AMERIPRISE FINANCIAL INC
Form 10-Q
November 01, 2017

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

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

For the Quarterly Period Ended September 30, 2017

OR

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

For the Transition Period from_____to_____

Commission File No. 1-32525

AMERIPRISE FINANCIAL, INC.

(Exact name of registrant as specified in its charter)

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

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

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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 o
Filer x
Smaller reporting company o

Non-accelerated Filer o (Do not check if a smaller reporting company) Smaller reporting company o Emerging growth company o

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 October 20, 2017 |
|---|---|
| Common Stock (par value $.01 per share) | 147,930,011 shares |

AMERIPRISE FINANCIAL, INC.

FORM 10-Q
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AMERIPRISE FINANCIAL, INC.

PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)
CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | (in millions, except per share amounts) | | | |
| Revenues | | | | |
| Management and financial advice fees | $1,626 | $1,464 | $4,669 | $4,289 |
| Distribution fees | 437 | 455 | 1,310 | 1,338 |
| Net investment income | 372 | 387 | 1,154 | 1,090 |
| Premiums | 348 | 374 | 1,035 | 1,114 |
| Other revenues | 210 | 330 | 733 | 832 |
| Total revenues | 2,993 | 3,010 | 8,901 | 8,663 |
| Banking and deposit interest expense | 12 | 12 | 34 | 29 |
| Total net revenues | 2,981 | 2,998 | 8,867 | 8,634 |
| Expenses | | | | |
| Distribution expenses | 850 | 798 | 2,505 | 2,371 |
| Interest credited to fixed accounts | 176 | 161 | 509 | 465 |
| Benefits, claims, losses and settlement expenses | 474 | 855 | 1,652 | 1,934 |
| Amortization of deferred acquisition costs | 48 | 163 | 189 | 360 |
| Interest and debt expense | 52 | 52 | 154 | 160 |
| General and administrative expense | 753 | 731 | 2,244 | 2,221 |
| Total expenses | 2,353 | 2,760 | 7,253 | 7,511 |
| Pretax income | 628 | 238 | 1,614 | 1,123 |
| Income tax provision | 125 | 23 | 315 | 209 |
| Net income | $503 | $215 | $1,299 | $914 |
| | | | | |
| Earnings per share | | | | |
| Basic | $3.29 | $1.31 | $8.37 | $5.43 |
| Diluted | $3.24 | $1.30 | $8.24 | $5.37 |
| | | | | |
| Cash dividends declared per common share | $0.83 | $0.75 | $2.41 | $2.17 |
| | | | | |
| 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 September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | (in millions) | | | |
| Net income | $503 | $215 | $1,299 | $914 |
| Other comprehensive income (loss), net of tax: | | | | |
| Foreign currency translation adjustment | 16 | (16) | 46 | (55) |
| Net unrealized gains (losses) on securities | (4) | (28) | 60 | 382 |
| Net unrealized gains (losses) on derivatives | 1 | 1 | 2 | 3 |
| Defined benefit plans | — | — | 5 | 6 |
| Other | — | — | (1) | — |
| Total other comprehensive income (loss), net of tax | 13 | (43) | 112 | 336 |
| Total comprehensive income | $516 | $172 | $1,411 | $1,250 |

See Notes to Consolidated Financial Statements.

AMERIPRISE FINANCIAL, INC.

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

| | September 30, 2017 | December 31, 2016 |
|---|---|---|
| | (in millions, except share amounts) | |
| Assets | | |
| Cash and cash equivalents | $2,398 | $2,318 |
| Cash of consolidated investment entities | 106 | 168 |
| Investments | 36,202 | 35,834 |
| Investments of consolidated investment entities, at fair value | 2,215 | 2,254 |
| Separate account assets | 85,287 | 80,210 |
| Receivables | 5,742 | 5,299 |
| Receivables of consolidated investment entities, at fair value | 9 | 11 |
| Deferred acquisition costs | 2,661 | 2,648 |
| Restricted and segregated cash and investments | 3,131 | 3,331 |
| Other assets | 7,735 | 7,748 |
| Total assets | $145,486 | $139,821 |
| | | |
| Liabilities and Equity | | |
| Liabilities: | | |
| Policyholder account balances, future policy benefits and claims | $29,963 | $30,202 |
| Separate account liabilities | 85,287 | 80,210 |
| Customer deposits | 10,427 | 10,036 |
| Short-term borrowings | 201 | 200 |
| Long-term debt | 2,902 | 2,917 |
| Debt of consolidated investment entities, at fair value | 2,267 | 2,319 |
| Accounts payable and accrued expenses | 1,728 | 1,727 |
| Other liabilities | 6,363 | 5,823 |
| Other liabilities of consolidated investment entities, at fair value | 43 | 95 |
| Total liabilities | 139,181 | 133,529 |
| Equity: | | |
| Ameriprise Financial, Inc.: | | |
| Common shares ($.01 par value; shares authorized, 1,250,000,000; shares issued, 327,007,785 and 324,006,315, respectively) | 3 | 3 |
| Additional paid-in capital | 8,017 | 7,765 |
| Retained earnings | 11,271 | 10,351 |
| Treasury shares, at cost (178,670,257 and 169,246,411 shares, respectively) | (13,298) | (12,027) |
| Accumulated other comprehensive income, net of tax | 312 | 200 |
| Total equity | 6,305 | 6,292 |
| Total liabilities and equity | $145,486 | $139,821 |

See Notes to Consolidated Financial Statements.

AMERIPRISE FINANCIAL, INC.

CONSOLIDATED STATEMENTS OF EQUITY (UNAUDITED)

| | Ameriprise Financial, Inc. | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Number of Outstanding Shares | Common Shares and 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 [1] | 171,033,260 | $ 7,611 | $ 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 | — | — | 914 | — | — | — | 914 | — | 914 |
| Other comprehensive income, net of tax | — | — | — | — | — | 336 | 336 | — | 336 |
| Total comprehensive income | | | | | | | 1,250 | — | 1,250 |
| Dividends to shareholders | — | — | (368) | — | — | — | (368) | — | (368) |
| Repurchase of common shares | (14,349,061) | — | — | — | (1,333) | — | (1,333) | — | (1,333) |
| Share-based compensation plans | 1,812,198 | 98 | — | — | 62 | — | 160 | — | 160 |
| Balances at September 30, 2016 [1] | 158,496,337 | 7,709 | $ 10,073 | $ — | $ (11,609) | $ 595 | $ 6,770 | $ — | $ 6,770 |
| Balances at January 1, 2017 | 154,759,904 | 7,765 | $ 10,351 | $ — | $ (12,025) | $ 200 | $ 6,292 | $ — | $ 6,292 |
| Comprehensive income: | | | | | | | | | |
| Net income | — | — | 1,299 | — | — | — | 1,299 | — | 1,299 |
| Other comprehensive income, net of tax | — | — | — | — | — | 112 | 112 | — | 112 |
| Total comprehensive income | | | | | | | 1,411 | — | 1,411 |
| Dividends to shareholders | — | — | (379) | — | — | — | (379) | — | (379) |
| Repurchase of common shares | (10,184,145) | — | — | — | (1,323) | — | (1,323) | — | (1,323) |
| Share-based compensation plans | 3,761,692 | 252 | — | — | 52 | — | 304 | — | 304 |
| Balances at September 30, 2017 | 148,337,451 | 8,017 | $ 11,271 | $ — | $ (13,296) | $ 312 | $ 6,305 | $ — | $ 6,305 |

[1] 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)

| | September 30, | |
|---|---|---|
| | 2017 | 2016 |
| | (in millions) | |
| Cash Flows from Operating Activities | | |
| Net income | $1,299 | $914 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | |
| Depreciation, amortization and accretion, net | 176 | 187 |
| Deferred income tax expense (benefit) | (58) | (47) |
| Share-based compensation | 91 | 101 |
| Net realized investment (gains) losses | (37) | (1) |
| Net trading (gains) losses | (5) | (5) |
| Loss from equity method investments | 41 | 45 |
| Net losses of consolidated investment entities | 3 | 5 |
| Changes in operating assets and liabilities: | | |
| Restricted and segregated investments | 1 | 200 |
| Deferred acquisition costs | (31) | 86 |
| Other investments, net | (139) | 9 |
| Policyholder account balances, future policy benefits and claims, net | (353) | 1,172 |
| Derivatives, net of collateral | 589 | (676) |
| Receivables | (445) | (177) |
| Brokerage deposits | (47) | 3 |
| Accounts payable and accrued expenses | (19) | (24) |
| Other operating assets and liabilities of consolidated investment entities, net | — | (9) |
| Other, net | 113 | 239 |
| Net cash provided by (used in) operating activities | 1,179 | 2,022 |
| | | |
| Cash Flows from Investing Activities | | |
| Available-for-Sale securities: | | |
| Proceeds from sales | 335 | 322 |
| Maturities, sinking fund payments and calls | 3,583 | 3,379 |
| Purchases | (3,722) | (4,666) |
| Proceeds from sales, maturities and repayments of mortgage loans | 348 | 705 |
| Funding of mortgage loans | (372) | (334) |
| Proceeds from sales and collections of other investments | 211 | 131 |
| Purchase of other investments | (351) | (144) |
| Purchase of investments by consolidated investment entities | (1,092) | (566) |
| Proceeds from sales, maturities and repayments of investments by consolidated investment entities | 1,087 | 803 |
| Purchase of land, buildings, equipment and software | (125) | (66) |
| Other, net | (8) | 69 |
| Net cash provided by (used in) investing activities | $(106) | $(367) |

See Notes to Consolidated Financial Statements.

AMERIPRISE FINANCIAL, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED) (Continued)

| | September 30, | |
|---|---|---|
| | 2017 | 2016 |
| | (in millions) | |
| Cash Flows from Financing Activities | | |
| Investment certificates: | | |
| Proceeds from additions | $3,595 | $ 3,184 |
| Maturities, withdrawals and cash surrenders | (3,158) | (2,376) |
| Policyholder account balances: | | |
| Deposits and other additions | 1,538 | 1,532 |
| Net transfers from (to) separate accounts | (120) | 113 |
| Surrenders and other benefits | (1,413) | (1,448) |
| Cash paid for purchased options with deferred premiums | (187) | (256) |
| Cash received from purchased options with deferred premiums | 42 | 242 |
| Issuance of long-term debt | — | 495 |
| Repayments of long-term debt | (8) | (254) |
| Dividends paid to shareholders | (368) | (361) |
| Repurchase of common shares | (1,161) | (1,319) |
| Exercise of stock options | 13 | 6 |
| Repayments of debt by consolidated investment entities | (59) | (134) |
| Other, net | — | 3 |
| Net cash provided by (used in) financing activities | (1,286) | (573) |
| Effect of exchange rate changes on cash | 32 | (53) |
| Net increase (decrease) in cash, cash equivalents and restricted cash | (181) | 1,029 |
| 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 | $5,211 | $ 6,090 |
| | | |
| Supplemental Disclosures: | | |
| Interest paid excluding consolidated investment entities | $130 | $ 121 |
| Interest paid by consolidated investment entities | 65 | 74 |
| Income taxes paid, net | 387 | 201 |
| Non-cash investing activity: | | |
| Partnership commitments not yet remitted | 9 | 75 |

| | September 30, 2017 | December 31, 2016 |
|---|---|---|
| | (in millions) | |
| Reconciliation of cash, cash equivalents and restricted cash: | | |
| Cash and cash equivalents | $2,398 | $ 2,318 |
| Cash of consolidated investment entities | 106 | 168 |
| Restricted and segregated cash and investments | 3,131 | 3,331 |
| Less: Restricted and segregated investments | (424) | (425) |
| Total cash, cash equivalents and restricted cash per consolidated statements of cash flows | $5,211 | $ 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.

In the third quarter of 2017, the Company recorded a $14 million out-of-period correction related to a variable annuity model assumption that decreased amortization of deferred acquisition costs ("DAC") by $10 million and decreased benefits, claims, losses and settlement expenses by $4 million.

The impact to prior period financial statements of these out-of-period corrections 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 $2.7 billion and $2.9 billion at September 30, 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 resulted in a $213 million increase to the Company's operating 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

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

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 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 and nine months ended September 30, 2017, the Company recognized net excess tax benefits of $25 million and $57 million, respectively, 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 $57 million and $8 million for the nine months ended September 30, 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

Derivatives and Hedging – Targeted Improvements to Accounting for Hedging Activities

In August 2017, the FASB updated the accounting standards to amend the hedge accounting recognition and presentation requirements. The objectives of the update are to better align the financial reporting of hedging relationships to the economic results of an entity's risk management activities and simplify the application of the hedge accounting guidance. The update also adds new disclosures and amends existing disclosure requirements. The standard is effective for interim and annual periods beginning after December 15, 2018, and should be applied on a modified retrospective basis. Early adoption is permitted. The Company is currently evaluating the impact of the standard on its consolidated results of operations and financial condition.

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

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

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.

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 on a retrospective basis 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 has determined that certain payments received primarily related to franchise advisor fees should be presented as revenue rather than a reduction of expense. The Company expects the impact of this change to be an increase to both revenues and expenses of approximately $95 million to $120 million. 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 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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

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 $6 million and $9 million as of September 30, 2017 and December 31, 2016, respectively. The Company classifies these investments as Available-for-Sale securities. See Note 4 for additional information on these investments.

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 $26 million as of both September 30, 2017 and December 31, 2016.

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 $7 million and $13 million as of September 30, 2017 and December 31, 2016, respectively.

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 September 30, 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 $455 million and $482 million as of September 30, 2017 and December 31, 2016, respectively. The Company had a $114 million and $135 million liability recorded as of September 30, 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

Fair Value of Assets and Liabilities

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

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

| | September 30, 2017 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| | (in millions) | | | |
| Assets | | | | |
| Investments: | | | | |
| Corporate debt securities | $— | $29 | $— | $29 |
| Common stocks | 22 | 11 | 4 | 37 |
| Other investments | 4 | — | — | 4 |
| Syndicated loans | — | 1,963 | 182 | 2,145 |
| Total investments | 26 | 2,003 | 186 | 2,215 |
| Receivables | — | 9 | — | 9 |
| Total assets at fair value | $26 | $2,012 | $186 | $2,224 |
| | | | | |
| Liabilities | | | | |
| Debt [1] | $— | $2,267 | $— | $2,267 |
| Other liabilities | — | 43 | — | 43 |
| Total liabilities at fair value | $— | $2,310 | $— | $2,310 |

| | 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 [1] | $— | $2,319 | $— | $2,319 |
| Other liabilities | — | 95 | — | 95 |
| Total liabilities at fair value | $— | $2,414 | $— | $2,414 |

(1) 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 $2.2 billion and $2.3 billion as of September 30, 2017 and December 31, 2016, respectively.

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, July 1, 2017 | $— | $ 7 | $ 185 |
| Total gains (losses) included in: | | | |
| Net income | —1 | (1) | (1) (1) |
| Purchases | —— | | 6 |
| Sales | —— | | (12) |
| Settlements | —— | | (3) |
| Transfers into Level 3 | —— | | 84 |
| Transfers out of Level 3 | —(4) | | (77) |
| Balance, September 30, 2017 | $— | $ 4 | $ 182 |
| Changes in unrealized gains (losses) included in income relating to assets held at September 30, 2017 | $— | $ 1 (1) | $ — |

| | Common Stocks | Syndicated Loans | Other Assets |
|---|---|---|---|
| | (in millions) | | |
| Balance at July 1, 2016 | $1 | $ 243 | $ 1 |
| Total gains (losses) included in: | | | |
| Net income | — | 2 (1) | — |
| Purchases | 1 | 50 | — |
| Sales | — | (10) | — |
| Settlements | — | (26) | — |
| Transfers into Level 3 | 1 | 57 | — |
| Transfers out of Level 3 | — | (120) | — |
| Balance, September 30, 2016 | $3 | $ 196 | $ 1 |
| Changes in unrealized gains (losses) included in income relating to assets held at September 30, 2016 | $— | $ 2 (1) | $ — |

| | Corporate Debt Securities | Common Stocks | Syndicated Loans |
|---|---|---|---|
| | (in millions) | | |
| Balance, January 1, 2017 | $— | $ 5 | $ 254 |
| Total gains (losses) included in: | | | |
| Net income | — | 1 (1) | — |
| Purchases | — | 3 | 133 |
| Sales | (2) | (1) | (27) |
| Settlements | — | — | (56) |
| Transfers into Level 3 | 2 | 2 | 197 |
| Transfers out of Level 3 | — | (6) | (319) |
| Balance, September 30, 2017 | $— | $ 4 | $ 182 |
| Changes in unrealized gains (losses) included in income relating to assets held at September 30, 2017 | $— | $ 1 (1) | $ (2) (1) |

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

| | 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 [3] | (2) | (304) | (2,065) | 6,630 |
| Balance at January 1, 2016, as adjusted | 1 | 225 | — | — |
| Total gains (losses) included in: | | | | |
| Net income | — | 1 [1] | 1 [2] | — |
| Purchases | 1 | 100 | — | — |
| Sales | — | (11) | — | — |
| Settlements | — | (51) | — | — |
| Transfers into Level 3 | 3 | 286 | — | — |
| Transfers out of Level 3 | (2) | (354) | — | — |
| Balance, September 30, 2016 | $3 | $ 196 | $1 | $— |
| Changes in unrealized gains (losses) included in income relating to assets and liabilities held at September 30, 2016 | $— | $ 1 [1] | $— | $— |

[1] Included in net investment income in the Consolidated Statements of Operations.
[2] Included in other revenues in the Consolidated Statements of Operations.
[3] The cumulative effect of change in accounting policies includes the adoption impact of ASU 2015-02 and ASU 2014-13 – Consolidation: Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity (“ASU 2014-13”).

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 September 30, 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.

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

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.

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

| | September 30, 2017 | December 31, 2016 |
|---|---|---|
| | (in millions) | |
| Syndicated loans | | |
| Unpaid principal balance | $2,215 | $ 2,281 |
| Excess unpaid principal over fair value | (70) | (83) |
| Fair value | $2,145 | $ 2,198 |
| Fair value of loans more than 90 days past due | $12 | $ 8 |
| Fair value of loans in nonaccrual status | 12 | 8 |
| Difference between fair value and unpaid principal of loans more than 90 days past due, loans in nonaccrual status or both | 26 | 34 |
| | | |
| Debt | | |
| Unpaid principal balance | $2,400 | $ 2,459 |
| Excess unpaid principal over carrying value | (133) | (140) |
| Carrying value [1] | $2,267 | $ 2,319 |

[1] 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 $2.2 billion and $2.3 billion as of September 30, 2017 and December 31, 2016, respectively.

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

Total net gains (losses) recognized in net investment income related to changes in the fair value of financial assets and liabilities for which the fair value option was elected were $(1) million and nil for the three months ended September 30, 2017 and 2016, respectively.

Total net gains (losses) recognized in net investment income related to changes in the fair value of financial assets and liabilities for which the fair value option was elected were $(3) million and $(5) million for the nine months ended September 30, 2017 and 2016, respectively.

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

| | Carrying Value | | Weighted Average Interest Rate | |
|---|---|---|---|---|
| | September 30, 2017 | December 31, 2016 | September 30, 2017 | December 31, 2016 |
| | (in millions) | | | |

| | | | | |
|---|---|---|---|---|
| Debt of consolidated CLOs due 2025-2026 | $2,267 | $ 2,319 | 2.7 % | 2.5 % |

The debt of the consolidated CLOs has both fixed and floating interest rates, which range from 0% to 7.3%. The interest rates on the debt of CLOs are weighted average rates based on the outstanding principal and contractual interest rates.

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

4. Investments

The following is a summary of Ameriprise Financial investments:

| | September 30, 2017 | December 31, 2016 |
|---|---|---|
| | (in millions) | |
| Available-for-Sale securities, at fair value | $30,826 | $ 30,719 |
| Mortgage loans, net | 3,000 | 2,986 |
| Policy and certificate loans | 841 | 831 |
| Other investments | 1,535 | 1,298 |
| Total | $36,202 | $ 35,834 |

The following is a summary of net investment income:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | (in millions) | | | |
| Investment income on fixed maturities | $340 | $342 | $1,012 | $1,028 |
| Net realized gains (losses) | (3) | 6 | 35 | (5) |
| Affordable housing partnerships | (17) | (17) | (42) | (35) |
| Other | 26 | 25 | 70 | 13 |
| Consolidated investment entities | 26 | 31 | 79 | 89 |
| Total | $372 | $387 | $1,154 | $1,090 |

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

September 30, 2017

| Description of Securities | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value | Noncredit OTTI [1] |
|---|---|---|---|---|---|
| | (in millions) | | | | |
| Corporate debt securities | $ 14,528 | $ 1,145 | $ (23) | $ 15,650 | $ — |
| Residential mortgage backed securities | 6,740 | 79 | (29) | 6,790 | — |
| Commercial mortgage backed securities | 3,917 | 62 | (27) | 3,952 | — |
| Asset backed securities | 1,611 | 39 | (4) | 1,646 | 5 |
| State and | 2,216 | 249 | (10) | 2,455 | — |

| | | | | | |
|---|---|---|---|---|---|
| municipal obligations | | | | | |
| U.S. government and agencies obligations | 5 | 1 | — | 6 | — |
| Foreign government bonds and obligations | 302 | 21 | (5) | 308 | — |
| Common stocks | 9 | 11 | (1) | 19 | 6 |
| Total | $ 29,318 | $ 1,607 | $ (99) | $ 30,826 | $ 11 |

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

December 31, 2016

| Description of Securities | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value | Noncredit OTTI [1] |
|---|---|---|---|---|---|
| | (in millions) | | | | |
| Corporate debt securities | $ 15,231 | $ 1,065 | $ (60) | $ 16,236 | $ — |
| Residential mortgage backed securities | 6,899 | 86 | (67) | 6,918 | (3) |
| Commercial mortgage backed securities | 3,347 | 59 | (39) | 3,367 | — |
| Asset backed securities | 1,532 | 33 | (16) | 1,549 | 5 |
| State and municipal obligations | 2,195 | 198 | (35) | 2,358 | — |
| U.S. government and agencies obligations | 7 | 1 | — | 8 | — |
| Foreign government bonds and obligations | 251 | 17 | (7) | 261 | — |
| Common stocks | 10 | 13 | (1) | 22 | 6 |
| Total | $ 29,472 | $ 1,472 | $ (225) | $ 30,719 | $ 8 |

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

As of September 30, 2017 and December 31, 2016, investment securities with a fair value of $1.7 billion and $1.6 billion, respectively, were pledged to meet contractual obligations under derivative contracts and short-term borrowings, of which $793 million and $473 million, respectively, may be sold, pledged or rehypothecated by the counterparty.

