3	1	(1 )	3	1	(1 )
Total	\$6,996	\$ (115 )	239	\$1,858	\$ (73 )	833	\$8,854	\$ (188 )

AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

December 31, 2016

	Less than 12 months		12 months or more		Total		
Description of Securities of Fair Value Securities	Unrealized Losses	Number of Securities	Fair Value	Unrealized Losses	Number of Securities	Fair Value	Unrealized Losses
(in millions, except number of securities)							
Corporate securities	\$2,452	\$ (33 )	38	\$377	\$ (27 )	225	\$2,829 \$ (60 )
Residential mortgage backed securities	127,533	(33 )	177	1,290	(34 )	304	3,823 (67 )
Commercial mortgage backed securities	100,583	(39 )	5	43	—	105	1,626 (39 )
Asset backed securities	524	(9 )	27	298	(7 )	75	822 (16 )
State and municipal obligations	181,374	(14 )	3	110	(21 )	184	484 (35 )
Foreign government bonds and obligations	30	(1 )	15	23	(6 )	22	53 (7 )
Common and preferred stocks	—	—	3	1	(1 )	3	1 (1 )
<b>Total</b>	<b>\$7,496</b>	<b>\$ (129 )</b>	<b>268</b>	<b>\$2,142</b>	<b>\$ (96 )</b>	<b>918</b>	<b>\$9,638 \$ (225 )</b>

As part of Ameriprise Financial's ongoing monitoring process, management determined that the change in gross unrealized losses on its Available-for-Sale securities is attributable to a decrease in interest rates on the long end of the interest rate curve and a modest tightening of credit spreads.

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) ("OCI"):

Three  
Months  
Ended  
March 31,  
2017 2016

		(in millions)
Beginning balance		\$ 69 \$ 85
Credit losses for which an other-than-temporary impairment was not previously recognized		— 1
Credit losses for which an other-than-temporary impairment was previously recognized		1 —
Reductions for securities sold during the period (realized)		— (5 )
Ending balance		\$ 70 \$ 81
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,	
	2017 2016	
	(in millions)	
Gross realized gains	\$ 19	\$ 4
Gross realized losses	—	(4 )
Other-than-temporary impairments	(1 )	(1 )
Total	\$ 18	\$ (1 )

Other-than-temporary impairments for the three months ended March 31, 2017 and 2016 primarily related to credit losses on asset backed securities.

See Note 13 for a rollforward of net unrealized investment gains (losses) included in AOCI.



## AMERIPRISE FINANCIAL, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

Available-for-Sale securities by contractual maturity as of March 31, 2017 were as follows:

	Amortized Cost	Fair Value
	(in millions)	
Due within one year	\$1,701	\$1,718
Due after one year through five years	6,725	7,021
Due after five years through 10 years	4,712	4,832
Due after 10 years	4,407	5,190
	17,545	18,761
Residential mortgage backed securities	6,866	6,882
Commercial mortgage backed securities	3,255	3,274
Asset backed securities	1,625	1,647
Common stocks	9	18
Total	\$29,300	\$30,582

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 the three months ended and the ending balance of the allowance for loan losses by impairment method:

	March 31,	
	2017	2016
	(in millions)	
Beginning balance	\$ 29	\$ 32
Provisions	—	(1 )
Ending balance	\$ 29	\$ 31

Individually evaluated for impairment	\$ 2	\$ 4
---------------------------------------	------	------

Collectively evaluated for impairment	27	27
---------------------------------------	----	----

The recorded investment in financing receivables by impairment method was as follows:

	March 31/December 31,	
	2017	2016
	(in millions)	
Individually evaluated for impairment	\$18	\$ 12
Collectively evaluated for impairment	3,469	3,480
Total	\$3,487	\$ 3,492

As of March 31, 2017 and December 31, 2016, the Company's recorded investment in financing receivables individually evaluated for impairment for which there was no related allowance for loan losses was \$12 million and \$7 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.

## AMERIPRISE FINANCIAL, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

During the three months ended March 31, 2017 and 2016, the Company purchased \$70 million and \$14 million, respectively, of syndicated loans. On March 30, 2016, the Company sold \$271 million of its consumer loans to a third party. The Company received cash proceeds of \$260 million and recognized a loss of \$11 million.

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 \$2 million as of both March 31, 2017 and December 31, 2016. 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 nil of total commercial mortgage loans as of March 31, 2017 and December 31, 2016, 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		
	March 31, 2017	December 31, 2016	March 31, 2017	December 31, 2016	
	(in millions)				
East North Central	\$203	\$ 198	8 %	7 %	
East South Central	87	88	3	3	
Middle Atlantic	200	203	7	8	
Mountain	243	240	9	9	
New England	89	91	3	3	
Pacific	744	746	28	28	
South Atlantic	790	783	29	29	
West North Central	223	222	8	8	
West South Central	133	131	5	5	
	2,712	2,702	100 %	100 %	
Less: allowance for loan losses	21	21			
Total	\$2,691	\$ 2,681			

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

	Loans		Percentage		
	March 31, 2017	December 31, 2016	March 31, 2017	December 31, 2016	
	(in millions)				
Apartments	\$531	\$ 504	20 %	19 %	
Hotel	42	42	1	1	
Industrial	461	446	17	17	
Mixed use	50	49	2	2	
Office	475	489	18	18	
Retail	931	950	34	35	
Other	222	222	8	8	
	2,712	2,702	100 %	100 %	

Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

Less: allowance for loan losses	21	21
Total	\$2,691	\$ 2,681

21

---

## AMERIPRISE FINANCIAL, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

## Syndicated Loans

The recorded investment in syndicated loans as of both March 31, 2017 and December 31, 2016 was \$482 million. 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 as of both March 31, 2017 and December 31, 2016 were \$1 million.

## Consumer Loans

The recorded investment in consumer loans as of March 31, 2017 and December 31, 2016 was \$293 million and \$308 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, 2017 and December 31, 2016, approximately 2% of consumer loans had FICO scores below 640. As of both March 31, 2017 and December 31, 2016, none of the Company's consumer loans had LTV ratios greater than 90%. The Company's most significant geographic concentrations for consumer loans are in California representing 53% and 52% of the portfolio as of March 31, 2017 and December 31, 2016, respectively. Colorado and Washington represent 17% and 13%, respectively, of the portfolio as of March 31, 2017 and 18% and 13%, respectively, as of December 31, 2016. 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, 2017 and December 31, 2016. 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, 2017 and 2016. There are no 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:

	2017	2016
	(in millions)	
Balance at January 1	\$2,648	\$2,730 <sup>(1)</sup>
Capitalization of acquisition costs	67	82
Amortization	(72 )	(110 )
Impact of change in net unrealized securities gains	—	(47 )
Balance at March 31	\$2,643	\$2,655 <sup>(1)</sup>

<sup>(1)</sup> DAC balances were restated for the correction of commission expense accrual for certain insurance and annuity products in the fourth quarter of 2016. See Note 1 in the 2016 10-K.

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

	2017	2016
	(in millions)	
Balance at January 1	\$302	\$335
Capitalization of sales inducement costs	2	1
Amortization	(9 )	(12 )
Impact of change in net unrealized securities gains	—	(8 )
Balance at March 31	\$295	\$316

## AMERIPRISE FINANCIAL, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

## 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, 2017	December 31, 2016
	(in millions)	
Policyholder account balances		
Fixed annuities	\$10,400	\$ 10,588
Variable annuity fixed sub-accounts	5,212	5,211
Variable universal life (“VUL”)/universal life (“UL”) insurance	3,011	3,007
Indexed universal life (“IUL”) insurance	1,127	1,054
Other life insurance	747	758
Total policyholder account balances	20,497	20,618
Future policy benefits		
Variable annuity guaranteed minimum withdrawal benefits (“GMWB”) 637		1,017
Variable annuity guaranteed minimum accumulation benefits (“GMAB”) 53	)( <sup>(1)</sup> 24	)( <sup>(1)</sup>
Other annuity liabilities	71	66
Fixed annuities life contingent liabilities	1,488	1,497
Life, disability income and long term care insurance	5,610	5,556
VUL/UL and other life insurance additional liabilities	615	588
Total future policy benefits	8,368	8,700
Policy claims and other policyholders’ funds	897	884
Total policyholder account balances, future policy benefits and claims	\$29,762	\$ 30,202

<sup>(1)</sup> Includes the fair value of GMAB embedded derivatives that was a net asset as of both March 31, 2017 and December 31, 2016 reported as a contra liability.

Separate account liabilities consisted of the following:

	March 31, 2017	December 31, 2016
	(in millions)	
Variable annuity	\$71,154	\$ 69,606
VUL insurance	6,867	6,659
Other insurance	32	33
Threadneedle investment liabilities	4,116	3,912
Total	\$82,169	\$ 80,210

## 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.

## AMERIPRISE FINANCIAL, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

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

Variable Annuity Guarantees by Benefit Type <sup>(1)</sup>	March 31, 2017				December 31, 2016			
	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)								
<b>GMDB:</b>								
Return of premium	\$57,540	\$55,555	\$ 50	66	\$56,143	\$54,145	\$ 208	65
Five/six-year reset	8,919	6,198	16	66	8,878	6,170	22	66
One-year ratchet	6,474	6,102	33	68	6,426	6,050	110	68
Five-year ratchet	1,560	1,501	2	64	1,542	1,483	7	64
Other	997	973	71	71	965	942	86	71
Total — GMDB	\$75,490	\$70,329	\$ 172	66	\$73,954	\$68,790	\$ 433	65
GGU death benefit	\$1,070	\$1,019	\$ 115	69	\$1,047	\$996	\$ 108	68
GMIB	\$240	\$222	\$ 9	68	\$245	\$227	\$ 13	68
<b>GMWB:</b>								
GMWB	\$2,615	\$2,607	\$ 2	70	\$2,650	\$2,642	\$ 2	70
GMWB for life	40,729	40,594	221	66	39,436	39,282	495	66
Total — GMWB	\$43,344	\$43,201	\$ 223	66	\$42,086	\$41,924	\$ 497	66
GMAB	\$3,385	\$3,378	\$ 4	59	\$3,484	\$3,476	\$ 21	59

<sup>(1)</sup> 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, 2017		December 31, 2016	
	Net Amount at Risk	Weighted Average Attained Age	Net Amount at Risk	Weighted Average Attained Age
(in millions, except age)				
UL secondary guarantees	\$6,407	64	\$6,376	64

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

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

	GMDB & GGU	GMIB <sup>(1)</sup>	GMWB <sup>(1)</sup>	GMAB <sup>(1)</sup>	UL
(in millions)					
Balance at January 1, 2016	\$14	\$ 8	\$1,057	\$—	\$332

Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

Incurring claims	4	—	649	31	22
Paid claims	(4 )	—	—	—	(6 )
Balance at March 31, 2016	\$14	\$ 8	\$1,706	\$ 31	\$348

Balance at January 1, 2017	\$16	\$ 8	\$1,017	\$(24 )	\$434
Incurring claims	1	—	(380 )	(29 )	23
Paid claims	(1 )	(1 )	—	—	(8 )
Balance at March 31, 2017	\$16	\$ 7	\$637	\$(53 )	\$449

<sup>(1)</sup> The incurred claims for GMWB and GMAB represent the change in the fair value of the liabilities (contra liabilities) less paid claims.



## AMERIPRISE FINANCIAL, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

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,	December 31,
	2017	2016
	(in millions)	

## Mutual funds:

Equity	\$42,276	\$ 40,622
Bond	23,220	23,142
Other	5,145	5,326
Total mutual funds	\$70,641	\$ 69,090

## 9. Debt

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

	Outstanding Balance		Stated Interest Rate	
	March 31,	December 31,	March 31,	December 31,
	2017	2016	2017	2016
	(in millions)			
Long-term debt:				
Senior notes due 2019	\$300	\$ 300	7.3%	7.3%
Senior notes due 2020	750	750	5.3	5.3
Senior notes due 2023	750	750	4.0	4.0
Senior notes due 2024	550	550	3.7	3.7
Senior notes due 2026	500	500	2.9	2.9
Capitalized lease obligations	47	49		
Other <sup>(1)</sup>	14	18		
Total long-term debt	2,911	2,917		
Short-term borrowings:				
Federal Home Loan Bank (“FHLB”) advanced	50	150	0.8	0.8
Repurchase agreements	50	50	1.1	0.9
Total short-term borrowings	200	200		
Total	\$3,111	\$ 3,117		

## Short-term borrowings:

Federal Home Loan Bank (“FHLB”) advanced	50	150	0.8	0.8
Repurchase agreements	50	50	1.1	0.9
Total short-term borrowings	200	200		
Total	\$3,111	\$ 3,117		

<sup>(1)</sup> Amounts include adjustments for fair value hedges on the Company’s long-term debt and unamortized discount and debt issuance costs. See Note 12 for information on the Company’s fair value hedges.

## Long-term Debt

On August 11, 2016, the Company issued \$500 million of unsecured senior notes due September 15, 2026, and incurred debt issuance costs of \$4 million. Interest payments are due semi-annually in arrears on March 15 and September 15, commencing on March 15, 2017.

In the first quarter of 2016, the Company extinguished \$16 million of its junior subordinated notes due 2066 in open market transactions and recognized a gain of less than \$1 million. In the second quarter of 2016, the Company redeemed the remaining \$229 million of its junior subordinated notes due 2066 at a redemption price equal to 100% of the principal balance of the notes plus accrued and compounded interest.

## AMERIPRISE FINANCIAL, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

## Short-term Borrowings

The Company enters into repurchase agreements in exchange for cash, which it accounts for as secured borrowings and has pledged Available-for-Sale securities to collateralize its obligations under the repurchase agreements. As of both March 31, 2017 and December 31, 2016, the Company has pledged \$33 million of agency residential mortgage backed securities and \$19 million of commercial mortgage backed securities. The remaining maturity of outstanding repurchase agreements was less than four months as of March 31, 2017 and less than three months as of December 31, 2016. The stated interest rate of the repurchase agreements is a weighted average annualized interest rate on the 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 \$769 million and \$771 million as of March 31, 2017 and December 31, 2016, respectively. The remaining maturity of outstanding FHLB advances was less than three months as of March 31, 2017 and less than four months as of December 31, 2016. 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.

