AMERIPRISE FINANCIAL INC
Form 10-Q
November 02, 2016

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

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

For the Quarterly Period Ended September 30, 2016

OR

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

For the Transition Period from_____to_____

Commission File No. 1-32525

AMERIPRISE FINANCIAL, INC.

(Exact name of registrant as specified in its charter)

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

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

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

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

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

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at October 21, 2016
Common Stock (par value $.01 per share)	158,047,749 shares

AMERIPRISE FINANCIAL, INC.

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AMERIPRISE FINANCIAL, INC.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
	(in millions, except per share amounts)			
Revenues				
Management and financial advice fees	$1,464	$1,465	$4,289	$4,451
Distribution fees	455	451	1,338	1,389
Net investment income	387	321	1,090	1,228
Premiums	374	360	1,114	1,081
Other revenues	330	296	832	939
Total revenues	3,010	2,893	8,663	9,088
Banking and deposit interest expense	12	7	29	21
Total net revenues	2,998	2,886	8,634	9,067
Expenses				
Distribution expenses	798	806	2,371	2,460
Interest credited to fixed accounts	161	171	465	503
Benefits, claims, losses and settlement expenses	855	471	1,934	1,547
Amortization of deferred acquisition costs	163	133	360	302
Interest and debt expense	52	98	160	271
General and administrative expense	731	744	2,221	2,288
Total expenses	2,760	2,423	7,511	7,371
Pretax income	238	463	1,123	1,696
Income tax provision	23	111	209	389
Net income	215	352	914	1,307
Less: Net income (loss) attributable to noncontrolling interests	—	(45)	—	102
Net income attributable to Ameriprise Financial	$215	$397	$914	$1,205
Earnings per share attributable to Ameriprise Financial, Inc. common shareholders				
Basic	$1.31	$2.20	$5.43	$6.57
Diluted	$1.30	$2.17	$5.37	$6.48
Cash dividends declared per common share	$0.75	$0.67	$2.17	$1.92
Supplemental Disclosures:				
Total other-than-temporary impairment losses on securities	$—	$(7)	$(2)	$(8)
Portion of loss recognized in other comprehensive income (before taxes)	—	—	1	—
Net impairment losses recognized in net investment income	$—	$(7)	$(1)	$(8)

See Notes to Consolidated Financial Statements.

AMERIPRISE FINANCIAL, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
	(in millions)			
Net income	$215	$352	$914	$1,307
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustment	(16)	(65)	(55)	(50)
Net unrealized gains (losses) on securities	(28)	(19)	382	(186)
Net unrealized gains on derivatives	1	1	3	1
Defined benefit plans	—	—	6	—
Total other comprehensive income (loss), net of tax	(43)	(83)	336	(235)
Total comprehensive income	172	269	1,250	1,072
Less: Comprehensive income (loss) attributable to noncontrolling interests	—	(89)	—	68
Comprehensive income attributable to Ameriprise Financial	$172	$358	$1,250	$1,004

See Notes to Consolidated Financial Statements.

AMERIPRISE FINANCIAL, INC.

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	September 30, 2016	December 31, 2015
	(in millions, except share amounts)	
Assets		
Cash and cash equivalents	$3,075	$2,357
Cash of consolidated investment entities	254	502
Investments	35,875	34,144
Investments of consolidated investment entities, at fair value	2,573	6,570
Separate account assets	81,511	80,349
Receivables	5,322	5,167
Receivables of consolidated investment entities (includes $14 and $70, respectively, at fair value)	14	107
Deferred acquisition costs	2,534	2,725
Restricted and segregated cash and investments	2,962	2,949
Other assets	9,502	8,384
Other assets of consolidated investment entities (includes $1 and $2,065, respectively, at fair value)	1	2,065
Total assets	$143,623	$145,319
Liabilities and Equity		
Liabilities:		
Policyholder account balances, future policy benefits and claims	$31,469	$29,699
Separate account liabilities	81,511	80,349
Customer deposits	9,442	8,634
Short-term borrowings	200	200
Long-term debt	2,934	2,692
Debt of consolidated investment entities (includes $2,710 and $6,630, respectively, at fair value)	2,710	7,531
Accounts payable and accrued expenses	1,498	1,552
Accounts payable and accrued expenses of consolidated investment entities	—	54
Other liabilities	6,951	5,965
Other liabilities of consolidated investment entities (includes $112 and $221, respectively, at fair value)	112	238
Total liabilities	136,827	136,914
Equity:		
Ameriprise Financial, Inc.:		
Common shares ($.01 par value; shares authorized, 1,250,000,000; shares issued, 323,724,066 and 322,822,746, respectively)	3	3
Additional paid-in capital	7,709	7,611
Retained earnings	10,098	9,551
Appropriated retained earnings of consolidated investment entities	—	137
Treasury shares, at cost (165,227,730 and 151,789,486 shares, respectively)	(11,609)	(10,338)
Accumulated other comprehensive income, net of tax	595	253
Total Ameriprise Financial, Inc. shareholders' equity	6,796	7,217
Noncontrolling interests	—	1,188
Total equity	6,796	8,405

Total liabilities and equity	$143,623	$145,319

See Notes to Consolidated Financial Statements.

AMERIPRISE FINANCIAL, INC.

CONSOLIDATED STATEMENTS OF EQUITY (UNAUDITED)

	Ameriprise Financial, Inc.								
	Number of Common Shares Outstanding	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, 2015	183,309,509	$ 7,345	$ 8,469	$ 234	$ (8,589)	$ 662	$ 8,124	$ 1,181	$ 9,305
Comprehensive income:									
Net income	—	—	1,205	—	—	—	1,205	102	1,307
Other comprehensive loss, net of tax	—	—	—	—	—	(201)	(201)	(34)	(235)
Total comprehensive income							1,004	68	1,072
Net income reclassified to appropriated retained earnings	—	—	—	(60)	—	—	(60)	60	—
Dividends to shareholders	—	—	(355)	—	—	—	(355)	—	(355)
Noncontrolling interests investments in subsidiaries	—	—	—	—	—	—	—	225	225
Distributions to noncontrolling interests	—	—	—	—	—	—	—	(342)	(342)
Repurchase of common shares	(10,882,885)	—	—	—	(1,362)	—	(1,362)	—	(1,362)
Share-based compensation plans	2,794,831	212	—	—	66	—	278	—	278
Balances at September 30, 2015	175,221,475	$ 7,557	$ 9,319	$ 174	$ (9,885)	$ 461	$ 7,629	$ 1,192	$ 8,821
Balances at January 1, 2016, previously reported	171,033,260	$ 7,611	$ 9,551	$ 137	$ (10,338)	$ 253	$ 7,217	$ 1,188	$ 8,405
Cumulative effect of change in accounting policies	—	—	1	(137)	—	6	(130)	(1,188)	(1,318)
Balances at January 1, 2016, as adjusted	171,033,260	7,611	9,552	—	(10,338)	259	7,087	—	7,087
Comprehensive income:									
Net income	—	—	914	—	—	—	914	—	914
Other comprehensive income, net of tax	—	—	—	—	—	336	336	—	336
Total comprehensive income							1,250	—	1,250
Dividends to shareholders	—	—	(368)	—	—	—	(368)	—	(368)
Repurchase of common shares	(14,349,061)	—	—	—	(1,333)	—	(1,333)	—	(1,333)
Share-based compensation plans	1,812,198	98	—	—	62	—	160	—	160
Balances at September 30, 2016	158,496,337	$ 7,709	$ 10,098	$ —	$ (11,609)	$ 595	$ 6,796	$ —	$ 6,796

See Notes to Consolidated Financial Statements.

AMERIPRISE FINANCIAL, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Nine Months Ended September 30,	
	2016	2015
	(in millions)	
Cash Flows from Operating Activities		
Net income	$914	$1,307
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion, net	187	185
Deferred income tax benefit	(47)	(23)
Share-based compensation	101	108
Net realized investment gains	(1)	(14)
Net trading gains	(5)	(5)
Loss from equity method investments	45	22
Other-than-temporary impairments and provision for loan losses	—	9
Net losses (gains) of consolidated investment entities	5	(85)
Changes in operating assets and liabilities:		
Restricted and segregated cash and investments	(13)	(88)
Deferred acquisition costs	86	38
Other investments, net	9	61
Policyholder account balances, future policy benefits and claims, net	1,172	681
Derivatives, net of collateral	(676)	(180)
Receivables	(177)	(294)
Brokerage deposits	3	51
Accounts payable and accrued expenses	(24)	(41)
Cash held by consolidated investment entities	(100)	(394)
Investment properties of consolidated investment entities	—	(126)
Other operating assets and liabilities of consolidated investment entities, net	(9)	54
Other, net	235	637
Net cash provided by operating activities	1,705	1,903
Cash Flows from Investing Activities		
Available-for-Sale securities:		
Proceeds from sales	322	151
Maturities, sinking fund payments and calls	3,379	3,453
Purchases	(4,666)	(3,340)
Proceeds from sales, maturities and repayments of mortgage loans	705	481
Funding of mortgage loans	(334)	(427)
Proceeds from sales and collections of other investments	131	198
Purchase of other investments	(144)	(249)
Purchase of investments by consolidated investment entities	(566)	(2,063)
Proceeds from sales, maturities and repayments of investments by consolidated investment entities	803	1,429
Purchase of land, buildings, equipment and software	(66)	(109)
Other, net	70	29
Net cash used in investing activities	$(366)	$(447)

See Notes to Consolidated Financial Statements.

