AMERIPRISE FINANCIAL INC
Form 10-Q
May 03, 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 March 31, 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)

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 April 21, 2017
Common Stock (par value $.01 per share)	152,453,907 shares

AMERIPRISE FINANCIAL, INC.

FORM 10-Q
INDEX

2

AMERIPRISE FINANCIAL, INC.

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

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

See Notes to Consolidated Financial Statements.

AMERIPRISE FINANCIAL, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

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

See Notes to Consolidated Financial Statements.

AMERIPRISE FINANCIAL, INC.

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

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

See Notes to Consolidated Financial Statements.

AMERIPRISE FINANCIAL, INC.

CONSOLIDATED STATEMENTS OF EQUITY (UNAUDITED)

	Ameriprise Financial, Inc.									
	Number of Outstanding Shares	Common Shares	Additional Paid-In Capital	Retained Earnings	Appropriated Retained Earnings of Consolidated Investment Entities	Treasury Shares	Accumulated Other Comprehensive Income	Total Ameriprise Financial, Inc. Shareholders' Equity	Non-controlling Interests	Total
	(in millions, except share data)									
Balances at January 1, 2016 [1]	171,033,260	$ 3	$ 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	—	—	—	364	—	—	—	364	—	364
Other comprehensive income, net of tax	—	—	—	—	—	—	183	183	—	183
Total comprehensive income								547	—	547
Dividends to shareholders	—	—	—	(117)	—	—	—	(117)	—	(117)
Repurchase of common shares	(5,542,213)	—	—	—	—	(485)	—	(485)	—	(485)
Share-based compensation plans	1,313,444	—	(1)	—	—	62	—	61	—	61
Balances at March 31, 2016 [1]	166,804,491	$ 3	$ 7,610	$ 9,773	$ —	$ (10,761)	$ 442	$ 7,067	$ —	$ 7,067
Balances at January 1, 2017	154,759,904	$ 3	$ 7,765	$ 10,351	$ —	$ (12,027)	$ 200	$ 6,292	$ —	$ 6,292
Comprehensive income:										
Net income	—	—	—	403	—	—	—	403	—	403
Other comprehensive income, net of tax	—	—	—	—	—	—	19	19	—	19
Total comprehensive income								422	—	422
Dividends to shareholders	—	—	—	(121)	—	—	—	(121)	—	(121)
Repurchase of common shares	(4,118,826)	—	—	—	—	(509)	—	(509)	—	(509)
Share-based compensation plans	2,347,526	—	92	—	—	51	—	143	—	143
Balances at March 31, 2017	152,988,604	$ 3	$ 7,857	$ 10,633	$ —	$ (12,485)	$ 219	$ 6,227	$ —	$ 6,227

[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.

6

AMERIPRISE FINANCIAL, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

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

See Notes to Consolidated Financial Statements.

AMERIPRISE FINANCIAL, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED) (Continued)

	March 31, 2017	March 31, 2016
	(in millions)	
Cash Flows from Financing Activities		
Investment certificates:		
Proceeds from additions	$1,284	$ 1,159
Maturities, withdrawals and cash surrenders	(1,083)	(807)
Policyholder account balances:		
Deposits and other additions	502	481
Net transfers from (to) separate accounts	(23)	33
Surrenders and other benefits	(507)	(497)
Cash paid for purchased options with deferred premiums	(58)	(85)
Cash received from purchased options with deferred premiums	—	33
Repayments of long-term debt	(2)	(19)
Dividends paid to shareholders	(117)	(115)
Repurchase of common shares	(436)	(481)
Exercise of stock options	6	2
Repayments of debt by consolidated investment entities	—	(26)
Net cash used in financing activities	(434)	(322)
Effect of exchange rate changes on cash	5	(12)
Net increase (decrease) in cash, cash equivalents and restricted cash	(212)	283
Cash, cash equivalents and restricted cash at beginning of period	5,392	5,407
Net cash outflows upon the deconsolidation of VIEs	—	(346)
Cash, cash equivalents and restricted cash at end of period	$5,180	$ 5,344
Supplemental Disclosures:		
Interest paid excluding consolidated investment entities	$40	$ 28
Interest paid by consolidated investment entities	20	25
Income taxes paid, net	137	23
Non-cash investing activity:		
Partnership commitments not yet remitted	9	10

	March 31, 2017	December 31, 2016
	(in millions)	
Reconciliation of cash, cash equivalents and restricted cash:		
Cash and cash equivalents	$1,996	$ 2,318
Cash of consolidated investment entities	181	168
Restricted and segregated cash and investments	3,403	3,331
Less: Restricted and segregated investments	(400)	(425)
Total cash, cash equivalents and restricted cash per consolidated statements of cash flows	$5,180	$ 5,392

See Notes to Consolidated Financial Statements.

AMERIPRISE FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. Basis of Presentation

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

The accompanying Consolidated Financial Statements include the accounts of Ameriprise Financial, Inc., companies in which it directly or indirectly has a controlling financial interest and variable interest entities ("VIEs") in which it is the primary beneficiary (collectively, the "Company"). All intercompany transactions and balances have been eliminated in consolidation. See Note 3 for additional information on VIEs.

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

In the first quarter of 2017, the Company recorded a $20 million decrease to income tax provision related to an out-of-period correction for a reversal of a tax reserve. The impact to prior period financial statements was not material.

The accompanying Consolidated Financial Statements are prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). Results of operations reported for interim periods are not necessarily indicative of results for the entire year. These Consolidated Financial Statements and Notes should be read in conjunction with the Consolidated Financial Statements and Notes in the Company's Annual Report on Form 10-K for the year ended December 31, 2016, filed with the Securities and Exchange Commission ("SEC") on February 23, 2017 ("2016 10-K").

The Company evaluated events or transactions that may have occurred after the balance sheet date for potential recognition or disclosure through the date the financial statements were issued. No subsequent events or transactions were identified.