The Company has an unsecured revolving credit facility for up to \$500 million that expires in May 2020. Under the terms of the credit agreement for the facility, the Company may increase the amount of this facility up 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 as of both March 31, 2017 and December 31, 2016 and outstanding letters of credit issued against this facility were \$1 million as of March 31, 2017. The Company's credit facility contain various administrative, reporting, legal and financial covenants. The Company was in compliance with all such covenants as of both March 31, 2017 and December 31, 2016.

## 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.

## 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:

	March 31, 2017			
	Level 1	Level 2	Level 3	Total
	(in millions)			
<b>Assets</b>				
Cash equivalents	\$31	\$1,607	\$—	\$1,638
Available-for-Sale securities:				
Corporate debt securities	—	14,745	1,344	16,089
Residential mortgage backed securities	—	6,566	316	6,882
Commercial mortgage backed securities	—	3,274	—	3,274
Asset backed securities	—	1,583	64	1,647
State and municipal obligations	—	2,400	—	2,400
U.S. government and agencies obligations	8	—	—	8
Foreign government bonds and obligations	—	264	—	264
Common stocks	4	1	8	13
Common stocks measured at net asset value (“NAV”)				5 (1)
Total Available-for-Sale securities	12	28,833	1,732	30,582
Trading securities	115	29	—	144
Separate account assets measured at NAV				82,169 (1)
Investments segregated for regulatory purposes	400	—	—	400
Other assets:				
Interest rate derivative contracts	—	1,142	—	1,142
Equity derivative contracts	40	1,627	—	1,667
Credit derivative contracts	—	1	—	1
Foreign exchange derivative contracts	2	58	—	60
Other derivative contracts	1	—	—	1
Total other assets	43	2,828	—	2,871
Total assets at fair value	\$601	\$33,297	\$1,732	\$117,804
<b>Liabilities</b>				
Policyholder account balances, future policy benefits and claims:				
EIA embedded derivatives			\$—	\$4
IUL embedded derivatives			—	493
GMWB and GMAB embedded derivatives			—	188
Total policyholder account balances, future policy benefits and claims			—	685 (2)
Customer deposits			—	9 (3)
Other liabilities:				
Interest rate derivative contracts			1	463
Equity derivative contracts			10	2,237
Foreign exchange derivative contracts			1	37
Other derivative contracts			—	135
Other			7	6
Total other liabilities			19	2,878
Total liabilities at fair value			\$19	\$2,891
			\$694	\$3,604



## AMERIPRISE FINANCIAL, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

	December 31, 2016			
	Level 1	Level 2	Level 3	Total
	(in millions)			
<b>Assets</b>				
Cash equivalents	\$30	\$1,796	\$—	\$1,826
Available-for-Sale securities:				
Corporate debt securities	—	14,925	1,311	16,236
Residential mortgage backed securities	—	6,650	268	6,918
Commercial mortgage backed securities	—	3,367	—	3,367
Asset backed securities	—	1,481	68	1,549
State and municipal obligations	—	2,358	—	2,358
U.S. government and agencies obligations	8	—	—	8
Foreign government bonds and obligations	—	261	—	261
Common stocks	8	8	1	17
Common stocks at NAV				5 (1)
Total Available-for-Sale securities	16	29,050	1,648	30,719
Trading securities	9	16	—	25
Separate account assets at NAV				80,210 (1)
Investments segregated for regulatory purposes	425	—	—	425
Other assets:				
Interest rate derivative contracts	—	1,775	—	1,775
Equity derivative contracts	42	1,526	—	1,568
Credit derivative contracts	—	1	—	1
Foreign exchange derivative contracts	13	80	—	93
Other derivative contracts	1	8	—	9
Total other assets	56	3,390	—	3,446
Total assets at fair value	\$536	\$34,252	\$1,648	\$116,651
<b>Liabilities</b>				
Policyholder account balances, future policy benefits and claims:				
EIA embedded derivatives			\$—	\$5
IUL embedded derivatives			—	464
GMWB and GMAB embedded derivatives			—	614 (4)
Total policyholder account balances, future policy benefits and claims			—	5 1,078 1,083 (5)
Customer deposits			—	8
Other liabilities:				
Interest rate derivative contracts			2	977
Equity derivative contracts			3	2,024
Foreign exchange derivative contracts			2	45
Other derivative contracts			—	118
Other			3	8
Total other liabilities			10	3,172
Total liabilities at fair value			\$10	\$3,185 \$1,091 \$4,286

(1) Amounts are comprised of certain investments that are measured at fair value using the NAV per share (or its equivalent) as a practical expedient and have not been classified in the fair value hierarchy.

- (2) The fair value of the GMWB and GMAB embedded derivatives included \$585 million of individual contracts in a liability position and \$397 million of individual contracts in an asset position as of March 31, 2017.
- (3) The Company's adjustment for nonperformance risk resulted in a \$435 million cumulative decrease to the embedded derivatives as of March 31, 2017.
- (4) The fair value of the GMWB and GMAB embedded derivatives included \$880 million of individual contracts in a liability position and

AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

\$266 million of individual contracts in an asset position as of December 31, 2016.

(5) The Company's adjustment for nonperformance risk resulted in a \$498 million cumulative decrease to the embedded derivatives as of December 31, 2016.

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	Asset Backed Securities	Common Stocks	Total
	(in millions)				
Balance, January 1, 2017	\$ 1,311	\$ 268	\$ 68	\$ 1	\$ 1,648
Total gains included in:					
Other comprehensive income	—	—	1	—	1
Purchases	62	132	49	—	243
Settlements	(29 )	(12 )	(13 )	—	(54 )
Transfers into Level 3	—	—	—	8	8
Transfers out of Level 3	—	(72 )	(41 )	(1 )	(114 )
Balance, March 31, 2017	\$ 1,344	\$ 316	\$ 64	\$ 8	\$ 1,732
Changes in unrealized gains (losses) relating to assets held at March 31, 2017	\$ —	\$ —	\$ —	\$ —	\$ —

	Policyholder Account Balances, Future Policy Benefits and Claims			
	IUL Embedded Derivatives	GMWB and GMAB Embedded Derivatives	Total	Other Liabilities
	(in millions)			
Balance, January 1, 2017	\$464	\$ 614	\$1,078	\$ 13
Total (gains) losses included in:				
Net income	19 (1)	(499 ) (2)	(480 )	—
Issues	22	77	99	—
Settlements	(12 )	(4 )	(16 )	—
Balance, March 31, 2017	\$493	\$ 188	\$681	\$ 13

Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

Changes in unrealized (gains) losses relating to liabilities held at  
March 31, 2017 \$19 (1) \$ (484 ) (2) \$(465 ) \$ —

29

---



## AMERIPRISE FINANCIAL, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

	Available-for-Sale Securities				Total
	Corporate Debt Securities	Residential Mortgage Backed Securities	Commercial Mortgage Backed Securities	Asset Backed Securities	
	(in millions)				
Balance, January 1, 2016	\$1,425	\$ 218	\$ 3	\$ 162	\$1,808
Cumulative effect of change in accounting policies	—	—	—	21	21
Total gains (losses) included in:					
Net income	(1 )	—	—	(1 )	(2 ) <sup>(3)</sup>
Other comprehensive income	18	(3 )	—	(3 )	12
Purchases	—	—	9	1	10
Settlements	(31 )	(16 )	(2 )	—	(49 )
Transfers out of Level 3	—	(25 )	—	(10 )	(35 )
Balance, March 31, 2016	\$1,411	\$ 174	\$ 10	\$ 170	\$1,765
Changes in unrealized losses relating to assets held at March 31, 2016	\$—	\$ —	\$ —	\$ (1 )	\$(1 ) <sup>(3)</sup>

	Policyholder Account Balances, Future Policy Benefits and Claims			Total
	IUL Embedded Derivatives	GMWB and GMAB Embedded Derivatives		
	(in millions)			
Balance, January 1, 2016	\$364	\$ 851		\$1,215
Total (gains) losses included in:				
Net income		(8 ) <sup>(1)</sup>	602	(2) 594
Issues		32	68	100
Settlements		(6 )	(6 )	(12 )
Balance, March 31, 2016	\$382	\$ 1,515		\$1,897
Changes in unrealized (gains) losses relating to liabilities held at March 31, 2016	\$(8 ) <sup>(1)</sup>	\$ 616		(2) \$608

<sup>(1)</sup> Included in interest credited to fixed accounts in the Consolidated Statements of Operations.

<sup>(2)</sup> Included in benefits, claims, losses and settlement expenses in the Consolidated Statements of Operations.

<sup>(3)</sup> Included in net investment income in the Consolidated Statements of Operations.

The increase (decrease) to pretax income of the Company's adjustment for nonperformance risk on the fair value of its embedded derivatives was \$(45) million and \$189 million, net of DAC, DSIC, unearned revenue amortization and the reinsurance accrual, for the three months ended March 31, 2017 and 2016, 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.



## AMERIPRISE FINANCIAL, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

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

		March 31, 2017					
	Fair Value	Unobservable Input	Range		Weighted Average		
	(in millions)						
Corporate debt securities (private placements)	\$1,340	Discounted cash flow Yield/spread to U.S. Treasuries	0.9 %	2.5%	1.2%		
Asset backed securities	\$15	Discounted cash flow Annual short-term default rate	4.3%				
		Annual long-term default rate	2.5%				
		Discount rate	11.0%				
		Constant prepayment rate	5.0 %	10.0%	9.9%		
		Loss recovery	36.4 %	63.6%	62.8%		
IUL embedded derivatives	\$493	Discounted cash flow Nonperformance risk <sup>(1)</sup>	80 bps				
GMWB and GMAB embedded derivatives	\$188	Discounted cash flow Guaranteed withdrawal <sup>(2)</sup>	0.0 %	75.6%			
		Surrender rate	0.1 %	66.4%			
		Market volatility <sup>(3)</sup>	5.0 %	20.0%			
		Nonperformance risk <sup>(1)</sup>	80 bps				
Contingent consideration liability	\$13	Discounted cash flow Discount rate	9.0%				
		December 31, 2016					
	Fair Value	Unobservable Input	Range		Weighted Average		
	(in millions)						
Corporate debt securities (private placements)	\$1,308	Discounted cash flow Yield/spread to U.S. Treasuries	0.9 %	2.5%	1.3 %		
Asset backed securities	\$14	Discounted cash flow Annual short-term default rate	4.8%				
		Annual long-term default rate	2.5%				
		Discount rate	13.5%				
		Constant prepayment rate	5.0 %	40.0%	9.9 %		

Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

		Loss recovery	36.4	%	<del>63.6%</del>	62.8	%
IUL embedded derivatives	\$464	Discounted Nonperformance cash risk <sup>(1)</sup> flow	82	bps			
GMWB and GMAB embedded derivatives	\$614	Utilization of guaranteed withdrawals <sup>(2)</sup>	0.0	%	<del>75.6%</del>		
		Surrender rate	0.1	%	<del>66.4%</del>		
		Market volatility <sup>(3)</sup>	5.3	%	<del>21.2%</del>		
		Nonperformance risk <sup>(1)</sup>	82	bps			
Contingent consideration liability	\$13	Discounted Discount rate flow	9.0	%			

(1) The nonperformance risk is the spread added to the observable interest rates used in the valuation of the embedded derivatives.

(2) The utilization of guaranteed withdrawals represents the percentage of contractholders that will begin withdrawing in any given year.

(3) Market volatility is implied volatility of fund of funds and managed volatility funds.

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

Sensitivity of Fair Value Measurements to Changes in Unobservable Inputs

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

Significant increases (decreases) in the annual default rate and discount rate used in the fair value measurement of Level 3 asset backed securities in isolation, generally, 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

AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

increase (decrease) in the constant prepayment rate in isolation would result in a significantly lower (higher) fair value measurement.

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

Significant increases (decreases) in utilization and volatility used in the fair value measurement of the GMWB and GMAB embedded derivatives in isolation would result in a significantly higher (lower) liability value.

Significant increases (decreases) in nonperformance risk and surrender rate used in the fair value measurement of the GMWB and GMAB embedded derivatives in isolation would result in a significantly lower (higher) liability 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 channel and whether the value of the guaranteed benefit exceeds the contract accumulation value.

Significant increases (decreases) in the discount rate used in the fair value measurement of the contingent consideration liability in isolation would result in a significantly lower (higher) fair value measurement.

#### 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 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, state and municipal obligations 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 and asset backed securities. The fair value of corporate bonds, non-agency residential 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. The fair value of certain asset backed securities is determined using a discounted cash flow model. Inputs used to determine the expected cash flows include assumptions about discount rates and default, prepayment and recovery rates of the underlying assets. Given the significance of the unobservable inputs to this fair value measurement, the fair value of the investment in certain asset backed securities is classified as Level 3. 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.

AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

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 is used as a practical expedient for fair value and represents the exit price for the separate account. Separate account assets are excluded from classification in the fair value hierarchy.

Investments Segregated for Regulatory Purposes

Investments segregated for regulatory purposes includes U.S. Treasuries that are classified as Level 1.

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 variation margin on futures contracts is also classified as Level 1. 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 options. 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 as of March 31, 2017 and December 31, 2016. 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 variation margin on futures contracts is also classified as Level 1. The fair value of derivatives that are traded in less active 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 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 as of March 31, 2017 and December 31, 2016. 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.

In 2016, the Company recorded a contingent consideration liability for an earn-out related to the Company's acquisition of Emerging Global Advisors. The earn-out is based on the net revenues generated by net flows of assets under management and may be paid over a three year period beginning on the third anniversary of the acquisition date. The contingent consideration liability is recorded at fair value using a discounted cash flow model under multiple scenarios and includes an unobservable input. Given the use of an unobservable input, the fair value of the contingent consideration liability is classified as Level 3 within the fair value hierarchy.