As of September 30, 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 September 30, 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:

| | September 30, 2017 | | | December 31, 2016 | | |
|---|---|---|---|---|---|---|
| Rating | Amortized Cost | Fair Value | Percent of Total Fair Value | Amortized Cost | Fair Value | Percent of Total Fair Value |
| | (in millions, except percentages) | | | | | |
| AAA | $10,444 | $10,528 | 34 % | $9,252 | $9,305 | 31 % |
| AA | 2,114 | 2,132 | 7 | 1,729 | 1,906 | 6 |
| A | 4,986 | 5,453 | 18 | 5,157 | 5,567 | 18 |
| BBB | 10,345 | 11,435 | 37 | 11,739 | 12,340 | 40 |
| Below investment grade (1) | 1,220 | 1,259 | 4 | 1,585 | 1,579 | 5 |
| Total fixed maturities | $29,109 | $30,807 | 100 % | $29,462 | $30,697 | 100 % |

(1) The amortized cost and fair value of below investment grade securities includes interest in CLOs managed by the Company of $6 million and $11 million, respectively, at September 30, 2017, and $9 million and $14 million, respectively, at December 31, 2016. These securities are not rated but are included in below investment grade due to their risk characteristics.

As of September 30, 2017 and December 31, 2016, approximately 41% 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

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

September 30, 2017

| | Less than 12 months | | | 12 months or more | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|
| Description of Securities | Number of Securities | Fair Value | Unrealized Losses | Number of Securities | Fair Value | Unrealized Losses | Number of Securities | Fair Value | Unrealized Losses |
| | (in millions, except number of securities) | | | | | | | | |
| Corporate debt securities | 106 | $1,151 | $ (7) | 34 | $325 | $ (16) | 140 | $1,476 | $ (23) |
| Residential mortgage backed securities | 113 | 1,901 | (16) | 109 | 993 | (13) | 222 | 2,894 | (29) |
| Commercial mortgage backed securities | 90 | 1,391 | (21) | 19 | 210 | (6) | 109 | 1,601 | (27) |
| Asset backed securities | 33 | 398 | (2) | 16 | 105 | (2) | 49 | 503 | (4) |
| State and municipal obligations | 89 | 176 | (1) | 16 | 142 | (9) | 105 | 318 | (10) |
| Foreign government bonds and obligations | 6 | 19 | — | 14 | 21 | (5) | 20 | 40 | (5) |
| Common stocks | — | — | — | 3 | 1 | (1) | 3 | 1 | (1) |
| Total | 437 | $5,036 | $ (47) | 211 | $1,797 | $ (52) | 648 | $6,833 | $ (99) |

December 31, 2016

| | Less than 12 months | | | 12 months or more | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|
| Description of Securities | Number of Securities | Fair Value | Unrealized Losses | Number of Securities | Fair Value | Unrealized Losses | Number of Securities | Fair Value | Unrealized Losses |
| | (in millions, except number of securities) | | | | | | | | |
| Corporate debt securities | 187 | $2,452 | $ (33) | 38 | $377 | $ (27) | 225 | $2,829 | $ (60) |
| Residential mortgage backed | 127 | 2,553 | (33) | 177 | 1,290 | (34) | 304 | 3,823 | (67) |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| securities | | | | | | | | | |
| Commercial mortgage backed securities | 100 | 1,583 | (39) | 5 | 43 | — | 105 | 1,626 | (39) |
| Asset backed securities | 48 | 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 | 7 | 30 | (1) | 15 | 23 | (6) | 22 | 53 | (7) |
| Common stocks | — | — | — | 3 | 1 | (1) | 3 | 1 | (1) |
| Total | 350 | $ 7,496 | $ (129) | 268 | $ 2,142 | $ (96) | 918 | $ 9,638 | $ (225) |

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 decline in interest rates on the long end of the interest rate curve and tighter 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 September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | (in millions) | | | |
| Beginning balance | $ 2 | $ 81 | $ 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) | — | — | (68) | (5) |
| Ending balance | $ 2 | $ 81 | $ 2 | $ 81 |

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

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | (in millions) | | | |
| Gross realized gains | $6 | $10 | $50 | $24 |
| Gross realized losses | (2) | (3) | (6) | (12) |
| Other-than-temporary impairments | — | — | (1) | (1) |
| Total | $4 | $7 | $43 | $11 |

Other-than-temporary impairments for the nine months ended September 30, 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.

Available-for-Sale securities by contractual maturity as of September 30, 2017 were as follows:

| | Amortized Cost | Fair Value |
|---|---|---|
| | (in millions) | |
| Due within one year | $2,311 | $2,340 |
| Due after one year through five years | 6,562 | 6,820 |
| Due after five years through 10 years | 3,852 | 4,010 |
| Due after 10 years | 4,316 | 5,249 |
| | 17,041 | 18,419 |
| Residential mortgage backed securities | 6,740 | 6,790 |
| Commercial mortgage backed securities | 3,917 | 3,952 |
| Asset backed securities | 1,611 | 1,646 |
| Common stocks | 9 | 19 |
| Total | $29,318 | $30,826 |

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

5. Financing Receivables

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

Allowance for Loan Losses

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

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

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

| | September 30, 2017 | 2016 |
|---|---|---|
| | (in millions) | |
| Beginning balance | $ 29 | $ 32 |
| Charge-offs | — | (1) |
| Provisions | (1) | (1) |
| Ending balance | $ 28 | $ 30 |
| | | |
| Individually evaluated for impairment | $ 3 | $ 2 |
| Collectively evaluated for impairment | 25 | 28 |

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

| | September 30, 2017 | December 31, 2016 |
|---|---|---|
| | (in millions) | |
| Individually evaluated for impairment | $ 19 | $ 12 |
| Collectively evaluated for impairment | 3,490 | 3,480 |
| Total | $ 3,509 | $ 3,492 |

As of September 30, 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 $13 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.

During the three months ended September 30, 2017 and 2016, the Company purchased $18 million and $22 million, respectively, and sold $12 million and nil, respectively, primarily of syndicated loans. During the nine months ended September 30, 2017 and 2016, the Company purchased $154 million and $65 million of syndicated loans, respectively, and sold $16 million of syndicated loans and $271 million of consumer loans, respectively. The loans sold during the nine months ended September 30, 2016 were sold on March 30, 2016 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 September 30, 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 September 30, 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.

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

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

| | Loans | | Percentage | |
|---|---|---|---|---|
| | September 30, 2017 | December 31, 2016 | September 30, 2017 | December 31, 2016 |
| | (in millions) | | | |
| East North Central | $237 | $ 198 | 9 % | 7 % |
| East South Central | 92 | 88 | 3 | 3 |
| Middle Atlantic | 198 | 203 | 7 | 8 |
| Mountain | 253 | 240 | 9 | 9 |
| New England | 87 | 91 | 3 | 3 |
| Pacific | 785 | 746 | 28 | 28 |
| South Atlantic | 767 | 783 | 28 | 29 |
| West North Central | 215 | 222 | 8 | 8 |
| West South Central | 136 | 131 | 5 | 5 |
| | 2,770 | 2,702 | 100 % | 100 % |
| Less: allowance for loan losses | 21 | 21 | | |
| Total | $2,749 | $ 2,681 | | |

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

| | Loans | | Percentage | |
|---|---|---|---|---|
| | September 30, 2017 | December 31, 2016 | September 30, 2017 | December 31, 2016 |
| | (in millions) | | | |
| Apartments | $560 | $ 504 | 20 % | 19 % |
| Hotel | 41 | 42 | 1 | 1 |
| Industrial | 466 | 446 | 17 | 17 |
| Mixed use | 48 | 49 | 2 | 2 |
| Office | 502 | 489 | 18 | 18 |
| Retail | 937 | 950 | 34 | 35 |
| Other | 216 | 222 | 8 | 8 |
| | 2,770 | 2,702 | 100 % | 100 % |
| Less: allowance for loan losses | 21 | 21 | | |
| Total | $2,749 | $ 2,681 | | |

Syndicated Loans

The recorded investment in syndicated loans as of September 30, 2017 and December 31, 2016 was $486 million and $482 million, respectively. The Company's syndicated loan portfolio is diversified across industries and issuers. The primary credit indicator for syndicated loans is whether the loans are performing in accordance with the contractual terms of the syndication. Total nonperforming syndicated loans as of September 30, 2017 and December 31, 2016 were $2 million and $1 million, respectively.

Consumer Loans

The recorded investment in consumer loans as of September 30, 2017 and December 31, 2016 was $253 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 September 30, 2017 and December 31, 2016, approximately 1% and 2%, respectively, of consumer loans had FICO scores below 640. As of both September 30, 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 52% of the portfolio as of both September 30, 2017 and December 31, 2016. Colorado and Washington represent 18% and 13%, respectively, of the portfolio as of both September 30, 2017 and December 31, 2016. No other state represents more than 10% of the total consumer loan portfolio.

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

During the third quarter of 2017, the Company entered into an agreement with an unaffiliated third party to sell $258 million of consumer mortgage loans and recorded a $7 million loss to reflect the loans at fair value.

Troubled Debt Restructurings

The recorded investment in restructured loans was not material as of September 30, 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 and nine months ended September 30, 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

In the third quarter of the year, management updated market-related inputs and implemented model changes related to our living benefit valuation. In addition, management conducted its annual review of life insurance and annuity valuation assumptions relative to current experience and management expectations including modeling changes. These aforementioned changes are collectively referred to as unlocking. The impact of unlocking to DAC in the third quarter of 2017 primarily reflected improved persistency and mortality on life insurance contracts and a correction related to a variable annuity model assumption partially offset by updates to market-related inputs to the living benefit valuation. The impact of unlocking to DAC in the third quarter of 2016 primarily reflected low interest rates that more than offset benefits from persistency on annuity contracts without living benefits. In addition, the Company's review of its closed LTC business in the prior year period resulted in the write-off of DAC, which was included in the impact of unlocking.

The balances of and changes in DAC were as follows:

| | 2017 | 2016 | |
|---|---|---|---|
| | (in millions) | | |
| Balance at January 1 | $2,648 | $2,730 | (1) |
| Capitalization of acquisition costs | 220 | 274 | (2) |
| Amortization, excluding the impact of valuation assumptions review | (201) | (279) | |
| Amortization, impact of valuation assumptions review | 12 | (81) | |
| Impact of change in net unrealized securities (gains) losses | (18) | (105) | |
| Balance at September 30 | $2,661 | $2,539 | (1) |

(1) 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.

(2) Includes a $27 million benefit related to the write-off of the deferred reinsurance liability in connection with the loss recognition on LTC business.

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 | 3 | 4 |
| Amortization, excluding the impact of valuation assumptions review | (26) | (32) |
| Amortization, impact of valuation assumptions review | (1) | 4 |
| Impact of change in net unrealized securities (gains) losses | 1 | (14) |
| Balance at September 30 | $279 | $297 |

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:

| | September 30, 2017 | December 31, 2016 |
|---|---|---|
| | (in millions) | |
| Policyholder account balances | | |
| Fixed annuities [1] | $10,100 | $ 10,588 |
| Variable annuity fixed sub-accounts | 5,187 | 5,211 |
| Variable universal life ("VUL")/universal life ("UL") insurance | 3,028 | 3,007 |
| Indexed universal life ("IUL") insurance | 1,290 | 1,054 |
| Other life insurance | 731 | 758 |
| Total policyholder account balances | 20,336 | 20,618 |
| | | |
| Future policy benefits | | |
| Variable annuity guaranteed minimum withdrawal benefits ("GMWB") | 539 | 1,017 |
| Variable annuity guaranteed minimum accumulation benefits ("GMAB") | (73) [2] | (24) [2] |
| Other annuity liabilities | 85 | 66 |
| Fixed annuity life contingent liabilities | 1,482 | 1,497 |
| Life, disability income and long term care insurance | 6,027 | 5,556 |
| VUL/UL and other life insurance additional liabilities | 674 | 588 |
| Total future policy benefits | 8,734 | 8,700 |
| Policy claims and other policyholders' funds | 893 | 884 |
| Total policyholder account balances, future policy benefits and claims | $29,963 | $ 30,202 |

[1] Includes fixed deferred annuities, non-life contingent fixed payout annuities and equity indexed annuity ("EIA") host contracts.

[2] Includes the fair value of GMAB embedded derivatives that was a net asset as of both September 30, 2017 and December 31, 2016 reported as a contra liability.

Separate account liabilities consisted of the following:

| | September 30, 2017 | December 31, 2016 |
|---|---|---|
| | (in millions) | |
| Variable annuity | $73,467 | $ 69,606 |
| VUL insurance | 7,154 | 6,659 |
| Other insurance | 33 | 33 |
| Threadneedle investment liabilities | 4,633 | 3,912 |
| Total | $85,287 | $ 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.

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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 | September 30, 2017 | | | | December 31, 2016 | | | |
|---|---|---|---|---|---|---|---|---|
| | Total Contract Value | Contract Value in Separate Accounts[1] | Net Amount at Risk | Weighted Average Attained Age | Total Contract Value | Contract Value in Separate Accounts | Net Amount at Risk | Weighted Average Attained Age |
| | (in millions, except age) | | | | | | | |
| GMDB: | | | | | | | | |
| Return of premium | $59,806 | $57,840 | $ 11 | 66 | $56,143 | $54,145 | $ 208 | 65 |
| Five/six-year reset | 8,869 | 6,141 | 13 | 66 | 8,878 | 6,170 | 22 | 66 |
| One-year ratchet | 6,502 | 6,139 | 12 | 69 | 6,426 | 6,050 | 110 | 68 |
| Five-year ratchet | 1,562 | 1,504 | 1 | 65 | 1,542 | 1,483 | 7 | 64 |
| Other | 1,057 | 1,034 | 58 | 72 | 965 | 942 | 86 | 71 |
| Total — GMDB | $77,796 | $72,658 | $ 95 | 66 | $73,954 | $68,790 | $ 433 | 65 |
| GGU death benefit | $1,103 | $1,052 | $ 126 | 69 | $1,047 | $996 | $ 108 | 68 |
| GGU living benefit | $236 | $219 | $ 8 | 69 | $245 | $227 | $ 13 | 68 |
| GMWB: | | | | | | | | |
| GMWB for life | $2,525 | $2,517 | $ 2 | 71 | $2,650 | $2,642 | $ 2 | 70 |
| GMWB not for life | 42,933 | 42,813 | 160 | 67 | 39,436 | 39,282 | 289 [2] | 66 |
| Total — GMWB | $45,458 | $45,330 | $ 162 | 67 | $42,086 | $41,924 | $ 291 | 66 |
| GMAB | $3,153 | $3,153 | $ — | 59 | $3,484 | $3,476 | $ 21 | 59 |

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

(2) Amount revised to reflect updated contractholder mortality assumptions at December 31, 2016.

The net amount at risk for GMDB, GGU and GMAB is defined as the current guaranteed benefit amount in excess of the current contract value. The net amount at risk for GMIB is defined as the greater of the present value of the minimum guaranteed annuity payments less the current contract value or zero. The net amount at risk for GMWB is defined as the greater of the present value of the minimum guaranteed withdrawal payments less the current contract value or zero.

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

| | September 30, 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 | $6,443 | 65 | $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.

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

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

| | GMDB & GGU | GMIB | GMWB [1] | GMAB [1] | UL |
|---|---|---|---|---|---|
| | (in millions) | | | | |
| Balance at January 1, 2016 | $14 | $ 8 | $1,057 | $ — | $332 |
| Incurred claims | 10 | — | 1,056 | 9 | 99 |
| Paid claims | (7) | — | — | (1) | (18) |
| Balance at September 30, 2016 | $17 | $ 8 | $2,113 | $ 8 | $413 |
| | | | | | |
| Balance at January 1, 2017 | $16 | $ 8 | $1,017 | $ (24) | $434 |
| Incurred claims | 3 | — | (478) | (49) | 59 |
| Paid claims | (3) | (1) | — | — | (22) |
| Balance at September 30, 2017 | $16 | $ 7 | $539 | $ (73) | $471 |

[1] The incurred claims for GMWB and GMAB represent the change in the fair value of the liabilities (contra liabilities) less paid claims.

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

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

| | September 30, 2017 | December 31, 2016 |
|---|---|---|
| | (in millions) | |
| Mutual funds: | | |
| Equity | $44,365 | $ 40,622 |
| Bond | 23,481 | 23,142 |
| Other | 5,117 | 5,326 |
| Total mutual funds | $72,963 | $ 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 | |
|---|---|---|---|---|
| | September 30, 2017 | December 31, 2016 | September 30, 2017 | December 31, 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 | 41 | 49 | | |
| Other [1] | 11 | 18 | | |
| Total long-term debt | 2,902 | 2,917 | | |
| | | | | |
| Short-term borrowings: | | | | |
| Federal Home Loan Bank ("FHLB") advances | 151 | 150 | 1.3 | 0.8 |
| Repurchase agreements | 50 | 50 | 1.4 | 0.9 |

| | | |
|---|---|---|
| Total short-term borrowings | 201 | 200 |
| Total | $3,103 | $ 3,117 |

(1) 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.

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

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.

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 September 30, 2017 and December 31, 2016, the Company has pledged $32 million and $33 million of agency residential mortgage backed securities and $16 million and $19 million of commercial mortgage backed securities, respectively. The remaining maturity of outstanding repurchase agreements was less than one month as of September 30, 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 $764 million and $771 million as of September 30, 2017 and December 31, 2016, respectively. The remaining maturity of outstanding FHLB advances was less than three months as of September 30, 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.

On October 12, 2017, the Company entered into an amended and restated credit agreement that provides for an unsecured revolving credit facility of up to $750 million that expires in October 2022. Under the terms of the credit agreement for the facility, the Company may increase the amount of this facility up to $1.0 billion upon satisfaction of certain approval requirements. This agreement replaced the Company’s unsecured revolving credit facility that was to expire in May 2020. The Company had no borrowings outstanding under this facility as of both September 30, 2017 and December 31, 2016 and outstanding letters of credit issued against this facility were $1 million as of both September 30, 2017 and December 31, 2016. The Company’s credit facility contains various administrative, reporting, legal and financial covenants. The Company was in compliance with all such covenants as of both September 30, 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:

| | September 30, 2017 | | | | |
|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total | |
| | (in millions) | | | | |
| Assets | | | | | |
| Cash equivalents | $136 | $1,882 | $— | $2,018 | |
| Available-for-Sale securities: | | | | | |
| Corporate debt securities | — | 14,383 | 1,267 | 15,650 | |
| Residential mortgage backed securities | — | 6,625 | 165 | 6,790 | |
| Commercial mortgage backed securities | — | 3,887 | 65 | 3,952 | |
| Asset backed securities | — | 1,611 | 35 | 1,646 | |
| State and municipal obligations | — | 2,455 | — | 2,455 | |
| U.S. government and agencies obligations | 6 | — | — | 6 | |
| Foreign government bonds and obligations | — | 308 | — | 308 | |
| Common stocks | 4 | 8 | 1 | 13 | |
| Common stocks measured at net asset value (“NAV”) | | | | 6 | (1) |
| Total Available-for-Sale securities | 10 | 29,277 | 1,533 | 30,826 | |
| Trading securities | 131 | 32 | — | 163 | |
| Separate account assets measured at NAV | | | | 85,287 | (1) |
| Investments segregated for regulatory purposes | 424 | — | — | 424 | |
| Other assets: | | | | | |
| Interest rate derivative contracts | 1 | 1,200 | — | 1,201 | |
| Equity derivative contracts | 51 | 1,891 | — | 1,942 | |
| Credit derivative contracts | — | 4 | — | 4 | |
| Foreign exchange derivative contracts | 1 | 42 | — | 43 | |
| Total other assets | 53 | 3,137 | — | 3,190 | |
| Total assets at fair value | $754 | $34,328 | $1,533 | $121,908 | |
| Liabilities | | | | | |
| Policyholder account balances, future policy benefits and claims: | | | | | |
| EIA embedded derivatives | | | $— | $4 | $— $4 |
| IUL embedded derivatives | | | — | — | 577 577 |
| GMWB and GMAB embedded derivatives | | | — | — | 45 45 (2) |
| Total policyholder account balances, future policy benefits and claims | | | — | 4 | 622 626 (3) |
| Customer deposits | | | — | 9 | — 9 |
| Other liabilities: | | | | | |
| Interest rate derivative contracts | | | — | 416 | — 416 |
| Equity derivative contracts | | | 5 | 2,664 | — 2,669 |
| Foreign exchange derivative contracts | | | 4 | 27 | — 31 |
| Other | | | 6 | 6 | 27 39 |
| Total other liabilities | | | 15 | 3,113 | 27 3,155 |
| Total liabilities at fair value | | | $15 | $3,126 | $649 $3,790 |

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

| | December 31, 2016 | | | | |
|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total | |
| | (in millions) | | | | |
| Assets | | | | | |
| 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 | — | 1,778 | — | 1,778 | |
| Equity derivative contracts | 43 | 1,531 | — | 1,574 | |
| Credit derivative contracts | — | 1 | — | 1 | |
| Foreign exchange derivative contracts | 13 | 80 | — | 93 | |
| Total other assets | 56 | 3,390 | — | 3,446 | |
| Total assets at fair value | $536 | $34,252 | $1,648 | $116,651 | |
| | | | | | |
| Liabilities | | | | | |
| Policyholder account balances, future policy benefits and claims: | | | | | |
| EIA embedded derivatives | $— | $5 | $— | $5 | |
| IUL embedded derivatives | — | — | 464 | 464 | |
| GMWB and GMAB embedded derivatives | — | — | 614 | 614 | (4) |
| Total policyholder account balances, future policy benefits and claims | — | 5 | 1,078 | 1,083 | (5) |
| Customer deposits | — | 8 | — | 8 | |
| Other liabilities: | | | | | |
| Interest rate derivative contracts | 2 | 987 | — | 989 | |
| Equity derivative contracts | 3 | 2,132 | — | 2,135 | |
| Foreign exchange derivative contracts | 2 | 45 | — | 47 | |
| Other | 3 | 8 | 13 | 24 | |
| Total other liabilities | 10 | 3,172 | 13 | 3,195 | |
| 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 $494 million of individual contracts in a liability position and $449 million of individual contracts in an asset position as of September 30, 2017.