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AMERIPRISE FINANCIAL, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(Continued)

	Nine Months Ended September 30,	
	2016	2015
	(in millions)	
Cash Flows from Financing Activities		
Investment certificates:		
Proceeds from additions	$3,184	$2,182
Maturities, withdrawals and cash surrenders	(2,376)	(1,853)
Policyholder account balances:		
Deposits and other additions	1,532	1,514
Net transfers from (to) separate accounts	113	(141)
Surrenders and other benefits	(1,448)	(2,169)
Cash paid for purchased options with deferred premiums	(256)	(305)
Cash received from purchased options with deferred premiums	242	8
Issuance of long-term debt	495	—
Repayments of long-term debt	(254)	(41)
Dividends paid to shareholders	(361)	(348)
Repurchase of common shares	(1,319)	(1,293)
Exercise of stock options	6	14
Excess tax benefits from share-based compensation	8	70
Borrowings by consolidated investment entities	—	1,583
Repayments of debt by consolidated investment entities	(134)	(405)
Noncontrolling interests investments in subsidiaries	—	225
Distributions to noncontrolling interests	—	(342)
Other, net	—	(1)
Net cash used in financing activities	(568)	(1,302)
Effect of exchange rate changes on cash	(53)	(12)
Net increase in cash and cash equivalents	718	142
Cash and cash equivalents at beginning of period	2,357	2,638
Cash and cash equivalents at end of period	$3,075	$2,780
Supplemental Disclosures:		
Interest paid excluding consolidated investment entities	$121	$122
Interest paid by consolidated investment entities	74	175
Income taxes paid, net	201	245
Non-cash investing activity:		
Partnership commitments not yet remitted	75	9

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. Effective January 1, 2016, the Company adopted ASU 2015-02 - Consolidation: Amendments to the Consolidation Analysis ("ASU 2015-02") and deconsolidated several collateralized loan obligations ("CLOs") and all previously consolidated property funds. The income or loss generated by consolidated entities which will not be realized by the Company's shareholders is attributed to noncontrolling interests in the Consolidated Statements of Operations. Noncontrolling interests are the ownership interests in subsidiaries not attributable, directly or indirectly, to Ameriprise Financial, Inc. and are classified as equity within the Consolidated Balance Sheets. The Company, excluding noncontrolling interests, is defined as "Ameriprise Financial." Upon adoption of ASU 2015-02, the Company no longer has noncontrolling interests primarily due to the deconsolidation of property funds. See Note 2 and Note 3 for additional information on recently adopted accounting pronouncements and VIEs.

The interim financial information in this report has not been audited. In the opinion of management, all adjustments necessary for a fair presentation of the consolidated results of operations and financial position for the interim periods have been made. Except for the adjustment described below, all adjustments made were of a normal recurring nature. In the third quarter of 2016, the Company recorded a $29 million increase to long term care ("LTC") reserves for an out-of-period correction related to its claim utilization assumption. 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, 2015, filed with the Securities and Exchange Commission ("SEC") on February 25, 2016.

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

Fair Value Measurement – Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)

In May 2015, the Financial Accounting Standards Board ("FASB") updated the accounting standards related to fair value measurement. The update applies to investments that are measured at net asset value ("NAV"). The standard eliminates the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the NAV per share as a practical expedient. In addition, the update limits disclosures about the nature and risks of the investments to investments for which the entity elected to measure the fair value using the practical expedient rather than all investments that are eligible for the NAV practical expedient. The standard is effective for interim and annual periods beginning after December 15, 2015. The Company adopted the standard on January 1, 2016 on a retrospective basis to all periods presented. There was no impact of the standard to the Company's consolidated results of operations and financial condition.

Interest – Imputation of Interest

In April 2015, the FASB updated the accounting standards related to debt issuance costs. The update requires that debt issuance costs be presented on the balance sheet as a direct deduction from the carrying amount of debt. The update does not impact the measurement or recognition of debt issuance costs. In August 2015, the FASB updated the guidance to allow companies to make a policy election to exclude debt issuance costs for line-of-credit arrangements from the standard. The standard is effective for interim and annual periods beginning after December 15, 2015. The Company adopted the standard on January 1, 2016 on a retrospective basis to all periods presented. The reclassification did not have a material impact on the Company's consolidated financial condition. There was no impact of the standard to the Company's consolidated results of operations.

Consolidation

In February 2015, the FASB updated the accounting standard for consolidation. The update changes the accounting for the consolidation model for limited partnerships and VIEs and excludes certain money market funds from the consolidation analysis. Specific to the consolidation analysis of a VIE, the update clarifies consideration of fees paid to a decision maker and amends the related party guidance. The standard is effective for periods beginning after December 15, 2015. The Company adopted the standard

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

on January 1, 2016 using the modified retrospective approach. The adoption resulted in the deconsolidation of several CLOs and all previously consolidated property funds with a decrease of approximately $6.2 billion of assets, $4.9 billion of liabilities and $1.3 billion of equity (noncontrolling interests and appropriated retained earnings of consolidated investment entities). Effective January 1, 2016, intercompany amounts between the Company and the deconsolidated CLOs and property funds are no longer eliminated in consolidation.

In August 2014, the FASB updated the accounting standard related to consolidation of collateralized financing entities. The update applies to reporting entities that consolidate a collateralized financing entity and measures all financial assets and liabilities of the collateralized financing entity at fair value. The update provides a measurement alternative which would allow an entity to measure both the financial assets and financial liabilities at the fair value of the more observable of the fair value of the financial assets or financial liabilities. When the measurement alternative is elected, the reporting entity's net income should reflect its own economic interests in the collateralized financing entity, including changes in the fair value of the beneficial interests retained by the reporting entity and beneficial interests that represent compensation for services. If the measurement alternative is not elected, the financial assets and financial liabilities should be measured separately in accordance with the requirements of the fair value accounting standard. Any difference in the fair value of the assets and liabilities would be recorded to net income attributable to the reporting entity. The standard is effective for interim and annual periods beginning after December 15, 2015. The Company adopted the standard on January 1, 2016 and elected the measurement alternative using the modified retrospective approach. The adoption of the standard did not have a material impact on the Company's consolidated results of operations and financial condition after the deconsolidation of several CLOs noted above.

Compensation – Stock Compensation

In June 2014, the FASB updated the accounting standards related to stock compensation. The update clarifies the accounting for share-based payments with a performance target that could be achieved after the requisite service period. The update specifies the performance target should not be reflected in estimating the grant-date fair value of the award. Instead, the probability of achieving the performance target should impact vesting of the award. The standard is effective for interim and annual periods beginning after December 15, 2015. The Company adopted the standard on January 1, 2016. The adoption did not have a material impact on the Company's consolidated results of operations and financial condition.

Future Adoption of New Accounting Standards

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 is evaluating 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 is currently evaluating the impact of the standard, but does not expect adoption of the standard to have a material impact on its consolidated cash flows.

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.

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

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

policy election to recognize forfeitures as they occur rather than estimating forfeitures to determine the recognition of expense for share-based payment awards. If elected, this provision is required to be adopted on a modified retrospective approach. The update also changes the limit of the amount withheld upon settlement of an award to satisfy the employer's tax withholding requirement without causing the award to be classified as a liability. Under current guidance, the amount is limited to the employer's minimum statutory tax withholding requirement. The update allows entities to withhold an amount up to the employees' maximum individual tax rate in the relevant jurisdiction. This provision is required to be adopted using a modified retrospective approach, with a cumulative effect adjustment to opening retained earnings for any outstanding liability awards that qualify for equity classification under the update. The standard is effective for interim and annual periods beginning after December 15, 2016 with early adoption permitted. During periods in which the settlement date fair 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. The Company does not expect the adoption of the standard to have a material impact on its consolidated financial condition or cash flows.

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 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 Company is currently evaluating the impact of the standard on its consolidated results of operations and financial condition.

Insurance – Disclosure about Short-Duration Contracts

In May 2015, the FASB updated the accounting standard for short-duration insurance contracts. The update requires enhanced disclosures about an insurance entity's initial claim estimates and subsequent adjustments to those estimates, methodologies and judgements in estimating claims and the timing, frequency and severity of claims. The standard is effective for annual periods beginning after December 15, 2015 and interim periods within annual periods beginning after December 15, 2016 with early adoption permitted. The disclosures should be applied retrospectively by providing comparative disclosures for each period presented, except for those requirements that apply only to the current period. There will be no impact of the standard on the Company's consolidated results of operations and financial condition.

Revenue from Contracts with Customers

In May 2014, the FASB updated the accounting standards for revenue from contracts with customers. The update provides a five step revenue recognition model for all revenue arising from contracts with customers and affects all entities that enter into contracts to provide goods or services to their customers (unless the contracts are in the scope of

other standards). The standard also updates the accounting for certain costs associated with obtaining and fulfilling a customer contract 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 is currently evaluating the impact of the standard on its consolidated results of operations, financial condition and disclosures.

3. Variable Interest Entities

The Company provides asset management services to investment entities which are considered to be VIEs, such as CLOs, hedge funds, property funds, 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.

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The Company has no obligation to provide financial or other support to the non-consolidated VIEs beyond its investment nor has the Company provided any support to these entities. The carrying value of the Company's investment in these entities, if any, is included in investments on the Consolidated Balance Sheets.

Principles of Consolidation

Effective January 1, 2016, the Company adopted ASU 2015-02 using the modified retrospective approach. See Note 2 for additional information on the adoption impact.

A VIE is an entity that either has equity investors that lack certain essential characteristics of a controlling financial interest (including substantive voting rights, the obligation to absorb the entity's losses, or the rights to receive the entity's returns) or has equity investors that do not provide sufficient financial resources for the entity to support its activities.

Voting interest entities ("VOEs") are those entities that do not qualify as a VIE. The Company consolidates VOEs in which it holds a greater than 50% voting interest. The Company generally accounts for entities using the equity method when it holds a greater than 20% but less than 50% voting interest or when the Company exercises significant influence over the entity. All other investments that are not reported at fair value as trading or Available-for-Sale securities are accounted for under the cost method when the Company owns less than a 20% voting interest and does not exercise significant influence.

Pre-adoption of ASU 2015-02

A VIE that meets one of these criteria is assessed for consolidation under one of the following models:

- If the VIE is a registered money market fund, or is an investment company, or has the financial characteristics of an investment company, and the following are true:
  (i) the reporting entity does not have an explicit or implicit obligation to fund the investment company's losses; and
  (ii) the investment company is not a securitization entity, asset backed financing entity, or an entity previously considered a qualifying special purpose entity,

then, the VIE will be consolidated by the entity that determines it stands to absorb a majority of the VIE's expected losses or to receive a majority of the VIE's expected residual returns. Entities that are assessed for consolidation under this framework include hedge funds, property funds, private equity funds, international series funds and venture capital funds.