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:

March 31, 2017

Carrying Value	Fair Value		Level 3	Total
	Level 1	Level 2		

(in millions)

## Financial Assets

Mortgage loans, net	\$2,981	\$—	—\$2,988	\$2,988
Policy and certificate loans	830	—	791	791
Receivables	1,455	156,295	2	1,453
Restricted and segregated cash	3,003	3,003	—	3,003
Other investments and assets	508	—443	65	508

## Financial Liabilities

Policyholder account balances, future policy benefits and claims	\$10,715	\$—	—\$11,247	\$11,247
Investment certificate reserves	6,129	—	6,114	6,114
Brokerage customer deposits	4,190	4,190	—	4,190
Separate account liabilities measured at NAV	4,463			4,463 <sup>(1)</sup>
Debt and other liabilities	3,388	169,192	164	3,525

December 31, 2016

Carrying Value	Fair Value		Level 3	Total
	Level 1	Level 2		

(in millions)

## Financial Assets

Mortgage loans, net	\$2,986	\$—	—\$2,972	\$2,972
Policy and certificate loans	831	—1	807	808
Receivables	1,396	127,270	3	1,400
Restricted and segregated cash	2,905	2,905	—	2,905
Other investments and assets	508	—449	61	510

## Financial Liabilities

Policyholder account balances, future policy benefits and claims	\$10,906	\$—	—\$11,417	\$11,417
Investment certificate reserves	5,927	—	5,914	5,914
Brokerage customer deposits	4,112	4,112	—	4,112

Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

Separate account liabilities measured at NAV	4,253		4,253	(1)
Debt and other liabilities	3,371	146,176	169	3,491

(1) Amounts are comprised of certain investments that are measured at fair value using the NAV per share (or its equivalent) as a practical expedient and have not been classified in the fair value hierarchy.

34

---

AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

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 LTV 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 FHLB 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, EIA 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.

35

---

AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

#### 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 is used as a practical expedient for fair value and represents the exit price for the separate account liabilities. Separate account liabilities are excluded from classification in the fair value hierarchy.

#### 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 and other real estate 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.

#### 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. Securities borrowed and securities loaned are primarily equity securities. The Company's securities borrowed and securities loaned transactions generally do not have a fixed maturity date and may be terminated by either party under customary terms.

The Company's policy is to recognize amounts subject to master netting arrangements on a gross basis in 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 assets subject to master netting arrangements:

March 31, 2017

	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			Net Amount
				Financial Instruments <sup>(1)</sup>	Cash Collateral	Securities Collateral	
(in millions)							
Derivatives:							
OTC	\$2,835	\$ —	\$ 2,835	\$(2,256)	\$(371)	\$(201)	\$ 7
OTC cleared <sup>(2)</sup>	21	—	21	(21)	—	—	—
Exchange-traded	15	—	15	(3)	—	—	12
Total derivatives	2,871	—	2,871	(2,280)	(371)	(201)	19
Securities borrowed	156	—	156	(40)	—	(113)	3
Total	\$3,027	\$ —	\$ 3,027	\$(2,320)	\$(371)	\$(314)	\$ 22

December 31, 2016

	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			Net Amount
				Financial Instruments	Cash Collateral	Securities Collateral	
(in millions)							
Derivatives:							
OTC	\$2,920	\$ —	\$ 2,920	\$(2,214)	\$(406)	\$(235)	\$ 65
OTC cleared	512	—	512	(509)	(3)	—	—
Exchange-traded	14	—	14	(2)	—	—	12
Total derivatives	3,446	—	3,446	(2,725)	(409)	(235)	77
Securities borrowed	127	—	127	(16)	—	(108)	3
Total	\$3,573	\$ —	\$ 3,573	\$(2,741)	\$(409)	\$(343)	\$ 80

<sup>(1)</sup> 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.

<sup>(2)</sup> The decrease in OTC cleared derivatives from December 31, 2016 is a result of certain central clearing parties amending their rules resulting in variation margin payments being settlement payments, as opposed to collateral.

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

March 31, 2017

	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Consolidated Balance Sheets	Amounts of Liabilities Presented in the Consolidated Balance Sheets	Gross Amounts Not Offset in the Consolidated Balance Sheets			Net Amount
				Financial Instruments	Cash Collateral	Securities Collateral	

Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

	Sheets	Balance				
	(in millions)	Sheets				
Derivatives:						
OTC	\$2,853	\$	—\$ 2,853	\$(2,256)	\$(77)	\$(499) \$ 21
OTC cleared <sup>(2)</sup>	26	—	26	(21)	—	5
Exchange-traded	5	—	5	(3)	—	2
Total derivatives	2,884	—	2,884	(2,280)	(77)	(499) 28
Securities loaned	169	—	169	(40)	—	(124) 5
Repurchase agreements	50	—	50	—	—	(50) —
Total	\$3,103	\$	—\$ 3,103	\$(2,320)	\$(77)	\$(673) \$ 33

37

---

## AMERIPRISE FINANCIAL, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

	December 31, 2016		Amounts of	Gross Amounts Not Offset in		Net	
	Gross	Gross	Liabilities	the	Balance Sheets	Amount	
	Amounts	Amounts	Presented in	Consolidated	Financial Cash	Securities	
	of	Offset in the	the	Financial Cash	Collateral	Collateral	
	Recognized	Consolidated	Consolidated	Instrument	Collateral	Collateral	
	Liabilities	Balance	Balance	Collateral	Collateral	Collateral	
	Liabilities	Sheets	Sheets	Collateral	Collateral	Collateral	
	(in millions)						
Derivatives:							
OTC	\$2,626	\$ —	\$ 2,626	\$(2,214)	\$(53)	\$(352)	\$ 7
OTC cleared	539	—	539	(509)	(25)	—	5
Exchange-traded	6	—	6	(2)	—	—	4
Total derivatives	3,171	—	3,171	(2,725)	(78)	(352)	16
Securities loaned	146	—	146	(16)	—	(125)	5
Repurchase agreements	50	—	50	—	—	(50)	—
Total	\$3,367	\$ —	\$ 3,367	\$(2,741)	\$(78)	\$(527)	\$ 21

(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.

(2) The decrease in OTC cleared derivatives from December 31, 2016 is a result of certain central clearing parties amending their rules resulting in variation margin payments being settlement payments, as opposed to collateral. 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.

When the fair value of collateral accepted by the Company is less than the amount due to the Company, there is a risk of loss if the counterparty fails to perform or provide additional collateral. To mitigate this risk, the Company monitors collateral values regularly and requires additional collateral when necessary. When the value of collateral pledged by the Company declines, it may be required to post additional collateral.

Freestanding derivative instruments are reflected in other assets and other liabilities. Cash collateral pledged by the Company is reflected in other assets and cash collateral accepted by the Company is reflected in 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 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 notional value and gross fair value of derivative instruments, including embedded derivatives:

	March 31, 2017			December 31, 2016		
	Notional	Gross Fair Value		Notional	Gross Fair Value	
		Assets <sup>(1)</sup>	Liabilities <sup>(2)(3)</sup>		Assets <sup>(1)</sup>	Liabilities <sup>(2)(3)</sup>
	(in millions)					
Derivatives designated as hedging instruments						
Interest rate contracts	\$675	\$35	\$ —	\$675	\$40	\$ —
Foreign exchange contracts	20	—	—	164	12	—
Total qualifying hedges	695	35	—	839	52	—
Derivatives not designated as hedging instruments						
Interest rate contracts	70,724	1,107	464	71,949	1,735	979
Equity contracts	60,262	1,667	2,247	60,696	1,568	2,027
Credit contracts	1,148	1	—	1,039	1	—
Foreign exchange contracts	4,709	60	38	4,733	81	47
Other contracts	5,185	1	135	3,060	9	118
Total non-designated hedges	142,028	2,836	2,884	141,477	3,394	3,171
Embedded derivatives						
GMWB and GMAB <sup>(4)</sup>	N/A	—	188	N/A	—	614
IUL	N/A	—	493	N/A	—	464
EIA	N/A	—	4	N/A	—	5
SMC	N/A	—	9	N/A	—	8
Total embedded derivatives	N/A	—	694	N/A	—	1,091
Total derivatives	\$142,723	\$2,871	\$ 3,578	\$142,316	\$3,446	\$ 4,262

N/A Not applicable.

<sup>(1)</sup> The fair value of freestanding derivative assets is included in Other assets on the Consolidated Balance Sheets.

<sup>(2)</sup> The fair value of freestanding derivative liabilities is included in Other liabilities on the Consolidated Balance Sheets. The fair value of GMWB and GMAB, IUL, and EIA embedded derivatives is included in Policyholder account balances, future policy benefits and claims on the Consolidated Balance Sheets. The fair value of the SMC embedded derivative liability is included in Customer deposits on the Consolidated Balance Sheets.

<sup>(3)</sup> The fair value of the Company's derivative liabilities after considering the effects of master netting arrangements, cash collateral held by the same counterparty and the fair value of net embedded derivatives was \$1.2 billion and \$1.5 billion as of March 31, 2017 and December 31, 2016, respectively. See Note 11 for additional information related to master netting arrangements and cash collateral. See Note 3 for information about derivatives held by consolidated VIEs.

<sup>(4)</sup> The fair value of the GMWB and GMAB embedded derivatives as of March 31, 2017 included \$585 million of individual contracts in a liability position and \$397 million of individual contracts in an asset position. The fair value of the GMWB and GMAB embedded derivatives as of December 31, 2016 included \$880 million of individual contracts in a liability position and \$266 million of individual contracts in an asset position.

See Note 10 for additional information regarding the Company's fair value measurement of derivative instruments. As of March 31, 2017 and December 31, 2016, investment securities with a fair value of \$229 million and \$235 million, respectively, were received as collateral to meet contractual obligations under derivative contracts, of which \$124 million and \$118 million, respectively, may be sold, pledged or rehypothecated by the Company. As of March 31, 2017 and December 31, 2016, the Company had sold, pledged or rehypothecated \$14 million and \$19

million, respectively, of these securities. In addition, as of March 31, 2017 and December 31, 2016, non-cash collateral accepted was held in separate custodial accounts and was not included in the Company's Consolidated Balance Sheets.

## AMERIPRISE FINANCIAL, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

## Derivatives Not Designated as Hedges

The following tables present a summary of the impact of derivatives not designated as hedging instruments, including embedded derivatives, on the Consolidated Statements of Operations:

	Banking Net and Investment Income	Deposit Interest Expense	Distribution Expenses	Interest Credited to Fixed Accounts	Benefits, Claims, Losses and Settlement Expenses	General and Administrative Expense
	(in millions)					
Three Months Ended March 31, 2017						
Interest rate contracts	\$ 1	\$ —	\$ —	\$ —	\$ (75 )	\$ —
Equity contracts	2	1	15	19	(416 )	3
Credit contracts	—	—	—	—	(8 )	—
Foreign exchange contracts	—	—	1	—	(24 )	1
Other contracts	—	—	—	—	(52 )	—
GMWB and GMAB embedded derivatives	—	—	—	—	426	—
IUL embedded derivatives	—	—	—	(7 )	—	—
SMC embedded derivatives	—	(1 )	—	—	—	—
Total gain (loss)	\$ 3	\$ —	\$ 16	\$ 12	\$ (149 )	\$ 4
	Banking Net and Investment Income	Deposit Interest Expense	Distribution Expenses	Interest Credited to Fixed Accounts	Benefits, Claims, Losses and Settlement Expenses	General and Administrative Expense
	(in millions)					
Three Months Ended March 31, 2016						
Interest rate contracts	\$(40)	\$ —	\$ —	\$ —	\$ 755	\$ —
Equity contracts	—	(1 )	(2 )	(3 )	(65 )	1
Credit contracts	—	—	—	—	(16 )	—
Foreign exchange contracts	—	—	3	—	(35 )	6
Other contracts	—	—	—	—	(9 )	—
GMWB and GMAB embedded derivatives	—	—	—	—	(664 )	—
IUL embedded derivatives	—	—	—	14	—	—
SMC embedded derivatives	—	1	—	—	—	—
Total gain (loss)	\$(40)	\$ —	\$ 1	\$ 11	\$ (34 )	\$ 7

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 GMAB and non-life contingent GMWB provisions are considered embedded derivatives, which 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. The Company economically hedges the exposure related to GMAB and non-life contingent GMWB provisions primarily using futures, options, interest rate swaptions, interest rate swaps, total return swaps and variance swaps.



## AMERIPRISE FINANCIAL, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

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 as of March 31, 2017:

	Premiums Payable	Premiums Receivable
	(in millions)	
2017 <sup>(1)</sup>	\$223	\$ 70
2018	229	131
2019	275	172
2020	196	99
2021	186	108
2022 - 2027	650	184
Total	\$1,759	\$ 764

<sup>(1)</sup> 2017 amounts represent the amounts payable and receivable for the period from April 1, 2017 to December 31, 2017.

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 futures, options, interest rate swaptions and/or swaps. Certain of the macro hedge derivatives used contain settlement provisions linked to both equity returns and interest rates; the remaining are either interest rate contracts or equity contracts. The Company's macro hedge derivatives are included in Other contracts in the tables above.

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. The equity component of the EIA, IUL and stock market certificate product obligations are considered embedded derivatives, which 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 a means of economically hedging its obligations under the provisions of these products, the Company enters into index options and futures contracts.

The Company enters into futures and commodity swaps to manage its exposure to price risk arising from seed money investments in proprietary investment products. The Company enters into foreign currency forward contracts to economically hedge its exposure to certain foreign transactions. The Company enters into futures contracts to economically hedge its exposure related to compensation plans. In 2015, the Company entered into interest rate swaps to offset interest rate changes on unrealized gains or losses for certain investments.