2. Recent Accounting Pronouncements

Adoption of New Accounting Standards

Statement of Cash Flows – Restricted Cash

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

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

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

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

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

Future Adoption of New Accounting Standards

Receivables - Premium Amortization on Purchased Callable Debt Securities

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

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

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

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

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

Financial Instruments – Measurement of Credit Losses

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

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

Leases – Recognition of Lease Assets and Liabilities on Balance Sheet

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

Financial Instruments – Recognition and Measurement of Financial Assets and Financial Liabilities
In January 2016, the FASB updated the accounting standards on the recognition and measurement of financial instruments. The update requires entities to carry marketable equity securities, excluding investments in securities that qualify for the equity method of accounting, at fair value with changes in fair value reflected in net income each reporting period. The update affects other aspects of accounting for equity instruments, as well as the accounting for financial liabilities utilizing the fair value option. The update eliminates the requirement to disclose the methods and assumptions used to estimate the fair value of financial assets or liabilities held at cost on the balance sheet and requires entities to use the exit price notion when measuring the fair value of financial instruments. The standard is effective for interim and annual periods beginning after December 15, 2017. Early adoption is permitted for certain provisions. Generally, the update should be applied using a modified retrospective approach by recording a cumulative-effect adjustment to equity at the beginning of the period of adoption. The update is not expected to have a material impact on the consolidated results of operations or financial condition.
Revenue from Contracts with Customers
In May 2014, the FASB updated the accounting standards for revenue from contracts with customers. The update provides a five step revenue recognition model for all revenue arising from contracts with customers and affects all entities that enter into contracts to provide goods or services to their customers (unless the contracts are in the scope of other standards). The standard also updates the accounting for certain costs associated with obtaining and fulfilling a customer contract and requires disclosure of quantitative and qualitative information that enables users of financial statements to understand the nature, amount, timing, and uncertainty of revenues and cash flows arising from contracts with customers. Subsequent related updates provide clarification on certain revenue recognition guidance in the new standard. The standard is effective for interim and annual periods beginning after December 15, 2017 and early adoption is permitted for interim and annual periods beginning after December 15, 2016. The standard may be applied retrospectively for all periods presented or retrospectively with a cumulative-effect adjustment at the date of adoption. The Company plans to adopt the revenue recognition guidance in the first quarter of 2018. The update does not apply to revenue associated with the manufacturing of insurance and annuity products or financial instruments as these revenues are in the scope of other standards. Therefore, the Company does not expect the update to have an impact on these revenues. The Company's implementation efforts include the identification of revenue within the guidance and the review of the customer contracts to determine the Company's performance obligation and the associated timing of each performance obligation. The Company is reviewing certain payments received to determine whether they should be presented as revenue or as a reduction of expense. The Company does not expect a material impact to the timing of revenue recognition; however, the Company's implementation effort to assess the impact of the standard on its consolidated results of operations, financial condition, and disclosures is still in process.
3. Variable Interest Entities
The Company provides asset management services to investment entities which are considered to be VIEs, such as collateralized loan obligations ("CLOs"), hedge funds, property funds, certain international series funds (Open Ended Investment Companies and Societes d'Investissement A Capital Variable) and private equity funds (collectively, "investment entities"), which are sponsored by the Company. In addition, the Company invests in structured investments other than CLOs and certain affordable housing partnerships which are considered VIEs. The Company consolidates certain investment entities (collectively, "consolidated investment entities"). If the Company is deemed to be the primary beneficiary, it will consolidate the VIE. The Company has no obligation to provide financial or other support to the non-consolidated VIEs beyond its investment nor has the Company provided any support to these entities.
CLOs
CLOs are asset backed financing entities collateralized by a pool of assets, primarily syndicated loans and, to a lesser extent, high-yield bonds. Multiple tranches of debt securities are issued by a CLO, offering investors various maturity and credit risk characteristics. The debt securities issued by the CLOs are non-recourse to the Company. The CLO's debt holders have recourse only to the assets of the CLO. The assets of the CLOs cannot be used by the Company.

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

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

Property Funds

The Company provides investment advice and related services to property funds, which are considered VIEs. For investment management services, the Company generally earns management fees based on the market value of assets under management, and in certain instances may also receive performance-based fees. The fee arrangement is at market and commensurate with the level of effort required to provide those services. The Company does not have a significant economic interest and is not required to consolidate the property funds. The carrying value of the Company’s investment in property funds is reflected in other investments and was $25 million and $26 million as of March 31, 2017 and December 31, 2016, respectively.

Hedge Funds and Private Equity Funds

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

International Series Funds

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

Affordable Housing Partnerships and Other Real Estate Partnerships

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

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

Structured Investments

The Company invests in structured investments which are considered VIEs for which it is not the sponsor. These structured investments typically invest in fixed income instruments and are managed by third parties and include asset backed securities, commercial mortgage backed securities and residential mortgage backed securities. The Company classifies these investments as Available-for-Sale securities. The Company has determined that it is not the primary beneficiary of these structures due to the size of the Company’s investment in the entities and position in the capital structure of these entities. The Company’s maximum exposure to loss as a result of its investment in these structured investments is limited to its carrying value. See Note 4 for additional information on these structured investments.

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

Fair Value of Assets and Liabilities
The Company categorizes its fair value measurements according to a three-level hierarchy. See Note 10 for the definition of the three levels of the fair value hierarchy.
The following tables present the balances of assets and liabilities held by consolidated investment entities measured at fair value on a recurring basis:

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

	December 31, 2016			
	Level 1	Level 2	Level 3	Total
	(in millions)			
Assets				
Investments:				
Corporate debt securities	$—	$19	$—	$19
Common stocks	22	6	5	33
Other investments	4	—	—	4
Syndicated loans	—	1,944	254	2,198
Total investments	26	1,969	259	2,254
Receivables	—	11	—	11
Total assets at fair value	$26	$1,980	$259	$2,265
Liabilities				
Debt [(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 $2.3 billion as of both March 31, 2017 and December 31, 2016.