When determining whether the Company will absorb the majority of a VIE's expected losses or receive a majority of a VIE's expected returns, it analyzes the purpose and design of the VIE and identifies the variable interests it holds including those of related parties and de facto agents of the Company. The Company then quantitatively determines whether its variable interests will absorb a majority of the VIE's expected losses or residual returns. If the Company will absorb the majority of the VIE's expected losses or residual returns, the Company consolidates the VIE.

- If the VIE does not meet the criteria above, then the VIE will be consolidated by the reporting entity that determines it has both:
  (i) the power to direct the activities of the VIE that most significantly impact the VIE's economic performance; and
  (ii) the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE.

Entities that are assessed for consolidation under this framework include asset-backed financing entities such as CLOs and investments in qualified affordable housing partnerships.

When evaluating entities for consolidation under this framework, the Company considers its contractual rights in determining whether it has the power to direct the activities of the VIE that most significantly impact the VIEs economic performance. In determining whether the Company has this power, it considers whether it is acting as an asset manager enabling it to direct the activities that most significantly impact the economic performance of an entity or if it is acting in a more passive role such as a limited partner without substantive rights to impact the economic performance of the entity.

In determining whether the Company has the obligation to absorb losses of the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE, the Company considers an analysis of its rights to receive benefits such as management and incentive fees and investment returns and its obligation to absorb losses associated with any investment in the VIE in conjunction with other qualitative factors.

Post-adoption of ASU 2015-02

A VIE will be consolidated by the reporting entity that determines it has both:

- the power to direct the activities of the VIE that most significantly impact the VIE's economic performance; and
- the obligation to absorb potentially significant losses or the right to receive potentially significant benefits to the VIE.

All VIEs are assessed for consolidation under this framework. When evaluating entities for consolidation, the Company considers its contractual rights in determining whether it has the power to direct the activities of the VIE that most significantly impact the VIEs economic performance. In determining whether the Company has this power, it considers whether it is acting in a role that enables it to

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direct the activities that most significantly impact the economic performance of an entity or if it is acting in an agent role.

In determining whether the Company has the obligation to absorb losses of the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE, the Company considers an analysis of its rights to receive benefits such as investment returns and its obligation to absorb losses associated with any investment in the VIE in conjunction with other qualitative factors. Management and incentive fees that are at market and commensurate with the level of services provided, and where the Company does not hold other interests in the VIE that would absorb more than an insignificant amount of the VIE's expected losses or receive more than an insignificant amount of the VIE's expected residual returns, are not considered a variable interest and are excluded from the analysis.

The updated guidance has a scope exception for reporting entities with interests in registered money market funds which do not have an explicit support agreement.

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.

Prior to adoption of ASU 2015-02, the Company considered management fees and incentive fees to be variable interests in the determination as to whether the Company had the obligation to absorb potentially significant losses or the right to receive potentially significant benefits to the VIE (significant economics) and therefore consolidated all CLOs it managed except one. The Company did not have an investment in the non-consolidated CLO. Subsequent to adoption, the fees earned from the CLOs, which are at market and commensurate with the level of effort required to provide those services, are excluded in consideration of significant economics. As a result of excluding these fees, the Company deconsolidated certain CLOs as its ownership interest was not considered significant. See Note 2 for additional information on the adoption impact.

The Company's maximum exposure to loss with respect to non-consolidated CLOs is limited to its amortized cost, which was $10 million as of September 30, 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. Prior to adoption, the Company determined that consolidation was required for certain property funds as the Company was deemed to be a de facto agent of the third-party investors and required to consider their interest as its own. Subsequent to adoption, the Company deconsolidated all property funds. The Company is no longer required to consider the interest of the third-party investors as its own as the third-party investors are not under common control or a related party of the Company. As a result of excluding the interest of the third-party investors, the Company does not have significant economics and is not required to consolidate the property funds. See Note 2 for additional information on the adoption impact. The carrying value of the Company's investment in property funds is reflected in other investments and was $28 million at September 30, 2016.

Hedge Funds and Private Equity Funds

The Company has determined that consolidation is not required for hedge funds and private equity funds which are sponsored by the Company and considered VIEs. For investment management services, the Company earns management fees based on the market value of assets under management, and in certain instances may also receive performance-based fees. The fee arrangement is at market and commensurate with the level of effort required to provide those services. The Company's maximum exposure to loss with respect to its investment in these entities is limited to its carrying value. The carrying value of the Company’s investment in these entities is reflected in other investments and was $13 million and $29 million at September 30, 2016 and December 31, 2015, respectively.

International Series Funds

The Company manages international series funds, which are considered VIEs. For investment management services, the Company earns management fees based on the market value of assets under management, and in certain instances may also receive performance-based fees. The fee arrangement is at market and commensurate with the level of effort required to provide those services. The Company does not consolidate these funds and its maximum exposure to loss is limited to its carrying value. The carrying value of the Company’s investment in these funds is reflected in other assets and was $39 million as of September 30, 2016.

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

Affordable Housing Partnerships and Other Real Estate Partnerships

The Company has variable interests in certain affordable housing partnerships for which it is not the primary beneficiary and therefore does not consolidate. The Company's maximum exposure to loss as a result of its investments in affordable housing partnerships is limited to the carrying value of these investments. The carrying value of the Company's investment in affordable housing partnerships is reflected in other investments and was $544 million and $517 million at September 30, 2016 and December 31, 2015, respectively.

The Company has variable interests in a partnership that invests in properties that may requalify for low income tax credits. The Company is not the primary beneficiary and therefore does not consolidate the partnership. The Company's maximum exposure to loss as a result of its investment in the partnership is limited to the carrying value of the investment, which is reflected in other investments and was $10 million at September 30, 2016.

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.

Fair Value of Assets and Liabilities

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

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

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

	September 30, 2016			
	Level 1	Level 2	Level 3	Total
	(in millions)			
Assets				
Investments:				
Corporate debt securities	$—	$59	$—	$59
Common stocks	1	17	3	21
Other investments	5	3	—	8
Syndicated loans	—	2,289	196	2,485
Total investments	6	2,368	199	2,573
Receivables	—	14	—	14
Other assets	—	—	1	1
Total assets at fair value	$6	$2,382	$200	$2,588
Liabilities				
Debt [1]	$—	$2,710	$—	$2,710
Other liabilities	—	112	—	112
Total liabilities at fair value	$—	$2,822	$—	$2,822

[1] As the Company elected the measurement alternative effective January 1, 2016, the carrying value of the CLOs' debt is set equal to the fair value of the CLOs' assets. See Note 2 and below for additional discussion on the

measurement alternative. The estimated fair value of the CLOs' debt was $2.6 billion at September 30, 2016.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

	December 31, 2015			
	Level 1	Level 2	Level 3	Total
	(in millions)			
Assets				
Investments:				
Corporate debt securities	$—	$154	$—	$154
Common stocks	74	46	3	123
Other investments	4	22	—	26
Syndicated loans	—	5,738	529	6,267
Total investments	78	5,960	532	6,570
Receivables	—	70	—	70
Other assets	—	—	2,065	2,065
Total assets at fair value	$78	$6,030	$2,597	$8,705
Liabilities				
Debt	$—	$—	$6,630	$6,630
Other liabilities	—	221	—	221
Total liabilities at fair value	$—	$221	$6,630	$6,851

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

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

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

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

	Common Stocks	Syndicated Loans	Other Assets	Debt
	(in millions)			
Balance, July 1, 2015	$11	$ 457	$1,979	$(6,487)
Total gains (losses) included in:				
Net income	—	(8) [1]	24 [2]	67 [1]
Other comprehensive loss	—	—	(61)	—
Purchases	—	101	193	—
Sales	—	(5)	(6)	—
Issues	—	—	—	(699)
Settlements	—	(32)	—	143
Transfers into Level 3	—	136	—	—
Transfers out of Level 3	(5)	(195)	—	—
Balance, September 30, 2015	$6	$ 454	$2,129	$(6,976)
Changes in unrealized gains (losses) included in income relating to assets and liabilities held at September 30, 2015	$—	$ (9) [1]	$26 [2]	$67 [1]

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

	Common Stocks	Syndicated Loans	Other Assets	Debt
	(in millions)			
Balance at January 1, 2016, previously reported	$3	$ 529	$2,065	$(6,630)
Cumulative effect of change in accounting policies [3]	(2)	(304)	(2,065)	6,630
Balance at January 1, 2016, as adjusted	1	225	—	—
Total gains included in:				
Net income	—	1 [1]	1 [2]	—
Purchases	1	100	—	—
Sales	—	(11)	—	—
Settlements	—	(51)	—	—
Transfers into Level 3	3	286	—	—
Transfers out of Level 3	(2)	(354)	—	—
Balance, September 30, 2016	$3	$ 196	$1	$—
Changes in unrealized gains included in income relating to assets and liabilities held at September 30, 2016	$—	$ 1 [1]	$—	$—

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

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

	Common Stocks	Syndicated Loans	Other Assets	Debt
	(in millions)			
Balance at January 1, 2015	$7	$ 484	$1,935	$(6,030)
Total gains (losses) included in:				
Net income	(1)[1]	(8)[1]	122[2]	96[1]
Other comprehensive loss	—	—	(54)	—
Purchases	—	257	539	—
Sales	—	(23)	(413)	—
Issues	—	—	—	(1,268)
Settlements	—	(105)	—	226
Transfers into Level 3	5	523	—	—
Transfers out of Level 3	(5)	(674)	—	—
Balance, September 30, 2015	$6	$ 454	$2,129	$(6,976)
Changes in unrealized gains (losses) included in income relating to assets and liabilities held at September 30, 2015	$—	$ (11)[1]	$26[2]	$96[1]

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

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

The following table provides a summary of the significant unobservable inputs used in the fair value measurements developed by the Company or reasonably available to the Company of Level 3 assets and liabilities held by consolidated investment entities at December 31, 2015:

	Fair Value	Valuation Technique	Unobservable Input	Range	Weighted Average
	(in millions)				
Other assets (property funds)	$2,060	Discounted cash flow / market comparables	Equivalent yield	2.6% - 11.5%	5.8%
			Expected rental value (per square foot)	$3 - $159	$51
CLO debt	$6,630	Discounted cash flow	Annual default rate	2.5%	
			Discount rate	2.0% - 11.8%	3.4%
			Constant prepayment rate	5.0% - 10.0%	9.9%
			Loss recovery	36.4% - 63.6%	62.9%

Level 3 measurements at December 31, 2015 not included in the table above and all Level 3 measurements at September 30, 2016 were 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

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

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

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

Determination of Fair Value

Assets

Investments

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

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

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

Receivables

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

Other Assets

At December 31, 2015, other assets primarily consisted of properties held in consolidated property funds managed by Threadneedle and were classified as Level 3. The property funds were deconsolidated effective January 1, 2016 upon the adoption of ASU 2015-02.