#### 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.

For the three months ended March 31, 2017 and 2016, 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 March 31, 2017 that the Company expects to reclassify to earnings within the next twelve months is \$3 million, which consists of \$1 million of pretax gains to be recorded as a reduction to interest and debt expense and \$4 million of pretax losses to be recorded in net investment income. Currently, the longest period of time over which the Company is hedging exposure to the variability in future cash flows is 18 years and relates to forecasted debt interest payments. See Note 13 for a rollforward of net unrealized derivative gains (losses) included in AOCI related to cash flow hedges.



## AMERIPRISE FINANCIAL, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

## Fair Value Hedges

The Company entered into and designated as fair value hedges two interest rate swaps to convert senior notes due 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 March 31, 2017	2016
Interest rate contracts	Interest and debt expense	\$ 4	\$ 5

## Net Investment Hedges

The Company entered into, and designated as net investment hedges in foreign operations, forward contracts to hedge a portion of the Company's foreign currency exchange rate risk associated with its investment in Threadneedle. As the Company determined that the forward contracts are effective, the change in fair value of the derivatives is recognized in AOCI as part of the foreign currency translation adjustment. For the three months ended March 31, 2017, the Company recognized a gain of \$2 million in OCI.

## 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. As of March 31, 2017 and December 31, 2016, the aggregate fair value of derivative contracts in a net liability position containing such credit contingent provisions was \$364 million and \$254 million, respectively. The aggregate fair value of assets posted as collateral for such instruments as of March 31, 2017 and December 31, 2016 was \$343 million and \$246 million, respectively. If the credit contingent provisions of derivative contracts in a net liability position as of March 31, 2017 and December 31, 2016 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 \$21 million and \$8 million, respectively.





## AMERIPRISE FINANCIAL, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

## 13. Shareholders' Equity

The following table provides the amounts related to each component of OCI:

	Three Months Ended March 31,					
	2017			2016		
	Pretax	Income Tax Benefit (Expense)	Net of Tax	Pretax	Income Tax Benefit (Expense)	Net of Tax
	(in millions)					
Net unrealized securities gains:						
Net unrealized securities gains arising during the period <sup>(1)</sup>	\$53	\$ (17 )	\$36	\$493	\$ (173 )	\$320
Reclassification of net securities (gains) losses included in net income <sup>(2)</sup>	(18 )	6	(12 )	1	—	1
Impact of deferred acquisition costs, deferred sales inducement costs, unearned revenue, benefit reserves and reinsurance recoverables	(26 )	9	(17 )	(197 )	69	(128 )
Net unrealized securities gains	9	(2 )	7	297	(104 )	193
Net unrealized derivatives gains:						
Reclassification of net derivative losses included in net income <sup>(3)</sup>	2	(1 )	1	1	—	1
Net unrealized derivatives gains	2	(1 )	1	1	—	1
Defined benefit plans:						
Net gain arising during the period	7	(2 )	5	—	—	—
Defined benefit plans	7	(2 )	5	—	—	—
Foreign currency translation	11	(4 )	7	(17 )	6	(11 )
Other	(1 )	—	(1 )	—	—	—
Total other comprehensive income	\$28	\$ (9 )	\$19	\$281	\$ (98 )	\$183

<sup>(1)</sup> 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.

<sup>(2)</sup> Reclassification amounts are recorded in net investment income.

<sup>(3)</sup> Includes a \$1 million pretax loss reclassified to net investment income for both the three months ended March 31, 2017 and 2016.

Other comprehensive income (loss) related to net unrealized securities gains (losses) includes three components:

(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 DAC, 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 tables present the changes in the balances of each component of AOCI, net of tax:

Net Unrealized Securities Gains	Net Unrealized Derivatives Gains	Defined Benefit Plans	Foreign Currency Translation	Other	Total
(in millions)					
Balance, January	\$ 5	\$(125 )	\$(159 )	\$ —	\$200

1, 2017 OCI before reclassifications	—	—	7	(1 )	25
Amounts reclassified from AOCI	(12 )	5	—	—	(6 )
Total OCI	1	5	7	(1 )	19
Balance, March 31, 2017	\$ 6	\$ (120 )	\$ (152 )	\$ (1 )	\$ 219

## AMERIPRISE FINANCIAL, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

	Net Unrealized Securities Gains (in millions)	Net Unrealized Derivatives Gains	Defined Benefit Plans	Foreign Currency Translation	Total
Balance, January 1, 2016, as previously reported	\$426	\$ 1	\$ (91 )	\$ (83 )	\$253
Cumulative effect of change in accounting policies	6	—	—	—	6
Balance, January 1, 2016, as adjusted	432	1	(91 )	(83 )	259
OCI before reclassifications	192	—	—	(11 )	181
Amounts reclassified from AOCI	1	1	—	—	2
Total OCI	193	1	—	(11 )	183
Balance, March 31, 2016	\$625 <sup>(1)</sup>	\$ 2	\$ (91 )	\$ (94 )	\$442

<sup>(1)</sup> Includes \$8 million and \$(1) million of noncredit related impairments on securities and net unrealized securities gains (losses) on previously impaired securities as of March 31, 2017 and March 31, 2016, respectively.

For the three months ended March 31, 2017 and 2016, the Company repurchased a total of 2.9 million shares and 5.1 million shares, respectively, of its common stock for an aggregate cost of \$357 million and \$451 million, respectively. In December 2015, the Company's Board of Directors authorized an expenditure of up to \$2.5 billion for the repurchase of shares of the Company's common stock through December 31, 2017. As of March 31, 2017, the Company had \$572 million remaining under this share repurchase authorization. In April 2017, the Company's Board of Directors authorized an additional expenditure of up to \$2.5 billion for the repurchase of shares of the Company's common stock through June 30, 2019.

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 three months ended March 31, 2017 and 2016, the Company reacquired 0.2 million shares and 0.3 million shares, respectively, of its common stock through the surrender of shares upon vesting and paid in the aggregate \$30 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 three months ended March 31, 2017 and 2016, the Company reacquired 1.0 million shares and 0.1 million shares, respectively, of its common stock through the net settlement of options for an aggregate value of \$122 million and \$8 million, respectively.

During the three months ended March 31, 2017 and 2016, the Company reissued 0.7 million and 0.9 million treasury shares, respectively, for restricted stock award grants, performance share units and issuance of shares vested under advisor deferred compensation plans.

#### 14. Income Taxes

The Company's effective tax rate was 15.2% and 23.3% for the three months ended March 31, 2017 and 2016, respectively. The effective tax rates are lower than the statutory rate as a result of tax preferred items including the dividends received deduction, low income housing tax credits, and lower taxes on net income from foreign subsidiaries. The decrease in the effective tax rate for the three months ended March 31, 2017 compared to the prior year period is primarily due to a \$28 million benefit for stock compensation due to the adoption of Accounting Standards Update 2016-09 Stock Compensation - Improvements to Employee Share-Based Payment Accounting as well as a \$20 million benefit for a reversal of a tax reserve related to prior years.

Included in the Company's deferred income tax assets are tax benefits related to state net operating losses of \$14 million, net of federal benefit, which will expire beginning December 31, 2017.

The Company is required to establish a valuation allowance for any portion of the deferred tax assets that management believes will not be realized. 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. 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 \$12 million as of March 31, 2017 and \$11 million as of December 31, 2016.

AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

As of March 31, 2017 and December 31, 2016, the Company had \$126 million and \$115 million, respectively, of gross unrecognized tax benefits. If recognized, approximately \$50 million and \$46 million, net of federal tax benefits, of unrecognized tax benefits as of March 31, 2017 and December 31, 2016, respectively, would affect the effective tax rate.

It is reasonably possible that the total amounts of unrecognized tax benefits will change in the next 12 months. The Company estimates that the total amount of gross unrecognized tax benefits may decrease by \$20 million to \$30 million in the next 12 months primarily due to resolution of audits and statute expirations.

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 a net decrease of \$44 million in interest and penalties for the three months ended March 31, 2017 and 2016, respectively. As of March 31, 2017 and December 31, 2016, the Company had a payable of \$9 million and \$8 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 examination of the 2006 through 2011 tax returns and these years are effectively settled; however, the statutes of limitation, except for 2007, remain open for certain carryover adjustments. The IRS is currently auditing the Company's U.S. income tax returns for 2012 through 2015.

The Company's state income tax returns are currently under examination by various jurisdictions for years ranging from 2005 through 2015.

#### 15. Contingencies

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.

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. As of both March 31, 2017 and December 31, 2016, the estimated liability was \$16 million and the related premium tax asset was \$14 million. The expected period over which guaranty fund assessments will be made and the related tax credits recovered is not known.

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, FINRA, the OCC, 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, exchange traded funds, annuities, equity and fixed income securities, real estate investment trusts, insurance products, and financial advice offerings; supervision of the Company's financial advisors; administration of insurance and annuity claims; security of client information; trading activity and the Company's monitoring and supervision of such activity; performance advertising and product disclosures, including third party performance claims; and transaction monitoring systems and controls. The Company is also participating in regulatory audits, market conduct examinations and other state inquiries relating to an industry-wide investigation of unclaimed property and escheatment practices and procedures. The Company has cooperated and will continue to cooperate with the applicable regulators.

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 reasonably 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

## AMERIPRISE FINANCIAL, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

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 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 November 2014, a lawsuit was filed against the Company's London-based asset management affiliate in England's High Court of Justice Commercial Court, entitled Otkritie Capital International Ltd and JSC Otkritie Holding v. Threadneedle Asset Management Ltd. and Threadneedle Management Services Ltd. ("Threadneedle Defendants"). Claimants allege that the Threadneedle Defendants should be held liable for the wrongful acts of one of its former employees, who in February 2014 was held jointly and severally liable with several other parties for conspiracy and dishonest assistance in connection with a fraud perpetrated against Claimants in 2011. Claimants allege they were harmed by that fraud in the amount of \$106 million. The Threadneedle Defendants applied to the Court for an Order dismissing the proceedings as an abuse of process of the Court. This application was declined in August 2015. The Threadneedle Defendants applied to the Court of Appeal for leave to appeal, which application was granted in November 2015. In April 2017, the Court of Appeal denied the Threadneedle Defendants' appeal. The case will now proceed in England's High Court of Justice Commercial Court. 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 number of parties involved, and the failure to allege any specific, evidence based damages.

## 16. Earnings per Share

The computation of basic and diluted earnings per share is as follows:

	Three Months Ended March 31, 2017 2016 (in millions, except per share amounts)	
Numerator:		
Net income	\$403	\$364
Denominator:		
Basic: Weighted-average common shares outstanding	157.5	172.6
Effect of potentially dilutive nonqualified stock options and other share-based awards	2.6	1.8
Diluted: Weighted-average common shares outstanding	160.1	174.4



Earnings per share:

Basic	\$2.56	\$2.11
Diluted	\$2.52	\$2.09

The calculation of diluted earnings per share excludes the incremental effect of 2.5 million and 4.9 million options as of March 31, 2017 and 2016, respectively, due to their anti-dilutive effect.

## AMERIPRISE FINANCIAL, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

## 17. Segment Information

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

Beginning in the first quarter of 2017, the long term care business, which had been reported as part of the Protection segment, is reflected in the Corporate & Other segment. The Company discontinued underwriting long term care insurance in 2002 and the transfer of this closed block to the Corporate & Other segment allows investors to better understand the performance of the Company's on-going Protection businesses. Prior periods presented have been restated to reflect the change.

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.

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 pretax income. 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.

Operating earnings is defined as operating net revenues less operating expenses. Operating net revenues and operating expenses exclude the market impact on IUL benefits (net of hedges and the related DAC amortization, unearned revenue amortization, and the reinsurance accrual), integration and restructuring charges and the impact of consolidating investment entities. Operating net revenues also exclude net realized investment gains or losses (net of unearned revenue amortization and the reinsurance accrual) and the market impact of hedges to offset interest rate changes on unrealized gains or losses for certain investments. Operating expenses also exclude the market impact on variable annuity guaranteed benefits (net of hedges and the related DSIC and DAC amortization) and the DSIC and DAC amortization offset to net realized investment gains or losses. The market impact on variable annuity guaranteed benefits and IUL benefits includes changes in embedded derivative values caused by changes in financial market conditions, net of changes in economic hedge values and unhedged items including the difference between assumed and actual underlying separate account investment performance, fixed income credit exposures, transaction costs and certain policyholder contract elections, net of related impacts on DAC and DSIC amortization. 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 embedded derivative values of discounting projected benefits to reflect a current estimate of the Company's life insurance subsidiary's nonperformance spread.

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

	March 31, December 31,	
	2017	2016
	(in millions)	
Advice & Wealth Management	\$ 13,157	\$ 12,654
Asset Management	7,194	7,254
Annuities	94,248	93,481
Protection	16,909	16,780
Corporate & Other	9,349	9,652
Total assets	\$ 140,857	\$ 139,821



## AMERIPRISE FINANCIAL, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

	Three Months Ended March 31, 2017 2016 (in millions)	
Operating net revenues:		
Advice & Wealth Management	\$1,295	\$1,198
Asset Management	726	724
Annuities	608	596
Protection	521	542
Corporate & Other	57	68
Eliminations <sup>(1)</sup>	(347 )	(340 )
Total segment operating revenues	2,860	2,788
Net realized investment gains (losses)	17	(16 )
Revenues attributable to CIEs	22	24
Market impact on IUL benefits, net	1	9
Market impact of hedges on investments	1	(40 )
Total net revenues per consolidated statements of operations <sup>(2)</sup>	\$2,901	\$2,765

<sup>(1)</sup> Represents the elimination of intersegment revenues recognized for the three months ended March 31, 2017 and 2016 in each segment as follows: Advice & Wealth Management (\$237 and \$239, respectively); Asset Management (\$11 and \$11, respectively); Annuities (\$84 and \$79, respectively); Protection (\$15 and \$11, respectively); and Corporate & Other (nil and nil, respectively).