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

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

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

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

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

Securities and loans transferred from Level 3 primarily represent assets with fair values that are now obtained from a third-party pricing service with observable inputs or priced in active markets. Securities and loans transferred to Level 3 represent assets with fair values that are now based on a single non-binding broker quote. The Company recognizes transfers between levels of the fair value hierarchy as of the beginning of the quarter in which each transfer occurred.
For assets and liabilities held at the end of the reporting periods that are measured at fair value on a recurring basis, there were no transfers between Level 1 and Level 2.
All Level 3 measurements as of March 31, 2017 and December 31, 2016 were obtained from non-binding broker quotes where unobservable inputs utilized in the fair value calculation are not reasonably available to the Company.

Determination of Fair Value

Assets

Investments

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

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

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

Receivables

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

Liabilities

Debt

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

Other Liabilities

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

Fair Value Option

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

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

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

	March 31, 2017	December 31, 2016
	(in millions)	
Syndicated loans		
Unpaid principal balance	$2,243	$ 2,281
Excess unpaid principal over fair value	(61)	(83)
Fair value	$2,182	$ 2,198
Fair value of loans more than 90 days past due	$15	$ 8
Fair value of loans in nonaccrual status	15	8
Difference between fair value and unpaid principal of loans more than 90 days past due, loans in nonaccrual status or both	32	34
Debt		
Unpaid principal balance	$2,459	$ 2,459
Excess unpaid principal over carrying value	(118)	(140)
Carrying value [1]	$2,341	$ 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 $2.3 billion as of both March 31, 2017 and December 31, 2016.

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

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

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

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

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

4. Investments

The following is a summary of Ameriprise Financial investments:

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

Total	$35,771	$ 35,834

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

The following is a summary of net investment income:

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

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

March 31, 2017

Description of Securities	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Noncredit OTTI (1)
	(in millions)				
Corporate debt securities	$ 15,068	$ 1,064	$ (43)	$ 16,089	$ —
Residential mortgage backed securities	6,866	80	(64)	6,882	(1)
Commercial mortgage backed securities	3,255	57	(38)	3,274	—
Asset backed securities	1,625	34	(12)	1,647	6
State and municipal obligations	2,221	204	(25)	2,400	—
U.S. government and agencies obligations	7	1	—	8	—
Foreign government bonds and	249	20	(5)	264	—

obligations					
Common stocks	9	10	(1)	18	6
Total	$ 29,300	$ 1,470	$ (188)	$ 30,582	$ 11

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

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

As of March 31, 2017 and December 31, 2016, fixed maturity securities comprised approximately 85% and 86%, respectively, of Ameriprise Financial investments. Rating agency designations are based on the availability of ratings from Nationally Recognized Statistical Rating Organizations ("NRSROs"), including Moody's Investors Service ("Moody's"), Standard & Poor's Ratings Services ("S&P") and Fitch Ratings Ltd. ("Fitch"). The Company uses the median of available ratings from Moody's, S&P and Fitch, or, if fewer than three ratings are available, the lower rating is used. When ratings from Moody's, S&P and Fitch are unavailable, the Company may utilize ratings from other NRSROs or rate the securities internally. As of both March 31, 2017 and December 31, 2016, the Company's internal analysts rated $1.1 billion of securities using criteria similar to those used by NRSROs.

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

	March 31, 2017			December 31, 2016		
Ratings	Amortized Cost	Fair Value	Percent of Total Fair Value	Amortized Cost	Fair Value	Percent of Total Fair Value
	(in millions, except percentages)					
AAA	$9,351	$9,395	31 %	$9,252	$9,305	31 %
AA	1,813	1,998	6	1,729	1,906	6
A	4,976	5,394	18	5,157	5,567	18
BBB	11,621	12,226	40	11,739	12,340	40
Below investment grade	1,530	1,551	5	1,585	1,579	5
Total fixed maturities	$29,291	$30,564	100 %	$29,462	$30,697	100 %

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

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

	March 31, 2017								
	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	169	$2,158	$ (26)	25	$227	$ (17)	194	$2,385	$ (43)
Residential mortgage backed securities	127	2,610	(35)	168	1,237	(29)	295	3,847	(64)
Commercial mortgage	102	1,487	(37)	5	32	(1)	107	1,519	(38)

backed securities									
Asset backed securities	40	405	(7)	21	225	(5)	61	630	(12)
State and municipal obligations	153	326	(10)	3	115	(15)	156	441	(25)
Foreign government bonds and obligations	3	10	—	14	21	(5)	17	31	(5)
Common and preferred stocks	—	—	—	3	1	(1)	3	1	(1)
Total	594	$6,996	$ (115)	239	$1,858	$ (73)	833	$8,854	$ (188)

18

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

December 31, 2016	Less than 12 months			12 months or more			Total		
Description of Securities	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 securities	127	2,533	(33)	177	1,290	(34)	304	3,823	(67)
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 and preferred stocks	—	—	—	3	1	(1)	3	1	(1)
Total	650	$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 decrease in interest rates on the long end of the interest rate curve and a modest tightening of credit spreads.

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

	Three Months Ended March 31,	
	2017	2016

	(in millions)	
Beginning balance	$ 69	$ 85
Credit losses for which an other-than-temporary impairment was not previously recognized	—	1
Credit losses for which an other-than-temporary impairment was previously recognized	1	—
Reductions for securities sold during the period (realized)	—	(5)
Ending balance	$ 70	$ 81

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

	Three Months Ended March 31,	
	2017	2016
	(in millions)	
Gross realized gains	$ 19	$ 4
Gross realized losses	—	(4)
Other-than-temporary impairments	(1)	(1)
Total	$ 18	$ (1)

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

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

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

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

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

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

5. Financing Receivables

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

Allowance for Loan Losses

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

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

	March 31,	
	2017	2016
	(in millions)	
Beginning balance	$ 29	$ 32
Provisions	—	(1)
Ending balance	$ 29	$ 31
Individually evaluated for impairment	$ 2	$ 4
Collectively evaluated for impairment	27	27

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

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

As of March 31, 2017 and December 31, 2016, the Company’s recorded investment in financing receivables individually evaluated for impairment for which there was no related allowance for loan losses was $12 million and $7 million, respectively. Unearned income, unamortized premiums and discounts, and net unamortized deferred fees and costs are not material to the Company’s total loan balance.