The consolidated CLOs hold an immaterial amount of stock warrants recorded in other assets. Warrants are classified as Level 2 when the price is derived from observable market data. Warrants from an issuer whose securities are not priced in active markets are classified as Level 3.

Liabilities

Debt

Effective January 1, 2016, the Company adopted ASU 2014-13 and elected the measurement alternative, which allows an entity to measure both the financial assets and financial liabilities at the fair value of the more observable of the fair value of the financial assets or financial liabilities. See Note 2 for additional information on ASU 2014-13. 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. Under ASU 2014-13, the fair value of the CLOs' debt is classified as Level 2.

Prior to adoption of ASU 2014-13, the fair value of the CLOs' debt was determined using a discounted cash flow model. Inputs used to determine the expected cash flows included assumptions about default, discount, prepayment and recovery rates of the CLOs' underlying assets. Given the significance of the unobservable inputs to this fair value measurement, the fair value of the CLOs' debt was classified as Level 3 prior to adoption of ASU 2014-13.

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.

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

Fair Value Option

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

	September 30, 2016	December 31, 2015
	(in millions)	
Syndicated loans		
Unpaid principal balance	$2,607	$ 6,635
Excess unpaid principal over fair value	(122)	(368)
Fair value	$2,485	$ 6,267
Fair value of loans more than 90 days past due	$32	$ 24
Fair value of loans in nonaccrual status	32	24
Difference between fair value and unpaid principal of loans more than 90 days past due, loans in nonaccrual status or both	57	72
Debt		
Unpaid principal balance	$2,841	$ 7,063
Excess unpaid principal over carrying value	(131)	(433)
Carrying value	$2,710 [1]	$ 6,630

[1] As the Company elected the measurement alternative effective January 1, 2016, the carrying value of the CLOs' debt is set equal to the fair value of the CLOs' assets. See Note 2 and above for additional discussion on the measurement alternative. The estimated fair value of the CLOs' debt was $2.6 billion at September 30, 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 nil and $61 million for the three months ended September 30, 2016 and 2015, respectively.

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 $5 million and $32 million for the nine months ended September 30, 2016 and 2015, respectively.

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

	Carrying Value		Weighted Average Interest Rate	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
	(in millions)			
Debt of consolidated CLOs due 2019-2026	$2,710	$ 6,630	2.2 %	1.6 %
Floating rate revolving credit borrowings due 2017-2020	— [1]	901	—	2.8
Total	$2,710	$ 7,531		

[1] The property funds were deconsolidated effective January 1, 2016 upon adoption of ASU 2015-02.

The debt of the consolidated CLOs has both fixed and floating interest rates, which range from 0% to 9.2%. The interest rates on the debt of CLOs are weighted average rates based on the outstanding principal and contractual interest rates.

The carrying value of the floating rate revolving credit borrowings represents the outstanding principal amount of debt of certain consolidated property funds. The fair value of this debt was $901 million as of December 31, 2015. The property funds have entered into interest rate swaps and collars to manage the interest rate exposure on the floating rate revolving credit borrowings. The fair value of these derivative instruments is recorded gross and was a liability of $8 million at December 31, 2015. The overall effective interest rate reflecting the impact of the derivative contracts was 3.2% at December 31, 2015.

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

4. Investments

The following is a summary of Ameriprise Financial investments:

	September 30, 2016	December 31, 2015
	(in millions)	
Available-for-Sale securities, at fair value	$30,799	$ 28,673
Mortgage loans, net	2,974	3,359
Policy and certificate loans	835	824
Other investments	1,267	1,288
Total	$35,875	$ 34,144

The following is a summary of net investment income:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
	(in millions)			
Investment income on fixed maturities	$342	$346	$1,028	$1,055
Net realized gains (losses)	6	(10)	(5)	5
Affordable housing partnerships	(17)	(7)	(35)	(25)
Other	25	(10)	13	32
Consolidated investment entities	31	2	89	161
Total	$387	$321	$1,090	$1,228

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

	September 30, 2016				
Description of Securities	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Noncredit OTTI [1]
	(in millions)				
Corporate debt securities	$15,092	$ 1,499	$ (39)	$ 16,552	$ 3
Residential mortgage backed securities	6,759	145	(42)	6,862	(5)
Commercial mortgage backed securities	2,960	130	(1)	3,089	—
Asset backed securities	1,471	42	(9)	1,504	5
State and municipal obligations	2,191	310	(13)	2,488	—
U.S. government and agencies obligations	9	1	—	10	—
Foreign government bonds and obligations	251	28	(4)	275	—
Common stocks	8	11	—	19	5
Total	$28,741	$ 2,166	$ (108)	$ 30,799	$ 8

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

	December 31, 2015				
Description of Securities	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Noncredit OTTI [1]
	(in millions)				
Corporate debt securities	$15,750	$ 894	$ (296)	$ 16,348	$ 3
Residential mortgage backed securities	5,933	106	(66)	5,973	(12)
Commercial mortgage backed securities	2,400	70	(14)	2,456	—
Asset backed securities	1,273	34	(11)	1,296	—
State and municipal obligations	2,105	213	(28)	2,290	—
U.S. government and agencies obligations	66	2	—	68	—
Foreign government bonds and obligations	218	17	(11)	224	—
Common stocks	7	11	—	18	5
Total	$27,752	$ 1,347	$ (426)	$ 28,673	$ (4)

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

As of September 30, 2016 and December 31, 2015, investment securities with a fair value of $1.2 billion and $1.0 billion, respectively, were pledged to meet contractual obligations under derivative contracts and short-term borrowings, of which $260 million and $478 million, respectively, may be sold, pledged or rehypothecated by the counterparty.

At September 30, 2016 and December 31, 2015, fixed maturity securities comprised approximately 86% and 84%, respectively, of Ameriprise Financial investments. Rating agency designations are based on the availability of ratings from Nationally Recognized Statistical Rating Organizations ("NRSROs"), including Moody's Investors Service ("Moody's"), Standard & Poor's Ratings Services ("S&P") and Fitch Ratings Ltd. ("Fitch"). The Company uses the median of available ratings from Moody's, S&P and Fitch, or, if fewer than three ratings are available, the lower rating is used. When ratings from Moody's, S&P and Fitch are unavailable, the Company may utilize ratings from other NRSROs or rate the securities internally. At September 30, 2016 and December 31, 2015, the Company's internal analysts rated $1.1 billion and $1.3 billion, respectively, of securities using criteria similar to those used by NRSROs.

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

	September 30, 2016			December 31, 2015		
Ratings	Amortized Cost	Fair Value	Percent of Total Fair Value	Amortized Cost	Fair Value	Percent of Total Fair Value
	(in millions, except percentages)					
AAA	$8,669	$8,929	29 %	$7,147	$7,289	25 %
AA	1,764	2,032	7	1,732	1,930	7
A	5,124	5,725	19	5,131	5,507	19
BBB	11,551	12,466	40	12,052	12,353	43
Below investment grade	1,625	1,628	5	1,683	1,576	6
Total fixed maturities	$28,733	$30,780	100 %	$27,745	$28,655	100 %

At September 30, 2016 and December 31, 2015, approximately 49% and 53%, respectively, of the securities rated AAA were GNMA, FNMA and FHLMC mortgage backed securities. No holdings of any other issuer were greater

than 10% of total equity.

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

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

September 30, 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	45	$429	$ (3)	41	$405	$ (36)	86	$834	$ (39)
Residential mortgage backed securities	90	1,412	(7)	181	1,382	(35)	271	2,794	(42)
Commercial mortgage backed securities	21	264	(1)	3	26	—	24	290	(1)
Asset backed securities	34	295	(6)	21	262	(3)	55	557	(9)
State and municipal obligations	18	34	—	3	118	(13)	21	152	(13)
Foreign government bonds and obligations	1	1	—	14	24	(4)	15	25	(4)
Total	209	$2,435	$ (17)	263	$2,217	$ (91)	472	$4,652	$ (108)

December 31, 2015

	Less than 12 months			12 months or more			Total		
Description of Securities	Number of Securities	Fair Value	Unrealized Losses	Number of Securities	Fair Value	Unrealized Losses	Number of Securities	Fair Value	Unrealized Losses
	(in millions, except number of securities)								
Corporate debt securities	347	$5,150	$ (220)	48	$454	$ (76)	395	$5,604	$ (296)
Residential mortgage backed securities	123	1,869	(16)	164	1,350	(50)	287	3,219	(66)
	58	695	(13)	4	49	(1)	62	744	(14)

Commercial mortgage backed securities	50	(7)	14	254	(4)	64	709	(11)
Asset backed securities	45	(7)	14	254	(4)	64	709	(11)
State and municipal obligations	31	(1)	5	110	(27)	36	210	(28)
Foreign government bonds and obligations	9	(2)	15	27	(9)	24	66	(11)
Total	$ 8,308	$ (259)	250	$ 2,244	$ (167)	868	$ 10,552	$ (426)

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 and a 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 September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
	(in millions)			
Beginning balance	$ 81	$ 85	$ 85	$ 98
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)	(14)
Ending balance	$ 81	$ 85	$ 81	$ 85

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
	(in millions)			
Gross realized gains	$10	$1	$24	$24
Gross realized losses	(3)	(4)	(12)	(10)
Other-than-temporary impairments	—	(7)	(1)	(8)
Total	$7	$(10)	$11	$6

Other-than-temporary impairments for the nine months ended September 30, 2016 primarily related to credit losses on asset backed securities. Other-than-temporary impairments for the three months and nine months ended September 30, 2015 primarily related to credit losses on corporate debt securities.