<sup>(2)</sup> Includes foreign net revenues of \$156 million and \$172 million for the three months ended March 31, 2017 and 2016, respectively.

	Three Months Ended March 31, 2017 2016 (in millions)	
Operating earnings:		
Advice & Wealth Management	\$248	\$205
Asset Management	150	149
Annuities	139	124
Protection	63	68
Corporate & Other	(80 )	(49 )
Total segment operating earnings	520	497
Net realized investment gains (losses)	16	(16 )
Net income (loss) attributable to CIEs	1	(2 )
Market impact on variable annuity guaranteed benefits, net	(63 )	17
Market impact on IUL benefits, net	—	19
Market impact of hedges on investments	1	(40 )
Pretax income per consolidated statements of operations	\$475	\$475

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, 2016, filed with the Securities and Exchange Commission ("SEC") on February 23, 2017 ("2016 10-K"), as well as our current reports on Form 8-K and other publicly available information. 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 more than 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 \$817.6 billion in assets under management and administration as of March 31, 2017.

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.

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 2016 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."

We consolidate certain variable interest entities for which we provide asset management services. 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. The results of operations of the CIEs are reflected in the Corporate & Other segment. On a consolidated basis, the management fees

we earn for the services we provide to the CIEs and the related general and administrative expenses are eliminated and the changes in the fair value of assets and liabilities related to the CIEs, primarily syndicated loans and debt, are reflected in net investment income. We continue to include the fees from these entities 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 investment gains or losses, net of the related DSIC and DAC amortization, unearned revenue amortization and the reinsurance accrual; 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; the market impact of hedges to offset interest rate changes on unrealized gains or losses for certain investments; integration and restructuring charges; 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

## AMERIPRISE FINANCIAL, INC.

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. These non-GAAP measures should not be viewed as a substitute for U.S. GAAP 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 ("AOCI") of 19% to 23%.

The following tables reconcile our GAAP measures to operating measures:

	Three Months Ended March 31, 2017 2016 (in millions)			
Total net revenues	\$2,901	\$2,765		
Less: Revenue attributable to CIEs	22	24		
Less: Net realized investment gains (losses)	17	(16 )		
Less: Market impact on indexed universal life benefits	1	9		
Less: Market impact of hedges on investments	1	(40 )		
Operating total net revenues	\$2,860	\$2,788		
			Per Diluted Share Three Months Ended March 31, 2017 2016 (in millions, except per share amounts)	
Net income	\$ 403	\$ 364	\$ 2.52	\$ 2.09
Less: Net income (loss) attributable to CIEs	1	(1 )	0.01	—
Add: Market impact on variable annuity guaranteed benefits <sup>(1)</sup>	63	(17 )	0.40	(0.09 )
Add: Market impact on indexed universal life benefits <sup>(1)</sup>	—	(19 )	—	(0.11 )
Add: Market impact of hedges on investments <sup>(1)</sup>	(1 )	40	(0.01 )	0.23
Less: Net realized investment gains (losses) <sup>(1)</sup>	16	(16 )	0.10	(0.09 )
Tax effect of adjustments <sup>(2)</sup>	(16 )	(7 )	(0.10 )	(0.04 )
Operating earnings	\$ 432	\$ 378	\$ 2.70	\$ 2.17
Weighted average common shares outstanding:				
Basic	157.5	172.6		
Diluted	160.1	174.4		

<sup>(1)</sup> Pretax operating adjustments.

<sup>(2)</sup> Calculated using the statutory tax rate of 35%.

## AMERIPRISE FINANCIAL, INC.

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 March 31,	
	2017	2016
	(in millions)	
Net income attributable to Ameriprise Financial	\$ 1,353	\$ 1,533
Less: Adjustments <sup>(1)</sup>	(128 )	(149 )
Operating earnings	\$ 1,481	\$ 1,682
Total Ameriprise Financial, Inc. shareholders' equity	\$ 6,684	\$ 7,576
Less: AOCI, net of tax	419	472
Total Ameriprise Financial, Inc. shareholders' equity, excluding AOCI	6,265	7,104
Less: Equity impacts attributable to CIEs	—	170
Operating equity	\$ 6,265	\$ 6,934
Return on equity, excluding AOCI	21.6 %	21.6 %
Operating return on equity, excluding AOCI <sup>(2)</sup>	23.6 %	24.3 %

<sup>(1)</sup> Adjustments reflect the trailing twelve months' sum of after-tax net realized investment gains/losses, net of DSIC and DAC amortization, unearned revenue amortization and the reinsurance accrual; 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; the market impact of hedges to offset interest rate changes on unrealized gains or losses for certain investments; integration and restructuring charges; and net income (loss) from consolidated investment entities. After-tax is calculated using the statutory tax rate of 35%.

<sup>(2)</sup> Operating return on equity, excluding AOCI, is calculated using the trailing twelve months of earnings excluding the after-tax net realized investment gains/losses, net of DSIC and DAC amortization, unearned revenue amortization and the reinsurance accrual; 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; the market impact of hedges to offset interest rate changes on unrealized gains or losses for certain investments; integration and restructuring charges; and net income (loss) from consolidated investment entities 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%.

The Department of Labor published regulations in April 2016 that would expand the scope of who is considered an ERISA fiduciary and these regulations focus in large part on investment recommendations made by financial advisors, registered investment advisors, and other investment professionals to retirement investors, how financial advisors are able to discuss IRA rollovers, as well as how financial advisors and affiliates can transact with retirement investors. Tax qualified accounts, particularly IRAs, make up a significant portion of our assets under management and administration. While effective on June 7, 2016, these regulations are not scheduled to begin to be applicable until June 9, 2017, with full applicability of all requirements scheduled for January 1, 2018. As of February 3, 2017, per various memoranda and statements issued by President Trump and the Department of Labor, these regulations were under review by the Department of Labor. As a result, it is unclear whether the Department of Labor will substantially rescind or revise the regulations as adopted in 2016. In light of the uncertainty regarding the fiduciary regulation, while we prudently continue to prepare to comply with the Department of Labor's investment fiduciary regulations and exemptions in the form in which they were adopted in April 2016, we are also evaluating the impact to our clients, financial advisors and business should the Department of Labor decide to delay, rescind or revise the regulations per the developments since President Trump's inauguration as generally described above.



Critical Accounting Estimates

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 and, 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 Estimates” in our 2016 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.

## AMERIPRISE FINANCIAL, INC.

## 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 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 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:

	March 31,		Change	
	2017	2016		
	(in billions)			
Assets Under Management and Administration				
Advice & Wealth Management AUM	\$211.7	\$182.3	\$29.4	16 %
Asset Management AUM	467.0	464.1	2.9	1
Corporate & Other AUM	0.3	0.4	(0.1 )	(25)
Eliminations	(24.6 )	(23.2 )	(1.4 )	(6 )
Total Assets Under Management	654.4	623.6	30.8	5
Total Assets Under Administration	163.2	149.1	14.1	9
Total AUM and AUA	\$817.6	\$772.7	\$44.9	6 %

Total AUM increased \$30.8 billion, or 5%, to \$654.4 billion as of March 31, 2017 compared to \$623.6 billion as of March 31, 2016 primarily due to a \$29.4 billion increase in Advice & Wealth Management AUM driven by wrap account net inflows and market appreciation. 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 March 31, 2017 and 2016

The following table presents our consolidated results of operations:

	Three Months Ended March 31,		Change	
	2017	2016		
	(in millions)			
Revenues				
Management and financial advice fees	\$1,482	\$1,386	\$96	7 %
Distribution fees	443	435	8	2
Net investment income	391	331	60	18
Premiums	339	368	(29)	(8)
Other revenues	256	254	2	1
Total revenues	2,911	2,774	137	5
Banking and deposit interest expense	10	9	1	11
Total net revenues	2,901	2,765	136	5
Expenses				
Distribution expenses	823	770	53	7
Interest credited to fixed accounts	162	146	16	11
Benefits, claims, losses and settlement expenses	567	482	85	18
Amortization of deferred acquisition costs	72	110	(38)	(35)
Interest and debt expense	50	55	(5)	(9)
General and administrative expense	752	727	25	3
Total expenses	2,426	2,290	136	6
Pretax income	475	475	—	—
Income tax provision	72	111	(39)	(35)
Net income	\$403	\$364	\$39	11 %

## Overall

Pretax income was flat at \$475 million for the three months ended March 31, 2017 compared to the prior year period primarily reflecting market appreciation, an increase in net investment income, wrap account net inflows and the impact on DAC, DSIC and reserves for insurance features in non-traditional long-duration contracts from actual versus expected market performance based on our view of bond and equity performance, offset by the market impact on indexed universal life benefits (net of hedges and the related DAC amortization, unearned revenue amortization and the reinsurance accrual), the market impact on variable annuity guaranteed benefits (net of hedges and the related DSIC and DAC amortization), asset management net outflows, an \$11 million increase in life and disability income (“DI”) insurance claims, a negative impact from higher than expected lapses on variable annuities and an increase in general and administrative expense.

Net realized investment gains (net of the related DSIC and DAC amortization) were \$16 million for the three months ended March 31, 2017 compared to net realized investment losses (net of the related DSIC and DAC amortization) of \$16 million for the prior year period. The market impact of hedges on investments was a benefit of \$1 million compared to an expense of \$40 million for the prior year period.

The market impact on variable annuity guaranteed benefits (net of hedges and the related DSIC and DAC amortization) was an expense of \$63 million for the three months ended March 31, 2017 compared to a benefit of \$17 million for the prior year period.

The market impact on indexed universal life benefits (net of hedges and the related DAC amortization, unearned revenue amortization and the reinsurance accrual) was nil for the three months ended March 31, 2017 compared to a benefit of \$19 million for the prior year period.

The impact on DAC, DSIC and reserves for insurance features in non-traditional long-duration contracts from actual versus expected market performance based on our view of bond and equity performance was a benefit of \$19 million (\$9 million for DAC, \$2 million for DSIC and \$8 million for insurance features in non-traditional long duration contracts) for the three months ended March 31, 2017 reflecting favorable equity market returns compared to an expense of \$10 million (\$6 million for DAC, \$1 million for DSIC and \$3 million for insurance features in non-traditional long duration contracts) for the prior year period.

## AMERIPRISE FINANCIAL, INC.

## Net Revenues

Net revenues increased \$136 million, or 5%, to \$2.9 billion for the three months ended March 31, 2017 compared to \$2.8 billion for the prior year period primarily due to market appreciation, wrap account net inflows and an increase in net investment income, partially offset by a \$34 million decrease in net revenues from the impact of transitioning advisory accounts to share classes without 12b-1 fees, asset management net outflows and lower premiums.

Management and financial advice fees increased \$96 million, or 7%, to \$1.5 billion for the three months ended March 31, 2017 compared to \$1.4 billion for the prior year period primarily due to market appreciation, partially offset by a \$14 million negative impact of one fewer fee day, an \$11 million decrease in performance fees and a \$14 million negative impact of foreign exchange. Average AUM increased \$29.7 billion, or 5%, compared to the prior year period due to market appreciation and wrap account net inflows, partially offset by asset management net outflows and the negative impact of foreign currency translation. See our discussion on the changes in AUM in our segment results of operations section.

Net investment income increased \$60 million, or 18%, to \$391 million for the three months ended March 31, 2017 compared to \$331 million for the prior year period due to a \$41 million favorable change in the market impact of hedges on investments and net realized investment gains of \$17 million for the first quarter of 2017 compared to net realized investment losses of \$16 million for the prior year period.

Premiums decreased \$29 million, or 8%, to \$339 million for the three months ended March 31, 2017 compared to \$368 million for the prior year period primarily reflecting higher ceded premiums due to new quota share reinsurance arrangements we entered into at the beginning of the year to reduce risk.

## Expenses

Total expenses increased \$136 million, or 6%, to \$2.4 billion for the three months ended March 31, 2017 compared to \$2.3 billion for the prior year period primarily due to the market impact on variable annuity guaranteed benefits (net of hedges and the related DSIC and DAC amortization) and higher distribution expenses from increased advisor productivity, as well as an increase in general and administrative expense.

Distribution expenses increased \$53 million, or 7%, to \$823 million for the three months ended March 31, 2017 compared to \$770 million for the prior year period reflecting market appreciation, partially offset by a \$25 million decrease from changes related to our transition to share classes without 12b-1 fees in advisory accounts.

Interest credited to fixed accounts increased \$16 million, or 11%, to \$162 million for the three months ended March 31, 2017 compared to \$146 million for the prior year period due to the market impact on indexed universal life benefits, net of hedges, which was nil for the three months ended March 31, 2017 compared to a benefit of \$16 million for the prior year period.

Benefits, claims, losses and settlement expenses increased \$85 million, or 18%, to \$567 million for the three months ended March 31, 2017 compared to \$482 million for the prior year period primarily reflecting the following items:

- A \$9 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 \$10 million negative impact in the first quarter of 2017 from changes in assumptions in the third quarter unlocking process that result in ongoing increases to living benefit reserves.

- The impact on DSIC and reserves for insurance features in non-traditional long-duration contracts from actual versus expected market performance based on our view of bond and equity performance was a benefit of \$10 million for the three months ended March 31, 2017 reflecting favorable equity market returns compared to an expense of \$4 million for the prior year period.

- A \$30 million decrease in benefits, claims, losses and settlement expenses related to our auto and home business reflecting a lower non-catastrophe loss ratio and the impact of new quota share reinsurance arrangements.

- A \$284 million increase in expense compared to the prior year period from the unhedged nonperformance credit spread risk adjustment on variable annuity guaranteed benefits. As the embedded derivative liability on which the nonperformance credit spread is applied increases (decreases), the impact of the nonperformance credit spread is favorable (unfavorable) to expense. The unfavorable impact of the nonperformance credit spread was \$65 million for the three months ended March 31, 2017 compared to a favorable impact of \$219 million for the prior year period.