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

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

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

Credit Quality Information

Nonperforming loans, which are generally loans 90 days or more past due, were $2 million as of both March 31, 2017 and December 31, 2016. All other loans were considered to be performing.

Commercial Mortgage Loans

The Company reviews the credit worthiness of the borrower and the performance of the underlying properties in order to determine the risk of loss on commercial mortgage loans. Based on this review, the commercial mortgage loans are assigned an internal risk rating, which management updates as necessary. Commercial mortgage loans which management has assigned its highest risk rating were 1% and nil of total commercial mortgage loans as of March 31, 2017 and December 31, 2016, respectively. Loans with the highest risk rating represent distressed loans which the Company has identified as impaired or expects to become delinquent or enter into foreclosure within the next six months. In addition, the Company reviews the concentrations of credit risk by region and property type.

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

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

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

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

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

21

Syndicated Loans

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

Consumer Loans

The recorded investment in consumer loans as of March 31, 2017 and December 31, 2016 was $293 million and $308 million, respectively. The Company considers the credit worthiness of borrowers (FICO score), collateral characteristics such as loan-to-value (“LTV”) and geographic concentration in determining the allowance for loan losses for consumer loans. At a minimum, management updates FICO scores and LTV ratios semiannually.

As of both March 31, 2017 and December 31, 2016, approximately 2% of consumer loans had FICO scores below 640. As of both March 31, 2017 and December 31, 2016, none of the Company’s consumer loans had LTV ratios greater than 90%. The Company’s most significant geographic concentrations for consumer loans are in California representing 53% and 52% of the portfolio as of March 31, 2017 and December 31, 2016, respectively. Colorado and Washington represent 17% and 13%, respectively, of the portfolio as of March 31, 2017 and 18% and 13%, respectively, as of December 31, 2016. No other state represents more than 10% of the total consumer loan portfolio.

Troubled Debt Restructurings

The recorded investment in restructured loans was not material as of March 31, 2017 and December 31, 2016. The troubled debt restructurings did not have a material impact to the Company’s allowance for loan losses or income recognized for the three months ended March 31, 2017 and 2016. There are no commitments to lend additional funds to borrowers whose loans have been restructured.

6. Deferred Acquisition Costs and Deferred Sales Inducement Costs

The balances of and changes in DAC were as follows:

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

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

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

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

7. Policyholder Account Balances, Future Policy Benefits and Claims and Separate Account Liabilities
Policyholder account balances, future policy benefits and claims consisted of the following:

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

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

Separate account liabilities consisted of the following:

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

8. Variable Annuity and Insurance Guarantees
The majority of the variable annuity contracts offered by the Company contain guaranteed minimum death benefit (“GMDB”) provisions. The Company also offers variable annuities with death benefit provisions that gross up the amount payable by a certain percentage of contract earnings, which are referred to as gain gross-up (“GGU”) benefits. In addition, the Company offers contracts with GMWB and GMAB provisions. The Company previously offered contracts containing guaranteed minimum income benefit (“GMIB”) provisions.
Certain UL policies offered by the Company provide secondary guarantee benefits. The secondary guarantee ensures that, subject to specified conditions, the policy will not terminate and will continue to provide a death benefit even if there is insufficient policy value to cover the monthly deductions and charges.

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

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

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

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

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

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

	March 31, 2017		December 31, 2016	
	Net Amount at Risk	Weighted Average Attained Age	Net Amount at Risk	Weighted Average Attained Age
	(in millions, except age)			
UL secondary guarantees	$6,407	64	$6,376	64

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

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

	GMDB & GGU	GMIB	GMWB [1]	GMAB [1]	UL
	(in millions)				
Balance at January 1, 2016	$14	$ 8	$1,057	$ —	$332

Incurred claims	4	—	649	31	22
Paid claims	(4)	—	—	—	(6)
Balance at March 31, 2016	$14	$ 8	$1,706	$ 31	$348
Balance at January 1, 2017	$16	$ 8	$1,017	$ (24)	$434
Incurred claims	1	—	(380)	(29)	23
Paid claims	(1)	(1)	—	—	(8)
Balance at March 31, 2017	$16	$ 7	$637	$ (53)	$449

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

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

The liabilities for guaranteed benefits are supported by general account assets.
The following table summarizes the distribution of separate account balances by asset type for variable annuity contracts providing guaranteed benefits:

	March 31, 2017	December 31, 2016
	(in millions)	
Mutual funds:		
Equity	$42,276	$ 40,622
Bond	23,220	23,142
Other	5,145	5,326
Total mutual funds	$70,641	$ 69,090

9. Debt

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

	Outstanding Balance		Stated Interest Rate	
	March 31, 2017	December 31, 2016	March 31, 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	47	49		
Other[1]	14	18		
Total long-term debt	2,911	2,917		
Short-term borrowings:				
Federal Home Loan Bank ("FHLB") advances	150	150	0.8	0.8
Repurchase agreements	50	50	1.1	0.9
Total short-term borrowings	200	200		
Total	$3,111	$ 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.

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 both March 31, 2017 and December 31, 2016, the Company has pledged $33 million of agency residential mortgage backed securities and $19 million of commercial mortgage backed securities. The remaining maturity of outstanding repurchase agreements was less than four months as of March 31, 2017 and less than three months as of December 31, 2016. The stated interest rate of the repurchase agreements is a weighted average annualized interest rate on the repurchase agreements held as of the balance sheet date.