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

Available-for-Sale securities by contractual maturity at September 30, 2016 were as follows:

	Amortized Cost	Fair Value
	(in millions)	
Due within one year	$877	$890
Due after one year through five years	7,423	7,886
Due after five years through 10 years	4,767	5,059
Due after 10 years	4,476	5,490
	17,543	19,325
Residential mortgage backed securities	6,759	6,862
Commercial mortgage backed securities	2,960	3,089
Asset backed securities	1,471	1,504
Common stocks	8	19
Total	$28,741	$30,799

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

5. Financing Receivables

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

Allowance for Loan Losses

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

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

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

	September 30, 2016	2015
	(in millions)	
Beginning balance	$ 32	$ 35
Charge-offs	(1)	(3)
Provisions	(1)	1
Ending balance	$ 30	$ 33
Individually evaluated for impairment	$ 2	$ 6
Collectively evaluated for impairment	28	27

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

	September 30, 2016	December 31, 2015
	(in millions)	
Individually evaluated for impairment	$ 18	$ 34
Collectively evaluated for impairment	3,480	3,910
Total	$ 3,498	$ 3,944

As of September 30, 2016 and December 31, 2015, 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 $21 million, respectively. Unearned income, unamortized premiums and discounts, and net unamortized deferred fees and costs are not material to the Company's total loan balance.

During the three months ended September 30, 2016 and 2015, the Company purchased $22 million and $93 million, respectively, and sold nil and $9 million, respectively, primarily of syndicated loans. During the nine months ended September 30, 2016 and 2015, the Company purchased $65 million and $134 million, respectively, and sold $271 million and $16 million, respectively, of loans. The loans sold during the nine months ended September 30, 2016 consisted of consumer loans, which were sold in the first quarter of 2016. See below for additional discussion on the sale of these loans.

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

Credit Quality Information

Nonperforming loans, which are generally loans 90 days or more past due, were $7 million and $10 million as of September 30, 2016 and December 31, 2015, respectively. All other loans were considered to be performing.

Commercial Mortgage Loans

The Company reviews the credit worthiness of the borrower and the performance of the underlying properties in order to determine the risk of loss on commercial mortgage loans. Based on this review, the commercial mortgage loans are assigned an internal risk rating, which management updates as necessary. Commercial mortgage loans which management has assigned its highest risk rating were nil and 1% of total commercial mortgage loans at September 30, 2016 and December 31, 2015, respectively. Loans with the highest risk rating represent distressed loans which the Company has identified as impaired or expects to become delinquent or enter into foreclosure within the next six months. In addition, the Company reviews the concentrations of credit risk by region and property type.

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

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

	Loans		Percentage	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
	(in millions)			
East North Central	$202	$ 211	7 %	8 %
East South Central	76	74	3	3
Middle Atlantic	199	210	7	8
Mountain	260	248	10	9
New England	100	123	4	4
Pacific	721	741	27	27
South Atlantic	770	782	29	28
West North Central	226	229	8	8
West South Central	128	137	5	5
	2,682	2,755	100 %	100 %
Less: allowance for loan losses	21	21		
Total	$2,661	$ 2,734		

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

	Loans		Percentage	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
	(in millions)			
Apartments	$492	$ 504	18 %	18 %
Hotel	43	35	1	1
Industrial	447	459	17	17
Mixed use	37	35	1	1
Office	496	541	19	20
Retail	961	984	36	36
Other	206	197	8	7
	2,682	2,755	100 %	100 %
Less: allowance for loan losses	21	21		
Total	$2,661	$ 2,734		

Syndicated Loans

The recorded investment in syndicated loans at September 30, 2016 and December 31, 2015 was $499 million and $553 million, respectively. The Company's syndicated loan portfolio is diversified across industries and issuers. The primary credit indicator for syndicated loans is whether the loans are performing in accordance with the contractual terms of the syndication. Total nonperforming syndicated loans at both September 30, 2016 and December 31, 2015 were $6 million.

Consumer Loans

The recorded investment in consumer loans at September 30, 2016 and December 31, 2015 was $317 million and $636 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 September 30, 2016 and December 31, 2015, approximately 4% of consumer loans had FICO scores below 640. As of September 30, 2016 and December 31, 2015, nil and approximately 2%, respectively, of the Company's

consumer loans had LTV ratios greater than 90%. The Company's most significant geographic concentration for consumer loans is in California representing 52% and 37% of the portfolio as of September 30, 2016 and December 31, 2015, respectively, and in Colorado and Washington representing 19% and 13%, respectively, of the portfolio as of September 30, 2016. No other state represents more than 10% of the total consumer loan portfolio.

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

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.

Troubled Debt Restructurings

The recorded investment in restructured loans was not material as of September 30, 2016 and December 31, 2015. The troubled debt restructurings did not have a material impact to the Company's allowance for loan losses or income recognized for the three months and nine months ended September 30, 2016 and 2015. There are no commitments to lend additional funds to borrowers whose loans have been restructured.

6. Deferred Acquisition Costs and Deferred Sales Inducement Costs

In the third quarter of the year, management conducts its annual review of insurance and annuity valuation assumptions relative to current experience and management expectations. To the extent that expectations change as a result of this review, management updates valuation assumptions. The impact of unlocking in the third quarter of 2016 primarily reflected continued low interest rates that more than offset benefits from persistency on annuity contracts without living benefits. In addition, the Company's review of its closed LTC business resulted in loss recognition due to continued low interest rates, higher morbidity and higher reinsurance expenses, slightly offset by premium increases. The impact of unlocking in the third quarter of 2015 primarily reflected the difference between the Company's previously assumed interest rates versus the low interest rate environment partially offset by improved persistency.

The balances of and changes in DAC were as follows:

	2016	2015
	(in millions)	
Balance at January 1	$2,725	$2,608
Capitalization of acquisition costs	274 [1]	264
Amortization, excluding the impact of valuation assumptions review	(279)	(296)
Amortization, impact of valuation assumptions review	(81)	(6)
Impact of change in net unrealized securities (gains) losses	(105)	64
Balance at September 30	$2,534	$2,634

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

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

	2016	2015
	(in millions)	
Balance at January 1	$335	$362
Capitalization of sales inducement costs	4	3
Amortization, excluding the impact of valuation assumptions review	(32)	(44)
Amortization, impact of valuation assumptions review	4	1
Impact of change in net unrealized securities (gains) losses	(14)	10
Balance at September 30	$297	$332

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

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

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

	September 30, 2016	December 31, 2015
	(in millions)	
Policyholder account balances		
Fixed annuities	$10,729	$ 11,239
Variable annuity fixed sub-accounts	5,152	4,912
Variable universal life (“VUL”)/universal life (“UL”) insurance	2,978	2,897
Indexed universal life (“IUL”) insurance	975	808
Other life insurance	766	794
Total policyholder account balances	20,600	20,650
Future policy benefits		
Variable annuity guaranteed minimum withdrawal benefits (“GMWB”)	2,113	1,057
Variable annuity guaranteed minimum accumulation benefits (“GMAB”)	8	—
Other annuity liabilities	143	31
Fixed annuities life contingent liabilities	1,496	1,501
Equity indexed annuities (“EIA”)	26	27
Life, disability income and long term care insurance	5,561	5,112
VUL/UL and other life insurance additional liabilities	598	452
Total future policy benefits	9,945	8,180
Policy claims and other policyholders’ funds	924	869
Total policyholder account balances, future policy benefits and claims	$31,469	$ 29,699

Separate account liabilities consisted of the following:

	September 30, 2016	December 31, 2015
	(in millions)	
Variable annuity	$70,715	$ 69,333
VUL insurance	6,710	6,637
Other insurance	33	34
Threadneedle investment liabilities	4,053	4,345
Total	$81,511	$ 80,349

8. Variable Annuity and Insurance Guarantees

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

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

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

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

Variable Annuity Guarantees by Benefit Type [1]	September 30, 2016				December 31, 2015			
	Total Contract Value	Contract Value in Separate Accounts	Net Amount at Risk	Weighted Average Attained Age	Total Contract Value	Contract Value in Separate Accounts	Net Amount at Risk	Weighted Average Attained Age
	(in millions, except age)							
GMDB:								
Return of premium	$56,748	$54,787	$ 144	65	$54,716	$52,871	$ 297	65
Five/six-year reset	9,052	6,371	23	66	9,307	6,731	78	65
One-year ratchet	6,614	6,237	80	67	6,747	6,379	266	67
Five-year ratchet	1,587	1,527	5	64	1,613	1,556	20	63
Other	954	932	73	71	887	869	82	71
Total — GMDB	$74,955	$69,854	$ 325	65	$73,270	$68,406	$ 743	65
GGU death benefit	$1,063	$1,011	$ 111	68	$1,056	$1,004	$ 113	67
GMIB	$251	$233	$ 12	68	$270	$251	$ 17	68
GMWB:								
GMWB	$2,805	$2,796	$ 2	70	$3,118	$3,109	$ 2	69
GMWB for life	39,652	39,508	356	66	37,301	37,179	330	66
Total — GMWB	$42,457	$42,304	$ 358	66	$40,419	$40,288	$ 332	66
GMAB	$3,689	$3,681	$ 14	59	$4,018	$4,006	$ 31	58