A \$179 million decrease 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. This decrease was the result of a favorable \$1.4 billion change in the market impact on variable annuity guaranteed living benefits reserves, an unfavorable \$1.2 billion change in the market impact on derivatives hedging the variable annuity guaranteed benefits and a favorable \$2 million change in the DSIC offset. The main market drivers contributing to these changes are summarized below:

Interest rate impact on the variable annuity guaranteed living benefits liability net of the impact on the corresponding hedge assets resulted in a lower expense in the first quarter of 2017 compared to the prior year period.

Equity market impact on the variable annuity guaranteed living benefits liability net of the impact on the corresponding hedge assets resulted in a benefit in the first quarter of 2017 compared to an expense in the prior year period.

AMERIPRISE FINANCIAL, INC.

Volatility impact on the variable annuity guaranteed living benefits liability net of the impact on the corresponding hedge assets resulted in a higher expense in the first quarter of 2017 compared to the prior year period.

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 decreased \$38 million, or 35%, to \$72 million for the three months ended March 31, 2017 compared to \$110 million for the prior year period primarily reflecting the following items:

The impact on DAC from actual versus expected market performance based on our view of bond and equity performance was a benefit of \$9 million for the first quarter of 2017 reflecting favorable equity market returns compared to an expense of \$6 million for 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 a benefit of \$9 million for the first quarter of 2017 compared to an expense of \$16 million for the prior year period.

General and administrative expenses increased \$25 million, or 3%, to \$752 million for the three months ended March 31, 2017 compared to \$727 million for the prior year period due to a \$9 million expense related to the renegotiation of a vendor arrangement, a \$5 million increase in expense related to planning and implementation of the new Department of Labor fiduciary standard, higher performance based compensation and a \$9 million sales and use tax reserve release in the first quarter of 2016, partially offset by a positive impact of foreign exchange.

Income Taxes

Our effective tax rate was 15.2% for the three months ended March 31, 2017 compared to 23.3% for the prior year period. Our effective tax rates for the three months ended March 31, 2017 and 2016 are lower than the statutory rate as a result of tax preferred items including the dividends received deduction, low income housing tax credits, and lower taxes on net income from foreign subsidiaries. The decrease in the effective tax rate for the three months ended March 31, 2017 compared to the prior year period is primarily due to a \$28 million benefit for stock compensation due to the adoption of Accounting Standards Update 2016-09 Stock Compensation - Improvements to Employee Share-Based Payment Accounting as well as a \$20 million benefit for a reversal of a tax reserve related to prior years.

## AMERIPRISE FINANCIAL, INC.

## Results of Operations by Segment for the Three Months Ended March 31, 2017 and 2016

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 pretax income. 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.

Beginning in the first quarter of 2017, the long term care business, which had been reported as part of the Protection segment, is reflected in the Corporate & Other segment. We discontinued underwriting long term care insurance in 2002 and the transfer of this closed block to the Corporate & Other segment allows investors to better understand the performance of our on-going Protection businesses. Prior periods presented have been restated to reflect the change. The following table presents summary financial information by segment:

	Three Months Ended March 31, 2017    2016 (in millions)	
Advice & Wealth Management		
Net revenues	\$1,295	\$1,198
Expenses	1,047	993
Operating earnings	\$248	\$205
Asset Management		
Net revenues	\$726	\$724
Expenses	576	575
Operating earnings	\$150	\$149
Annuities		
Net revenues	\$608	\$596
Expenses	469	472
Operating earnings	\$139	\$124
Protection		
Net revenues	\$521	\$542
Expenses	458	474
Operating earnings	\$63	\$68
Corporate & Other		
Net revenues	\$57	\$68
Expenses	137	117
Operating loss	\$(80 )	\$(49 )



## AMERIPRISE FINANCIAL, INC.

## Advice &amp; Wealth Management

In April 2017, we announced a definitive agreement to acquire Investment Professionals, Inc. (“IPI”), an independent broker dealer specializing in the on-site delivery of investment programs for financial institutions, including banks and credit unions. IPI had approximately 200 advisors and \$8 billion in assets at December 31, 2016. The acquisition is expected to close in the third quarter of 2017.

The following table presents the changes in wrap account assets and average balances for the three months ended March 31:

	2017	2016
	(in billions)	
Beginning balance	\$201.1	\$180.5
Net flows	3.9	1.8
Market appreciation and other	7.9	1.1
Ending balance	\$212.9	\$183.4

Advisory wrap account assets ending balance <sup>(1)</sup> \$210.9 \$181.6

Average advisory wrap account assets <sup>(2)</sup> \$205.4 \$176.6

Advisory wrap account assets represent those assets for which clients receive advisory services and are the primary driver of revenue earned on wrap accounts. Clients may hold non-advisory investments in their wrap accounts that do not incur an advisory fee.

<sup>(2)</sup> 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 \$11.8 billion, or 6%, during the three months ended March 31, 2017 due to net inflows of \$3.9 billion and market appreciation and other of \$7.9 billion. Average advisory wrap account assets increased \$28.8 billion, or 16%, compared to the prior year period primarily reflecting net inflows and market appreciation.

The following table presents the changes in wrap account assets for the twelve months ended March 31:

	2017	2016
	(in billions)	
Beginning balance	\$183.4	\$180.0
Net flows	12.3	10.2
Market appreciation (depreciation) and other	17.2	(6.8 )
Ending balance	\$212.9	\$183.4

Wrap account assets increased \$29.5 billion, or 16%, from the prior year period primarily 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:

	Three Months Ended March 31,		Change	
	2017	2016		
	(in millions)			
Revenues				
Management and financial advice fees	\$722	\$631	\$91	14 %
Distribution fees	513	514	(1 )	—
Net investment income	52	44	8	18
Other revenues	18	18	—	—
Total revenues	1,305	1,207	98	8
Banking and deposit interest expense	10	9	1	11

Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

Total net revenues	1,295	1,198	97	8
Expenses				
Distribution expenses	777	732	45	6
Interest and debt expense	2	2	—	—
General and administrative expense	268	259	9	3
Total expenses	1,047	993	54	5
Operating earnings	\$248	\$205	\$43	21 %

57

---

## AMERIPRISE FINANCIAL, INC.

Our Advice & Wealth Management segment pretax operating earnings, which exclude net realized investment gains or losses, increased \$43 million, or 21%, to \$248 million for the three months ended March 31, 2017 compared to \$205 million for the prior year period reflecting wrap account net inflows, market appreciation and higher earnings on brokerage cash. Pretax operating margin was 19.2% for the three months ended March 31, 2017 compared to 17.1% for the prior year period.

## Net Revenues

Net revenues exclude net realized investment gains or losses. Net revenues increased \$97 million, or 8%, to \$1.3 billion for the three months ended March 31, 2017 compared to \$1.2 billion for the prior year period primarily due to growth in wrap account assets, higher earnings on brokerage cash and increased transactional activity, partially offset by lower 12b-1 fees. During the quarter, we completed our transition to share classes without 12b-1 fees in advisory accounts, which reduced revenue by \$34 million. Operating net revenue per branded advisor increased to \$134,000 for the three months ended March 31, 2017, up 9%, from \$123,000 for the prior year period. Total branded advisors were 9,668 at March 31, 2017 compared to 9,766 at March 31, 2016.

Management and financial fees increased \$91 million, or 14%, to \$722 million for the three months ended March 31, 2017 compared to \$631 million for the prior year period due to growth in wrap account assets. Average advisory wrap account assets increased \$28.8 billion, or 16%, compared to the prior year period primarily reflecting net inflows and market appreciation.

Distribution fees were flat at \$513 million for the three months ended March 31, 2017 compared to \$514 million for the prior year period reflecting market appreciation, increased transactional activity and higher brokerage cash spread due to an increase in short-term interest rates, offset by lower 12b-1 fees.

## Expenses

Total expenses increased \$54 million, or 5%, to \$1.0 billion for the three months ended March 31, 2017 compared to \$993 million for the prior year period primarily due to an increase in distribution expenses.

Distribution expenses increased \$45 million, or 6%, to \$777 million for the three months ended March 31, 2017 compared to \$732 million for the prior year period reflecting higher advisor compensation due to growth in wrap account assets and increased transactional activity, partially offset by a \$25 million decrease from reduced advisor compensation related to our transition to share classes without 12b-1 fees in advisory accounts.

## Asset Management

Voluntary fee waivers we provided to the Columbia Money Market Funds were not material for the three months ended March 31, 2017 and 2016.

The following tables present the mutual fund performance of our retail Columbia and Threadneedle funds as of March 31:

Columbia	2017	2016
Mutual Fund Rankings in top 2 Lipper Quartiles		
Domestic Equity Equal weighted 1 year	69 %	68 %
3 year	75 %	62 %
5 year	71 %	57 %
Asset weighted 1 year	67 %	80 %
3 year	79 %	74 %
5 year	79 %	68 %
International Equity Equal weighted 1 year	45 %	55 %
3 year	55 %	68 %
5 year	70 %	60 %
Asset weighted 1 year	33 %	37 %
3 year	44 %	39 %
5 year	48 %	41 %
Taxable Fixed Income Equal weighted 1 year	78 %	63 %
3 year	76 %	59 %

Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

5 year 82% 71%  
Asset weighted 1 year 70% 70%  
3 year 83% 77%  
5 year 88% 83%

AMERIPRISE FINANCIAL, INC.

Tax Exempt Fixed Income Equal weighted 1 year 84 % 89 %  
 3 year 89 % 100 %  
 5 year 100 % 100 %

Asset weighted 1 year 97 % 92 %  
 3 year 92 % 100 %  
 5 year 100 % 100 %

Asset Allocation Funds Equal weighted 1 year 62 % 85 %  
 3 year 90 % 100 %  
 5 year 88 % 100 %

Asset weighted 1 year 48 % 98 %  
 3 year 100 % 100 %  
 5 year 98 % 100 %

Number of funds with 4 or 5 Morningstar star ratings Overall 49 51  
 3 year 46 50  
 5 year 46 46

Percent of funds with 4 or 5 Morningstar star ratings Overall 52 % 50 %  
 3 year 48 % 50 %  
 5 year 49 % 48 %

Percent of assets with 4 or 5 Morningstar star ratings Overall 63 % 61 %  
 3 year 68 % 61 %  
 5 year 63 % 61 %

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.

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 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

Retail Fund Rankings in Top 2017 2016  
 2 Morningstar Quartiles or

Above Index Benchmark

Equity Equal weighted 1 year 30 % 81 %  
 3 year 68 % 70 %  
 5 year 70 % 78 %

Asset weighted 1 year 42 % 88 %  
 3 year 79 % 56 %  
 5 year 66 % 86 %

Fixed Income Equal weighted 1 year 72 % 38 %  
 3 year 69 % 59 %  
 5 year 64 % 52 %

Asset weighted 1 year 79 % 68 %  
 3 year 90 % 83 %  
 5 year 75 % 45 %

AMERIPRISE FINANCIAL, INC.

Allocation (Managed) Funds Equal weighted	1 year	44 %	88 %
	3 year	100 %	100 %
	5 year	100 %	100 %
Asset weighted	1 year	32 %	93 %
	3 year	100 %	100 %
	5 year	100 %	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 Management as well as advisors not affiliated with Ameriprise Financial, Inc.

The following table presents global managed assets by type:

	March 31,		Change	Average <sup>(1)</sup> Three Months Ended March		Change		
	2017	2016		2017	2016			
	(in billions)							
Equity	\$249.8	\$244.7	\$5.1	2 %	\$245.5	\$241.8	\$3.7	2 %
Fixed income	178.4	179.5	(1.1)	(1)	177.4	176.8	0.6	—
Money market	6.1	7.5	(1.4)	(19)	6.0	7.7	(1.7)	(22)
Alternative	7.3	8.2	(0.9)	(11)	7.4	8.1	(0.7)	(9)
Hybrid and other	25.4	24.2	1.2	5	25.1	23.7	1.4	6
Total managed assets	\$467.0	\$464.1	\$2.9	1 %	\$461.4	\$458.1	\$3.3	1 %

<sup>(1)</sup> 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 table presents the changes in global managed assets:

	Three Months Ended March 31,	
	2017	2016
	(in billions)	
Global Retail Funds		
Beginning assets	\$259.9	\$263.9
Inflows	14.8	12.5
Outflows	(18.2 )	(15.6 )
Net VP/VIT fund flows	(0.9 )	(0.2 )
Net new flows	(4.3 )	(3.3 )
Reinvested dividends	0.4	0.4
Net flows	(3.9 )	(2.9 )
Distributions	(0.6 )	(0.6 )
Market appreciation (depreciation) and other <sup>(2)</sup>	11.4	(0.2 )
Foreign currency translation <sup>(1)(2)</sup>	0.5	(0.4 )
Total ending assets	267.3	259.8
Global Institutional		
Beginning assets	194.5	208.0
Inflows	7.1	7.4
Outflows	(8.8 )	(12.0 )
Net flows	(1.7 )	(4.6 )
Market appreciation and other <sup>(2)(3)</sup>	5.9	2.4
Foreign currency translation <sup>(1)(2)</sup>	1.0	(1.5 )
Total ending assets	199.7	204.3
Total managed assets	\$467.0	\$464.1
Total net flows	\$(5.6 )	\$(7.5 )
Former Parent Company Related <sup>(4)</sup>		
Retail net new flows	\$(0.9 )	\$(0.3 )
Institutional net new flows	(1.5 )	(4.0 )
Total net new flows	\$(2.4 )	\$(4.3 )

<sup>(1)</sup> Amounts represent local currency to US dollar translation for reporting purposes.

<sup>(2)</sup> Prior to the third quarter of 2016, the Foreign currency translation line represented British Pound to US dollar conversion, while the impact of translating assets from a local currency to British Pounds was included in Market appreciation (depreciation) and other. Beginning with the third quarter of 2016, the impact of translating assets from a local currency to British Pounds has been reclassified to the Foreign currency translation line. All prior periods have been restated.