(3) The Company's adjustment for nonperformance risk resulted in a $(376) million cumulative increase (decrease) to the embedded derivatives as of September 30, 2017.

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(4) The fair value of the GMWB and GMAB embedded derivatives included $880 million of individual contracts in a liability position and $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 increase (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 | Commercial Mortgage Backed Securities | Asset Backed Securities | Common Stocks | Total |
| | (in millions) | | | | | |
| Balance, July 1, 2017 | $1,333 | $ 172 | $ — | $ 33 | $ — | $1,538 |
| Total gains (losses) included in: | | | | | | |
| Other comprehensive income | (1) | 1 | — | (2) | 1 | (1) |
| Purchases | 39 | — | 65 | 10 | — | 114 |
| Settlements | (104) | (9) | — | — | — | (113) |
| Transfers into Level 3 | — | 20 | — | 13 | — | 33 |
| Transfers out of Level 3 | — | (19) | — | (19) | — | (38) |
| Balance, September 30, 2017 | $1,267 | $ 165 | $ 65 | $ 35 | $ 1 | $1,533 |
| Changes in unrealized gains (losses) relating to assets held at September 30, 2017 | $— | $ — | $ — | $ — | $ — | $— |

| | Policyholder Account Balances, Future Policy Benefits and Claims | | | Other Liabilities |
|---|---|---|---|---|
| | IUL Embedded Derivatives | GMWB and GMAB Embedded Derivatives | Total | |
| | (in millions) | | | |
| Balance, July 1, 2017 | $527 | $ 272 | $799 | $ 14 |
| Total (gains) losses included in: | | | | |
| Net income | 35 (1) | (309) (2) | (274) | — |
| Issues | 26 | 84 | 110 | 13 |
| Settlements | (11) | (2) | (13) | — |
| Balance, September 30, 2017 | $577 | $ 45 | $622 | $ 27 |
| Changes in unrealized (gains) losses relating to liabilities held at September 30, 2017 | $35 (1) | $ (307) (2) | $(272) | $ — |

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

| | Available-for-Sale Securities | | | | | |
|---|---|---|---|---|---|---|
| | Corporate Debt Securities | Residential Mortgage Backed Securities | Commercial Mortgage Backed Securities | Asset Backed Securities | Total | Other Derivative Contracts |
| | (in millions) | | | | | |
| Balance, July 1, 2016 | $1,350 | $ 153 | $ — | $ 178 | $1,681 | $ 2 |
| Total gains (losses) included in: | | | | | | |
| Net income | — | — | — | 1 | 1 [3] | (2) [2] |
| Other comprehensive income | (2) | 1 | — | 1 | — | — |
| Purchases | 20 | 144 | 33 | 12 | 209 | — |
| Settlements | (26) | (14) | — | — | (40) | — |
| Transfers out of Level 3 | — | 1 | — | (27) | (26) | — |
| Balance, September 30, 2016 | $1,342 | $ 285 | $ 33 | $ 165 | $1,825 | $ — |
| Changes in unrealized gains (losses) relating to assets held at September 30, 2016 | $— | $ — | $ — | $ — | $— | $ (2) [2] |

| | Policyholder Account Balances, Future Policy Benefits and Claims | | | |
|---|---|---|---|---|
| | IUL Embedded Derivatives | GMWB and GMAB Embedded Derivatives | Total | Other Liabilities |
| | (in millions) | | | |
| Balance, July 1, 2016 | $408 | $ 1,965 | $2,373 | $ — |
| Total (gains) losses included in: | | | | |
| Net income | 12 [1] | (280) [2] | (268) | — |
| Issues | 25 | 77 | 102 | 13 |
| Settlements | (7) | (6) | (13) | — |
| Balance, September 30, 2016 | $438 | $ 1,756 | $2,194 | $ 13 |
| Changes in unrealized (gains) losses relating to liabilities held at September 30, 2016 | $12 [1] | $ (267) [2] | $(255) | $ — |

| | Available-for-Sale Securities | | | | | |
|---|---|---|---|---|---|---|
| | Corporate Debt Securities | Residential Mortgage Backed Securities | Commercial Mortgage Backed Securities | Asset Backed Securities | Common Stocks | Total |
| | (in millions) | | | | | |
| Balance, January 1, 2017 | $1,311 | $ 268 | $ — | $ 68 | $ 1 | $1,648 |
| Total gains (losses) included in: | | | | | | |
| Other comprehensive income | 1 | 2 | — | — | 1 | 4 |
| Purchases | 109 | 132 | 65 | 64 | — | 370 |
| Settlements | (154) | (34) | — | (15) | — | (203) |
| Transfers into Level 3 | — | 20 | — | 27 | 8 | 55 |
| Transfers out of Level 3 | — | (223) | — | (109) | (9) | (341) |
| Balance, September 30, 2017 | $1,267 | $ 165 | $ 65 | $ 35 | $ 1 | $1,533 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Changes in unrealized gains (losses) relating to assets held at September 30, 2017 | $— | $ — | $ — | $ (1 ) | $ — | $(1 )[3] |

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

| | 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 | 75 [1] | (798) [2] | (723) | 1 [4] |
| Issues | 70 | 238 | 308 | 13 |
| Settlements | (32) | (9) | (41) | — |
| Balance, September 30, 2017 | $577 | $ 45 | $622 | $ 27 |
| Changes in unrealized (gains) losses relating to liabilities held at September 30, 2017 | $75 [1] | $ (771) [2] | $(696) | $ — |

| | Available-for-Sale Securities | | | | | |
|---|---|---|---|---|---|---|
| | Corporate Debt Securities | Residential Mortgage Backed Securities | Commercial Mortgage Backed Securities | Asset Backed Securities | Total | Other Derivative Contracts |
| | (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 | (2) | — | — | — | (2) [3] | (2) [2] |
| Other comprehensive income | 29 | — | — | (5) | 24 | — |
| Purchases | 34 | 144 | 42 | 28 | 248 | 2 |
| Settlements | (144) | (53) | (3) | (1) | (201) | — |
| Transfers into Level 3 | — | — | — | 12 | 12 | — |
| Transfers out of Level 3 | — | (24) | (9) | (52) | (85) | — |
| Balance, September 30, 2016 | $1,342 | $ 285 | $ 33 | $ 165 | $1,825 | $ — |
| Changes in unrealized gains (losses) relating to assets held at September 30, 2016 | $(1) | $ — | $ — | $ — | $(1) [3] | $ (2) [2] |

| | Policyholder Account Balances, Future Policy Benefits and Claims | | | |
|---|---|---|---|---|
| | IUL Embedded Derivatives | GMWB and GMAB Embedded Derivatives | Total | Other Liabilities |
| | (in millions) | | | |
| Balance, January 1, 2016 | $364 | $ 851 | $1,215 | $ — |
| Total (gains) losses included in: | | | | |
| Net income | 8 [1] | 708 [2] | 716 | — |

| | | | | |
|---|---|---|---|---|
| Issues | 86 | 215 | 301 | 13 |
| Settlements | (20) | (18) | (38) | — |
| Balance, September 30, 2016 | $438 | $ 1,756 | $2,194 | $ 13 |
| Changes in unrealized (gains) losses relating to liabilities held at September 30, 2016 | $8 [1] | $ 830 [2] | $838 | $ — |

[1] Included in interest credited to fixed accounts in the Consolidated Statements of Operations.
[2] Included in benefits, claims, losses and settlement expenses in the Consolidated Statements of Operations.
[3] Included in net investment income in the Consolidated Statements of Operations.
[4] Included in general and administrative expense in the Consolidated Statements of Operations.

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The increase (decrease) to pretax income of the Company's adjustment for nonperformance risk on the fair value of its embedded derivatives was $(37) million and $8 million, net of DAC, DSIC, unearned revenue amortization and the reinsurance accrual, for the three months ended September 30, 2017 and 2016, respectively. The increase (decrease) to pretax income of the Company's adjustment for nonperformance risk on the fair value of its embedded derivatives was $(91) million and $295 million, net of DAC, DSIC, unearned revenue amortization and the reinsurance accrual, for the nine months ended September 30, 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.

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

| | September 30, 2017 | | | | |
|---|---|---|---|---|---|
| | Fair Value (in millions) | Valuation Technique | Unobservable Input | Range | Weighted Average |
| Corporate debt securities (private placements) | $1,266 | Discounted cash flow | Yield/spread to U.S. Treasuries | 0.8% - 2.3% | 1.1% |
| Asset backed securities | $11 | Discounted cash flow | Annual short-term default rate | 3.8% | |
| | | | Annual long-term default rate | 2.5% - 3.0% | 2.6% |
| | | | Discount rate | 11.0% | |
| | | | Constant prepayment rate | 5.0% - 10.0% | 9.9% |
| | | | Loss recovery | 36.4% - 63.6% | 63.1% |
| IUL embedded derivatives | $577 | Discounted cash flow | Nonperformance risk [1] | 67 bps | |
| GMWB and GMAB embedded derivatives | $45 | Discounted cash flow | Utilization of guaranteed withdrawals [2] | 0.0% - 42.0% | |
| | | | Surrender rate | 0.1% - 74.7% | |
| | | | Market volatility [3] | 4.3% - 15.9% | |
| | | | Nonperformance risk [1] | 67 bps | |
| Contingent consideration liabilities | $27 | Discounted cash flow | Discount rate | 9.0% | |

| | December 31, 2016 | | | | |
|---|---|---|---|---|---|
| | Fair Value (in millions) | Valuation Technique | Unobservable Input | Range | Weighted Average |
| 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 | | | 4.8% | |

| | | | | | | |
|---|---|---|---|---|---|---|
| | | Discounted cash flow | Annual short-term default rate | | | |
| | | | Annual long-term default rate | 2.5% | | |
| | | | Discount rate | 13.5% | | |
| | | | Constant prepayment rate | 5.0 % | 10.0% | 9.9 % |
| | | | Loss recovery | 36.4 % | 63.6% | 62.8 % |
| IUL embedded derivatives | $464 | Discounted cash flow | Nonperformance risk [1] | 82 bps | | |
| GMWB and GMAB embedded derivatives | $614 | Discounted cash flow | Utilization of guaranteed withdrawals [2] | 0.0 % | 75.6% | |
| | | | Surrender rate | 0.1 % | 66.4% | |
| | | | Market volatility [3] | 5.3 % | 21.2% | |
| | | | Nonperformance risk [1] | 82 bps | | |
| Contingent consideration liabilities | $13 | Discounted cash flow | Discount rate | 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.

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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 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, commercial mortgage backed securities and asset backed securities. The fair

value of corporate bonds, non-agency residential mortgage backed securities, commercial mortgage backed securities and certain asset backed securities classified as Level 3 is typically based on a single non-binding broker quote. The underlying inputs used for some of the non-binding broker quotes are not readily available to the Company. The Company's privately placed corporate bonds are typically based on a single non-binding broker quote. 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.

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. The counterparties' nonperformance risk associated with uncollateralized derivative assets was immaterial as of September 30, 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. The Company’s nonperformance risk associated with uncollateralized

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derivative liabilities was immaterial as of September 30, 2017 and December 31, 2016. See Note 11 and Note 12 for further information on the credit risk of derivative instruments and related collateral.

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.

Contingent consideration liabilities consist of earn-outs and/or deferred payments related to the Company's acquisitions. Contingent consideration liabilities are recorded at fair value using a discounted cash flow model under multiple scenarios and an unobservable input (discount rate). Given the use of a significant unobservable input, the fair value of contingent consideration liabilities is classified as Level 3 within the fair value hierarchy.

Loans held for sale are required to be recorded at the lower of cost or fair value. During the third quarter of 2017, the Company entered into an agreement with an unaffiliated third party to sell $258 million of consumer loans at a $7 million loss. The loans are measured at fair value on a nonrecurring basis. The fair value of the loans, which reflects the selling price negotiated with the third party, was $251 million as of September 30, 2017, and is classified as Level 3 as the valuation includes unobservable inputs.

During the reporting periods, there were no other 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:

| | September 30, 2017 | | | | |
|---|---|---|---|---|---|
| | Carrying Value | Fair Value | | | |
| | | Level 1 | Level 2 | Level 3 | Total |
| | (in millions) | | | | |
| Financial Assets | | | | | |
| Mortgage loans, net | $2,749 | $— | $— | $2,768 | $2,768 |
| Policy and certificate loans | 841 | — | 1 | 797 | 798 |
| Receivables | 1,595 | 190 | 942 | 457 | 1,595 |
| Restricted and segregated cash | 2,707 | 2,707 | — | — | 2,707 |
| Other investments and assets | 511 | — | 439 | 71 | 510 |
| Financial Liabilities | | | | | |
| Policyholder account balances, future policy benefits and claims | $10,415 | $— | $— | $11,052 | $11,052 |
| Investment certificate reserves | 6,364 | — | — | 6,351 | 6,351 |
| Brokerage customer deposits | 4,065 | 4,065 | — | — | 4,065 |
| Separate account liabilities measured at NAV | 4,989 | | | | 4,989 (1) |
| Debt and other liabilities | 3,395 | 202 | 3,197 | 140 | 3,539 |

| | December 31, 2016 | | | | |
|---|---|---|---|---|---|
| | Carrying Value | Fair Value | | | |
| | | Level 1 | Level 2 | Level 3 | Total |
| | (in millions) | | | | |
| Financial Assets | | | | | |
| Mortgage loans, net | $2,986 | $— | $— | $2,972 | $2,972 |
| Policy and certificate loans | 831 | — | 1 | 807 | 808 |
| Receivables (2) | 1,396 | 128 | 870 | 403 | 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 | |
| Separate account liabilities measured at NAV | 4,253 | | | 4,253 | (1) |
| Debt and other liabilities | 3,371 | 146,176 | 169 | 3,491 | |

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(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) In the third quarter of 2017, the Company corrected the classification of the fair value of advisor loans, net from Level 2 to Level 3 as the valuation includes a significant unobservable input. The fair value levels at December 31, 2016 have been revised to reflect this change. The fair value of advisor loans, net was $400 million at December 31, 2016.

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.

The Company offers loans to financial advisors primarily for recruiting, transitional cost assistance and retention purposes. Advisor loans are recorded at principal less an allowance for doubtful accounts. The fair value of advisor loans is determined by discounting contractual cash flows, net of estimated credit losses, using a current market interest rate. Advisor loans are classified as Level 3.

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.

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

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.

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 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 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.

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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:

| | September 30, 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 [1] | Cash Collateral | Securities Collateral | |
| | (in millions) | | | | | | |
| Derivatives: | | | | | | | |
| OTC | $3,156 | $ — | $ 3,156 | $(2,379) | $ (661) | $ (109) | $ 7 |
| OTC cleared [2] | 14 | — | 14 | (12) | — | — | 2 |
| Exchange-traded | 20 | — | 20 | (2) | — | — | 18 |
| Total derivatives | 3,190 | — | 3,190 | (2,393) | (661) | (109) | 27 |
| Securities borrowed | 196 | — | 196 | (48) | — | (145) | 3 |
| Total | $3,386 | $ — | $ 3,386 | $(2,441) | $ (661) | $ (254) | $ 30 |

| | 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 [1] | 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 |

[1] Represents the amount of assets that could be offset by liabilities with the same counterparty under master netting or similar arrangements that management elects not to offset on the Consolidated Balance Sheets.
[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.
The following tables present the gross and net information about the Company's liabilities subject to master netting arrangements:

| | September 30, 2017 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Gross Amounts of Recognized Liabilities | Gross Amounts Offset in the Consolidated Balance | Amounts of Liabilities Presented in the Consolidated | Gross Amounts Not Offset in the Consolidated Balance Sheets | | | Net Amount |
| | | | | Financial Instruments | Cash Collateral [1] | Securities Collateral | |

| | Sheets | | Balance Sheets | | | | |
|---|---|---|---|---|---|---|---|
| | (in millions) | | | | | | |
| Derivatives: | | | | | | | |
| OTC | $3,102 | $ — | $ 3,102 | $(2,379) | $ (48) | $ (669) | $ 6 |
| OTC cleared [2] | 12 | — | 12 | (12) | — | — | — |
| Exchange-traded | 2 | — | 2 | (2) | — | — | — |
| Total derivatives | 3,116 | — | 3,116 | (2,393) | (48) | (669) | 6 |
| Securities loaned | 202 | — | 202 | (48) | — | (150) | 4 |
| Repurchase agreements | 50 | — | 50 | — | — | (48) | 2 |
| Total | $3,368 | $ — | $ 3,368 | $(2,441) | $ (48) | $ (867) | $ 12 |

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

| | December 31, 2016 | | | | | | |
|---|---|---|---|---|---|---|---|
| | 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[1] | Securities 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 and Note 9 for additional disclosures related to the Company’s repurchase agreements.

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.

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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:

| | September 30, 2017 | | | December 31, 2016 | | |
|---|---|---|---|---|---|---|
| | Notional | Gross Fair Value | | Notional | Gross Fair Value | |
| | | Assets [1] | Liabilities [2][3] | | Assets [1] | Liabilities [2][3] |
| | (in millions) | | | | | |
| Derivatives designated as hedging instruments | | | | | | |
| Interest rate contracts | $675 | $30 | $ — | $675 | $40 | $ — |
| Foreign exchange contracts | 99 | — | 4 | 164 | 12 | — |
| Total qualifying hedges | 774 | 30 | 4 | 839 | 52 | — |
| | | | | | | |
| Derivatives not designated as hedging instruments | | | | | | |
| Interest rate contracts | 66,504 | 1,171 | 416 | 72,449 | 1,738 | 989 |
| Equity contracts | 60,979 | 1,942 | 2,669 | 63,015 | 1,574 | 2,135 |
| Credit contracts | 721 | 4 | — | 1,039 | 1 | — |
| Foreign exchange contracts | 4,494 | 43 | 27 | 4,733 | 81 | 47 |
| Other contracts | 451 | — | — | 241 | — | — |
| Total non-designated hedges | 133,149 | 3,160 | 3,112 | 141,477 | 3,394 | 3,171 |
| | | | | | | |
| Embedded derivatives | | | | | | |
| GMWB and GMAB [4] | N/A | — | 45 | N/A | — | 614 |
| IUL | N/A | — | 577 | N/A | — | 464 |
| EIA | N/A | — | 4 | N/A | — | 5 |
| SMC | N/A | — | 9 | N/A | — | 8 |
| Total embedded derivatives | N/A | — | 635 | N/A | — | 1,091 |
| Total derivatives | $133,923 | $3,190 | $ 3,751 | $142,316 | $3,446 | $ 4,262 |

N/A Not applicable.

[1] The fair value of freestanding derivative assets is included in Other assets on the Consolidated Balance Sheets.

[2] 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.

[3] 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 $1.3 billion and $1.5 billion as of September 30, 2017 and December 31, 2016, respectively. See Note 11 for additional information related to master netting arrangements and cash collateral.

[4] The fair value of the GMWB and GMAB embedded derivatives as of September 30, 2017 included $494 million of individual contracts in a liability position and $449 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 September 30, 2017 and December 31, 2016, investment securities with a fair value of $122 million and $235 million, respectively, were received as collateral to meet contractual obligations under derivative contracts, of which $122 million and $118 million, respectively, may be sold, pledged or rehypothecated by the Company. As of September 30, 2017 and December 31, 2016, the Company had sold, pledged or rehypothecated $12 million and $19 million, respectively, of these securities. In addition, as of September 30, 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:

| | Net Investment Income | Banking and 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 September 30, 2017 | | | | | | |
| Interest rate contracts | $(1) | $ — | $ — | $ — | $ 14 | $ — |
| Equity contracts | (10) | 1 | 13 | 18 | (261) | 2 |
| Credit contracts | — | — | — | — | (3) | — |
| Foreign exchange contracts | — | — | 1 | — | 1 | 1 |
| Other contracts | — | — | — | — | (2) | — |
| GMWB and GMAB embedded derivatives | — | — | — | — | 227 | — |
| IUL embedded derivatives | — | — | — | (24) | — | — |
| SMC embedded derivatives | — | (1) | — | — | — | — |
| Total gain (loss) | $(11) | $ — | $ 14 | $ (6) | $ (24) | $ 3 |
| Nine Months Ended September 30, 2017 | | | | | | |
| Interest rate contracts | $(8) | $ — | $— | $ — | $61 | $— |
| Equity contracts | (7) | 3 | 36 | 50 | (920) | 7 |
| Credit contracts | — | — | — | — | (22) | — |
| Foreign exchange contracts | — | — | 3 | — | (27) | 5 |
| Other contracts | — | — | — | — | (2) | — |
| GMWB and GMAB embedded derivatives | — | — | — | — | 569 | — |
| IUL embedded derivatives | — | — | — | (43) | — | — |
| SMC embedded derivatives | — | (3) | — | — | — | — |
| Total gain (loss) | $(15) | $ — | $39 | $ 7 | $(341) | $12 |

| | Net Investment Income | Banking and 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 September 30, 2016 | | | | | | |
| Interest rate contracts | $6 | $ — | $ — | $ — | $ (12) | $ — |
| Equity contracts | 2 | 2 | 11 | 12 | (385) | 2 |
| Credit contracts | — | — | — | — | (3) | — |
| Foreign exchange contracts | 2 | — | — | — | (12) | 3 |
| Other contracts | — | — | — | — | (1) | — |
| GMWB and GMAB embedded derivatives | — | — | — | — | 209 | — |
| IUL embedded derivatives | — | — | — | (5) | — | — |
| SMC embedded derivatives | — | (1) | — | — | — | — |
| Total gain (loss) | $10 | $ 1 | $ 11 | $ 7 | $ (204) | $ 5 |

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

| | | | | | | |
|---|---|---|---|---|---|---|
| Nine Months Ended September 30, 2016 | | | | | | |
| Interest rate contracts | $(54) | $ — | $— | $— | $1,175 | $— |
| Equity contracts | 2 | 1 | 13 | 10 | (536) | 3 |
| Credit contracts | — | — | — | — | (34) | — |
| Foreign exchange contracts | — | — | 2 | — | (66) | 15 |
| Other contracts | — | — | — | — | (2) | — |
| GMWB and GMAB embedded derivatives | — | — | — | — | (905) | — |
| IUL embedded derivatives | — | — | — | 12 | — | — |
| SMC embedded derivatives | — | (1) | — | — | — | — |
| Total gain (loss) | $(52) | $ — | $15 | $22 | $(368) | $18 |

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.