The Company’s life insurance subsidiary is a member of the FHLB of Des Moines which provides access to collateralized borrowings. The Company has pledged Available-for-Sale securities consisting of commercial mortgage backed securities to collateralize its obligation under these borrowings. The fair value of the securities pledged is recorded in investments and was $769 million and $771 million as of March 31, 2017 and December 31, 2016, respectively. The remaining maturity of outstanding FHLB advances was less than three months as of March 31, 2017 and less than four months as of December 31, 2016. The stated interest rate of the FHLB advances is a weighted average annualized interest rate on the outstanding borrowings as of the balance sheet date.

The Company has an unsecured revolving credit facility for up to $500 million that expires in May 2020. Under the terms of the credit agreement for the facility, the Company may increase the amount of this facility up to $750 million upon satisfaction of certain approval requirements. Available borrowings under the agreement are reduced by any outstanding letters of credit. The Company had no borrowings outstanding under this facility as of both March 31, 2017 and December 31, 2016 and outstanding letters of credit issued against this facility were $1 million as of March 31, 2017. The Company’s credit facility contain various administrative, reporting, legal and financial covenants. The Company was in compliance with all such covenants as of both March 31, 2017 and December 31, 2016.

10. Fair Values of Assets and Liabilities

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

Valuation Hierarchy

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

Level 1	Unadjusted quoted prices for identical assets or liabilities in active markets that are accessible at the measurement date.
Level 2	Prices or valuations based on observable inputs other than quoted prices in active markets for identical assets and liabilities.
Level 3	Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

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

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

	March 31, 2017				
	Level 1	Level 2	Level 3	Total	
	(in millions)				
Assets					
Cash equivalents	$31	$1,607	$—	$1,638	
Available-for-Sale securities:					
Corporate debt securities	—	14,745	1,344	16,089	
Residential mortgage backed securities	—	6,566	316	6,882	
Commercial mortgage backed securities	—	3,274	—	3,274	
Asset backed securities	—	1,583	64	1,647	
State and municipal obligations	—	2,400	—	2,400	
U.S. government and agencies obligations	8	—	—	8	
Foreign government bonds and obligations	—	264	—	264	
Common stocks	4	1	8	13	
Common stocks measured at net asset value (“NAV”)				5	(1)
Total Available-for-Sale securities	12	28,833	1,732	30,582	
Trading securities	115	29	—	144	
Separate account assets measured at NAV				82,169	(1)
Investments segregated for regulatory purposes	400	—	—	400	
Other assets:					
Interest rate derivative contracts	—	1,142	—	1,142	
Equity derivative contracts	40	1,627	—	1,667	
Credit derivative contracts	—	1	—	1	
Foreign exchange derivative contracts	2	58	—	60	
Other derivative contracts	1	—	—	1	
Total other assets	43	2,828	—	2,871	
Total assets at fair value	$601	$33,297	$1,732	$117,804	

Liabilities					
Policyholder account balances, future policy benefits and claims:					
EIA embedded derivatives	$—	$4	$—	$4	
IUL embedded derivatives	—	—	493	493	
GMWB and GMAB embedded derivatives	—	—	188	188	(2)
Total policyholder account balances, future policy benefits and claims	—	4	681	685	(3)
Customer deposits	—	9	—	9	
Other liabilities:					
Interest rate derivative contracts	1	463	—	464	
Equity derivative contracts	10	2,237	—	2,247	
Foreign exchange derivative contracts	1	37	—	38	
Other derivative contracts	—	135	—	135	
Other	7	6	13	26	
Total other liabilities	19	2,878	13	2,910	
Total liabilities at fair value	$19	$2,891	$694	$3,604	

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

	December 31, 2016				
	Level 1	Level 2	Level 3	Total	
	(in millions)				
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	—	1,775	—	1,775	
Equity derivative contracts	42	1,526	—	1,568	
Credit derivative contracts	—	1	—	1	
Foreign exchange derivative contracts	13	80	—	93	
Other derivative contracts	1	8	—	9	
Total other assets	56	3,390	—	3,446	
Total assets at fair value	$536	$34,252	$1,648	$116,651	

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	977	—	979	
Equity derivative contracts	3	2,024	—	2,027	
Foreign exchange derivative contracts	2	45	—	47	
Other derivative contracts	—	118	—	118	
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 $585 million of individual contracts in a liability position and $397 million of individual contracts in an asset position as of March 31, 2017.

(3) The Company's adjustment for nonperformance risk resulted in a $435 million cumulative decrease to the embedded derivatives as of March 31, 2017.

(4) The fair value of the GMWB and GMAB embedded derivatives included $880 million of individual contracts in a liability position and

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

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

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

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

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

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

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

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
	(in millions)				
Balance, January 1, 2016	$1,425	$ 218	$ 3	$ 162	$1,808
Cumulative effect of change in accounting policies	—	—	—	21	21
Total gains (losses) included in:					
Net income	(1)	—	—	(1)	(2) [3]
Other comprehensive income	18	(3)	—	(3)	12
Purchases	—	—	9	1	10
Settlements	(31)	(16)	(2)	—	(49)
Transfers out of Level 3	—	(25)	—	(10)	(35)
Balance, March 31, 2016	$1,411	$ 174	$ 10	$ 170	$1,765
Changes in unrealized losses relating to assets held at March 31, 2016	$—	$ —	$ —	$ (1)	$(1) [3]

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

(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.

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

Securities transferred from Level 3 primarily represent securities with fair values that are now obtained from a third-party pricing service with observable inputs. Securities transferred to Level 3 represent securities with fair values that are now based on a single non-binding broker quote. The Company recognizes transfers between levels of the fair value hierarchy as of the beginning of the quarter in which each transfer occurred. For assets and liabilities held at the end of the reporting periods that are measured at fair value on a recurring basis, there were no transfers between Level 1 and Level 2.