<sup>(3)</sup> Includes \$(0.4) billion and \$1.1 billion for the total change in Affiliated General Account Assets during the three months ended March 31, 2017 and 2016, respectively.

<sup>(4)</sup> Former parent company related assets and net new flows are included in the rollforwards above.

In a referendum in June 2016, the United Kingdom (UK) voted to leave the European Union (EU), which caused volatility in capital and currency markets. Further, in March 2017 the UK invoked article 50 of the Treaty of Lisbon in serving its relevant notice to leave the European Union on March 30, 2019. The full impact of the British exit from the EU (commonly known as “Brexit”) remains uncertain. This uncertainty, which is expected to last for a lengthy period of time, has had and may continue to have a negative impact on our UK and European net flows and foreign currency translation resulting from the weakening of the British Pound.

Total segment AUM increased \$12.6 billion, or 3%, during the three months ended March 31, 2017 driven by market appreciation, partially offset by net outflows. Total segment AUM net outflows were \$5.6 billion for the three months

ended March 31, 2017, which included \$2.4 billion of outflows of former parent-related assets. 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. Global retail net outflows of \$3.9 billion included \$0.9 billion of outflows of our variable product funds underlying insurance and annuity separate accounts and \$0.9 billion of outflows from former parent-related assets. Retail net outflows in the quarter were consistent with industry outflows in active strategies and improving trends among UK and European investors



## AMERIPRISE FINANCIAL, INC.

following the Brexit vote disruption. Global institutional net outflows, excluding former parent assets, included inflows of several large mandates that funded during the quarter that had been anticipated, that were offset by a \$1.1 billion outflow from an institutional client that continued a pattern of redeeming assets for liquidity purposes that started in 2015.

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

	Three Months Ended		Change	
	March 31, 2017	2016		
	(in millions)			
<b>Revenues</b>				
Management and financial advice fees	\$598	\$602	\$(4)	(1)%
Distribution fees	121	117	4	3
Net investment income	4	3	1	33
Other revenues	3	2	1	50
Total revenues	726	724	2	—
Banking and deposit interest expense	—	—	—	—
Total net revenues	726	724	2	—
<b>Expenses</b>				
Distribution expenses	257	247	10	4
Amortization of deferred acquisition costs	4	4	—	—
Interest and debt expense	5	6	(1)	(17)
General and administrative expense	310	318	(8)	(3)
Total expenses	576	575	1	—
Operating earnings	\$150	\$149	\$1	1%

Our Asset Management segment pretax operating earnings, which exclude net realized investment gains or losses, was flat at \$150 million for the three months ended March 31, 2017 compared to \$149 million for the prior year period primarily due to market appreciation offset by net outflows, a \$4 million negative impact from one less fee day in the quarter and a \$6 million decrease in performance fees, net of related compensation.

**Net Revenues**

Net revenues, which exclude net realized investment gains or losses, were flat at \$726 million for the three months ended March 31, 2017 compared to \$724 million for the prior year period reflecting market appreciation offset by one less fee day in the quarter, net outflows, lower performance fees and foreign exchange translation.

Management and financial advice fees decreased \$4 million, or 1%, to \$598 million for the three months ended March 31, 2017 compared to \$602 million for the prior year period driven by cumulative net outflows from our higher fee yielding retail funds, a \$15 million negative foreign currency translation impact related to our UK and European AUM, an \$11 million decrease in performance fees and an \$8 million negative impact from one less fee day in the quarter, partially offset by market appreciation. Our average weighted equity index, which is a proxy for equity movements on AUM, increased 19% for the three months ended March 31, 2017 compared to the prior year period. Distribution fees increased \$4 million, or 3%, to \$121 million for the three months ended March 31, 2017 compared to \$117 million for the prior year period due to market appreciation, partially offset by cumulative net outflows.

**Expenses**

Total expenses were flat at \$576 million for the three months ended March 31, 2017 compared to \$575 million for the prior year period due to higher distribution expenses offset by lower general and administrative expense.

Distribution expenses increased \$10 million, or 4%, to \$257 million for the three months ended March 31, 2017 compared to \$247 million for the prior year period due to higher compensation driven by market appreciation, partially offset by cumulative net outflows and a \$4 million positive impact from one less fee day in the quarter.

General and administrative expense decreased \$8 million, or 3%, to \$310 million for the three months ended March 31, 2017 compared to \$318 million for the prior year period due to a \$5 million decrease in compensation related to performance fees and an \$11 million benefit from the impact of foreign exchange, partially offset by higher performance based compensation.

## AMERIPRISE FINANCIAL, INC.

## Annuities

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

	Three Months Ended		Change	
	March 31, 2017	2016		
	(in millions)			
<b>Revenues</b>				
Management and financial advice fees	\$187	\$177	\$10	6 %
Distribution fees	87	83	4	5
Net investment income	179	192	(13)	(7)
Premiums	27	28	(1)	(4)
Other revenues	128	116	12	10
Total revenues	608	596	12	2
Banking and deposit interest expense	—	—	—	—
Total net revenues	608	596	12	2
<b>Expenses</b>				
Distribution expenses	102	103	(1)	(1)
Interest credited to fixed accounts	118	119	(1)	(1)
Benefits, claims, losses and settlement expenses	143	144	(1)	(1)
Amortization of deferred acquisition costs	47	45	2	4
Interest and debt expense	8	8	—	—
General and administrative expense	51	53	(2)	(4)
Total expenses	469	472	(3)	(1)
Operating earnings	\$139	\$124	\$15	12 %

Our Annuities segment pretax operating income, which excludes net realized investment gains or losses (net of the related DSIC and DAC amortization) and the market impact on variable annuity guaranteed benefits (net of hedges and the related DSIC and DAC amortization), increased \$15 million, or 12%, to \$139 million for the three months ended March 31, 2017 compared to \$124 million for the prior year period primarily due to equity market appreciation and the impact on DAC, DSIC and reserves for insurance features in non-traditional long-duration contracts from actual versus expected market performance based on our view of bond and equity performance, partially offset by lower investment yields, a \$10 million negative impact from changes in assumptions in the third quarter unlocking process that result in ongoing increases to living benefit reserves, and a negative impact to DAC and DSIC from higher than expected lapses on variable annuities.

The impact on DAC, DSIC and reserves for insurance features in non-traditional long-duration contracts from actual versus expected market performance based on our view of bond and equity performance was a benefit of \$18 million (\$8 million for DAC, \$2 million for DSIC and \$8 million for insurance features in non-traditional long duration contracts) for the three months ended March 31, 2017 reflecting favorable equity market returns compared to an expense of \$9 million (\$5 million for DAC, \$1 million for DSIC and \$3 million for insurance features in non-traditional long duration contracts) for the prior year period.

RiverSource variable annuity account balances increased 3% to \$76.4 billion at March 31, 2017 compared to the prior year period due to equity market appreciation, partially offset by net outflows of \$3.0 billion. Lapse rates were higher in the quarter, reflecting increased client asset transfers from variable annuities to fee-based investment advisory accounts, as well as from run-off of a closed block of policies distributed through third-parties.

RiverSource fixed annuity account balances declined 7% to \$9.8 billion at March 31, 2017 compared to the prior year period as older policies continue to lapse and new sales are limited due to low interest rates. Given the current interest rate environment, our current fixed annuity book is expected to gradually run off and earnings on our fixed annuity

business will trend down.

Net Revenues

Net revenues, which exclude net realized investment gains or losses, increased \$12 million, or 2%, to \$608 million for the three months ended March 31, 2017 compared to \$596 million for the prior year period due to equity market appreciation and an increase in variable annuity rider fees, partially offset by lower investment yields and net outflows in fixed and variable annuities.

Management and financial advice fees increased \$10 million, or 6%, to \$187 million for the three months ended March 31, 2017 compared to \$177 million for the prior year period due to higher fees on variable annuities driven by higher average separate account balances. Average variable annuity account balances increased \$3.8 billion, or 6%, from the prior year period due to market appreciation, partially offset by net outflows.

## AMERIPRISE FINANCIAL, INC.

Net investment income, which excludes net realized investment gains or losses, decreased \$13 million, or 7%, to \$179 million for the three months ended March 31, 2017 compared to \$192 million for the prior year period reflecting a decrease of approximately \$10 million from lower interest rates and approximately \$3 million from lower invested assets due to fixed annuity net outflows.

Other revenues increased \$12 million, or 10%, to \$128 million for the three months ended March 31, 2017 compared to \$116 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 and 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) and the DAC and DSIC offset to net realized investment gains or losses, decreased \$3 million, or 1%, to \$469 million for the three months ended March 31, 2017 compared to \$472 million for the prior year period.

Benefits, claims, losses and settlement expenses, which exclude the market impact on variable annuity guaranteed benefits (net of hedges and the related DSIC amortization) and the DSIC offset to net realized investment gains or losses, decreased \$1 million to \$143 million for the three months ended March 31, 2017 compared to \$144 million for the prior year period primarily reflecting the following items:

The impact on DSIC and reserves for insurance features in non-traditional long-duration contracts from actual versus expected market performance based on our view of bond and equity performance was a benefit of \$10 million for the three months ended March 31, 2017 reflecting favorable equity market returns compared to an expense of \$4 million for the prior year period.

A \$9 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 \$10 million negative impact in the first quarter of 2017 from changes in assumptions in the third quarter unlocking process that result in ongoing increases to living benefit reserves.

Amortization of DAC increased \$2 million, or 4%, to \$47 million for the three months ended March 31, 2017 compared to \$45 million for the prior year period primarily due to a negative impact from higher than expected lapses on variable annuities, partially offset by the impact on DAC from actual versus expected market performance based on our view of bond and equity performance, which was a benefit of \$8 million for the first quarter of 2017 compared to an expense of \$5 million for the prior year period.

## Protection

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

	Three Months Ended      Change March 31, 2017      2016 (in millions)			
<b>Revenues</b>				
Management and financial advice fees	\$ 13	\$ 13	\$ —	— %
Distribution fees	25	23	2	9
Net investment income	85	80	5	6
Premiums	294	318	(24)	(8 )
Other revenues	104	108	(4 )	(4 )
Total revenues	521	542	(21)	(4 )
Banking and deposit interest expense	—	—	—	—
Total net revenues	521	542	(21)	(4 )
<b>Expenses</b>				
Distribution expenses	17	16	1	6

Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

Interest credited to fixed accounts	44	43	1	2
Benefits, claims, losses and settlement expenses	297	313	(16)	(5 )
Amortization of deferred acquisition costs	28	37	(9 )	(24)
Interest and debt expense	6	7	(1 )	(14)
General and administrative expense	66	58	8	14
Total expenses	458	474	(16)	(3 )
Operating earnings	\$63	\$ 68	\$(5)	(7 )%

64

---

## AMERIPRISE FINANCIAL, INC.

Our Protection segment pretax operating earnings, which excludes net realized investment gains or losses (net of the related DAC amortization, unearned revenue amortization and the reinsurance accrual) 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 \$5 million, or 7%, to \$63 million for the three months ended March 31, 2017 compared to \$68 million for the prior year period primarily due to an \$11 million increase in life and DI insurance claims and a \$6 million favorable impact in the prior year period related to life and health reinsurance recapture and model changes, partially offset by improved auto and home results.

## Net Revenues

Net revenues, which exclude net realized investment gains or losses (net of unearned revenue amortization and the reinsurance accrual) and the unearned revenue amortization and the reinsurance accrual offset to the market impact on indexed universal life benefits, decreased \$21 million, or 4%, to \$521 million for the three months ended March 31, 2017 compared to \$542 million for the prior year period primarily due to a decrease in premiums.

Premiums decreased \$24 million, or 8%, to \$294 million for the three months ended March 31, 2017 compared to \$318 million for the prior year period primarily reflecting higher ceded premiums due to new quota share reinsurance arrangements. In the first quarter of 2017, we entered into reinsurance arrangements designed to reduce risk, particularly in several wind/hail states where losses have been elevated.

## Expenses

Total expenses, which exclude the market impact on indexed universal life benefits (net of hedges and the related DAC amortization) and the DAC offset to net realized investment gains or losses, decreased \$16 million, or 3%, to \$458 million for the three months ended March 31, 2017 compared to \$474 million for the prior year period due to a decrease in benefits, claims, losses and settlement expenses.

Benefits, claims, losses and settlement expenses decreased \$16 million, or 5%, to \$297 million for the three months ended March 31, 2017 compared to \$313 million for the prior year period due to a \$30 million decrease in auto and home expenses reflecting a lower non-catastrophe loss ratio and the impact of new quota share reinsurance arrangements, partially offset by a \$9 million increase in life and DI insurance claims. Catastrophe losses, which were higher than anticipated in both periods due to wind and hail storms, were \$25 million for the three months ended March 31, 2017 compared to \$23 million for the prior year period.

## Corporate &amp; Other

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

	Three Months Ended		Change	
	March 31, 2017	2016		
	(in millions)			
<b>Revenues</b>				
Net investment income	\$28	\$40	\$(12)	(30)%
Premiums	27	27	—	—
Other revenues	2	1	1	NM
Total revenues	57	68	(11)	(16)
Banking and deposit interest expense	—	—	—	—
Total net revenues	57	68	(11)	(16)
<b>Expenses</b>				
Distribution expenses	(3)	(4)	1	25
Benefits, claims, losses and settlement expenses	58	58	—	—
Amortization of deferred acquisition costs	—	2	(2)	NM
Interest and debt expense	8	6	2	33
General and administrative expense	74	55	19	35

Edgar Filing: AMERIPRISE FINANCIAL INC - Form 10-Q

Total expenses	137	117	20	17
Operating loss	\$(80)	\$(49)	\$(31)	(63)%

NM Not Meaningful.

Our Corporate & Other segment pretax operating loss excludes net realized investment gains or losses, the market impact of hedges to offset interest rate changes on unrealized gains or losses for certain investments, integration and restructuring charges, and the impact of consolidating CIEs. Our Corporate & Other segment pretax operating loss increased \$31 million, or 63%, to \$80 million for the

65

---



## AMERIPRISE FINANCIAL, INC.

three months ended March 31, 2017 compared to \$49 million for the prior year period primarily due to a decrease in net investment income and an increase in general and administrative expense.