The deferred premium associated with certain of the above options and swaptions is paid or received semi-annually over the life of the contract or at maturity. The following is a summary of the payments the Company is scheduled to make and receive for these options and swaptions as of September 30, 2017:

| | Premiums Payable | Premiums Receivable |
|---|---|---|
| | (in millions) | |
| 2017 [1] | $98 | $ 26 |
| 2018 | 232 | 131 |
| 2019 | 295 | 171 |
| 2020 | 217 | 100 |
| 2021 | 187 | 109 |
| 2022 - 2027 | 739 | 183 |
| Total | $1,768 | $ 720 |

[1] 2017 amounts represent the amounts payable and receivable for the period from October 1, 2017 to December 31, 2017.

Actual timing and payment amounts may differ due to future settlements, modifications or exercises of the contracts 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 contain settlement provisions linked to both equity returns and interest rates. The Company’s macro hedge derivatives that contain settlement provisions linked to both equity returns and interest rates are shown 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.

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

The Company enters into futures, credit default swaps 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 and nine months ended September 30, 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 September 30, 2017 that the Company expects to reclassify to earnings within the next twelve months is $1 million, which consists of $2 million of pretax gains to be recorded as a reduction to interest and debt expense and $3 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.

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 | Location of Gain Recognized into Income | Amount of Gain Recognized in Income on Derivatives | | | |
|---|---|---|---|---|---|
| | | Three Months Ended September 30, | | Nine Months Ended September 30, | |
| | | 2017 | 2016 | 2017 | 2016 |
| | | (in millions) | | | |
| Interest rate contracts | Interest and debt expense | $ 4 | $ 5 | $ 12 | $ 15 |

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 September 30, 2017 and 2016, the Company recognized a loss of $4 million and a gain of $6 million, respectively, in OCI. For the nine months ended September 30, 2017 and 2016, the Company recognized a loss of $3 million and a gain of $25 million, respectively, 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 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 September 30, 2017 and December 31, 2016, the aggregate fair value of derivative contracts in a net liability position containing such credit contingent provisions was $437 million and $254 million, respectively. The aggregate fair value of assets posted as collateral for such instruments as of September 30, 2017 and December 31, 2016 was $435 million and $246 million, respectively. If the credit contingent provisions of derivative contracts in a net liability position as of September 30, 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 $2 million and $8 million, respectively.

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

13. Shareholders' Equity

The following tables provide the amounts related to each component of OCI:

| | Three Months Ended September 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2017 | | | 2016 | | |
| | Pretax | Income Tax Benefit (Expense) | Net of Tax | Pretax | Income Tax Benefit (Expense) | Net of Tax |
| | (in millions) | | | | | |
| Net unrealized securities gains (losses): | | | | | | |
| Net unrealized securities gains (losses) arising during the period [1] | $60 | $ (22) | $38 | $82 | $ (31) | $51 |
| Reclassification of net securities (gains) losses included in net income [2] | (4) | 1 | (3) | (8) | 4 | (4) |
| Impact of deferred acquisition costs, deferred sales inducement costs, unearned revenue, benefit reserves and reinsurance recoverables | (61) | 22 | (39) | (114) | 39 | (75) |
| Net unrealized securities gains (losses) | (5) | 1 | (4) | (40) | 12 | (28) |
| Net unrealized derivatives gains (losses): | | | | | | |
| Reclassification of net derivative (gains) losses included in net income [3] | 1 | — | 1 | 1 | — | 1 |
| Net unrealized derivatives gains (losses) | 1 | — | 1 | 1 | — | 1 |
| Defined benefit plans: | | | | | | |
| Net gain arising during the period | — | — | — | — | — | — |
| Defined benefit plans | — | — | — | — | — | — |
| Foreign currency translation | 25 | (9) | 16 | (26) | 10 | (16) |
| Other | — | — | — | — | — | — |
| Total other comprehensive income (loss) | $21 | $ (8) | $13 | $(65) | $ 22 | $(43) |

| | Nine Months Ended September 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2017 | | | 2016 | | |
| | Pretax | Income Tax Benefit (Expense) | Net of Tax | Pretax | Income Tax Benefit (Expense) | Net of Tax |
| | (in millions) | | | | | |
| Net unrealized securities gains (losses): | | | | | | |
| Net unrealized securities gains (losses) arising during the period [1] | $304 | $ (107) | $197 | $1,134 | $ (398) | $736 |
| Reclassification of net securities (gains) losses included in net income [2] | (43) | 15 | (28) | (12) | 5 | (7) |
| Impact of deferred acquisition costs, deferred sales inducement costs, unearned revenue, benefit reserves and reinsurance recoverables | (168) | 59 | (109) | (533) | 186 | (347) |
| Net unrealized securities gains (losses) | 93 | (33) | 60 | 589 | (207) | 382 |
| Net unrealized derivatives gains (losses): | | | | | | |
| Reclassification of net derivative (gains) losses included in net income [4] | 3 | (1) | 2 | 4 | (1) | 3 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Net unrealized derivatives gains (losses) | 3 | (1) | 2 | 4 | (1) | 3 |

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

| | Nine Months Ended September 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2017 | | | 2016 | | |
| | Pretax | Income Tax Benefit (Expense) | Net of Tax | Pretax | Income Tax Benefit (Expense) | Net of Tax |
| | (in millions) | | | | | |
| Defined benefit plans: | | | | | | |
| Net gain arising during the period | 7 | (2) | 5 | 9 | (3) | 6 |
| Defined benefit plans | 7 | (2) | 5 | 9 | (3) | 6 |
| Foreign currency translation | 71 | (25) | 46 | (85) | 30 | (55) |
| Other | (1) | — | (1) | — | — | — |
| Total other comprehensive income (loss) | $173 | $ (61) | $112 | $517 | $ (181) | $336 |

(1) Includes other-than-temporary impairment losses on Available-for-Sale securities related to factors other than credit that were recognized in other comprehensive income (loss) during the period.
(2) Reclassification amounts are recorded in net investment income.
(3) Includes nil pretax gain reclassified to interest and debt expense for both the three months ended September 30, 2017 and 2016, and a $1 million pretax loss reclassified to net investment income for both the three months ended September 30, 2017 and 2016.
(4) Includes $1 million pretax gain reclassified to interest and debt expense for both the nine months ended September 30, 2017 and 2016, and a $3 million and $4 million pretax loss reclassified to net investment income for the nine months ended September 30, 2017 and 2016, respectively.

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, July 1, 2017 | $543 | $ 6 | $(120) | $ (129) | $ (1) | $299 |
| OCI before reclassifications | (1) | — | — | 16 | — | 15 |
| Amounts reclassified from AOCI | (3) | 1 | — | — | — | (2) |
| Total OCI | (4) | 1 | — | 16 | — | 13 |
| Balance, September 30, 2017 | $539 (1) | $ 7 | $(120) | $ (113) | $ (1) | $312 |
| Balance, January 1, 2017 | $479 | $5 | $(125) | $(159) | $— | $200 |
| OCI before reclassifications | 88 | — | — | 46 | (1) | 133 |
| Amounts reclassified from AOCI | (28) | 2 | 5 | — | — | (21) |

| | | | | | | |
|---|---|---|---|---|---|---|
| Total OCI | 60 | 2 | 5 | 46 | (1 ) | 112 |
| Balance, September 30, 2017 | $539 [1] | $7 | $(120) | $(113) | $(1) | $312 |

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

| Net Unrealized Securities Gains | Net Unrealized Derivatives Gains | Defined Benefit Plans | Foreign Currency Translation | Total |
|---|---|---|---|---|
| (in millions) | | | | |
| Balance, July 1, 2016 | $842 | $ 3 | $ (85) | $ (122) | $638 |
| OCI before reclassifications | (24) | — | — | (16) | (40) |
| Amounts reclassified from AOCI | (4) | 1 | — | — | (3) |
| Total OCI | (28) | 1 | — | (16) | (43) |
| Balance, September 30, 2016 | $814 (b) | $ 4 | $ (85) | $ (138) | $595 |
| Balance, January 1, 2016 | $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 | 389 | — | — | (55) | 334 |
| Amounts reclassified from AOCI | (7) | 3 | 6 | — | 2 |
| | 382 | 3 | 6 | (55) | 336 |

| | | | | | Total OCI | Balance, September 30, 2016 |
|---|---|---|---|---|---|---|
| $814 | $(1) | $30 | $(85) | $(138) | $595 | |

[1] Includes $8 million and $5 million of noncredit related impairments on securities and net unrealized securities gains (losses) on previously impaired securities as of September 30, 2017 and September 30, 2016, respectively.

For the nine months ended September 30, 2017 and 2016, the Company repurchased a total of 8.0 million shares and 13.7 million shares, respectively, of its common stock for an aggregate cost of $1.0 billion and $1.3 billion, 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, which was exhausted in the third quarter 2017. 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. As of September 30, 2017, the Company had $2.4 billion remaining under this share repurchase authorization.

The Company may also reacquire shares of its common stock under its share-based compensation plans related to restricted stock awards and certain option exercises. The holders of restricted shares may elect to surrender a portion of their shares on the vesting date to cover their income tax obligation. These vested restricted shares are reacquired by the Company and the Company's payment of the holders' income tax obligations are recorded as a treasury share purchase.

For the nine months ended September 30, 2017 and 2016, the Company reacquired 0.3 million shares and 0.3 million shares, respectively, of its common stock through the surrender of shares upon vesting and paid in the aggregate $33 million and $29 million, respectively, related to the holders' income tax obligations on the vesting date. Option holders may elect to net settle their vested awards resulting in the surrender of the number of shares required to cover the strike price and tax obligation of the options exercised. These shares are reacquired by the Company and recorded as treasury shares. For the nine months ended September 30, 2017 and 2016, the Company reacquired 1.9 million shares and 0.3 million shares, respectively, of its common stock through the net settlement of options for an aggregate value of $248 million and $31 million, respectively.

During the nine months ended September 30, 2017 and 2016, the Company reissued 0.8 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 19.9% and 9.7% for the three months ended September 30, 2017 and 2016, respectively. The Company's effective tax rate was 19.5% and 18.6% for the nine months ended September 30, 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, stock compensation and lower taxes on net income from foreign subsidiaries. The increase in the effective tax rate for the three months ended September 30, 2017 compared to the prior year period is primarily due to higher pretax income, partially offset by a $25 million benefit for stock compensation due to the adoption of a new accounting standard.

Included in the Company's deferred income tax assets are tax benefits related to state net operating losses of $15 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 $14 million and $11 million as of September 30, 2017 and December 31, 2016, respectively.

As of September 30, 2017 and December 31, 2016, the Company had $127 million and $115 million, respectively, of gross unrecognized tax benefits. If recognized, approximately $55 million and $46 million, net of federal tax benefits, of unrecognized tax benefits as of September 30, 2017 and December 31, 2016, respectively, would affect the effective tax rate.

It is reasonably possible that the total amount 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 $15 million to $25 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 nil and a net increase of $1 million in interest and penalties for the three months and nine months ended September 30, 2017, respectively. The Company recognized nil and a net decrease of $44 million in interest and penalties for the three months and nine months ended September 30, 2016, respectively. As of September 30, 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. In the third quarter, the Company received final cash settlements for resolution of the 2006 and 2011 audits. The IRS has completed its examination of the 2008 through 2010 tax returns and these years are effectively settled; however, the statutes of limitation, 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 September 30, 2017 and December 31, 2016, the estimated liability was $15 million and $16 million, respectively, and the related premium tax asset was $12 million and $14 million, respectively. 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, including managed accounts; 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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

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 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. As a result, the case will proceed in England's High Court of Justice, Commercial Court. A Case Management Conference was held October 6, 2017, and it was directed that trial of the matter shall not be set before May 1, 2019. 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 September 30, | Nine Months Ended September 30, |
|---|---|---|

| | 2017 | 2016 | 2017 | 2016 |
|---|---|---|---|---|
| | (in millions, except per share amounts) | | | |
| Numerator: | | | | |
| Net income | $503 | $215 | $1,299 | $914 |
| Denominator: | | | | |
| Basic: Weighted-average common shares outstanding | 153.0 | 164.0 | 155.2 | 168.3 |
| Effect of potentially dilutive nonqualified stock options and other share-based awards | 2.4 | 1.8 | 2.4 | 1.8 |
| Diluted: Weighted-average common shares outstanding | 155.4 | 165.8 | 157.6 | 170.1 |
| Earnings per share: | | | | |
| Basic | $3.29 | $1.31 | $8.37 | $5.43 |
| Diluted | $3.24 | $1.30 | $8.24 | $5.37 |

The calculation of diluted earnings per share excludes the incremental effect of 2.9 million options as of September 30, 2016, due to their anti-dilutive effect. There was no incremental effect as of September 30, 2017.

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:

| | September 30, 2017 | December 31, 2016 |
|---|---|---|
| | (in millions) | |
| Advice & Wealth Management | $13,407 | $ 12,654 |
| Asset Management | 8,163 | 7,254 |
| Annuities | 96,656 | 93,481 |
| Protection | 17,543 | 16,780 |
| Corporate & Other | 9,717 | 9,652 |
| Total assets | $145,486 | $ 139,821 |

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | (in millions) | | | |
| Operating net revenues: | | | | |
| Advice & Wealth Management | $1,383 | $1,272 | $4,026 | $3,720 |
| Asset Management | 778 | 740 | 2,252 | 2,203 |
| Annuities | 626 | 631 | 1,861 | 1,846 |
| Protection | 478 | 613 | 1,516 | 1,693 |
| Corporate & Other | 50 | 51 | 162 | 178 |
| Eliminations [1][2] | (348) | (353) | (1,040) | (1,042) |
| Total segment operating revenues | 2,967 | 2,954 | 8,777 | 8,598 |
| Net realized investment gains (losses) | (3) | 6 | 35 | (5) |
| Revenues attributable to CIEs | 23 | 27 | 70 | 77 |
| Market impact on IUL benefits | (5) | 6 | (7) | 18 |
| Market impact of hedges on investments | (1) | 5 | (8) | (54) |
| Total net revenues per consolidated statements of operations [3][4] | $2,981 | $2,998 | $8,867 | $8,634 |

[1] Represents the elimination of intersegment revenues recognized for the three months ended September 30, 2017 and 2016 in each segment as follows: Advice & Wealth Management ($233 million and $244 million, respectively); Asset Management ($12 million and $12 million, respectively); Annuities ($88 million and $85 million, respectively); Protection ($16 million and $12 million, respectively); and Corporate & Other ($(1) million and nil, respectively).

[2] Represents the elimination of intersegment revenues recognized for the nine months ended September 30, 2017 and 2016 in each segment as follows: Advice & Wealth Management ($701 million and $727 million, respectively); Asset Management ($35 million and $33 million, respectively); Annuities ($259 million and $247 million, respectively); Protection ($46 million and $34 million, respectively); and Corporate & Other ($(1) million and $1 million, respectively).

[3] Includes foreign net revenues of $198 million and $162 million for the three months ended September 30, 2017 and 2016, respectively.

[4] Includes foreign net revenues of $539 million and $500 million for the nine months ended September 30, 2017 and 2016, respectively.

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | (in millions) | | | |
| Operating earnings: | | | | |
| Advice & Wealth Management | $298 | $231 | $837 | $657 |
| Asset Management | 200 | 155 | 526 | 452 |
| Annuities | 281 | (68) | 562 | 202 |
| Protection | 55 | 84 | 169 | 190 |
| Corporate & Other | (136) | (145) | (292) | (271) |
| Total segment operating earnings | 698 | 257 | 1,802 | 1,230 |
| Net realized investment gains (losses) | (3) | 6 | 33 | (5) |

| | | | | |
|---|---|---|---|---|
| Net income (loss) attributable to CIEs | — | — | 2 | (1) |
| Market impact on variable annuity guaranteed benefits | (55) | (37) | (198) | (78) |
| Market impact on IUL benefits | (10) | 7 | (16) | 31 |
| Market impact of hedges on investments | (1) | 5 | (8) | (54) |
| Integration and restructuring charges | (1) | — | (1) | — |
| Pretax income per consolidated statements of operations | $628 | $238 | $1,614 | $1,123 |

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 Ameri 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 $869.5 billion in assets under management and administration as of September 30, 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 deferred annuities, fixed insurance, deposit products and the fixed portion of variable annuities and variable insurance contracts, the value of deferred acquisition costs ("DAC") and deferred sales inducement costs ("DSIC") assets, the values of liabilities for guaranteed benefits associated with our variable annuities and the values of derivatives held to hedge these benefits.

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

In the third quarter of the year, we updated our market-related inputs and implemented model changes related to our living benefit valuation. In addition, we conducted our annual review of life insurance and annuity valuation assumptions relative to current experience and management expectations including modeling changes. These aforementioned changes are collectively referred to as unlocking.

The favorable unlocking impact in the third quarter of 2017 primarily reflected a positive impact from updates to market-related inputs to our living benefit valuation. In addition, premium deficiency testing for our long term care ("LTC") business resulted in a loss recognition reserve of $57 million in the third quarter of 2017 primarily due to higher morbidity, partially offset by premium increases.

The unfavorable unlocking impact in the third quarter of 2016 primarily reflected low interest rates and higher persistency on living benefit contracts that more than offset benefits from persistency on annuity contracts without living benefits, an update to market-related inputs related to our living benefit valuation and other model updates. Our long-term interest rate assumption remained unchanged, but we extended the period it would take for rates to reach our long term level from 3.5 years to 5.5 years. In addition, our review of our LTC business in the third quarter of 2016 resulted in a loss recognition of $31 million due to low interest rates, higher morbidity and higher reinsurance expenses, slightly offset by premium increases. The $31 million, which is included in the unlocking impact in the third quarter of 2016, was comprised of $58 million of amortization of DAC and the release of the related deferred reinsurance liability of $27 million.

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

We consolidate certain 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 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 September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | (in millions) | | | |
| Total net revenues | $2,981 | $2,998 | $8,867 | $8,634 |
| Less: Revenue attributable to CIEs | 23 | 27 | 70 | 77 |
| Less: Net realized investment gains (losses) | (3) | 6 | 35 | (5) |
| Less: Market impact on indexed universal life benefits | (5) | 6 | (7) | 18 |
| Less: Market impact of hedges on investments | (1) | 5 | (8) | (54) |
| Operating total net revenues | $2,967 | $2,954 | $8,777 | $8,598 |

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| | Three Months Ended September 30, | | Per Diluted Share Three Months Ended September 30, | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | (in millions, except per share amounts) | | | |
| Net income | $ 503 | $ 215 | $ 3.24 | $ 1.30 |
| Add: Integration/restructuring charges [1] | 1 | — | 0.01 | — |
| Add: Market impact on variable annuity guaranteed benefits [1] | 55 | 37 | 0.35 | 0.22 |
| Add: Market impact on indexed universal life benefits [1] | 10 | (7) | 0.06 | (0.04) |
| Add: Market impact of hedges on investments [1] | 1 | (5) | 0.01 | (0.03) |
| Less: Net realized investment gains (losses) [1] | (3) | 6 | (0.02) | 0.04 |
| Tax effect of adjustments [2] | (25) | (7) | (0.16) | (0.04) |
| Operating earnings | $ 548 | $ 227 | $ 3.53 | $ 1.37 |
| | | | | |
| Weighted average common shares outstanding: | | | | |
| Basic | 153.0 | 164.0 | | |
| Diluted | 155.4 | 165.8 | | |

[1] Pretax operating adjustments.

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

| | Nine Months Ended September 30, | | Per Diluted Share Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | (in millions, except per share amounts) | | | |
| Net income | $ 1,299 | $ 914 | $ 8.24 | $ 5.37 |
| Less: Net income (loss) attributable to CIEs | 1 | (1) | 0.01 | (0.01) |
| Add: Integration/restructuring charges [1] | 1 | — | 0.01 | — |
| Add: Market impact on variable annuity guaranteed benefits [1] | 198 | 78 | 1.26 | 0.46 |
| Add: Market impact on indexed universal life benefits [1] | 16 | (31) | 0.10 | (0.18) |
| Add: Market impact of hedges on investments [1] | 8 | 54 | 0.05 | 0.31 |
| Less: Net realized investment gains (losses) [1] | 33 | (5) | 0.21 | (0.03) |
| Tax effect of adjustments [2] | (67) | (37) | (0.42) | (0.22) |
| Operating earnings | $ 1,421 | $ 984 | $ 9.02 | $ 5.78 |
| | | | | |
| Weighted average common shares outstanding: | | | | |
| Basic | 155.2 | 168.3 | | |
| Diluted | 157.6 | 170.1 | | |

[1] Pretax operating adjustments.

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

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

| | Twelve Months Ended September 30, | |
|---|---|---|
| | 2017 | 2016 |
| | (in millions) | |
| Net income attributable to Ameriprise Financial | $1,699 | $1,271 |
| Less: Adjustments [1] | (165) | (154) |
| Operating earnings | $1,864 | $1,425 |
| | | |
| Total Ameriprise Financial, Inc. shareholders' equity | $6,369 | $7,139 |
| Less: AOCI, net of tax | 325 | 478 |
| Total Ameriprise Financial, Inc. shareholders' equity, excluding AOCI | 6,044 | 6,661 |
| Less: Equity impacts attributable to CIEs | 1 | 62 |
| Operating equity | $6,043 | $6,599 |
| | | |
| Return on equity, excluding AOCI | 28.1 % | 19.1 % |
| Operating return on equity, excluding AOCI [2] | 30.8 % | 21.6 % |

(1) 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%.