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

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

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

	September 30, 2016		December 31, 2015	
	Net Amount at Risk	Weighted Average Attained Age	Net Amount at Risk	Weighted Average Attained Age
	(in millions, except age)			
UL secondary guarantees	$6,339	64	$6,601	63

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, 2015	$9	$ 7	$693	$ (41)	$263

Incurred claims	9	—	580	72	70
Paid claims	(3)	—	—	—	(19)
Balance at September 30, 2015	$15	$ 7	$1,273	$31	$314
Balance at January 1, 2016	$14	$ 8	$1,057	$—	$332
Incurred claims	10	—	1,056	9	99
Paid claims	(7)	—	—	(1)	(18)
Balance at September 30, 2016	$17	$ 8	$2,113	$ 8	$413

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

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:

	September 30, 2016	December 31, 2015
	(in millions)	
Mutual funds:		
Equity	$40,872	$ 39,806
Bond	23,875	23,700
Other	5,426	5,241
Total mutual funds	$70,173	$ 68,747

9. Debt

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

	Outstanding Balance		Stated Interest Rate	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
	(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	—	2.9	—
Junior subordinated notes due 2066	—	245	—	7.5
Capitalized lease obligations	52	60		
Other[1]	32	37		
Total long-term debt	2,934	2,692		
Short-term borrowings:				
Federal Home Loan Bank (“FHLB”) advances	150	150	0.6	0.5
Repurchase agreements	50	50	0.7	0.5
Total short-term borrowings	200	200		
Total	$3,134	$ 2,892		

[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

During the three months ended March 31, 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. On June 1, 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. The Company recognized an expense for the remaining unamortized debt issuance costs on the notes in the second quarter of 2016.

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.

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

Short-term Borrowings

The Company enters into repurchase agreements in exchange for cash, which it accounts for as secured borrowings and has pledged Available-for-Sale securities to collateralize its obligations under the repurchase agreements. As of September 30, 2016 and December 31, 2015, the Company has pledged $31 million and $30 million, respectively, of agency residential mortgage backed securities and $21 million and $22 million, respectively, of commercial mortgage backed securities. The remaining maturity of outstanding repurchase agreements was less than two months and less than one month as of September 30, 2016 and December 31, 2015, respectively. The stated interest rate of the repurchase agreements is a weighted average annualized interest rate on repurchase agreements held as of the balance sheet date.

The Company's life insurance subsidiary is a member of the FHLB of Des Moines which provides access to collateralized borrowings. The Company has pledged Available-for-Sale securities consisting of commercial mortgage backed securities to collateralize its obligation under these borrowings. The fair value of the securities pledged is recorded in investments and was $751 million and $290 million at September 30, 2016 and December 31, 2015, respectively. The remaining maturity of outstanding FHLB advances was less than three months as of both September 30, 2016 and December 31, 2015. 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 underlying 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 at both September 30, 2016 and December 31, 2015 and outstanding letters of credit issued against this facility were $1 million as of September 30, 2016. The Company's credit facility contain various administrative, reporting, legal and financial covenants. The Company was in compliance with all such covenants at both September 30, 2016 and December 31, 2015.

10. Fair Values of Assets and Liabilities

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

Valuation Hierarchy

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

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

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

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

	September 30, 2016				
	Level 1	Level 2	Level 3	Total	
	(in millions)				
Assets					
Cash equivalents	$30	$2,661	$—	$2,691	
Available-for-Sale securities:					
Corporate debt securities	—	15,210	1,342	16,552	
Residential mortgage backed securities	—	6,577	285	6,862	
Commercial mortgage backed securities	—	3,056	33	3,089	
Asset backed securities	—	1,339	165	1,504	
State and municipal obligations	—	2,488	—	2,488	
U.S. government and agencies obligations	9	1	—	10	
Foreign government bonds and obligations	—	275	—	275	
Common stocks	4	10	—	14	
Common stocks measured at NAV				5	(1)
Total Available-for-Sale securities	13	28,956	1,825	30,799	
Trading securities	5	28	—	33	
Separate account assets measured at NAV				81,511	(1)
Investments segregated for regulatory purposes	201	—	—	201	
Other assets:					
Interest rate derivative contracts	2	3,645	—	3,647	
Equity derivative contracts	58	1,394	—	1,452	
Credit derivative contracts	—	1	—	1	
Foreign exchange derivative contracts	5	70	—	75	
Other derivative contracts	—	3	—	3	
Total other assets	65	5,113	—	5,178	
Total assets at fair value	$314	$36,758	$1,825	$120,413	
Liabilities					
Policyholder account balances, future policy benefits and claims:					
EIA embedded derivatives			$—	$5	$— $5
IUL embedded derivatives			—	—	438 438
GMWB and GMAB embedded derivatives			—	—	1,756 1,756 (2)
Total policyholder account balances, future policy benefits and claims			—	5	2,194 2,199 (3)
Customer deposits			—	8	— 8
Other liabilities:					
Interest rate derivative contracts			—	1,663	— 1,663
Equity derivative contracts			2	1,874	— 1,876
Foreign exchange derivative contracts			1	34	— 35
Other derivative contracts			1	103	— 104
Other			9	8	13 30
Total other liabilities			13	3,682	13 3,708
Total liabilities at fair value			$13	$3,695	$2,207 $5,915

(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. See Note 2 for further

information.

(2) The fair value of the GMWB and GMAB embedded derivatives included $1.8 billion of individual contracts in a liability position and $73 million of individual contracts in an asset position.

(3) The Company's adjustment for nonperformance risk resulted in a $764 million cumulative decrease to the embedded derivatives.

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

	December 31, 2015				
	Level 1	Level 2	Level 3	Total	
	(in millions)				
Assets					
Cash equivalents	$80	$1,918	$—	$1,998	
Available-for-Sale securities:					
Corporate debt securities	—	14,923	1,425	16,348	
Residential mortgage backed securities	—	5,755	218	5,973	
Commercial mortgage backed securities	—	2,453	3	2,456	
Asset backed securities	—	1,134	162	1,296	
State and municipal obligations	—	2,290	—	2,290	
U.S. government and agencies obligations	33	35	—	68	
Foreign government bonds and obligations	—	224	—	224	
Common stocks	5	8	—	13	
Common stocks measured at NAV				5	(1)
Total Available-for-Sale securities	38	26,822	1,808	28,673	
Trading securities	6	18	—	24	
Separate account assets measured at NAV				80,349	(1)
Investments segregated for regulatory purposes	401	—	—	401	
Other assets:					
Interest rate derivative contracts	—	1,940	—	1,940	
Equity derivative contracts	92	1,495	—	1,587	
Credit derivative contracts	—	2	—	2	
Foreign exchange derivative contracts	2	54	—	56	
Other derivative contracts	—	2	—	2	
Total other assets at fair value and NAV	94	3,493	—	3,587	
Total assets	$619	$32,251	$1,808	$115,032	

Liabilities					
Policyholder account balances, future policy benefits and claims:					
EIA embedded derivatives	$—	$5	$—	$5	
IUL embedded derivatives	—	—	364	364	
GMWB and GMAB embedded derivatives	—	—	851	851	(2)
Total policyholder account balances, future policy benefits and claims	—	5	1,215	1,220	(3)
Customer deposits	—	4	—	4	
Other liabilities:					
Interest rate derivative contracts	—	969	—	969	
Equity derivative contracts	47	1,946	—	1,993	
Foreign exchange derivative contracts	2	16	—	18	
Other derivative contracts	—	96	—	96	
Other	1	12	—	13	
Total other liabilities	50	3,039	—	3,089	
Total liabilities at fair value	$50	$3,048	$1,215	$4,313	

(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. See Note 2 for further

information.

(2) The fair value of the GMWB and GMAB embedded derivatives included $994 million of individual contracts in a liability position and $143 million of individual contracts in an asset position.

(3) The Company's adjustment for nonperformance risk resulted in a $398 million cumulative decrease to the embedded derivatives.

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

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

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

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

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

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

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

	Available-for-Sale Securities					Trading Securities
	Corporate Debt Securities	Residential Mortgage Backed Securities	Commercial Mortgage Backed Securities	Asset Backed Securities	Total	
	(in millions)					
Balance, July 1, 2015	$1,509	$ 279	$ 44	$ 135	$1,967	$ 1
Total gains (losses) included in:						
Net income	(1)	—	—	1	— [1]	(1) [1]
Other comprehensive loss	(3)	(1)	—	2	(2)	—
Purchases	124	93	—	5	222	—
Settlements	(90)	(14)	(2)	(8)	(114)	—
Transfers out of Level 3	—	(71)	(37)	(13)	(121)	—
Balance, September 30, 2015	$1,539	$ 286	$ 5	$ 122	$1,952	$ —
Changes in unrealized gains (losses) relating to assets held at September 30, 2015 included in:						
Net investment income	$(1)	$ —	$ —	$ 1	$—	$ —

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

	Policyholder Account Balances, Future Policy Benefits and Claims		
	IUL Embedded Derivatives	GMWB and GMAB Embedded Derivatives	Total
	(in millions)		
Balance, July 1, 2015	$292	$ 235	$527
Total (gains) losses included in:			
Net income	(1) [1]	805 [2]	804
Issues	31	69	100
Settlements	(5)	(2)	(7)
Balance, September 30, 2015	$317	$ 1,107	$1,424
Changes in unrealized (gains) losses relating to liabilities held at September 30, 2015 included in:			
Interest credited to fixed accounts	$(1)	$ —	$(1)
Benefits, claims, losses and settlement expenses	—	811	811

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

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

	Available-for-Sale Securities					
	Corporate Debt Securities	Residential Mortgage Backed Securities	Commercial Mortgage Backed Securities	Asset Backed Securities	Total	Other Derivative Contracts
	(in millions)					
Balance, January 1, 2016	$1,425	$ 218	$ 3	$ 162	$1,808	$ —
Cumulative effect of change in accounting policies	—	—	—	21	21	—
Total gains (losses) included in:						
Net income	(2)	—	—	—	(2)[1]	(2)[2]
Other comprehensive income	29	—	—	(5)	24	—
Purchases	34	144	42	28	248	2
Settlements	(144)	(53)	(3)	(1)	(201)	—
Transfers into Level 3	—	—	—	12	12	—
Transfers out of Level 3	—	(24)	(9)	(52)	(85)	—
Balance, September 30, 2016	$1,342	$ 285	$ 33	$ 165	$1,825	$ —
Changes in unrealized losses relating to assets held at September 30, 2016 included in:						
Net investment income	$(1)	$ —	$ —	$ —	$(1)	$ —
Benefits, claims, losses and settlement expenses	—	—	—	—	—	(2)