30

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

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

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

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 and asset backed securities. The fair value of corporate bonds, non-agency residential mortgage backed securities and certain asset backed securities classified as Level 3 is typically based on a single non-binding broker quote. The underlying inputs used for some of the non-binding broker quotes are not readily available to the Company. The Company's privately placed corporate bonds are typically based on a single non-binding broker quote. The fair value of certain asset backed securities is determined using a discounted cash flow model. Inputs used to determine the expected cash flows include assumptions about discount rates and default, prepayment and recovery rates of the underlying assets. Given the significance of the unobservable inputs to this fair value measurement, the fair value of the investment in certain asset backed securities is classified as Level 3. In addition to the general pricing controls, the Company reviews the broker prices to ensure that the broker quotes are reasonable and, when available, compares prices of privately issued securities to public issues from the same issuer to ensure that the implicit illiquidity premium applied to the privately placed investment is reasonable considering investment characteristics, maturity, and average life of the investment.

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

Separate Account Assets

The fair value of assets held by separate accounts is determined by the NAV of the funds in which those separate accounts are invested. The NAV is used as a practical expedient for fair value and represents the exit price for the separate account. Separate account assets are excluded from classification in the fair value hierarchy.

Investments Segregated for Regulatory Purposes

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

Other Assets

Derivatives that are measured using quoted prices in active markets, such as foreign currency forwards, or derivatives that are exchange-traded are classified as Level 1 measurements. The variation margin on futures contracts is also classified as Level 1. The fair value of derivatives that are traded in less active over-the-counter (“OTC”) markets is generally measured using pricing models with market observable inputs such as interest rates and equity index levels. These measurements are classified as Level 2 within the fair value hierarchy and include swaps and the majority of options. Other derivative contracts consist of the Company’s macro hedge program. See Note 12 for further information on the macro hedge program. The counterparties’ nonperformance risk associated with uncollateralized derivative assets was immaterial as of March 31, 2017 and December 31, 2016. See Note 11 and Note 12 for further information on the credit risk of derivative instruments and related collateral.

Liabilities

Policyholder Account Balances, Future Policy Benefits and Claims

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

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

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

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

Customer Deposits

The Company uses various Black-Scholes calculations to determine the fair value of the embedded derivative liability associated with the provisions of its stock market certificates. The inputs to these calculations are primarily market observable and include interest rates, volatilities and equity index levels. As a result, these measurements are classified as Level 2.

Other Liabilities

Derivatives that are measured using quoted prices in active markets, such as foreign currency forwards, or derivatives that are exchange-traded, are classified as Level 1 measurements. The variation margin on futures contracts is also classified as Level 1. The fair value of derivatives that are traded in less active OTC markets is generally measured using pricing models with market observable inputs such as interest rates and equity index levels. These measurements are classified as Level 2 within the fair value hierarchy and include swaps and the majority of options. Other derivative contracts consist of the Company's macro hedge program. See Note 12 for further information on the macro hedge program. The Company's nonperformance risk associated with uncollateralized derivative liabilities was immaterial as of March 31, 2017 and December 31, 2016. See Note 11 and Note 12 for further information on the credit risk of derivative instruments and related collateral.

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

Securities sold but not yet purchased include highly liquid investments which are short-term in nature. Securities sold but not yet purchased are measured using amortized cost, which is a reasonable estimate of fair value because of the short time between the purchase of the instrument and its expected realization and are classified as Level 2.

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

During the reporting periods, there were no material assets or liabilities measured at fair value on a nonrecurring basis.

The following tables provide the carrying value and the estimated fair value of financial instruments that are not reported at fair value:

	March 31, 2017					
	Carrying Value	Fair Value				
		Level 1	Level 2	Level 3	Total	
	(in millions)					
Financial Assets						
Mortgage loans, net	$2,981	$—	$—	$2,988	$2,988	
Policy and certificate loans	830	—	—	791	791	
Receivables	1,455	156	1,295	2	1,453	
Restricted and segregated cash	3,003	3,003	—	—	3,003	
Other investments and assets	508	—	443	65	508	
Financial Liabilities						
Policyholder account balances, future policy benefits and claims	$10,715	$—	$—	$11,247	$11,247	
Investment certificate reserves	6,129	—	—	6,114	6,114	
Brokerage customer deposits	4,190	4,190	—	—	4,190	
Separate account liabilities measured at NAV	4,463				4,463	(1)
Debt and other liabilities	3,388	169	3,192	164	3,525	

	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	1,396	127	1,270	3	1,400
Restricted and segregated cash	2,905	2,905	—	—	2,905
Other investments and assets	508	—	449	61	510
Financial Liabilities					
Policyholder account balances, future policy benefits and claims	$10,906	$—	$—	$11,417	$11,417
Investment certificate reserves	5,927	—	—	5,914	5,914
Brokerage customer deposits	4,112	4,112	—	—	4,112

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

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

34

Mortgage Loans, Net

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

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

Policy and Certificate Loans

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

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

Receivables

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

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

Restricted and Segregated Cash

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

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

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

Other Investments and Assets

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

Other investments and assets also include the Company's membership in the FHLB and investments related to the Community Reinvestment Act. The fair value of these assets is approximated by the carrying value and classified as

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

Policyholder Account Balances, Future Policy Benefits and Claims

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

Investment Certificate Reserves

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

Brokerage Customer Deposits

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

Separate Account Liabilities

Certain separate account liabilities are classified as investment contracts and are carried at an amount equal to the related separate account assets. The NAV of the related separate account assets is used as a practical expedient for fair value and represents the exit price for the separate account liabilities. Separate account liabilities are excluded from classification in the fair value hierarchy.