(2) 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 expanded 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. The first phase of the regulations went into effect on June 9, 2017 and requires financial advisors to make recommendations related to assets held in IRAs and employer sponsored retirement plans in accordance with the following impartial conduct standards: recommendations must be in the best interest of the client, compensation paid for the recommendations must be reasonable and the financial advisor must not make any misleading statements. We adopted policies and procedures designed to comply with the impartial conduct standards and communicated those policies and procedures to our advisors and staff. The second phase of the regulation pertaining to a new "best interest contract exemption" puts into place a number of additional requirements including entering into a best interest contract

with clients, enhanced disclosure of fees and conflicts of interest, limits on differential commissions within a product category, the adoption of policies and procedures to ensure the best interest standard is met, and findings related to platforms that are limited to products that pay third-party payments and/or include proprietary products. The second phase of the regulation is currently scheduled to become effective on January 1, 2018. These regulations are currently under review by the Department of Labor and the Department has proposed to delay the second phase of the regulations until July 1, 2019, which would give the Department of Labor more time to determine if further revisions to the regulations are advisable. However, as of November 1 the Department of Labor has not issued final guidance implementing a further delay. 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 second phase of 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,

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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.

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-advisors 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:

| | September 30, | | Change | |
|---|---|---|---|---|
| | 2017 | 2016 | | |
| | (in billions) | | | |
| Assets Under Management and Administration | | | | |
| Advice & Wealth Management AUM | $233.9 | $196.2 | $37.7 | 19 % |
| Asset Management AUM | 484.0 | 467.8 | 16.2 | 3 |
| Corporate & Other AUM | 0.3 | 0.3 | — | — |
| Eliminations | (25.9) | (24.7) | (1.2) | (5) |
| Total Assets Under Management | 692.3 | 639.6 | 52.7 | 8 |
| Total Assets Under Administration | 177.2 | 156.0 | 21.2 | 14 |
| Total AUM and AUA | $869.5 | $795.6 | $73.9 | 9 % |

Total AUM increased $52.7 billion, or 8%, to $692.3 billion as of September 30, 2017 compared to $639.6 billion as of September 30, 2016 primarily due to a $37.7 billion increase in Advice & Wealth Management AUM driven by wrap account net inflows and market appreciation and a $16.2 billion increase in Asset Management AUM driven by market appreciation and a positive impact of foreign currency translation, partially offset by net outflows. See our segment results of operations discussion below for additional information on changes in our AUM.

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Consolidated Results of Operations for the Three Months Ended September 30, 2017 and 2016

The following table presents our consolidated results of operations:

| | Three Months Ended September 30, | | Change | |
|---|---|---|---|---|
| | 2017 | 2016 | | |
| | (in millions) | | | |
| Revenues | | | | |
| Management and financial advice fees | $1,626 | $1,464 | $162 | 11 % |
| Distribution fees | 437 | 455 | (18) | (4) |
| Net investment income | 372 | 387 | (15) | (4) |
| Premiums | 348 | 374 | (26) | (7) |
| Other revenues | 210 | 330 | (120) | (36) |
| Total revenues | 2,993 | 3,010 | (17) | (1) |
| Banking and deposit interest expense | 12 | 12 | — | — |
| Total net revenues | 2,981 | 2,998 | (17) | (1) |
| Expenses | | | | |
| Distribution expenses | 850 | 798 | 52 | 7 |
| Interest credited to fixed accounts | 176 | 161 | 15 | 9 |
| Benefits, claims, losses and settlement expenses | 474 | 855 | (381) | (45) |
| Amortization of deferred acquisition costs | 48 | 163 | (115) | (71) |
| Interest and debt expense | 52 | 52 | — | — |
| General and administrative expense | 753 | 731 | 22 | 3 |
| Total expenses | 2,353 | 2,760 | (407) | (15)% |
| Pretax income | 628 | 238 | 390 | NM |
| Income tax provision | 125 | 23 | 102 | NM |
| Net income | $503 | $215 | $288 | NM |

NM Not Meaningful.

Overall

Pretax income increased $390 million to $628 million for the three months ended September 30, 2017 compared to $238 million for the prior year period primarily due to the impact of unlocking, market appreciation, wrap account net inflows, a positive impact of higher short-term interest rates and an unfavorable $29 million LTC reserve correction in the third quarter of 2016, partially offset by asset management net outflows, loss recognition of $57 million on LTC insurance products in the third quarter of 2017 and higher performance-based compensation.

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

| Pretax Increase (Decrease) | 2017 | 2016 |
|---|---|---|
| | (in millions) | |
| Other revenues | $(47) | $64 |
| Total revenues | (47) | 64 |
| | | |
| Distribution expenses | — | (27) |
| Benefits, claims, losses and settlement expenses | (139) | 229 |
| Amortization of DAC | (12) | 81 |
| Total expenses | (151) | 283 |
| Total [1] | $104 | $(219) |

[1] Includes a $5 million and $16 million net benefit related to the market impact on variable annuity guaranteed benefits for

the three months ended September 30, 2017 and 2016, respectively.

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Net Revenues

Net revenues decreased $17 million, or 1%, to $3.0 billion for the three months ended September 30, 2017 compared to the prior year period primarily due to the impact of unlocking, a $54 million decrease in revenues from the net impact of transitioning advisory accounts to share classes without 12b-1 fees, asset management net outflows, lower earned interest rates on fixed annuities and higher ceded premiums for our auto and home business, partially offset by market appreciation, wrap account net inflows and a positive impact of higher short-term interest rates.

Management and financial advice fees increased $162 million, or 11%, to $1.6 billion for the three months ended September 30, 2017 compared to $1.5 billion for the prior year period primarily due to an increase in AUM, as well as a $15 million increase in performance fees. Average AUM increased $46.5 billion, or 7%, compared to the prior year period due to market appreciation and wrap account net inflows, partially offset by asset management net outflows. See our discussion on the changes in AUM in our segment results of operations section.

Distribution fees decreased $18 million, or 4%, to $437 million for the three months ended September 30, 2017 compared to $455 million for the prior year period primarily due to a $64 million decrease related to our transition to share classes without 12b-1 fees in advisory accounts, partially offset by market appreciation and higher brokerage cash spread due to an increase in short-term interest rates.

Premiums decreased $26 million, or 7%, to $348 million for the three months ended September 30, 2017 compared to $374 million for the prior year period primarily reflecting higher ceded premiums for our auto and home business due to new reinsurance arrangements we entered into at the beginning of the year to reduce risk.

Other revenues decreased $120 million, or 36%, to $210 million for the three months ended September 30, 2017 compared to $330 million for the prior year period due to the impact of unlocking. Other revenues for the third quarter of 2017 included a $47 million unfavorable impact from unlocking compared to a $64 million favorable impact in the prior year period. The primary driver of the unlocking impact to other revenues for the third quarter of 2017 was a negative impact from lower projected gains on reinsurance contracts resulting from favorable mortality experience. The primary driver of the unlocking impact to other revenues for the prior year period was a positive impact from higher projected gains on reinsurance contracts resulting from unfavorable mortality experience.

Expenses

Total expenses decreased $407 million, or 15%, to $2.4 billion for the three months ended September 30, 2017 compared to $2.8 billion the prior year period primarily due to the impact of unlocking, partially offset by higher distribution expenses.

Distribution expenses increased $52 million, or 7%, to $850 million for the three months ended September 30, 2017 compared to $798 million for the prior year period primarily due to market appreciation, wrap account net inflows and a $27 million benefit in the prior year period related to the write-off of the deferred reinsurance liability in connection with loss recognition testing of LTC insurance products, partially offset by a $43 million decrease from changes related to our transition to share classes without 12b-1 fees in advisory accounts and asset management net outflows.

Interest credited to fixed accounts increased $15 million, or 9%, to $176 million for the three months ended September 30, 2017 compared to $161 million for the prior year period primarily due to the market impact on indexed universal life benefits, net of hedges, which was an expense of $8 million for the three months ended September 30, 2017 compared to a benefit of $5 million for the prior year period.

Benefits, claims, losses and settlement expenses decreased $381 million, or 45%, to $474 million for the three months ended September 30, 2017 compared to $855 million for the prior year period primarily reflecting the following items:

- The three months ended September 30, 2017 included a $139 million benefit from unlocking compared to a $229 million expense in the prior year period. The unlocking impact for the third quarter of 2017 primarily reflected a benefit from updates to market-related inputs to our living benefit valuation. The unlocking impact for the prior year period primarily reflected low interest rates and an unfavorable impact from persistency on living benefit reserves, partially offset by a benefit from updates to withdrawal utilization and fee assumptions, as well as market-related inputs to our living benefit valuation.
- A $29 million increase in LTC reserves from a correction related to our claim utilization assumption in the third quarter of 2016.

A $26 million decrease in auto and home expenses reflecting the impact of new reinsurance arrangements, a lower non-catastrophe loss ratio and an $8 million benefit from a correction of a reinsurance recoverable estimate, partially offset by higher gross catastrophe losses and a $10 million positive impact from prior year reserve development in the third quarter of 2016. Catastrophe losses, net of the impact of reinsurance, were $15 million for the three months ended September 30, 2017, primarily related to Hurricanes Harvey and Irma, compared to $29 million for the prior year period. In the first quarter of 2017, we entered into quota share and excess of loss reinsurance arrangements designed to reduce net retained exposure to property losses. The expanded reinsurance program resulted in ceded losses of approximately $38 million in the third quarter.

- A $57 million expense from loss recognition on LTC insurance products in the third quarter of 2017 primarily due to unfavorable morbidity experience, partially offset by premium increases.

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Amortization of DAC decreased $115 million, or 71%, to $48 million for the three months ended September 30, 2017 compared to $163 million for the prior year period primarily reflecting the impact of unlocking, which was a benefit of $12 million for the three months ended September 30, 2017 compared to an expense of $81 million for the prior year period. The impact of unlocking in the third quarter of 2017 primarily reflected improved persistency and mortality on life insurance contracts and a $10 million benefit from a correction related to a variable annuity model assumption, partially offset by updates to market-related inputs to the living benefit valuation. The impact of unlocking in the prior year period primarily reflected low interest rates that more than offset benefits from persistency on annuity contracts without living benefits. In addition, we wrote-off $58 million of DAC in connection with the loss recognition on LTC insurance products in the prior year period.

General and administrative expense increased $22 million, or 3%, to $753 million for the three months ended September 30, 2017 compared to $731 million for the prior year period primarily due to higher performance-based compensation.

Income Taxes

Our effective tax rate was 19.9% for the three months ended September 30, 2017 compared to 9.7% for the prior year period. Our effective tax rates for the three months ended September 30, 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, stock compensation, and lower taxes on net income from foreign subsidiaries. The increase in the effective tax rate for the three months ended September 30, 2017 compared to the prior year period is primarily due to higher pretax income, partially offset by a $25 million benefit for stock compensation due to the adoption of a new accounting standard.

Results of Operations by Segment for the Three Months Ended September 30, 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 September 30, | |
|---|---|---|
| | 2017 | 2016 |
| | (in millions) | |
| Advice & Wealth Management | | |
| Net revenues | $1,383 | $1,272 |
| Expenses | 1,085 | 1,041 |
| Operating earnings | $298 | $231 |
| Asset Management | | |
| Net revenues | $778 | $740 |
| Expenses | 578 | 585 |
| Operating earnings | $200 | $155 |
| Annuities | | |
| Net revenues | $626 | $631 |
| Expenses | 345 | 699 |

| | | |
|---|---|---|
| Operating earnings (loss) | $281 | $(68 ) |
| Protection | | |
| Net revenues | $478 | $613 |
| Expenses | 423 | 529 |
| Operating earnings | $55 | $84 |
| Corporate & Other | | |
| Net revenues | $50 | $51 |
| Expenses | 186 | 196 |
| Operating loss | $(136 ) | $(145 ) |

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

| Segment Pretax Operating Increase (Decrease) | Three Months Ended September 30, 2017 | | | 2016 | | |
|---|---|---|---|---|---|---|
| | Annuities | Protection | Corporate | Annuities | Protection | Corporate |
| | (in millions) | | | | | |
| Other revenues | $— | $ (47) | $ — | $— | $ 64 | $ — |
| Total revenues | — | (47) | — | — | 64 | — |
| Distribution expenses | — | — | — | — | — | (27) |
| Benefits, claims, losses and settlement expenses | (119) | (14) | 1 | 197 | 40 | 6 |
| Amortization of DAC | (1) | (13) | — | 18 | 7 | 58 |
| Total expenses | (120) | (27) | 1 | 215 | 47 | 37 |
| Total | $120 | $ (20) | $ (1) | $(215) | $ 17 | $ (37) |

Advice & Wealth Management

On July 1, 2017, we closed our acquisition of Investment Professionals, Inc. (“IPI”), an independent broker dealer based in San Antonio, Texas specializing in the on-site delivery of investment programs for financial institutions, including banks and credit unions. The acquisition added 215 financial advisors and $8 billion in client assets.

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

| | 2017 | 2016 |
|---|---|---|
| | (in billions) | |
| Beginning balance | $222.3 | $189.7 |
| Inflows from acquisition [1] | 0.7 | — |
| Other net flows | 5.4 | 2.8 |
| Net flows | 6.1 | 2.8 |
| Market appreciation (depreciation) and other | 6.8 | 5.0 |
| Ending balance | $235.2 | $197.5 |
| Advisory wrap account assets ending balance [2] | $233.0 | $195.4 |
| Average advisory wrap account assets [3] | $227.0 | $192.7 |

(1) Inflows associated with acquisition that closed during the period.

(2) 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.

(3) 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 $12.9 billion, or 6%, during the three months ended September 30, 2017 due to net inflows of $6.1 billion, including $0.7 billion from our acquisition of IPI, and market appreciation and other of $6.8 billion. Average advisory wrap account assets increased $34.3 billion, or 18%, compared to the prior year period reflecting net inflows and market appreciation.

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

| | 2017 | 2016 |
|---|---|---|
| | (in billions) | |
| Beginning balance | $197.5 | $173.8 |
| Inflows from acquisition [1] | 0.7 | — |
| Other net flows | 17.1 | 9.0 |
| Net flows | 17.8 | 9.0 |

| | | |
|---|---|---|
| Market appreciation (depreciation) and other | 19.9 | 14.7 |
| Ending balance | $235.2 | $197.5 |

(1) Inflows associated with acquisition that closed during the period.

Wrap account assets increased $37.7 billion, or 19%, from the prior year period primarily due to net inflows and market appreciation.

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

| | Three Months Ended September 30, | | Change | |
|---|---|---|---|---|
| | 2017 | 2016 | | |
| | (in millions) | | | |
| Revenues | | | | |
| Management and financial advice fees | $799 | $689 | $110 | 16 % |
| Distribution fees | 515 | 531 | (16) | (3) |
| Net investment income | 64 | 47 | 17 | 36 |
| Other revenues | 17 | 17 | — | — |
| Total revenues | 1,395 | 1,284 | 111 | 9 |
| Banking and deposit interest expense | 12 | 12 | — | — |
| Total net revenues | 1,383 | 1,272 | 111 | 9 |
| Expenses | | | | |
| Distribution expenses | 813 | 781 | 32 | 4 |
| Interest and debt expense | 2 | 2 | — | — |
| General and administrative expense | 270 | 258 | 12 | 5 |
| Total expenses | 1,085 | 1,041 | 44 | 4 |
| Operating earnings | $298 | $231 | $67 | 29 % |

Our Advice & Wealth Management segment pretax operating earnings, which exclude net realized investment gains or losses, increased $67 million, or 29%, to $298 million for the three months ended September 30, 2017 compared to $231 million for the prior year period reflecting wrap account net inflows, market appreciation and higher earnings on brokerage cash due to higher short-term interest rates, partially offset by expenses associated with recruiting experienced advisors and higher performance-based compensation. Pretax operating margin was 21.5% for the three months ended September 30, 2017 compared to 18.2% for the prior year period.

Net Revenues

Net revenues exclude net realized investment gains or losses. Net revenues increased $111 million, or 9%, to $1.4 billion for the three months ended September 30, 2017 compared to $1.3 billion for the prior year period primarily due to growth in wrap account assets, higher earnings on brokerage cash and a $12 million increase in revenues from IPI, partially offset by lower 12b-1 fee revenue. During the first quarter, we completed our transition to share classes without 12b-1 fees in advisory accounts, which reduced revenue by a net $54 million in the third quarter compared to the prior year period. Operating net revenue per advisor increased to $140,000 for the three months ended September 30, 2017, up 7%, from $131,000 for the prior year period. Total advisors were 9,890 at September 30, 2017 compared to 9,747 at September 30, 2016.

Management and financial fees increased $110 million, or 16%, to $799 million for the three months ended September 30, 2017 compared to $689 million for the prior year period primarily due to growth in wrap account assets. Average advisory wrap account assets increased $34.3 billion, or 18%, compared to the prior year period reflecting net inflows and market appreciation.

Distribution fees decreased $16 million, or 3%, to $515 million for the three months ended September 30, 2017 compared to $531 million for the prior year period primarily due to a $64 million decrease related to our transition to share classes without 12b-1 fees in advisory accounts, partially offset by higher brokerage cash spread due to an increase in short-term interest rates and revenues from IPI.

Net investment income increased $17 million, or 36%, to $64 million for the three months ended September 30, 2017 compared to $47 million for the prior year period primarily due to higher investment yields and an increase in invested

balances driven by certificate net inflows.

Expenses

Total expenses increased $44 million, or 4%, to $1.1 billion for the three months ended September 30, 2017 compared to $1.0 billion for the prior year period due to increases in distribution expenses and general and administrative expense.

Distribution expenses increased $32 million, or 4%, to $813 million for the three months ended September 30, 2017 compared to $781 million for the prior year period reflecting higher advisor compensation due to growth in wrap account assets, the IPI acquisition and investments in recruiting experienced advisors, partially offset by a $43 million decrease related to our transition to share classes without 12b-1 fees in advisory accounts.

General and administrative expense increased $12 million, or 5%, to $270 million for the three months ended September 30, 2017 compared to $258 million for the prior year period due to higher performance-based compensation, as well as higher expenses related to the IPI acquisition.

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Asset Management

Voluntary fee waivers we provided to the Columbia Money Market Funds were not material for the three months and nine months ended September 30, 2017 and 2016.

The following tables present the mutual fund performance of our retail Columbia and Threadneedle funds as of September 30:

Columbia

| | | | 2017 | 2016 |
|---|---|---|---|---|
| Mutual Fund Rankings in top 2 Lipper Quartiles | | | | |
| Domestic Equity | Equal weighted | 1 year | 72% | 62% |
| | | 3 year | 75% | 68% |
| | | 5 year | 78% | 67% |
| | Asset weighted | 1 year | 68% | 74% |
| | | 3 year | 82% | 78% |
| | | 5 year | 82% | 84% |
| International Equity | Equal weighted | 1 year | 75% | 55% |
| | | 3 year | 55% | 60% |
| | | 5 year | 75% | 80% |
| | Asset weighted | 1 year | 56% | 73% |
| | | 3 year | 44% | 44% |
| | | 5 year | 55% | 52% |
| Taxable Fixed Income | Equal weighted | 1 year | 72% | 78% |
| | | 3 year | 78% | 71% |
| | | 5 year | 76% | 76% |
| | Asset weighted | 1 year | 74% | 82% |
| | | 3 year | 83% | 76% |
| | | 5 year | 87% | 85% |
| Tax Exempt Fixed Income | Equal weighted | 1 year | 74% | 84% |
| | | 3 year | 89% | 89% |
| | | 5 year | 100% | 94% |
| | Asset weighted | 1 year | 60% | 92% |
| | | 3 year | 98% | 81% |
| | | 5 year | 100% | 88% |
| Asset Allocation Funds | Equal weighted | 1 year | 54% | 69% |
| | | 3 year | 90% | 100% |
| | | 5 year | 78% | 75% |
| | Asset weighted | 1 year | 47% | 87% |
| | | 3 year | 94% | 100% |
| | | 5 year | 93% | 81% |
| Number of funds with 4 or 5 Morningstar star ratings | | Overall | 51 | 54 |
| | | 3 year | 56 | 54 |
| | | 5 year | 49 | 52 |
| Percent of funds with 4 or 5 Morningstar star ratings | | Overall | 50% | 56% |
| | | 3 year | 55% | 56% |
| | | 5 year | 49% | 55% |
| Percent of assets with 4 or 5 Morningstar star ratings | | Overall | 58% | 68% |
| | | 3 year | 66% | 75% |
| | | 5 year | 57% | 67% |

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.

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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 2 Morningstar Quartiles or Above Index Benchmark | | | 2017 | 2016 |
|---|---|---|---|---|
| Equity | Equal weighted | 1 year | 48% | 52% |
| | | 3 year | 72% | 72% |
| | | 5 year | 72% | 71% |
| | Asset weighted | 1 year | 50% | 62% |
| | | 3 year | 79% | 69% |
| | | 5 year | 59% | 63% |
| Fixed Income | Equal weighted | 1 year | 76% | 58% |
| | | 3 year | 79% | 50% |
| | | 5 year | 76% | 64% |
| | Asset weighted | 1 year | 85% | 57% |
| | | 3 year | 90% | 69% |
| | | 5 year | 92% | 73% |
| Allocation (Managed) Funds | Equal weighted | 1 year | 78% | 88% |
| | | 3 year | 89% | 88% |
| | | 5 year | 86% | 83% |
| | Asset weighted | 1 year | 61% | 80% |
| | | 3 year | 94% | 97% |
| | | 5 year | 93% | 92% |

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:

| | September 30, | | Change | | Average[1] Three Months Ended September 30, | | Change | |
|---|---|---|---|---|---|---|---|---|
| | 2017 | 2016 | | | 2017 | 2016 | | |
| | (in billions) | | | | | | | |
| Equity | $265.8 | $245.9 | $19.9 | 8% | $261.7 | $244.6 | $17.1 | 7% |
| Fixed income | 178.0 | 183.3 | (5.3) | (3) | 177.3 | 182.4 | (5.1) | (3) |
| Money market | 5.9 | 6.6 | (0.7) | (11) | 5.8 | 6.9 | (1.1) | (16) |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Alternative | 6.5 | 7.3 | (0.8) | (11) | 6.5 | 7.2 | (0.7) | (10) |
| Hybrid and other | 27.8 | 24.7 | 3.1 | 13 | 27.2 | 24.7 | 2.5 | 10 |
| Total managed assets | $484.0 | $467.8 | $16.2 | 3 % | $478.5 | $465.8 | $12.7 | 3 % |

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

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The following table presents the changes in global managed assets:

| | Three Months Ended September 30, | |
|---|---|---|
| | 2017 | 2016 |
| | (in billions) | |
| Global Retail Funds | | |
| Beginning assets | $272.9 | $259.2 |
| Inflows | 10.9 | 12.3 |
| Acquisition related inflows [1] | — | 1.0 |
| Outflows | (12.3) | (14.2) |
| Net VP/VIT fund flows | (0.8) | (0.6) |
| Net new flows | (2.2) | (1.5) |
| Reinvested dividends | 0.5 | 0.6 |
| Net flows | (1.7) | (0.9) |
| Distributions | (0.7) | (0.9) |
| Market appreciation (depreciation) and other | 9.2 | 9.5 |
| Foreign currency translation [2] | 1.1 | (0.9) |
| Total ending assets | 280.8 | 266.0 |
| | | |
| Global Institutional | | |
| Beginning assets | 199.7 | 200.4 |
| Inflows | 5.8 | 5.1 |
| Outflows | (8.8) | (8.5) |
| Net flows | (3.0) | (3.4) |
| Market appreciation (depreciation) and other [3] | 4.1 | 7.1 |
| Foreign currency translation [2] | 2.4 | (2.3) |
| Total ending assets | 203.2 | 201.8 |
| Total managed assets | $484.0 | $467.8 |
| Total net flows | $(4.7) | $(4.3) |
| | | |
| Former Parent Company Related [4][5] | | |
| Retail net new flows | $(0.6) | $— |
| Institutional net new flows | (2.4) | (1.5) |
| Total net new flows | $(3.0) | $(1.5) |

[1] Inflows associated with acquisitions that closed during the period.