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

	Policyholder Account Balances, Future Policy Benefits and Claims			
	IUL Embedded Derivatives	GMWB and GMAB Embedded Derivatives	Total	Other Liabilities
	(in millions)			
Balance, January 1, 2016	$364	$ 851	$1,215	$ —
Total losses included in:				
Net income	8[1]	708[2]	716	—
Issues	86	215	301	13
Settlements	(20)	(18)	(38)	—
Balance, September 30, 2016	$438	$ 1,756	$2,194	$ 13
Changes in unrealized losses relating to liabilities held at September 30, 2016 included in:				
Interest credited to fixed accounts	$8	$ —	$8	$ —
Benefits, claims, losses and settlement expenses	—	830	830	—

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

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

	Available-for-Sale Securities						Trading Securities	
	Corporate Debt Securities	Residential Mortgage Backed Securities	Commercial Mortgage Backed Securities	Asset Backed Securities	Common Stocks	Total		
	(in millions)							
Balance, January 1, 2015	$1,518	$ 206	$ 91	$ 169	$ 2	$1,986	$ 1	
Total gains (losses) included in:								
Net income	(2)	—	—	1	—	(1) [1]	(1)	[1]
Other comprehensive loss	(9)	(1)	—	2	—	(8)	—	
Purchases	179	312	41	37	—	569	—	
Settlements	(147)	(36)	(5)	(22)	—	(210)	—	
Transfers into Level 3	—	—	6	—	—	6	—	
Transfers out of Level 3	—	(195)	(128)	(65)	(2)	(390)	—	
Balance, September 30, 2015	$1,539	$ 286	$ 5	$ 122	$ —	$1,952	$ —	
Changes in unrealized (gains) losses relating to assets held at September 30, 2015 included in:								
Net investment income	$(2)	$ —	$ —	$ 1	$ —	$(1)	$ —	

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

	Policyholder Account Balances, Future Policy Benefits and Claims		
	IUL Embedded Derivatives	GMWB and GMAB Embedded Derivatives	Total
	(in millions)		
Balance, January 1, 2015	$242	$ 479	$721
Total losses included in:			
Net income	13 [1]	426 [2]	439
Issues	76	197	273
Settlements	(14)	5	(9)
Balance, September 30, 2015	$317	$ 1,107	$1,424
Changes in unrealized losses relating to liabilities held at September 30, 2015 included in:			
Interest credited to fixed accounts	$13	$ —	$13
Benefits, claims, losses and settlement expenses	—	438	438

[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.

The increase to pretax income of the Company's adjustment for nonperformance risk on the fair value of its embedded derivatives was $8 million and $162 million, net of DAC, DSIC, unearned revenue amortization and the reinsurance accrual, for the three months ended September 30, 2016 and 2015, respectively. The increase to pretax income of the Company's adjustment for nonperformance risk on the fair value of its embedded derivatives was $295 million and $154 million, net of DAC, DSIC, unearned revenue amortization and the reinsurance accrual, for the nine months ended September 30, 2016 and 2015, respectively.

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

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

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

	September 30, 2016				
	Fair Value (in millions)	Valuation Technique	Unobservable Input	Range	Weighted Average
Corporate debt securities (private placements)	$1,339	Discounted cash flow	Yield/spread to U.S. Treasuries	1.0% - 3.0%	1.4%
Asset backed securities	$14	Discounted cash flow	Annual short-term default rate	4.8%	
			Annual long-term default rate	2.5%	
			Discount rate	14.0%	
			Constant prepayment rate	5.0% - 10.0%	9.8%
			Loss recovery	36.4% - 63.6%	62.7%
IUL embedded derivatives	$438	Discounted cash flow	Nonperformance risk [1]	89 bps	
GMWB and GMAB embedded derivatives	$1,756	Discounted cash flow	Utilization of guaranteed withdrawals [2]	0.0% - 75.6%	
			Surrender rate	0.1% - 66.4%	
			Market volatility [3]	5.4% - 21.6%	
			Nonperformance risk [1]	89 bps	
Contingent consideration liability	$13	Discounted cash flow	Discount rate	9.0%	

	December 31, 2015				
	Fair Value (in millions)	Valuation Technique	Unobservable Input	Range	Weighted Average
Corporate debt securities (private placements)	$1,411	Discounted cash flow	Yield/spread to U.S. Treasuries	1.1% - 3.8%	1.6%
IUL embedded derivatives	$364	Discounted cash flow	Nonperformance risk [1]	68 bps	
GMWB and GMAB embedded derivatives	$851	Discounted cash flow	Utilization of guaranteed withdrawals [2]	0.0% - 75.6%	
			Surrender rate	0.0% - 59.1%	
			Market volatility [3]	5.4% - 21.5%	
			Nonperformance risk [1]	68 bps	

(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

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

isolation would result in a significantly lower (higher) liability value. Utilization of guaranteed withdrawals and surrender rates vary with the type of rider, the duration of the policy, the age of the contractholder, the distribution channel and whether the value of the guaranteed benefit exceeds the contract accumulation value.

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

Determination of Fair Value

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

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

Assets

Cash Equivalents

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

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

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

In consideration of the above, management is responsible for the fair values recorded on the financial statements. Prices received from third party pricing services are subjected to exception reporting that identifies investments with significant daily price movements as well as no movements. The Company reviews the exception reporting and resolves the exceptions through reaffirmation of the price or recording an appropriate fair value estimate. The

Company also performs subsequent transaction testing. The Company performs annual due diligence of third party pricing services. The Company's due diligence procedures include assessing the vendor's valuation qualifications, control environment, analysis of asset-class specific valuation methodologies, and understanding of sources of market observable assumptions and unobservable assumptions, if any, employed in the valuation methodology. The Company also considers the results of its exception reporting controls and any resulting price challenges that arise.

Separate Account Assets

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

Investments Segregated for Regulatory Purposes

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

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

Other Assets

Derivatives that are measured using quoted prices in active markets, such as foreign currency forwards, or derivatives that are exchange-traded are classified as Level 1 measurements. The variation margin on futures contracts is also classified as Level 1. The fair value of derivatives that are traded in less active over-the-counter ("OTC") markets is generally measured using pricing models with market observable inputs such as interest rates and equity index levels. These measurements are classified as Level 2 within the fair value hierarchy and include swaps and the majority of options. The fair value of certain derivatives measured using pricing models which include significant unobservable inputs are classified as Level 3 within the fair value hierarchy. Other derivative contracts consist of the Company's macro hedge program. See Note 12 for further information on the macro hedge program. The counterparties' nonperformance risk associated with uncollateralized derivative assets was immaterial at September 30, 2016 and December 31, 2015. 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 at September 30, 2016 and December 31, 2015. See Note 11 and Note 12 for further information on the credit risk of derivative instruments and related collateral.

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

In the third quarter of 2016, the Company recorded a contingent consideration liability for an earn-out related to the Company's acquisition of Emerging Global Advisors, LLC. The earn-out is based on the net revenues generated by net flows of assets under management and will potentially 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.

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

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:

	September 30, 2016				
	Carrying Value	Fair Value			
		Level 1	Level 2	Level 3	Total
	(in millions)				
Financial Assets					
Mortgage loans, net	$2,974	$—	$—	$3,090	$3,090
Policy and certificate loans	835	—	—	810	810
Receivables	1,468	115	1,358	3	1,476
Restricted and segregated cash	2,761	2,761	—	—	2,761
Other investments and assets	525	1	468	54	523
Financial Liabilities					
Policyholder account balances, future policy benefits and claims	$11,071	$—	$—	$12,083	$12,083
Investment certificate reserves	5,639	—	—	5,632	5,632
Brokerage customer deposits	3,806	3,806	—	—	3,806
Separate account liabilities measured at NAV	4,397				4,397 (1)
Debt and other liabilities	3,391	18	3,298	156	3,637

	December 31, 2015				
	Carrying Value	Fair Value			
		Level 1	Level 2	Level 3	Total
	(in millions)				
Financial Assets					
Mortgage loans, net	$3,359	$—	$—	$3,372	$3,372
Policy and certificate loans	824	—	1	803	804
Receivables	1,471	148	1,322	3	1,473
Restricted and segregated cash	2,548	2,548	—	—	2,548
Other investments and assets	583	1	510	54	565
Financial Liabilities					
Policyholder account balances, future policy benefits and claims	$11,523	$—	$—	$12,424	$12,424
Investment certificate reserves	4,831	—	—	4,823	4,823
Brokerage customer deposits	3,802	3,802	—	—	3,802
Separate account liabilities measured at NAV	4,704				4,704 (1)
Debt and other liabilities	3,173	20	2,958	113	3,273

(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. See Note 2 for further information.

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.

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

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

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

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.

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

	September 30, 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	$4,054	$ —	$ 4,054	$(2,496)	$ (697)	$ (856)	$ 5
OTC cleared	1,099	—	1,099	(875)	(223)	—	1
Exchange-traded	25	—	25	(2)	—	—	23
Total derivatives	5,178	—	5,178	(3,373)	(920)	(856)	29
Securities borrowed	115	—	115	(51)	—	(63)	1
Total	$5,293	$ —	$ 5,293	$(3,424)	$ (920)	$ (919)	$ 30

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

	December 31, 2015						
	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Consolidated Balance Sheets	Amounts of Assets Presented in the Consolidated Balance Sheets	Gross Amounts Not Offset in the Consolidated Balance Sheets			Net Amount
				Financial Instruments	Cash Collateral[1]	Securities Collateral	
	(in millions)						
Derivatives:							
OTC	$3,129	$ —	$ 3,129	$(2,331)	$ (391)	$ (320)	$ 87
OTC cleared	418	—	418	(314)	(102)	—	2
Exchange-traded	40	—	40	(3)	—	—	37
Total derivatives	3,587	—	3,587	(2,648)	(493)	(320)	126
Securities borrowed	148	—	148	(30)	—	(115)	3
Total	$3,735	$ —	$ 3,735	$(2,678)	$ (493)	$ (435)	$ 129

[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.