Net investment income decreased \$12 million, or 30%, to \$28 million for the three months ended March 31, 2017 compared to \$40 million for the prior year period primarily due to higher amortization relating to an increase in low income housing assets and the impact of interest allocation between subsidiaries.

General and administrative expense increased \$19 million, or 35%, to \$74 million for the three months ended March 31, 2017 compared to \$55 million for the prior year period primarily due to a \$9 million expense related to the renegotiation of a vendor arrangement, a \$5 million increase in expense related to planning and implementation of the new Department of Labor fiduciary standard and higher performance based compensation.

**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 March 31, 2019 due to prepayment, maturity or call activity at the option of the issuer, excluding securities with a make-whole provision, were \$4.6 billion and 4.4%, respectively, as of March 31, 2017. In addition, residential mortgage-backed securities, which are subject to prepayment risk as a result of the low interest rate environment, totaled \$6.9 billion and had a weighted average yield of 2.7% as of March 31, 2017. 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 three months ended March 31, 2017 was approximately 2.9%.

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 GMIRs, 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 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.

## AMERIPRISE FINANCIAL, INC.

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 futures, options, interest rate swaptions 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 March 31, 2017:

Equity Price Decline 10%	Equity Price Exposure to Pretax Income		
	Before Hedge Impact (in millions)	Hedge Impact	Net Impact
Asset-based management and distribution fees <sup>(1)</sup>	\$ (243 )	\$ 4	\$ (239 )
DAC and DSIC amortization <sup>(2) (3)</sup>	(125 )	—	(125 )
Variable annuity riders:			
GMDB and GMIB <sup>(3)</sup>	(31 )	—	(31 )
GMWB <sup>(3) (4)</sup>	(470 )	315	(155 )
GMAB	(33 )	33	—
DAC and DSIC amortization <sup>(4)</sup>	N/A	N/A	(1 )
Total variable annuity riders	(534 )	348	(187 )
Macro hedge program <sup>(5)</sup>	—	35	35
Equity indexed annuities	1	(1 )	—
Certificates	3	(3 )	—
Indexed universal life insurance	58	(44 )	14
Total	\$ (840 )	\$ 339	\$ (502 )

## AMERIPRISE FINANCIAL, INC.

Interest Rate Increase 100 Basis Points	Interest Rate Exposure Before Hedge (in millions)	Hedge Impact	Pretax Income Net Impact
Asset-based management and distribution fees <sup>(1)</sup>	\$ (49 )	\$ —	\$ (49 )
Variable annuity riders:			
GMDB and GMIB	—	—	—
GMWB	906	(1,020 )	(114 )
GMAB	25	(27 )	(2 )
DAC and DSIC amortization <sup>(4)</sup>	N/A	N/A	35
Total variable annuity riders	931	(1,047 )	(81 )
Macro hedge program <sup>(5)</sup>	—	230	230
Fixed annuities, fixed insurance and fixed portion of variable annuities and variable insurance products	98	—	98
Brokerage client cash balances	180	—	180
Certificates	(11 )	—	(11 )
Indexed universal life insurance	84	2	86
Total	\$ 1,233	\$ (815 )	\$ 453

N/A Not Applicable.

<sup>(1)</sup> Excludes incentive income which is impacted by market and fund performance during the period and cannot be readily estimated.

<sup>(2)</sup> Market impact on DAC and DSIC amortization resulting from lower projected profits.

<sup>(3)</sup> 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 and the life contingent benefits associated with GMWB.

<sup>(4)</sup> Market impact on DAC and DSIC amortization related to variable annuity riders is modeled net of hedge impact.

<sup>(5)</sup> 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 \$490 million related to a 10% equity price decline and an estimated positive net impact to pretax income of \$297 million related to a 100 basis point increase in interest rates as of December 31, 2016. The change in interest rate exposure from December 31, 2016 is primarily the result of changes in market conditions.

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 Company's hedging is based on our determination of economic risk, which excludes certain items in the liability valuation including the nonperformance spread risk.

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 10 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 our 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 observable market data 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 March 31, 2017. 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 \$253 million, net of DAC, DSIC, unearned revenue amortization, the reinsurance accrual and income taxes (calculated at the statutory tax rate of 35%), based on March 31, 2017 credit spreads.

## Liquidity and Capital Resources

## Overview

We maintained substantial liquidity during the three months ended March 31, 2017. At March 31, 2017 and December 31, 2016, we had \$2.0 billion and \$2.3 billion, respectively, in cash and cash equivalents excluding CIEs. We have additional liquidity available through an unsecured revolving credit facility for up to \$500 million that expires in May 2020. Under the terms of the 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 March 31, 2017, we had no outstanding borrowings under this credit facility and had \$1 million of outstanding letters of credit. Our credit facility contains various administrative, reporting, legal and financial covenants. We were in compliance with all such covenants at March 31, 2017.

We enter into short-term borrowings, which may include repurchase agreements and Federal Home Loan Bank (“FHLB”) advances, to reduce reinvestment risk. 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 March 31, 2017 and December 31, 2016 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 both March 31, 2017 and December 31, 2016, we had \$150 million 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 Asset Management Holdings Sàrl. 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	
	March 31, 2017	December 31, 2016	March 31, 2017	December 31, 2016
	(in millions)			
RiverSource Life <sup>(1)(2)</sup>	\$2,729	\$ 3,052	N/A	\$ 606
RiverSource Life of NY <sup>(1)(2)</sup>	328	323	N/A	38
IDS Property Casualty <sup>(1)(3)</sup>	806	800	220	213
Ameriprise Insurance Company <sup>(1)(3)</sup>	48	47	2	2
ACC <sup>(4)(5)</sup>	349	335	329	317
Threadneedle Asset Management Holdings Sàrl <sup>(6)</sup>	505	360	152	149
Ameriprise National Trust Bank <sup>(7)</sup>	22	22	10	10
AFSI <sup>(3)(4)</sup>	109	77	#	#
Ameriprise Captive Insurance Company <sup>(3)</sup>	52	51	14	9
Ameriprise Trust Company <sup>(3)</sup>	29	29	24	24
AEIS <sup>(3)(4)</sup>	182	107	20	19
RiverSource Distributors, Inc. <sup>(3)(4)</sup>	12	11	#	#
Columbia Management Investment Distributors, Inc. <sup>(3)(4)</sup>	17	14	#	#

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 March 31, 2017 and December 31, 2016.

(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.

Actual capital and regulatory capital requirements are determined in accordance with U.K. regulatory legislation.

(6) The regulatory capital requirements at March 31, 2017 represent calculations at December 31, 2016 of the rule 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 parent holding company from our subsidiaries, and in deciding to use cash to make capital contributions to our subsidiaries.

During the three months ended March 31, 2017, the parent holding company received cash dividends or a return of capital from its subsidiaries of \$458 million (including \$300 million from RiverSource Life) and contributed cash to its subsidiaries of \$25 million. During the three months ended March 31, 2016, the parent holding company received cash dividends or a return of capital from its subsidiaries of \$546 million (including \$400 million from RiverSource Life) and contributed cash to its subsidiaries of \$93 million (including \$75 million to IDS Property Casualty).

In 2009, RiverSource established an agreement to protect its exposure to Genworth Life Insurance Company (“GLIC”) for its reinsured LTC. In 2016, substantial enhancements to this reinsurance protection agreement were finalized. The terms of these confidential provisions within the agreement have been shared, in the normal course of regular reviews, with our domiciliary regulator and rating agencies. Management believes that this agreement and offsetting non LTC



legacy arrangements with Genworth will enable RiverSource to recover on all net exposure in the event of an insolvency of GLIC.

#### Dividends Paid to Shareholders and Share Repurchases

We paid regular quarterly dividends to our shareholders totaling \$121 million and \$117 million for the three months ended March 31, 2017 and 2016, respectively. On April 24, 2017, we announced a quarterly dividend of \$0.83 per common share. The dividend will be paid on May 19, 2017 to our shareholders of record at the close of business on May 8, 2017.

In December 2015, our Board of Directors authorized us to repurchase up to \$2.5 billion of our common stock through December 31, 2017. As of March 31, 2017, we had \$572 million remaining under this share repurchase authorization. In April 2017, our Board of Directors authorized us to repurchase up to an additional \$2.5 billion of our common stock through June 30, 2019. We intend to fund share repurchases through existing working capital, future earnings and other customary financing methods. The share repurchase

## AMERIPRISE FINANCIAL, INC.

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 three months ended March 31, 2017, we repurchased a total of 2.9 million shares of our common stock at an average price of \$124.01 per share.

### Cash Flows

Cash flows of CIEs and restricted and segregated cash 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. Cash segregated under federal and other regulations is held for the exclusive benefit of our brokerage customers and is not available for general use by Ameriprise Financial.

### Operating Activities

Net cash provided by operating activities decreased \$610 million to \$6 million for the three months ended March 31, 2017 compared to \$616 million for the prior year period primarily due to a \$114 million increase in income taxes paid and net cash outflows related to derivatives for the first quarter of 2017 compared to net cash inflows for the prior year period.

### 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 provided by investing activities increased \$210 million to \$211 million for the three months ended March 31, 2017 compared to \$1 million for the prior year period primarily due to a \$231 million decrease in cash used for purchases of Available-for-Sale securities and a \$318 million increase in proceeds from maturities, sinking fund payments and calls of Available-for-Sale securities, partially offset by proceeds of \$260 million from the sale of a portion of our consumer loans in the first quarter of 2016.

### Financing Activities

Net cash used in financing activities increased \$112 million to \$434 million for the three months ended March 31, 2017 compared to \$322 million for the prior year period primarily due to a \$276 million increase in maturities, withdrawals and cash surrenders of investment certificates, partially offset by \$125 million increase in proceeds from additions of investment certificates.

### Contractual Commitments

There have been no material changes to our contractual obligations disclosed in our 2016 10-K.

### Off-Balance Sheet Arrangements

We provide asset management services to investment entities which are considered to be VIEs, such as CLOs, hedge funds, property funds and private equity funds, which are sponsored by us. We consolidate certain CLOs. We have determined that consolidation is not required for hedge funds, property funds and private equity funds, which are sponsored by us. Our maximum exposure to loss with respect to our investment in these non-consolidated entities is limited to our carrying value. We have no obligation to provide further financial or other support to these investment entities nor have we provided any support to these investment entities. See Note 3 to our Consolidated Financial Statements for additional information on our arrangements with these investment entities.

### 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, benefits and claims expenses, general and

administrative costs, consolidated tax rate, return of capital to shareholders, debt repayment 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.

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.

AMERIPRISE FINANCIAL, INC.

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 that may be implemented or modified in connection with the Dodd-Frank Wall Street Reform and Consumer Protection Act or in light of the U.S. Department of Labor rule and exemptions pertaining to the fiduciary status of investment advice providers to 401(k) plans, plan sponsors, plan participants and the holders of individual retirement or health savings accounts;
- 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 interest rates assumed in the Company's loss recognition testing of its long term care business, 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 (such as the June 2016 UK referendum on membership in the European Union and the uncertain regulatory environment in the U.S. after the recent U.S. election), 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 2016 10-K.

AMERIPRISE FINANCIAL, INC.

Ameriprise Financial announces financial and other information to investors through the Company's investor relations website at [ir.ameriprise.com](http://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 2016 10-K filed with the SEC on February 23, 2017.

**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 March 31, 2017.

**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 2016 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 first quarter of 2017:

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 <sup>(1)</sup>	(d) Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs <sup>(1)</sup>
January 1 to January 31, 2017				
Share repurchase program <sup>(1)</sup>	843,258	\$ 113.87	843,258	\$ 832,964,013
Employee transactions <sup>(2)</sup>	116,796	\$ 114.64	N/A	N/A
February 1 to February 28, 2017				
Share repurchase program <sup>(1)</sup>	945,879	\$ 125.74	945,879	\$ 714,031,068
Employee transactions <sup>(2)</sup>	931,477	\$ 122.10	N/A	N/A
March 1 to March 31, 2017				
Share repurchase program <sup>(1)</sup>	1,088,906	\$ 130.37	1,088,906	\$ 572,067,621
Employee transactions <sup>(2)</sup>	188,871	\$ 131.75	N/A	N/A
Totals				
Share repurchase program <sup>(1)</sup>	2,878,043	\$ 124.01	2,878,043	
Employee transactions <sup>(2)</sup>	1,237,144	\$ 122.87	N/A	
	4,115,187		2,878,043	

N/A Not applicable.

<sup>(1)</sup> On December 7, 2015, we announced that our Board of Directors authorized us to repurchase up to \$2.5 billion of our common stock through December 31, 2017. On April 24, 2017, we announced that our Board of Directors authorized an additional expenditure of up to \$2.5 billion for the repurchase of our common stock through June 30, 2019. 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.

<sup>(2)</sup> 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: May 3, 2017 By/s/ Walter S. Berman  
Walter S. Berman  
Executive Vice President and  
Chief Financial Officer

Date: May 3, 2017 By/s/ David K. Stewart  
David K. Stewart  
Senior Vice President and Controller  
(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.
- 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.
- The following materials from Ameriprise Financial, Inc.'s Quarterly Report on Form 10-Q for the period ended March 31, 2017, formatted in XBRL: (i) Consolidated Statements of Operations for the three months ended March 31, 2017 and 2016; (ii) Consolidated Statements of Comprehensive Income for the three months ended March 31, 2017 and 2016; (iii) Consolidated Balance Sheets at March 31, 2017 and December 31, 2016; (iv) Consolidated Statements of Equity for the three months ended March 31, 2017 and 2016; (v) Consolidated Statements of Cash Flows for the three months ended March 31, 2017 and 2016; and (vi) Notes to the Consolidated Financial Statements.