[2] Amounts represent local currency to US dollar translation for reporting purposes.

[3] Includes $0.3 billion and $0.8 billion for the total change in Affiliated General Account Assets during the three months ended September 30, 2017 and 2016, respectively.

[4] Former parent company related assets and net new flows are included in the rollforwards above.

[5] Prior period former parent company related net new flows were restated to include additional Former Parent Company net new flows that were previously not considered. The change was a decrease of $65 million for the three months ended September 30, 2016.

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 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 $11.4 billion, or 2%, during the three months ended September 30, 2017 driven by market appreciation and a positive impact of foreign currency translation, partially offset by net outflows. Total segment AUM net outflows were $4.7 billion for the three months ended September 30, 2017, which included $3.0 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. Former parent company related AUM was approximately $73 billion as of September 30, 2017.

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Global retail net outflows of $1.7 billion included $0.8 billion of outflows of our variable product funds underlying insurance and annuity separate accounts and $0.6 billion of outflows from former parent-related assets. In U.S. retail, net outflows excluding the former parent-related assets were $1.5 billion, reflecting ongoing industry pressure on active strategies. In Europe, Middle East and Africa ("EMEA"), net inflows were $0.4 billion.

Global institutional net outflows of $3.0 billion included $2.4 billion of outflows from former parent-related assets. Institutional outflows from former parent-related assets included Zurich outflows of $0.9 billion and U.S. Trust outflows of $1.5 billion.

On September 20, 2017, we announced our acquisition of Lionstone Investments, a leading national real estate investment firm, specializing in investment strategies based upon proprietary analytics. The acquisition closed on November 1, 2017 and adds approximately $6 billion in assets under management.

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

| | Three Months Ended September 30, | | Change | |
|---|---|---|---|---|
| | 2017 | 2016 | (in millions) | |
| Revenues | | | | |
| Management and financial advice fees | $657 | $612 | $45 | 7 % |
| Distribution fees | 111 | 125 | (14) | (11) |
| Net investment income | 6 | 1 | 5 | NM |
| Other revenues | 4 | 2 | 2 | NM |
| Total revenues | 778 | 740 | 38 | 5 |
| Banking and deposit interest expense | — | — | — | — |
| Total net revenues | 778 | 740 | 38 | 5 |
| Expenses | | | | |
| Distribution expenses | 246 | 261 | (15) | (6) |
| Amortization of deferred acquisition costs | 4 | 4 | — | — |
| Interest and debt expense | 5 | 5 | — | — |
| General and administrative expense | 323 | 315 | 8 | 3 |
| Total expenses | 578 | 585 | (7) | (1) |
| Operating earnings | $200 | $155 | $45 | 29 % |

NM Not Meaningful.

Our Asset Management segment pretax operating earnings, which exclude net realized investment gains or losses, increased $45 million, or 29%, to $200 million for the three months ended September 30, 2017 compared to $155 million for the prior year period primarily due to market appreciation, a $7 million increase in performance fees (net of related compensation), an $8 million increase in incentive fees from CLO unwinds and continued expense management, partially offset by net outflows.

Net Revenues

Net revenues, which exclude net realized investment gains or losses, increased $38 million, or 5%, to $778 million for the three months ended September 30, 2017 compared to $740 million for the prior year period reflecting market appreciation, higher performance fees and an increase in incentive fees from CLO unwinds, partially offset by net outflows and a $13 million decrease related to the transition of advisory accounts to share classes without 12b-1 fees. The Asset Management segment revenue related to 12b-1 fees is eliminated on a consolidated basis.

Management and financial advice fees increased $45 million, or 7%, to $657 million for the three months ended September 30, 2017 compared to $612 million for the prior year period driven by market appreciation, a $15 million increase in performance fees and an $8 million increase in incentive fees from CLO unwinds, partially offset by

cumulative net outflows from former parent-related assets and higher fee yielding retail funds. Our average weighted equity index, which is a proxy for equity movements on AUM, increased 14% for the three months ended September 30, 2017 compared to the prior year period.

Distribution fees decreased $14 million, or 11%, to $111 million for the three months ended September 30, 2017 compared to $125 million for the prior year period due to cumulative net outflows and a $13 million decrease related to the transition of advisory accounts to share classes without 12b-1 fees, partially offset by market appreciation.

Expenses

Total expenses decreased $7 million, or 1%, to $578 million for the three months ended September 30, 2017 compared to $585 million for the prior year period due to lower distribution expenses, partially offset by higher general and administrative expense.

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Distribution expenses decreased $15 million, or 6%, to $246 million for the three months ended September 30, 2017 compared to $261 million for the prior year period due to lower compensation driven by cumulative net outflows and a decrease related to the transition of advisory accounts to share classes without 12b-1 fees, partially offset by market appreciation. The Asset Management segment expense related to 12b-1 fees is eliminated on a consolidated basis.
General and administrative expense increased $8 million, or 3%, to $323 million for the three months ended September 30, 2017 compared to $315 million for the prior year period due to an $8 million increase in compensation related to higher performance fees.

Annuities

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

| | Three Months Ended September 30, | | Change | |
|---|---|---|---|---|
| | 2017 | 2016 | | |
| | (in millions) | | | |
| Revenues | | | | |
| Management and financial advice fees | $196 | $188 | $8 | 4 % |
| Distribution fees | 91 | 89 | 2 | 2 |
| Net investment income | 173 | 192 | (19) | (10) |
| Premiums | 24 | 29 | (5) | (17) |
| Other revenues | 142 | 133 | 9 | 7 |
| Total revenues | 626 | 631 | (5) | (1) |
| Banking and deposit interest expense | — | — | — | — |
| Total net revenues | 626 | 631 | (5) | (1) |
| Expenses | | | | |
| Distribution expenses | 105 | 106 | (1) | (1) |
| Interest credited to fixed accounts | 121 | 122 | (1) | (1) |
| Benefits, claims, losses and settlement expenses | 19 | 346 | (327) | (95) |
| Amortization of deferred acquisition costs | 40 | 66 | (26) | (39) |
| Interest and debt expense | 9 | 7 | 2 | 29 |
| General and administrative expense | 51 | 52 | (1) | (2) |
| Total expenses | 345 | 699 | (354) | (51)% |
| Operating earnings (loss) | $281 | $(68) | $349 | NM |

NM Not Meaningful.

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 $349 million to $281 million for the three months ended September 30, 2017 compared to a loss of $68 million for the prior year period primarily due to the impact of unlocking.

RiverSource variable annuity account balances increased 4% to $78.7 billion at September 30, 2017 compared to the prior year period due to equity market appreciation, partially offset by net outflows of $3.7 billion. Lapse rates were higher in the quarter, reflecting increased client asset transfers from variable annuities to fee-based investment advisory accounts.

RiverSource fixed deferred annuity account balances declined 7% to $9.5 billion at September 30, 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 deferred annuity book is expected to gradually run off and earnings on our fixed deferred annuity business will trend down.

Net Revenues

Net revenues, which exclude net realized investment gains or losses, decreased $5 million, or 1%, to $626 million for the three months ended September 30, 2017 compared to $631 million for the prior year period due to lower investment yields and net outflows in fixed and variable annuities, partially offset by equity market appreciation and an increase in variable annuity rider fees.

Management and financial advice fees increased $8 million, or 4%, to $196 million for the three months ended September 30, 2017 compared to $188 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 $2.1 billion, or 3%, from the prior year period due to market appreciation, partially offset by net outflows.

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Net investment income, which excludes net realized investment gains or losses, decreased $19 million, or 10%, to $173 million for the three months ended September 30, 2017 compared to $192 million for the prior year period reflecting a decrease of approximately $11 million from lower earned interest rates and approximately $8 million from lower invested assets due to fixed annuity net outflows.

Other revenues increased $9 million, or 7%, to $142 million for the three months ended September 30, 2017 compared to $133 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 $354 million, or 51%, to $345 million for the three months ended September 30, 2017 compared to $699 million for the prior year period primarily due to the impact of unlocking.

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 $327 million, or 95%, to $19 million for the three months ended September 30, 2017 compared to $346 million for the prior year period primarily due to the impact of unlocking, which was a $119 million benefit for the third quarter of 2017 compared to a $197 million expense for the prior year period. The unlocking impact for the third quarter of 2017 primarily reflected a benefit from updates to market-related inputs to our living benefit valuation. The unlocking impact for the prior year period primarily reflected low interest rates and an unfavorable impact from persistency on living benefit reserves, partially offset by a benefit from updates to withdrawal utilization and fee assumptions, as well as market-related inputs related to our living benefit valuation.

Amortization of DAC decreased $26 million, or 39%, to $40 million for the three months ended September 30, 2017 compared to $66 million for the prior year period primarily reflecting the impact of unlocking, which was a benefit of $1 million for the three months ended September 30, 2017 compared to an expense of $18 million for the prior year period. The impact of unlocking in the third quarter of 2017 primarily reflected a $10 million benefit from a correction related to a variable annuity model assumption and slightly higher interest rates, largely offset by updates to market-related inputs to the living benefit valuation. The impact of unlocking in the prior year period primarily reflected low interest rates that more than offset benefits from persistency on annuity contracts without living benefits. Our long-term interest rate assumption remained unchanged, but we extended the period it would take for rates to reach our long term level from 3.5 years to 5.5 years.

Protection

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

| | Three Months Ended September 30, | | Change | |
|---|---|---|---|---|
| | 2017 | 2016 | | |
| | (in millions) | | | |
| Revenues | | | | |
| Management and financial advice fees | $12 | $ 13 | $(1 ) | (8 )% |
| Distribution fees | 24 | 24 | — | — |
| Net investment income | 86 | 85 | 1 | 1 |
| Premiums | 305 | 323 | (18 ) | (6 ) |
| Other revenues | 51 | 168 | (117 ) | (70) |
| Total revenues | 478 | 613 | (135 ) | (22) |
| Banking and deposit interest expense | — | — | — | — |
| Total net revenues | 478 | 613 | (135 ) | (22) |

| | | | | |
|---|---|---|---|---|
| Expenses | | | | |
| Distribution expenses | 17 | 17 | — | — |
| Interest credited to fixed accounts | 47 | 44 | 3 | 7 |
| Benefits, claims, losses and settlement expenses | 278 | 363 | (85) | (23) |
| Amortization of deferred acquisition costs | 13 | 38 | (25) | (66) |
| Interest and debt expense | 7 | 6 | 1 | 17 |
| General and administrative expense | 61 | 61 | — | — |
| Total expenses | 423 | 529 | (106) | (20) |
| Operating earnings | $55 | $ 84 | $(29) | (35)% |

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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 $29 million, or 35%, to $55 million for the three months ended September 30, 2017 compared to $84 million for the prior year period primarily due to the impact of unlocking, 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 $135 million, or 22%, to $478 million for the three months ended September 30, 2017 compared to $613 million for the prior year period primarily due to the impact of unlocking and a decrease in premiums.

Premiums decreased $18 million, or 6%, to $305 million for the three months ended September 30, 2017 compared to $323 million for the prior year period primarily reflecting higher ceded premiums for our auto and home business due to new 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.

Other revenues decreased $117 million, or 70%, to $51 million for the three months ended September 30, 2017 compared to $168 million for the prior year period due to the impact of unlocking. Other revenues for the third quarter of 2017 included a $47 million unfavorable impact from unlocking compared to a $64 million favorable impact in the prior year period. The primary driver of the unlocking impact to other revenues for the third quarter of 2017 was a negative impact from lower projected gains on reinsurance contracts resulting from favorable mortality experience. The primary driver of the unlocking impact to other revenues for the prior year period was a positive impact from higher projected gains on reinsurance contracts resulting from unfavorable mortality experience.

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 $106 million, or 20%, to $423 million for the three months ended September 30, 2017 compared to $529 million for the prior year period primarily due to the impact of unlocking and a decrease in auto and home expenses.

Benefits, claims, losses and settlement expenses decreased $85 million, or 23%, to $278 million for the three months ended September 30, 2017 compared to $363 million for the prior year period due to the impact of unlocking and a $26 million decrease in auto and home expenses reflecting the impact of new reinsurance arrangements, a lower non-catastrophe loss ratio and an $8 million benefit from a correction of a reinsurance recoverable estimate, partially offset by higher gross catastrophe losses and a $10 million positive impact from prior year reserve development in the third quarter of 2016. The unlocking impact for the third quarter of 2017 was a $14 million benefit and primarily reflected favorable mortality experience on life insurance contracts. The unlocking impact for the third quarter of 2016 was a $40 million expense and primarily reflected low interest rates and unfavorable mortality experience.

Catastrophe losses, net of the impact of reinsurance, were $15 million for the three months ended September 30, 2017, primarily related to Hurricanes Harvey and Irma, compared to $29 million for the prior year period. In the first quarter of 2017, we entered into quota share and excess of loss reinsurance arrangements designed to reduce net retained exposure to property losses. The expanded reinsurance program resulted in ceded losses of approximately $38 million in the third quarter.

Amortization of DAC decreased $25 million, or 66%, to $13 million for the three months ended September 30, 2017 compared to $38 million for the prior year period primarily reflecting the impact of unlocking, which was a benefit of $13 million for the three months ended September 30, 2017 compared to an expense of $7 million for the prior year period. The impact of unlocking in the third quarter of 2017 primarily reflected improved persistency and mortality on life insurance contracts.

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Corporate & Other

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

| | Three Months Ended September 30, | | Change | |
|---|---|---|---|---|
| | 2017 | 2016 | | |
| | (in millions) | | | |
| Revenues | | | | |
| Net investment income | $22 | $21 | $1 | 5 % |
| Premiums | 28 | 27 | 1 | 4 |
| Other revenues | 1 | 4 | (3) | (75) |
| Total revenues | 51 | 52 | (1) | (2) |
| Banking and deposit interest expense | 1 | 1 | — | — |
| Total net revenues | 50 | 51 | (1) | (2) |
| Expenses | | | | |
| Distribution expenses | (2) | (31) | 29 | 94 |
| Benefits, claims, losses and settlement expenses | 119 | 101 | 18 | 18 |
| Amortization of deferred acquisition costs | — | 59 | (59) | NM |
| Interest and debt expense | 6 | 7 | (1) | (14) |
| General and administrative expense | 63 | 60 | 3 | 5 |
| Total expenses | 186 | 196 | (10) | (5) |
| Operating loss | $(136) | $(145) | $9 | 6 % |

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 decreased $9 million, or 6%, to $136 million for the three months ended September 30, 2017 compared to $145 million for the prior year period reflecting loss recognition on LTC insurance products of $31 million in the prior year period and a $29 million increase in LTC reserves in the prior year period from a correction related to our claim utilization assumption, partially offset by LTC loss recognition of $57 million for the three months ended September 30, 2017.

Distribution expenses increased $29 million to a benefit of $2 million for the three months ended September 30, 2017 compared to a benefit of $31 million for the prior year period. Distribution expenses for the prior year period included a $27 million benefit related to the write-off of the deferred reinsurance liability in connection with loss recognition on LTC insurance products.

Benefits, claims, losses and settlement expenses increased $18 million, or 18%, to $119 million for the three months ended September 30, 2017 compared to $101 million for the prior year period primarily due to a $57 million expense from loss recognition on LTC insurance products in the third quarter of 2017, partially offset by a $29 million increase in LTC reserves in the prior year period from a correction related to our claim utilization assumption. The LTC loss recognition in the third quarter of 2017 was primarily due to unfavorable morbidity experience, partially offset by premium increases.

Amortization of DAC decreased $59 million compared to the prior year period reflecting the write-off of DAC in the third quarter of 2016 in connection with the loss recognition on LTC insurance products.

AMERIPRISE FINANCIAL, INC.

Consolidated Results of Operations for the Nine Months Ended September 30, 2017 and 2016

The following table presents our consolidated results of operations:

| | Nine Months Ended September 30, | | Change | |
|---|---|---|---|---|
| | 2017 | 2016 | | |
| | (in millions) | | | |
| Revenues | | | | |
| Management and financial advice fees | $4,669 | $4,289 | $380 | 9 % |
| Distribution fees | 1,310 | 1,338 | (28) | (2) |
| Net investment income | 1,154 | 1,090 | 64 | 6 |
| Premiums | 1,035 | 1,114 | (79) | (7) |
| Other revenues | 733 | 832 | (99) | (12) |
| Total revenues | 8,901 | 8,663 | 238 | 3 |
| Banking and deposit interest expense | 34 | 29 | 5 | 17 |
| Total net revenues | 8,867 | 8,634 | 233 | 3 |
| Expenses | | | | |
| Distribution expenses | 2,505 | 2,371 | 134 | 6 |
| Interest credited to fixed accounts | 509 | 465 | 44 | 9 |
| Benefits, claims, losses and settlement expenses | 1,652 | 1,934 | (282) | (15) |
| Amortization of deferred acquisition costs | 189 | 360 | (171) | (48) |
| Interest and debt expense | 154 | 160 | (6) | (4) |
| General and administrative expense | 2,244 | 2,221 | 23 | 1 |
| Total expenses | 7,253 | 7,511 | (258) | (3) |
| Pretax income | 1,614 | 1,123 | 491 | 44 |
| Income tax provision | 315 | 209 | 106 | 51 |
| Net income | $1,299 | $914 | $385 | 42 % |

Overall

Pretax income increased $491 million, or 44%, to $1.6 billion for the nine months ended September 30, 2017 compared to $1.1 billion for the prior year period primarily reflecting the impact of unlocking, market appreciation, wrap account net inflows, a positive impact from higher short-term interest rates, a $23 million expense in the prior year period from the resolution of a legacy legal matter related to the hedge fund business and an unfavorable $29 million LTC reserve correction in the prior year period, partially offset by asset management net outflows, loss recognition of $57 million on LTC insurance products in the third quarter of 2017 and higher performance-based compensation.

The following market-related impacts were also significant drivers of the year-over-year change in pretax income:

- The market impact on variable annuity guaranteed benefits (net of hedges and the related DSIC and DAC amortization) was an expense of $198 million for the nine months ended September 30, 2017 compared to an expense of $78 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 an expense of $16 million for the nine months ended September 30, 2017 compared to a benefit of $31 million for the prior year period.
- The market impact of hedges on investments was an expense of $8 million for the nine months ended September 30, 2017 compared to an expense of $54 million for the prior year period.
- Net realized investment gains were $33 million for the nine months ended September 30, 2017 compared to net realized investment losses of $5 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 $63 million

($27 million for DAC, $6 million for DSIC and $30 million for insurance features in non-traditional long duration contracts) for the nine months ended September 30, 2017 reflecting favorable equity market and bond fund returns compared to a benefit of $5 million ($3 million for DAC, $1 million for DSIC and $1 million for insurance features in non-traditional long duration contracts) for the prior year period.

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See the table of total pretax impacts on our revenues and expenses attributable to unlocking within our Consolidated Results of Operations for the three months ended September 30, 2017.

Net Revenues

Net revenues increased $233 million, or 3%, to $8.9 billion for the nine months ended September 30, 2017 compared to $8.6 billion for the prior year period primarily due to market appreciation, wrap account net inflows, an increase in net investment income, and higher brokerage cash spread due to an increase in short-term interest rates, partially offset by the impact of unlocking, a $138 million decrease in revenues from the net impact of transitioning advisory accounts to share classes without 12b-1 fees, asset management net outflows and higher ceded premiums for our auto and home business.

Management and financial advice fees increased $380 million, or 9%, to $4.7 billion for the nine months ended September 30, 2017 compared to $4.3 billion for the prior year period primarily due to an increase in AUM. Average AUM increased $37.9 billion, or 6%, 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.

Distribution fees decreased $28 million, or 2%, to $1.3 billion for the nine months ended September 30, 2017 compared to the prior year period primarily due to a $162 million decrease related to our transition to share classes without 12b-1 fees in advisory accounts, partially offset by market appreciation and higher brokerage cash spread due to an increase in short-term interest rates.

Net investment income increased $64 million, or 6%, to $1.2 billion for the nine months ended September 30, 2017 compared to $1.1 billion for the prior year period primarily due to a $46 million favorable change in the market impact of hedges on investments and net realized investment gains of $35 million for the nine months ended September 30, 2017 compared to net realized investment losses of $5 million for the prior year period, partially offset by a $16 million decrease in investment income on fixed maturities driven by lower earned interest rates and fixed annuity net outflows.

Premiums decreased $79 million, or 7%, to $1.0 billion for the nine months ended September 30, 2017 compared to $1.1 billion for the prior year period primarily reflecting higher ceded premiums for our auto and home business due to new reinsurance arrangements we entered into at the beginning of the year to reduce risk.

Other revenues decreased $99 million, or 12%, to $733 million for the nine months ended September 30, 2017 compared to $832 million for the prior year period primarily due to the impact of unlocking, partially offset by 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. Other revenues for the nine months ended September 30, 2017 included a $47 million unfavorable impact from unlocking compared to a $64 million favorable impact in the prior year period. The primary driver of the unlocking impact to other revenues for the nine months ended September 30, 2017 was a negative impact from lower projected gains on reinsurance contracts resulting from favorable mortality experience. The primary driver of the unlocking impact to other revenues for the prior year period was a positive impact from higher projected gains on reinsurance contracts resulting from unfavorable mortality experience.