Debt and Other Liabilities

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

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

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

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

11. Offsetting Assets and Liabilities

Certain financial instruments and derivative instruments are eligible for offset in the Consolidated Balance Sheets. The Company’s derivative instruments, repurchase agreements and securities borrowing and lending agreements are subject to master netting arrangements and collateral arrangements and qualify for offset. A master netting arrangement with a counterparty creates a right of offset for amounts due to and from that same counterparty that is enforceable in the event of a default or bankruptcy. Securities borrowed and loaned result from transactions between the Company’s broker dealer subsidiary and other financial institutions and are recorded at the amount of cash collateral advanced or received. Securities borrowed and securities loaned are primarily equity securities. The Company’s securities borrowed and securities loaned transactions generally do not have a fixed maturity date and may be terminated by either party under customary terms.

The Company’s policy is to recognize amounts subject to master netting arrangements on a gross basis in the Consolidated Balance Sheets.

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

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

	March 31, 2017						
	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Consolidated Balance Sheets	Amounts of Assets Presented in the Consolidated Balance Sheets	Gross Amounts Not Offset in the Consolidated Balance Sheets			Net Amount
				Financial Instruments [1]	Cash Collateral	Securities Collateral	
	(in millions)						
Derivatives:							
OTC	$ 2,835	$ —	$ 2,835	$ (2,256)	$ (371)	$ (201)	$ 7
OTC cleared [2]	21	—	21	(21)	—	—	—
Exchange-traded	15	—	15	(3)	—	—	12
Total derivatives	2,871	—	2,871	(2,280)	(371)	(201)	19
Securities borrowed	156	—	156	(40)	—	(113)	3
Total	$ 3,027	$ —	$ 3,027	$ (2,320)	$ (371)	$ (314)	$ 22

	December 31, 2016						
	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Consolidated Balance Sheets	Amounts of Assets Presented in the Consolidated Balance Sheets	Gross Amounts Not Offset in the Consolidated Balance Sheets			Net Amount
				Financial Instruments [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:

March 31, 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 [1]	Cash Collateral	Securities Collateral	

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

37

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

	December 31, 2016						
	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 (1)	Cash Collateral	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, Note 9 for additional disclosures related to the Company’s repurchase agreements and Note 3 for information related to derivatives held by consolidated investment entities.

12. Derivatives and Hedging Activities

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

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

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

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

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

N/A Not applicable.

[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 $1.2 billion and $1.5 billion as of March 31, 2017 and December 31, 2016, respectively. See Note 11 for additional information related to master netting arrangements and cash collateral. See Note 3 for information about derivatives held by consolidated VIEs.

[4] The fair value of the GMWB and GMAB embedded derivatives as of March 31, 2017 included $585 million of individual contracts in a liability position and $397 million of individual contracts in an asset position. The fair value of the GMWB and GMAB embedded derivatives as of December 31, 2016 included $880 million of individual contracts in a liability position and $266 million of individual contracts in an asset position.

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

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

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

Derivatives Not Designated as Hedges

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

	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 March 31, 2017						
Interest rate contracts	$1	$ —	$ —	$ —	$ (75)	$ —
Equity contracts	2	1	15	19	(416)	3
Credit contracts	—	—	—	—	(8)	—
Foreign exchange contracts	—	—	1	—	(24)	1
Other contracts	—	—	—	—	(52)	—
GMWB and GMAB embedded derivatives	—	—	—	—	426	—
IUL embedded derivatives	—	—	—	(7)	—	—
SMC embedded derivatives	—	(1)	—	—	—	—
Total gain (loss)	$3	$ —	$ 16	$ 12	$ (149)	$ 4

	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 March 31, 2016						
Interest rate contracts	$(40)	$ —	$ —	$ —	$ 755	$ —
Equity contracts	—	(1)	(2)	(3)	(65)	1
Credit contracts	—	—	—	—	(16)	—
Foreign exchange contracts	—	—	3	—	(35)	6
Other contracts	—	—	—	—	(9)	—
GMWB and GMAB embedded derivatives	—	—	—	—	(664)	—
IUL embedded derivatives	—	—	—	14	—	—
SMC embedded derivatives	—	1	—	—	—	—
Total gain (loss)	$(40)	$ —	$ 1	$ 11	$ (34)	$ 7

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

Certain annuity contracts contain GMWB or GMAB provisions, which guarantee the right to make limited partial withdrawals each contract year regardless of the volatility inherent in the underlying investments or guarantee a minimum accumulation value of consideration received at the beginning of the contract period, after a specified holding period, respectively. The GMAB and non-life contingent GMWB provisions are considered embedded derivatives, which are bifurcated from their host contracts for valuation purposes and reported on the Consolidated Balance Sheets at fair value with changes in fair value reported in earnings. The Company economically hedges the exposure related to GMAB and non-life contingent GMWB provisions primarily using futures, options, interest rate swaptions, interest rate swaps, total return swaps and variance swaps.

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

The deferred premium associated with certain of the above options is paid or received semi-annually over the life of the option contract or at maturity. The following is a summary of the payments the Company is scheduled to make and receive for these options as of March 31, 2017:

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

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

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

The Company has a macro hedge program to provide protection against the statutory tail scenario risk arising from variable annuity reserves on its statutory surplus and to cover some of the residual risks not covered by other hedging activities. As a means of economically hedging these risks, the Company uses a combination of futures, options, interest rate swaptions and/or swaps. Certain of the macro hedge derivatives used contain settlement provisions linked to both equity returns and interest rates; the remaining are either interest rate contracts or equity contracts. The Company's macro hedge derivatives are included in Other contracts in the tables above.

EIA, IUL and stock market certificate products have returns tied to the performance of equity markets. As a result of fluctuations in equity markets, the obligation incurred by the Company related to EIA, IUL and stock market certificate products will positively or negatively impact earnings over the life of these products. The equity component of the EIA, IUL and stock market certificate product obligations are considered embedded derivatives, which are bifurcated from their host contracts for valuation purposes and reported on the Consolidated Balance Sheets at fair value with changes in fair value reported in earnings. As a means of economically hedging its obligations under the provisions of these products, the Company enters into index options and futures contracts.