Expenses

Total expenses decreased $258 million, or 3%, to $7.3 billion for the nine months ended September 30, 2017 compared to $7.5 billion for the prior year period primarily due to the impact of unlocking, partially offset by higher distribution expenses.

Distribution expenses increased $134 million, or 6%, to $2.5 billion for the nine months ended September 30, 2017 compared to $2.4 billion for the prior year period reflecting market appreciation, wrap account net inflows and a $27 million benefit in the prior year period related to the write-off of the deferred reinsurance liability in connection with loss recognition testing of LTC insurance products, partially offset by a $106 million decrease from changes related to our transition to share classes without 12b-1 fees in advisory accounts and asset management net outflows.

Interest credited to fixed accounts increased $44 million, or 9%, to $509 million for the nine months ended September 30, 2017 compared to $465 million for the prior year period primarily due to the market impact on indexed universal life benefits, net of hedges, which was an expense of $14 million for the nine months ended September 30,

2017 compared to a benefit of $25 million for the prior year period.

Benefits, claims, losses and settlement expenses decreased $282 million, or 15%, to $1.7 billion for the nine months ended September 30, 2017 compared to $1.9 billion for the prior year period primarily reflecting the following items:

- The nine months ended September 30, 2017 included a $139 million benefit from unlocking compared to a $229 million expense in the prior year period. The unlocking impact for the nine months ended September 30, 2017 primarily reflected a benefit from updates to market-related inputs to our living benefit valuation. The unlocking impact for the prior year period primarily reflected low interest rates and an unfavorable impact from persistency on living benefit reserves, partially offset by a benefit from updates to withdrawal utilization and fee assumptions, as well as market-related inputs related to our living benefit valuation.
- A $29 million increase in LTC reserves from a correction related to our claim utilization assumption in the third quarter of 2016.

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- 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 $36 million for the nine months ended September 30, 2017 reflecting favorable equity market and bond fund returns compared to a benefit of $2 million for the prior year period.
- An $84 million decrease in auto and home expenses reflecting the impact of new reinsurance arrangements and a lower non-catastrophe loss ratio, partially offset by higher gross catastrophe losses. Catastrophe losses, net of the impact of reinsurance, were $84 million for the nine months ended September 30, 2017 compared to $89 million for the prior year period. The expanded reinsurance program resulted in ceded losses of approximately $82 million for the nine months ended September 30, 2017.
- A $57 million expense from loss recognition on LTC insurance products in the third quarter of 2017 primarily due to unfavorable morbidity experience, partially offset by premium increases.
- A $24 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 $21 million negative impact from changes in assumptions in the prior year unlocking process that resulted in ongoing increases to living benefit reserves.
- A $459 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 $122 million for the nine months ended September 30, 2017 compared to a favorable impact of $337 million for the prior year period.
- A $309 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 $1.7 billion change in the market impact on variable annuity guaranteed living benefits reserves, an unfavorable $1.4 billion change in the market impact on derivatives hedging the variable annuity guaranteed benefits and a favorable $3 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 for the nine months ended September 30, 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 for the nine months ended September 30, 2017 compared to an expense in the prior year period.
  - Volatility impact on the variable annuity guaranteed living benefits liability net of the impact on the corresponding hedge assets resulted in a higher expense for the nine months ended September 30, 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 $171 million, or 48%, to $189 million for the nine months ended September 30, 2017 compared to $360 million for the prior year period primarily reflecting the following items:
  - The impact of unlocking was a benefit of $12 million for the nine months ended September 30, 2017 compared to an expense of $81 million for the prior year period. The impact of unlocking for the nine months ended September 30, 2017 primarily reflected improved persistency and mortality on life insurance contracts and a $10 million benefit from a correction related to a variable annuity model assumption, partially offset by updates to market-related inputs to the living benefit valuation. The impact of unlocking in the prior year period primarily reflected low interest rates that more than offset benefits from persistency on annuity contracts without living benefits. In addition, we wrote-off $58 million of DAC in connection with the loss recognition on LTC insurance products in the prior year period.
-

The impact on DAC from actual versus expected market performance based on our view of bond and equity performance was a benefit of $27 million for the nine months ended September 30, 2017 reflecting favorable equity market and bond fund returns compared to a benefit of $3 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 $24 million for the nine months ended September 30, 2017 compared to an expense of $6 million for the prior year period.

General and administrative expense increased $23 million, or 1%, to $2.2 billion for the nine months ended September 30, 2017 compared to the prior year period primarily due to higher performance-based compensation, partially offset by a $23 million expense in the prior year period from the resolution of a legacy legal matter related to the hedge fund business.

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Income Taxes

Our effective tax rate was 19.5% for the nine months ended September 30, 2017 compared to 18.6% for the prior year period. Our effective tax rates for the nine months ended September 30, 2017 and 2016 were lower than the statutory rate as a result of tax preferred items including the dividends received deduction, low income housing tax credits, stock compensation and lower taxes on net income from foreign subsidiaries.

Results of Operations by Segment for the Nine Months Ended September 30, 2017 and 2016

The following table presents summary financial information by segment:

| | Nine Months Ended September 30, | |
|---|---|---|
| | 2017 | 2016 |
| | (in millions) | |
| Advice & Wealth Management | | |
| Net revenues | $4,026 | $3,720 |
| Expenses | 3,189 | 3,063 |
| Operating earnings | $837 | $657 |
| Asset Management | | |
| Net revenues | $2,252 | $2,203 |
| Expenses | 1,726 | 1,751 |
| Operating earnings | $526 | $452 |
| Annuities | | |
| Net revenues | $1,861 | $1,846 |
| Expenses | 1,299 | 1,644 |
| Operating earnings | $562 | $202 |
| Protection | | |
| Net revenues | $1,516 | $1,693 |
| Expenses | 1,347 | 1,503 |
| Operating earnings | $169 | $190 |
| Corporate & Other | | |
| Net revenues | $162 | $178 |
| Expenses | 454 | 449 |
| Operating loss | $(292) | $(271) |

See the table of total pretax impacts on our revenues and expenses attributable to unlocking within our Results of Operations by Segment for the three months ended September 30, 2017.

Advice & Wealth Management

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

| | 2017 | 2016 |
|---|---|---|
| | (in billions) | |
| Beginning balance | $201.1 | $180.5 |
| Inflows from acquisition [1] | 0.7 | — |
| Other net flows | 13.8 | 6.9 |
| Net flows | 14.5 | 6.9 |
| Market appreciation (depreciation) and other | 19.6 | 10.1 |
| Ending balance | $235.2 | $197.5 |
| | | |
| Advisory wrap account assets ending balance [2] | $233.0 | $195.4 |
| Average advisory wrap account assets [3] | $216.2 | $184.7 |

(1) Inflows associated with acquisition that closed during the period.

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(2) 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.

(3) 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 $34.1 billion, or 17%, during the nine months ended September 30, 2017 due to net inflows of $14.5 billion, including $0.7 billion from our acquisition of IPI, and market appreciation and other of $19.6 billion. Net flows increased $7.6 billion compared to the prior year period. Average advisory wrap account assets increased $31.5 billion, or 17%, compared to the prior year period reflecting net inflows and market appreciation.

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

| | Nine Months Ended September 30, | | Change | |
|---|---|---|---|---|
| | 2017 | 2016 | | |
| | (in millions) | | | |
| Revenues | | | | |
| Management and financial advice fees | $2,294 | $1,989 | $305 | 15 % |
| Distribution fees | 1,533 | 1,569 | (36) | (2) |
| Net investment income | 174 | 138 | 36 | 26 |
| Other revenues | 59 | 53 | 6 | 11 |
| Total revenues | 4,060 | 3,749 | 311 | 8 |
| Banking and deposit interest expense | 34 | 29 | 5 | 17 |
| Total net revenues | 4,026 | 3,720 | 306 | 8 |
| Expenses | | | | |
| Distribution expenses | 2,379 | 2,275 | 104 | 5 |
| Interest and debt expense | 7 | 6 | 1 | 17 |
| General and administrative expense | 803 | 782 | 21 | 3 |
| Total expenses | 3,189 | 3,063 | 126 | 4 |
| Operating earnings | $837 | $657 | $180 | 27 % |

Our Advice & Wealth Management segment pretax operating earnings, which exclude net realized investment gains or losses, increased $180 million, or 27%, to $837 million for the nine months ended September 30, 2017 compared to $657 million for the prior year period reflecting wrap account net inflows, market appreciation and higher earnings on brokerage cash, partially offset by expenses associated with recruiting experienced advisors and higher performance-based compensation. Pretax operating margin was 20.8% for the nine months ended September 30, 2017 compared to 17.7% for the prior year period.

Net Revenues

Net revenues exclude net realized investment gains or losses. Net revenues increased $306 million, or 8%, to $4.0 billion for the nine months ended September 30, 2017 compared to $3.7 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 a $138 million decrease in revenues from the net impact of transitioning advisory accounts to share classes without 12b-1 fees. Operating net revenue per advisor increased to $414,000 for the nine months ended September 30, 2017, up 8%, from $382,000 for the prior year period.

Management and financial fees increased $305 million, or 15%, to $2.3 billion for the nine months ended September 30, 2017 compared to $2.0 billion for the prior year period primarily due to growth in wrap account assets. Average advisory wrap account assets increased $31.5 billion, or 17%, compared to the prior year period reflecting net inflows and market appreciation.

Distribution fees decreased $36 million, or 2%, to $1.5 billion for the nine months ended September 30, 2017 compared to $1.6 billion for the prior year period primarily due to a $162 million decrease related to our transition to share classes without 12b-1 fees in advisory accounts, partially offset by market appreciation, increased transactional activity and higher brokerage cash spread due to an increase in short-term interest rates.

Net investment income increased $36 million, or 26%, to $174 million for the nine months ended September 30, 2017 compared to $138 million for the prior year period primarily due to higher investment yields and an increase in invested balances driven by certificate net inflows.

Expenses

Total expenses increased $126 million, or 4%, to $3.2 billion for the nine months ended September 30, 2017 compared to $3.1 billion for the prior year period primarily due to an increase in distribution expenses and general and administrative expense.

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Distribution expenses increased $104 million, or 5%, to $2.4 billion for the nine months ended September 30, 2017 compared to $2.3 billion for the prior year period reflecting higher advisor compensation due to growth in wrap account assets, increased transactional activity and investments in recruiting experienced advisors, partially offset by a $106 million decrease related to our transition to share classes without 12b-1 fees in advisory accounts.

General and administrative expense increased $21 million, or 3%, to $803 million for the nine months ended September 30, 2017 compared to $782 million for the prior year period primarily due to higher performance-based compensation, as well as expenses related to the IPI acquisition.

Asset Management

The following table presents global managed assets by type:

| | September 30, | | Change | | Average[1] Nine Months Ended September 30, | | Change | |
|---|---|---|---|---|---|---|---|---|
| | 2017 | 2016 | | | 2017 | 2016 | | |
| | (in billions) | | | | | | | |
| Equity | $265.8 | $245.9 | $19.9 | 8 % | $254.3 | $244.0 | $10.3 | 4 % |
| Fixed income | 178.0 | 183.3 | (5.3) | (3) | 177.3 | 179.6 | (2.3) | (1) |
| Money market | 5.9 | 6.6 | (0.7) | (11) | 5.9 | 7.3 | (1.4) | (19) |
| Alternative | 6.5 | 7.3 | (0.8) | (11) | 7.0 | 7.7 | (0.7) | (9) |
| Hybrid and other | 27.8 | 24.7 | 3.1 | 13 | 26.1 | 24.2 | 1.9 | 8 |
| Total managed assets | $484.0 | $467.8 | $16.2 | 3 % | $470.6 | $462.8 | $7.8 | 2 % |

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

The following table presents the changes in global managed assets:

| | Nine Months Ended September 30, | |
|---|---|---|
| | 2017 | 2016 |
| | (in billions) | |
| Global Retail Funds | | |
| Beginning assets | $259.9 | $263.9 |
| Inflows | 38.0 | 38.3 |
| Acquisition related inflows [1] | — | 1.0 |
| Outflows | (45.7) | (45.7) |
| Net VP/VIT fund flows | (2.5) | (1.3) |
| Net new flows | (10.2) | (7.7) |
| Reinvested dividends | 3.3 | 3.8 |
| Net flows | (6.9) | (3.9) |
| Distributions | (4.1) | (4.6) |
| Market appreciation (depreciation) and other | 28.5 | 13.8 |
| Foreign currency translation [2] | 3.4 | (3.2) |
| Total ending assets | 280.8 | 266.0 |
| | | |
| Global Institutional | | |
| Beginning assets | 194.5 | 208.0 |
| Inflows | 18.9 | 18.5 |
| Outflows | (31.0) | (31.1) |
| Net flows | (12.1) | (12.6) |

| | | |
|---|---|---|
| Market appreciation (depreciation) and other [3] | 13.9 | 14.9 |
| Foreign currency translation [2] | 6.9 | (8.5 ) |
| Total ending assets | 203.2 | 201.8 |
| Total managed assets | $484.0 | $467.8 |
| Total net flows | $(19.0 ) | $(16.5 ) |

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| | Nine Months Ended September 30, | |
|---|---|---|
| | 2017 | 2016 |
| | (in billions) | |
| Former Parent Company Related [4][5] | | |
| Retail net new flows | $(2.3) | $(0.6) |
| Institutional net new flows | (10.4) | (7.6) |
| Total net new flows | $(12.7) | $(8.2) |

[1] Inflows associated with acquisitions that closed during the period.
[2] Amounts represent local currency to US dollar translation for reporting purposes.
[3] Includes $0.3 billion and $2.6 billion for the total change in Affiliated General Account Assets during the nine months ended September 30, 2017 and 2016, respectively.
[4] Former parent company related assets and net new flows are included in the rollforwards above.
[5] Prior period former parent company related net new flows were restated to include additional Former Parent Company net new flows that were previously not considered. The change was a decrease of $199 million for the nine months ended September 30, 2017

Total segment AUM increased $29.6 billion, or 7%, during the nine months ended September 30, 2017 driven by market appreciation and a positive impact of foreign currency translation, partially offset by net outflows. Total segment AUM net outflows were $19.0 billion for the nine months ended September 30, 2017, which included $12.7 billion of outflows of former parent-related assets.

Global retail net outflows of $6.9 billion included $2.5 billion of outflows of our variable product funds underlying insurance and annuity separate accounts and $2.3 billion of outflows from former parent-related assets. In U.S. retail, net outflows excluding the former parent-related assets were $5.5 billion, reflecting industry pressures on active strategies partially offset by $3.3 billion of reinvested dividends. In EMEA, net inflows were $0.9 billion.

Global institutional net outflows of $12.1 billion included $10.4 billion of outflows from former parent-related assets and a $1.6 billion outflow from an institutional client that continued a pattern of redeeming assets for liquidity purposes that started in 2015. Institutional outflows from former parent-related assets included Zurich outflows of $6.6 billion and U.S. Trust outflows of $3.8 billion.

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

| | Nine Months Ended September 30, | | Change | |
|---|---|---|---|---|
| | 2017 | 2016 | | |
| | (in millions) | | | |
| Revenues | | | | |
| Management and financial advice fees | $1,880 | $1,826 | $54 | 3 % |
| Distribution fees | 344 | 363 | (19) | (5) |
| Net investment income | 16 | 9 | 7 | 78 |
| Other revenues | 12 | 5 | 7 | NM |
| Total revenues | 2,252 | 2,203 | 49 | 2 |
| Banking and deposit interest expense | — | — | — | — |
| Total net revenues | 2,252 | 2,203 | 49 | 2 |
| Expenses | | | | |
| Distribution expenses | 750 | 762 | (12) | (2) |
| Amortization of deferred acquisition costs | 12 | 13 | (1) | (8) |
| Interest and debt expense | 16 | 16 | — | — |
| General and administrative expense | 948 | 960 | (12) | (1) |

| | | | | |
|---|---|---|---|---|
| Total expenses | 1,726 | 1,751 | (25) | (1)% |
| Operating earnings | $526 | $452 | $74 | 16% |

NM Not Meaningful.

Our Asset Management segment pretax operating earnings, which exclude net realized investment gains or losses, increased $74 million, or 16%, to $526 million for the nine months ended September 30, 2017 compared to $452 million for the prior year period primarily due to market appreciation, an increase in incentive fees from CLO unwinds, a $9 million expense in the prior year period from the resolution of a legacy legal matter related to the hedge fund business and continued expense management, partially offset by net outflows and higher performance-based compensation.

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Net Revenues

Net revenues, which exclude net realized investment gains or losses, increased $49 million, or 2%, to $2.3 billion for the nine months ended September 30, 2017 compared to $2.2 billion for the prior year period reflecting market appreciation and an increase in incentive fees from CLO unwinds, partially offset by net outflows, foreign exchange translation and a $28 million decrease related to the transition of advisory accounts to share classes without 12b-1 fees. The Asset Management segment revenue related to 12b-1 fees is eliminated on a consolidated basis.

Management and financial advice fees increased $54 million, or 3%, to $1.9 billion for the nine months ended September 30, 2017 compared to $1.8 billion for the prior year period driven by market appreciation and an increase in incentive fees from CLO unwinds, partially offset by cumulative net outflows from former parent-related assets and higher fee yielding retail funds and a $24 million negative foreign currency translation impact. Our average weighted equity index, which is a proxy for equity movements on AUM, increased 16% for the nine months ended September 30, 2017 compared to the prior year period.

Distribution fees decreased $19 million, or 5%, to $344 million for the nine months ended September 30, 2017 compared to $363 million for the prior year period due to cumulative net outflows and a $28 million decrease related to the transition of advisory accounts to share classes without 12b-1 fees, partially offset by market appreciation.

Expenses

Total expenses decreased $25 million, or 1%, to $1.7 billion for the nine months ended September 30, 2017 compared to $1.8 billion for the prior year period due to lower distribution expenses and general and administrative expense.

Distribution expenses decreased $12 million, or 2%, to $750 million for the nine months ended September 30, 2017 compared to $762 million for the prior year period due to lower compensation driven by cumulative net outflows and a decrease related to the transition of advisory accounts to share classes without 12b-1 fees, partially offset by market appreciation. The Asset Management segment expense related to 12b-1 fees is eliminated on a consolidated basis.

General and administrative expense decreased $12 million, or 1%, to $948 million for the nine months ended September 30, 2017 compared to $960 million for the prior year period primarily due to a $20 million benefit from the impact of foreign exchange, a $9 million expense in the prior year period from the resolution of a legacy legal matter related to the hedge fund business and continued expense management, partially offset by higher performance-based compensation.

Annuities

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

| | Nine Months Ended September 30, | | Change | |
|---|---|---|---|---|
| | 2017 | 2016 | | |
| | (in millions) | | | |
| Revenues | | | | |
| Management and financial advice fees | $573 | $549 | $24 | 4 % |
| Distribution fees | 270 | 260 | 10 | 4 |
| Net investment income | 527 | 573 | (46) | (8) |
| Premiums | 84 | 89 | (5) | (6) |
| Other revenues | 407 | 375 | 32 | 9 |
| Total revenues | 1,861 | 1,846 | 15 | 1 |
| Banking and deposit interest expense | — | — | — | — |
| Total net revenues | 1,861 | 1,846 | 15 | 1 |
| Expenses | | | | |
| Distribution expenses | 314 | 316 | (2) | (1) |
| Interest credited to fixed accounts | 357 | 360 | (3) | (1) |

| | | | | |
|---|---|---|---|---|
| Benefits, claims, losses and settlement expenses | 311 | 628 | (317) | (50) |
| Amortization of deferred acquisition costs | 135 | 159 | (24) | (15) |
| Interest and debt expense | 26 | 24 | 2 | 8 |
| General and administrative expense | 156 | 157 | (1) | (1) |
| Total expenses | 1,299 | 1,644 | (345) | (21) |
| Operating earnings | $562 | $202 | $360 | NM |

NM Not Meaningful.

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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 $360 million to $562 million for the nine months ended September 30, 2017 compared to $202 million for the prior year period primarily due to the impact of unlocking, 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 and a $21 million negative impact from changes in assumptions in the prior year unlocking process that resulted in ongoing increases to living benefit reserves.

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 $61 million ($25 million for DAC, $6 million for DSIC and $30 million for insurance features in non-traditional long duration contracts) for the nine months ended September 30, 2017 reflecting favorable equity market and bond fund returns compared to a benefit of $5 million ($3 million for DAC, $1 million for DSIC and $1 million for insurance features in non-traditional long duration contracts) for the prior year period.

Net Revenues

Net revenues, which exclude net realized investment gains or losses, increased $15 million, or 1%, to $1.9 billion for the nine months ended September 30, 2017 compared to $1.8 billion 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 $24 million, or 4%, to $573 million for the nine months ended September 30, 2017 compared to $549 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 $2.8 billion, or 4%, from the prior year period due to market appreciation, partially offset by net outflows.

Net investment income, which excludes net realized investment gains or losses, decreased $46 million, or 8%, to $527 million for the nine months ended September 30, 2017 compared to $573 million for the prior year period primarily reflecting a decrease of approximately $34 million from lower earned interest rates and approximately $12 million from lower invested assets due to fixed annuity net outflows.

Other revenues increased $32 million, or 9%, to $407 million for the nine months ended September 30, 2017 compared to $375 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 $345 million, or 21%, to $1.3 billion for the nine months ended September 30, 2017 compared to $1.6 billion for the prior year period primarily due to the impact of unlocking.

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 $317 million, or 50%, to $311 million for the nine months ended September 30, 2017 compared to $628 million for the prior year period primarily reflecting the following items:

- The impact of unlocking was a $119 million benefit for the nine months ended September 30, 2017 compared to a $197 million expense for the prior year period. The unlocking impact for the nine months ended September 30, 2017 primarily reflected a benefit from updates to market-related inputs to our living benefit valuation. The unlocking impact for the prior year period primarily reflected low interest rates and an unfavorable impact from persistency on living benefit reserves, partially offset by a benefit from updates to withdrawal utilization and fee assumptions, as well as market-related inputs related to our living benefit valuation.
- 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 $36 million for the nine months ended September 30, 2017 reflecting favorable equity market and bond fund returns compared to a

benefit of $2 million for the prior year period.

- A $24 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 $21 million negative impact from changes in assumptions in the prior year unlocking process that resulted in ongoing increases to living benefit reserves.

Amortization of DAC decreased $24 million, or 15%, to $135 million for the nine months ended September 30, 2017 compared to $159 million for the prior year period primarily reflecting the following items:

- The impact of unlocking was a benefit of $1 million for the nine months ended September 30, 2017 compared to an expense of $18 million for the prior year period. The impact of unlocking for the nine months ended September 30, 2017 primarily

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reflected a $10 million benefit from a correction related to a variable annuity model assumption and slightly higher interest rates, largely offset by updates to market-related inputs to the living benefit valuation. The impact of unlocking in the prior year period primarily reflected low interest rates that more than offset benefits from persistency on annuity contracts without living benefits.

- The impact on DAC from actual versus expected market performance based on our view of bond and equity performance was a benefit of $25 million for the nine months ended September 30, 2017 reflecting favorable equity market and bond fund returns compared to a benefit of $3 million for the prior year period.
- The negative impact on DAC from higher than expected lapses on variable annuities was $14 million.

Protection

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

| | Nine Months Ended September 30, | | Change | |
|---|---|---|---|---|
| | 2017 | 2016 | | |
| | (in millions) | | | |
| Revenues | | | | |
| Management and financial advice fees | $35 | $38 | $(3) | (8)% |
| Distribution fees | 74 | 72 | 2 | 3 |
| Net investment income | 253 | 247 | 6 | 2 |
| Premiums | 896 | 959 | (63) | (7) |
| Other revenues | 258 | 377 | (119) | (32) |
| Total revenues | 1,516 | 1,693 | (177) | (10) |
| Banking and deposit interest expense | — | — | — | — |
| Total net revenues | 1,516 | 1,693 | (177) | (10) |
| Expenses | | | | |
| Distribution expenses | 50 | 50 | — | — |
| Interest credited to fixed accounts | 138 | 130 | 8 | 6 |
| Benefits, claims, losses and settlement expenses | 888 | 1,015 | (127) | (13) |
| Amortization of deferred acquisition costs | 70 | 107 | (37) | (35) |
| Interest and debt expense | 19 | 18 | 1 | 6 |
| General and administrative expense | 182 | 183 | (1) | (1) |
| Total expenses | 1,347 | 1,503 | (156) | (10) |
| Operating earnings | $169 | $190 | $(21) | (11)% |

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 $21 million, or 11%, to $169 million for the nine months ended September 30, 2017 compared to $190 million for the prior year period primarily due to the impact of unlocking and the low interest rate environment, 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 $177 million, or 10%, to $1.5 billion for the nine months ended September 30, 2017 compared to $1.7 billion for the prior year period primarily due to the impact of unlocking and a decrease in premiums.

Premiums decreased $63 million, or 7%, to $896 million for the nine months ended September 30, 2017 compared to $959 million for the prior year period primarily reflecting higher ceded premiums for our auto and home business due to new reinsurance arrangements we entered into at the beginning of the year to reduce risk.

Other revenues decreased $119 million, or 32%, to $258 million for the nine months ended September 30, 2017 compared to $377 million for the prior year period due to the impact of unlocking. Other revenues for the nine months ended September 30, 2017 included a $47 million unfavorable impact from unlocking compared to a $64 million favorable impact in the prior year period. The primary driver of the unlocking impact to other revenues for the nine months ended September 30, 2017 was a negative impact from lower projected gains on reinsurance contracts resulting from favorable mortality experience. The primary driver of the unlocking

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impact to other revenues for the prior year period was a positive impact from higher projected gains on reinsurance contracts resulting from unfavorable mortality experience.

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 $156 million, or 10%, to $1.3 billion for the nine months ended September 30, 2017 compared to $1.5 billion for the prior year period due to the impact of unlocking and a decrease in auto and home expenses.

Benefits, claims, losses and settlement expenses decreased $127 million, or 13%, to $888 million for the nine months ended September 30, 2017 compared to $1.0 billion for the prior year period due to the impact of unlocking and an $84 million decrease in auto and home expenses reflecting the impact of new reinsurance arrangements and a lower non-catastrophe loss ratio, partially offset by higher gross catastrophe losses. The unlocking impact for the nine months ended September 30, 2017 was a $14 million benefit and primarily reflected favorable mortality experience on life insurance contracts. The unlocking impact for the prior year period was a $40 million expense and primarily reflected low interest rates and unfavorable mortality experience. Catastrophe losses, net of the impact of reinsurance, were $84 million for the nine months ended September 30, 2017 compared to $89 million for the prior year period. The expanded reinsurance program resulted in ceded losses of approximately $82 million for the nine months ended September 30, 2017.

Amortization of DAC decreased $37 million, or 35%, to $70 million for the nine months ended September 30, 2017 compared to $107 million for the prior year period primarily reflecting the impact of unlocking, as well as lower DAC amortization on our auto and home business. The unlocking impact for the nine months ended September 30, 2017 was a benefit of $13 million and primarily reflected improved persistency and mortality on life insurance contracts. The unlocking impact for the prior year period was an expense of $7 million.

Corporate & Other

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

| | Nine Months Ended September 30, | | Change | |
|---|---|---|---|---|
| | 2017 | 2016 | | |
| | (in millions) | | | |
| Revenues | | | | |
| Net investment income | $79 | $94 | $(15) | (16)% |
| Premiums | 81 | 81 | — | — |
| Other revenues | 4 | 4 | — | — |
| Total revenues | 164 | 179 | (15) | (8) |
| Banking and deposit interest expense | 2 | 1 | 1 | NM |
| Total net revenues | 162 | 178 | (16) | (9) |
| Expenses | | | | |
| Distribution expenses | (7) | (39) | 32 | 82 |
| Benefits, claims, losses and settlement expenses | 239 | 219 | 20 | 9 |
| Amortization of deferred acquisition costs | — | 63 | (63) | NM |
| Interest and debt expense | 20 | 21 | (1) | (5) |
| General and administrative expense | 202 | 185 | 17 | 9 |
| Total expenses | 454 | 449 | 5 | 1 |
| Operating loss | $(292) | $(271) | $(21) | (8)% |

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 $21 million, or 8%, to $292 million for the nine months ended September 30, 2017 compared to $271 million for the prior year period primarily reflecting a decrease in net investment income, an increase in general and administrative expense and LTC loss recognition of $57 million for the third quarter of 2017, partially offset by LTC loss recognition of $31 million in the prior year period and a $29 million increase in LTC reserves in the prior year period from a correction related to our claim utilization assumption.

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Net investment income decreased $15 million, or 16%, to $79 million for the nine months ended September 30, 2017 compared to $94 million for the prior year period primarily due to higher amortization relating to an increase in low income housing investments and the impact of interest allocation between subsidiaries.

Distribution expenses increased $32 million to a benefit of $7 million for the nine months ended September 30, 2017 compared to a benefit of $39 million for the prior year period. Distribution expenses for the prior year period included a $27 million benefit related to the write-off of the deferred reinsurance liability in connection with loss recognition on LTC insurance products.

Benefits, claims, losses and settlement expenses increased $20 million, or 9%, to $239 million for the nine months ended September 30, 2017 compared to $219 million for the prior year period primarily due to a $57 million expense from loss recognition on LTC insurance products in the third quarter of 2017, partially offset by a $29 million increase in LTC reserves in the prior year period from a correction related to our claim utilization assumption. The LTC loss recognition in the third quarter of 2017 was primarily due to unfavorable morbidity experience, partially offset by premium increases.

Amortization of DAC decreased $63 million compared to the prior year period reflecting the write-off of DAC in the third quarter of 2016 in connection with the loss recognition on LTC insurance products.

General and administrative expense increased $17 million, or 9%, to $202 million for the nine months ended September 30, 2017 compared to $185 million for the prior year period primarily due to higher performance-based compensation and a $9 million expense related to the renegotiation of a vendor arrangement, partially offset by a $14 million expense in the prior year period from the resolution of a legacy legal matter related to the hedge fund business.

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 deferred 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 deferred 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 September 30, 2019 due to prepayment, maturity or call activity at the option of the issuer, excluding securities with a make-whole provision, were $4.9 billion and 4.4%, respectively, as of September 30, 2017. In addition, residential mortgage-backed securities, which are subject to prepayment risk as a result of the low interest rate environment, totaled $6.8 billion and had a weighted average yield of 2.7% as of September 30, 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 nine months ended September 30, 2017 was approximately 2.8%.

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

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death benefits (“GMDB”) and guaranteed minimum income benefits (“GMIB”). Each of these guaranteed benefits guarantees payouts to the annuity holder under certain specific conditions regardless of the performance of the underlying invested assets.

The variable annuity guarantees continue to be managed by utilizing a hedging program which attempts to match the sensitivity of the assets with the sensitivity of the liabilities. This approach works with the premise that matched sensitivities will produce a highly effective hedging result. Our comprehensive hedging program focuses mainly on first order sensitivities of assets and liabilities: Equity Market Level (Delta), Interest Rate Level (Rho) and Volatility (Vega). Additionally, various second order sensitivities are managed. We use various index options across the term structure, interest rate swaps and swaptions, total return swaps and futures to manage the risk exposures. The exposures are measured and monitored daily, and adjustments to the hedge portfolio are made as necessary.

We have a macro hedge program to provide protection against the statutory tail scenario risk arising from variable annuity reserves on our statutory surplus and to cover some of the residual risks not covered by other hedging activities. We assess the residual risk under a range of scenarios in creating and executing the macro hedge program. As a means of economically hedging these risks, we use a combination of 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 September 30, 2017:

| Equity Price Decline 10% | Equity Price Exposure to Pretax Income | | |
|---|---|---|---|
| | Before Hedge Impact | Hedge Impact | Net Impact |
| | (in millions) | | |
| Asset-based management and distribution fees [1] | $ (261) | $ 6 | $ (255) |
| DAC and DSIC amortization [2] [3] | (129) | — | (129) |
| Variable annuity riders: | | | |
| GMDB and GMIB [3] | (29) | — | (29) |
| GMWB [3] [4] | (379) | 233 | (146) |
| GMAB | (25) | 26 | 1 |
| DAC and DSIC amortization [4] | N/A | N/A | (3) |
| Total variable annuity riders | (433) | 259 | (177) |
| Macro hedge program [5] | — | 43 | 43 |
| Equity indexed annuities | 1 | (1) | — |
| Certificates | 3 | (3) | — |
| Indexed universal life insurance | 66 | (49) | 17 |
| Total | $ (753) | $ 255 | $ (501) |

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| Interest Rate Increase 100 Basis Points | Interest Rate Exposure to Pretax Income | | |
|---|---|---|---|
| | Before Hedge Impact | Hedge Impact | Net Impact |
| | (in millions) | | |
| Asset-based management and distribution fees [1] | $ (50) | $ — | $ (50) |
| Variable annuity riders: | | | |
| GMDB and GMIB | — | — | — |
| GMWB | 983 | (1,089) | (106) |
| GMAB | 21 | (23) | (2) |
| DAC and DSIC amortization [4] | N/A | N/A | 18 |
| Total variable annuity riders | 1,004 | (1,112) | (90) |
| Macro hedge program [5] | — | (2) | (2) |
| Fixed annuities, fixed insurance and fixed portion of variable annuities and variable insurance products | 99 | — | 99 |
| Brokerage client cash balances | 115 | — | 115 |
| Certificates | — | — | — |
| Indexed universal life insurance | 93 | 2 | 95 |
| Total | $ 1,261 | $ (1,112) | $ 167 |

N/A Not Applicable.

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

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

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

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

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

The above results compare to an estimated negative net impact to pretax income of $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. Our 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.

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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 September 30, 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 $213 million, net of DAC, DSIC, unearned revenue amortization, the reinsurance accrual and income taxes (calculated at the statutory tax rate of 35%), based on September 30, 2017 credit spreads.

Liquidity and Capital Resources

Overview

We maintained substantial liquidity during the nine months ended September 30, 2017. At September 30, 2017 and December 31, 2016, we had $2.4 billion and $2.3 billion, respectively, in cash and cash equivalents excluding CIEs.

On October 12, 2017, we entered into an amended and restated credit agreement that provides for an unsecured revolving credit facility of up to $750 million that expires in October 2022. Under the terms of the credit agreement for the facility, we may increase the amount of this facility up to $1.0 billion upon satisfaction of certain approval requirements. This agreement replaced our unsecured revolving credit facility that was to expire in May 2020.

At September 30, 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 September 30, 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 as of both September 30, 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. We had $151 million and $150 million of borrowings from the FHLB, which is collateralized with commercial mortgage backed securities, as of September 30, 2017 and December 31, 2016, respectively. 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.

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

| | Actual Capital | | Regulatory Capital Requirements | |
|---|---|---|---|---|
| | September 30, 2017 | December 31, 2016 | September 30, 2017 | December 31, 2016 |
| | (in millions) | | | |
| RiverSource Life[1][2] | $2,737 | $ 3,052 | N/A | $ 606 |
| RiverSource Life of NY[1][2] | 306 | 323 | N/A | 38 |
| IDS Property Casualty[1][3] | 805 | 800 | $ 216 | 213 |
| Ameriprise Insurance Company[1][3] | 48 | 47 | 3 | 2 |
| ACC[4][5] | 369 | 335 | 341 | 317 |
| Threadneedle Asset Management Holdings Sàrl[6] | 424 | 360 | 169 | 149 |
| Ameriprise National Trust Bank[7] | 23 | 22 | 10 | 10 |
| AFSI[3][4] | 126 | 77 | # | # |
| Ameriprise Captive Insurance Company[3] | 54 | 51 | 10 | 9 |
| Ameriprise Trust Company[3] | 30 | 29 | 26 | 24 |
| AEIS[3][4] | 115 | 107 | 21 | 19 |
| RiverSource Distributors, Inc.[3][4] | 13 | 11 | # | # |
| Columbia Management Investment Distributors, Inc.[3][4] | 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 September 30, 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.

(6) Actual capital and regulatory capital requirements are determined in accordance with U.K. regulatory legislation. The regulatory capital requirements at September 30, 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.

Our insurance companies' statutory capital is calculated in accordance with the accounting practices prescribed or permitted by domiciliary state insurance regulators. RiverSource Life received approval from the Minnesota Department of Commerce to apply a permitted statutory accounting practice, effective July 1, 2017 through June 30, 2018, for certain derivative instruments used to economically hedge the interest rate exposure of certain variable annuity products that do not qualify for statutory hedge accounting. The permitted practice is intended to mitigate the impact to statutory capital from the misalignment between variable annuity statutory reserves, which are not carried at fair value, and the fair value of derivatives used to economically hedge the interest rate exposure of non-life contingent living benefit guarantees. The permitted practice allows RiverSource Life to defer a portion of the change in fair value, net investment income and realized gains or losses generated from designated derivatives to the extent the amounts do not offset the current period interest-rate related change in the variable annuity statutory reserve liability. The deferred amount will be amortized over ten years using the straight-line method with the ability to accelerate amortization at management's discretion. There was no immediate impact to statutory capital at the effective date for the permitted statutory accounting practice. As of September 30, 2017, application of this permitted practice

resulted in a decrease to RiverSource Life's statutory capital of approximately $21 million.

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 nine months ended September 30, 2017, the parent holding company received cash dividends or a return of capital from its subsidiaries of $1.3 billion (including $700 million from RiverSource Life) and contributed cash to its subsidiaries of $64 million. During the nine months ended September 30, 2016, the parent holding company received cash dividends or a return of capital from its subsidiaries of $1.3 billion (including $800 million from RiverSource Life) and contributed cash to its subsidiaries of $135 million (including $75 million to IDS Property Casualty).

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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 $379 million and $368 million for the nine months ended September 30, 2017 and 2016, respectively. On October 24, 2017, we announced a quarterly dividend of $0.83 per common share. The dividend will be paid on November 17, 2017 to our shareholders of record at the close of business on November 6, 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, which was exhausted in the third quarter 2017. 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. As of September 30, 2017, we had $2.4 billion remaining under this share repurchase authorization. We intend to fund share repurchases through existing working capital, future earnings and other customary financing methods. The share repurchase programs do not require the purchase of any minimum number of shares, and depending on market conditions and other factors, these purchases may be commenced or suspended at any time without prior notice. Acquisitions under the share repurchase programs may be made in the open market, through privately negotiated transactions or block trades or other means. During the nine months ended September 30, 2017, we repurchased a total of 8.0 million shares of our common stock at an average price of $129.76 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 $843 million to $1.2 billion for the nine months ended September 30, 2017 compared to $2.0 billion for the prior year period primarily due to a $186 million increase in income taxes paid, a $148 million decrease in cash from changes in other investments (primarily trading securities), and net cash outflows related to derivatives for the nine months ended September 30, 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 used in investing activities decreased $261 million to $106 million for the nine months ended September 30, 2017 compared to $367 million for the prior year period primarily due to a $944 million decrease in cash used for purchases of Available-for-Sale securities and a $204 million increase in proceeds from maturities, sinking fund payments and calls of Available-for-Sale securities, partially offset by a $357 million decrease in proceeds from sales, maturities and repayments of mortgage loans reflecting the sale of a portion of our consumer loans in 2016 and a $242 million decrease in net cash related to changes in investments of CIEs.

Financing Activities

Net cash used in financing activities increased $713 million to $1.3 billion for the nine months ended September 30, 2017 compared to $573 million for the prior year period primarily due to the issuance of $500 million of long-term debt in 2016 and a $371 million decrease in net cash inflows related to investment certificates, partially offset by a $246 million decrease in repayments of long-term debt.

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.

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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.

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

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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 announces financial and other information to investors through the Company's investor relations website at ir.ameriprise.com, as well as SEC filings, press releases, public conference calls and webcasts. Investors and others interested in the company are encouraged to visit the investor relations website from time to time, as information is updated and new information is posted. The website also allows users to sign up for automatic notifications in the event new materials are posted. The information found on the website is not incorporated by reference into this report or in any other report or document the Company furnishes or files with the SEC.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information set forth in Part I, Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations — Market Risk" in this report is incorporated herein by reference. These disclosures should be read in conjunction with the "Quantitative and Qualitative Disclosures About Market Risk" discussion included as Part II, Item 7A of our 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 September 30, 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.

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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 third 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[1] | (d) Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs[1] |
|---|---|---|---|---|
| July 1 to July 31, 2017 | | | | |
| Share repurchase program [1] | 622,117 | $136.67 | 622,117 | $2,635,014,130 |
| Employee transactions [2] | 432,319 | $143.36 | N/A | N/A |
| August 1 to August 31, 2017 | | | | |
| Share repurchase program [1] | 842,580 | $142.26 | 842,580 | $2,515,148,831 |
| Employee transactions [2] | 276,391 | $145.67 | N/A | N/A |
| September 1 to September 30, 2017 | | | | |
| Share repurchase program [1] | 910,991 | $140.48 | 910,991 | $2,387,172,782 |
| Employee transactions [2] | 74,414 | $143.50 | N/A | N/A |
| Totals | | | | |
| Share repurchase program [1] | 2,375,688 | $140.11 | 2,375,688 | |
| Employee transactions [2] | 783,124 | $144.19 | N/A | |
| | 3,158,812 | | 2,375,688 | |

N/A Not applicable.

[1] 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.

[2] Includes restricted shares withheld pursuant to the terms of awards under the Company's share-based compensation plans to offset tax withholding obligations that occur upon vesting and release of restricted shares. The value of the restricted shares withheld is the closing price of common stock of Ameriprise Financial, Inc. on the date the relevant transaction occurs. Also includes shares withheld pursuant to the net settlement of Non-Qualified Stock Option ("NQSO") exercises to offset tax withholding obligations that occur upon exercise and to cover the strike price of the

NQSO. The value of the shares withheld pursuant to the net settlement of NQSO exercises is the closing price of common stock of Ameriprise Financial, Inc. on the day prior to the date the relevant transaction occurs.

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ITEM 6. EXHIBITS

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).<br>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. |
| 10.1 | Third Amended and Restated Credit Agreement dated as of October 12, 2017 among Ameriprise Financial, Inc., as Borrower, the lenders party thereto, Wells Fargo Bank, National Association as Administrative Agent, Swingline Lender and Issuing Lender, Bank of America, N.A. and Citibank, N.A. as Co-Syndication Agents, Credit Suisse AG, Cayman Islands Branch, Goldman Sachs Bank USA, HSBC Bank USA, National Association, JPMorgan Chase Bank, N.A. and U.S. Bank National Association as Co-Documentation Agents, and Wells Fargo Securities, LLC, Merrill Lynch, Pierce, Fenner & Smith, Incorporated, and Citigroup Global Markets Inc., as Joint Lead Arrangers and Joint Bookrunners (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K, File No. 1-32525, filed on October 16, 2017). |
| 31.1* | Certification of James M. Cracchiolo pursuant to Rule 13a-14(a) promulgated under the Securities Exchange Act of 1934, as amended. |
| 31.2* | Certification of Walter S. Berman pursuant to Rule 13a-14(a) promulgated under the Securities Exchange Act of 1934, as amended. |
| 32* | Certification of James M. Cracchiolo and Walter S. Berman pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101* | The following materials from Ameriprise Financial, Inc.'s Quarterly Report on Form 10-Q for the period ended September 30, 2017, formatted in XBRL: (i) Consolidated Statements of Operations for the three months and nine months ended September 30, 2017 and 2016; (ii) Consolidated Statements of Comprehensive Income for the three months and nine months ended September 30, 2017 and 2016; (iii) Consolidated Balance Sheets at September 30, 2017 and December 31, 2016; (iv) Consolidated Statements of Equity for the nine months ended September 30, 2017 and 2016; (v) Consolidated Statements of Cash Flows for the nine months ended September 30, 2017 and 2016; and (vi) Notes to the Consolidated Financial Statements. |

* Filed electronically herewithin.

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SIGNATURES

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

AMERIPRISE FINANCIAL, INC.

(Registrant)

Date: November 1, 2017 By /s/ Walter S. Berman
Walter S. Berman
Executive Vice President and
Chief Financial Officer

Date: November 1, 2017 By /s/ David K. Stewart
David K. Stewart
Senior Vice President and Controller
(Principal Accounting Officer)