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

Cash Flow Hedges

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

For the three months ended March 31, 2017 and 2016, amounts recognized in earnings related to cash flow hedges due to ineffectiveness were not material. The estimated net amount of existing pretax losses as of March 31, 2017 that the Company expects to reclassify to earnings within the next twelve months is $3 million, which consists of $1 million of pretax gains to be recorded as a reduction to interest and debt expense and $4 million of pretax losses to be recorded in net investment income. Currently, the longest period of time over which the Company is hedging exposure to the variability in future cash flows is 18 years and relates to forecasted debt interest payments. See Note 13 for a rollforward of net unrealized derivative gains (losses) included in AOCI related to cash flow hedges.

41

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

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

Derivatives designated as hedging instruments	Location of Gain Recorded into Income	Amount of Gain Recognized in Income on Derivatives Three Months Ended March 31, 2017	2016
		(in millions)	
Interest rate contracts	Interest and debt expense	$ 4	$ 5

Net Investment Hedges
The Company entered into, and designated as net investment hedges in foreign operations, forward contracts to hedge a portion of the Company's foreign currency exchange rate risk associated with its investment in Threadneedle. As the Company determined that the forward contracts are effective, the change in fair value of the derivatives is recognized in AOCI as part of the foreign currency translation adjustment. For the three months ended March 31, 2017, the Company recognized a gain of $2 million in OCI.
Credit Risk
Credit risk associated with the Company's derivatives is the risk that a derivative counterparty will not perform in accordance with the terms of the applicable derivative contract. To mitigate such risk, the Company has established guidelines and oversight of credit risk through a comprehensive enterprise risk management program that includes members of senior management. Key components of this program are to require preapproval of counterparties and the use of master netting arrangements and collateral arrangements whenever practical. See Note 11 for additional information on the Company's credit exposure related to derivative assets.
Certain of the Company's derivative contracts contain provisions that adjust the level of collateral the Company is required to post based on the Company's debt rating (or based on the financial strength of the Company's life insurance subsidiaries for contracts in which those subsidiaries are the counterparty). Additionally, certain of the Company's derivative contracts contain provisions that allow the counterparty to terminate the contract if the Company's debt does not maintain a specific credit rating (generally an investment grade rating) or the Company's life insurance subsidiary does not maintain a specific financial strength rating. If these termination provisions were to be triggered, the Company's counterparty could require immediate settlement of any net liability position. As of March 31, 2017 and December 31, 2016, the aggregate fair value of derivative contracts in a net liability position containing such credit contingent provisions was $364 million and $254 million, respectively. The aggregate fair value of assets posted as collateral for such instruments as of March 31, 2017 and December 31, 2016 was $343 million and $246 million, respectively. If the credit contingent provisions of derivative contracts in a net liability position as of March 31, 2017 and December 31, 2016 were triggered, the aggregate fair value of additional assets that would be required to be posted as collateral or needed to settle the instruments immediately would have been $21 million and $8 million, respectively.

42

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

13. Shareholders’ Equity

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

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

[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 a $1 million pretax loss reclassified to net investment income for both the three months ended March 31, 2017 and 2016.

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

The following tables present the changes in the balances of each component of AOCI, net of tax:

	Net Unrealized Securities Gains	Net Unrealized Derivatives Gains	Defined Benefit Plans	Foreign Currency Translation	Other	Total
	(in millions)					
Balance, January	$479	$ 5	$(125)	$ (159)	$—	$200

1, 2017						
OCI before reclassifications	19	—	—	7	(1)	25
Amounts reclassified from AOCI	(12)	1	5	—	—	(6)
Total OCI	7	1	5	7	(1)	19
Balance, March 31, 2017	$486 (1)	$ 6	$ (120)	$ (152)	$ (1)	$ 219

43

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, January 1, 2016, as previously reported	$426	$ 1	$ (91)	$ (83)	$253
Cumulative effect of change in accounting policies	6	—	—	—	6
Balance, January 1, 2016, as adjusted	432	1	(91)	(83)	259
OCI before reclassifications	192	—	—	(11)	181
Amounts reclassified from AOCI	1	1	—	—	2
Total OCI	193	1	—	(11)	183
Balance, March 31, 2016	$625 (1)	$ 2	$ (91)	$ (94)	$442

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

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

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

For the three months ended March 31, 2017 and 2016, the Company reacquired 0.2 million shares and 0.3 million shares, respectively, of its common stock through the surrender of shares upon vesting and paid in the aggregate $30 million and $26 million, respectively, related to the holders' income tax obligations on the vesting date. Option holders may elect to net settle their vested awards resulting in the surrender of the number of shares required to cover the strike price and tax obligation of the options exercised. These shares are reacquired by the Company and recorded as treasury shares. For the three months ended March 31, 2017 and 2016, the Company reacquired 1.0 million shares and 0.1 million shares, respectively, of its common stock through the net settlement of options for an aggregate value of $122 million and $8 million, respectively.

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

14. Income Taxes

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

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

The Company is required to establish a valuation allowance for any portion of the deferred tax assets that management believes will not be realized. Significant judgment is required in determining if a valuation allowance should be established, and the amount of such allowance if required. Factors used in making this determination include estimates relating to the performance of the business. Consideration is given to, among other things in making this determination, (i) future taxable income exclusive of reversing temporary differences and carryforwards, (ii) future reversals of existing taxable temporary differences, (iii) taxable income in prior carryback years, and (iv) tax planning strategies. Based on analysis of the Company’s tax position, management believes it is more likely than not that the Company will not realize certain state deferred tax assets and state net operating losses and therefore a valuation allowance has been established. The valuation allowance was $12 million as of March 31, 2017 and $11 million as of December 31, 2016.

As of March 31, 2017 and December 31, 2016, the Company had $126 million and $115 million, respectively, of gross unrecognized tax benefits. If recognized, approximately $50 million