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

	September 30, 2016						
	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Consolidated Balance Sheets	Amounts of Liabilities Presented in the Consolidated Balance Sheets	Gross Amounts Not Offset in the Consolidated Balance Sheets			Net Amount
				Financial Instruments	Cash Collateral[1]	Securities Collateral	
	(in millions)						
Derivatives:							
OTC	$2,721	$ —	$ 2,721	$(2,496)	$ (2)	$ (205)	$ 18
OTC cleared	955	—	955	(875)	(80)	—	—
Exchange-traded	2	—	2	(2)	—	—	—
Total derivatives	3,678	—	3,678	(3,373)	(82)	(205)	18
Securities loaned	183	—	183	(51)	—	(128)	4
Repurchase agreements	50	—	50	—	—	(50)	—
Total	$3,911	$ —	$ 3,911	$(3,424)	$ (82)	$ (383)	$ 22

	December 31, 2015						
	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Consolidated Balance Sheets	Amounts of Liabilities Presented in the Consolidated Balance Sheets	Gross Amounts Not Offset in the Consolidated Balance Sheets			Net Amount
				Financial Instruments	Cash Collateral[1]	Securities Collateral	
	(in millions)						

Derivatives:							
OTC	$2,725	$ —	$ 2,725	$(2,331)	$ —	$ (393)	$ 1
OTC cleared	345	—	345	(314)	(25)	—	6
Exchange-traded	6	—	6	(3)	(1)	—	2
Total derivatives	3,076	—	3,076	(2,648)	(26)	(393)	9
Securities loaned	203	—	203	(30)	—	(164)	9
Repurchase agreements	50	—	50	—	—	(50)	—
Total	$3,329	$ —	$ 3,329	$(2,678)	$ (26)	$ (607)	$ 18

(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.

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

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.

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

12. Derivatives and Hedging Activities

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

The Company's freestanding 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.

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

	September 30, 2016			December 31, 2015		
	Notional	Gross Fair Value		Notional	Gross Fair Value	
		Assets [1]	Liabilities [2][3]		Assets [1]	Liabilities [2][3]
	(in millions)					
Derivatives designated as hedging instruments						
Interest rate contracts	$675	$54	$ —	$675	$58	$ —
Foreign exchange contracts	256	3	—	—	—	—
Total qualifying hedges	931	57	—	675	58	—
Derivatives not designated as hedging instruments						
Interest rate contracts	75,028	3,593	1,663	63,798	1,882	969
Equity contracts	60,729	1,452	1,876	70,238	1,587	1,993
Credit contracts	1,073	1	—	600	2	—
Foreign exchange contracts	4,849	72	35	4,408	56	18
Other contracts	2,055	3	104	3,760	2	96
Total non-designated hedges	143,734	5,121	3,678	142,804	3,529	3,076
Embedded derivatives						
GMWB and GMAB [4]	N/A	—	1,756	N/A	—	851
IUL	N/A	—	438	N/A	—	364
EIA	N/A	—	5	N/A	—	5

SMC	N/A	—	8	N/A	—	4
Total embedded derivatives	N/A	—	2,207	N/A	—	1,224
Total derivatives	$144,665	$5,178	$ 5,885	$143,479	$3,587	$ 4,300

N/A Not applicable.

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

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

(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 $2.4 billion and $1.6 billion at September 30, 2016 and December 31, 2015, 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 at September 30, 2016 included $1.8 billion of individual contracts in a liability position and $73 million of individual contracts in an asset position. The fair value of the GMWB and GMAB embedded derivatives at December 31, 2015 included $994 million of individual contracts in a liability position and $143 million of individual contracts in an asset position.
See Note 10 for additional information regarding the Company's fair value measurement of derivative instruments.
At September 30, 2016 and December 31, 2015, investment securities with a fair value of $940 million and $323 million, respectively, were received as collateral to meet contractual obligations under derivative contracts, of which $670 million and $193 million, respectively, may be sold, pledged or rehypothecated by the Company. At September 30, 2016 and December 31, 2015, the Company had sold, pledged or rehypothecated $19 million and nil, respectively, of these securities. In addition, at September 30, 2016 and December 31, 2015, non-cash collateral accepted was held in separate custodial accounts and was not included in the Company's Consolidated Balance Sheets.
Derivatives Not Designated as Hedges
The following tables present a summary of the impact of derivatives not designated as hedging instruments on the Consolidated Statements of Operations:

	Net Investment Income	Banking and Deposit Interest Expense	Distribution Expenses	Interest Credited to Fixed Accounts	Benefits, Claims, Losses and Settlement Expenses	General and Administrative Expense
	(in millions)					
Three Months Ended September 30, 2016						
Interest rate contracts	$6	$ —	$ —	$ —	$ (13)	$ —
Equity contracts	2	2	11	12	(357)	2
Credit contracts	—	—	—	—	(3)	—
Foreign exchange contracts	2	—	—	—	(12)	3
Other contracts	—	—	—	—	(28)	—
GMWB and GMAB embedded derivatives	—	—	—	—	209	—
IUL embedded derivatives	—	—	—	(5)	—	—
SMC embedded derivatives	—	(1)	—	—	—	—
Total gain (loss)	$10	$ 1	$ 11	$ 7	$ (204)	$ 5
Nine Months Ended September 30, 2016						
Interest rate contracts	$(54)	$—	$—	$—	$1,191	$—
Equity contracts	2	1	13	10	(518)	3
Credit contracts	—	—	—	—	(34)	—
Foreign exchange contracts	—	—	2	—	(66)	15
Other contracts	—	—	—	—	(36)	—
GMWB and GMAB embedded derivatives	—	—	—	—	(905)	—

IUL embedded derivatives	—	—	—	12	—	—
SMC embedded derivatives	—	(1)	—	—	—	—
Total gain (loss)	$(52)	$—	$15	$22	$(368)	$18

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

	Net Investment Income	Banking and Deposit Interest Expense	Distribution Expenses	Interest Credited to Fixed Accounts	Benefits, Claims, Losses and Settlement Expenses	General and Administrative Expense
	(in millions)					
Three Months Ended September 30, 2015						
Interest rate contracts	$(31)	$ —	$ —	$ —	$ 536	$ —
Equity contracts	—	(3)	(15)	(16)	328	(4)
Credit contracts	—	—	—	—	(10)	—
Foreign exchange contracts	—	—	—	—	6	(1)
Other contracts	—	—	—	—	3	—
GMWB and GMAB embedded derivatives	—	—	—	—	(872)	—
IUL embedded derivatives	—	—	—	6	—	—
EIA embedded derivatives	—	—	—	1	—	—
SMC embedded derivatives	—	2	—	—	—	—
Total loss	$(31)	$ (1)	$ (15)	$ (9)	$ (9)	$ (5)
Nine Months Ended September 30, 2015						
Interest rate contracts	$(32)	$—	$—	$360	$—	
Equity contracts	(2)	(2)	(9)	(17)	69	(3)
Credit contracts	—	—	—	—	(5)	—
Foreign exchange contracts	—	—	(2)	—	(2)	(1)
Other contracts	—	—	—	—	(4)	—
GMWB and GMAB embedded derivatives	—	—	—	—	(628)	—
IUL embedded derivatives	—	—	—	1	—	—
EIA embedded derivatives	—	—	—	1	—	—
SMC embedded derivatives	—	2	—	—	—	—
Total loss	$(34)	$—	$(11)	$(15)	$(210)	$(4)

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:

	Premiums Payable	Premiums Receivable
	(in millions)	
2016 [1]	$92	$ 31
2017	277	77
2018	233	132
2019	280	132
2020	198	59
2021 - 2027	831	206
Total	$1,911	$ 637

[1] 2016 amounts represent the amounts payable and receivable for the period from October 1, 2016 to December 31, 2016.

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 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.

Cash Flow Hedges

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

For the three months and nine months ended September 30, 2016 and 2015, amounts recognized in earnings related to cash flow hedges due to ineffectiveness were not material. The estimated net amount of existing pretax losses as of September 30, 2016 that the Company expects to reclassify to earnings within the next twelve months is $4 million, which consists of $1 million of pretax gains to be recorded as a reduction to interest and debt expense and $5 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 20 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.

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

Fair Value Hedges

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

Derivatives designated as hedging instruments	Location of Gain Recorded into Income	Amount of Gain Recognized in Income on Derivatives			
		Three Months Ended September 30,		Nine Months Ended September 30,	
		2016	2015	2016	2015
		(in millions)			
Interest rate contracts	Interest and debt expense	$5	$ 8	$ 15	$ 24

Net Investment Hedges

During the second quarter of 2016, the Company entered into, and designated as net investment hedges in foreign operations, two 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 and nine months ended September 30, 2016, the Company recognized a gain of $6 million and $25 million, respectively, in OCI.

Credit Risk

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

Certain of the Company's derivative contracts contain provisions that adjust the level of collateral the Company is required to post based on the Company's debt rating (or based on the financial strength of the Company's life insurance subsidiaries for contracts in which those subsidiaries are the counterparty). Additionally, certain of the Company's derivative contracts contain provisions that allow the counterparty to terminate the contract if the Company's debt does not maintain a specific credit rating (generally an investment grade rating) or the Company's life insurance subsidiary does not maintain a specific financial strength rating. If these termination provisions were to be triggered, the Company's counterparty could require immediate settlement of any net liability position. At September 30, 2016 and December 31, 2015, the aggregate fair value of derivative contracts in a net liability position containing such credit contingent provisions was $185 million and $284 million, respectively. The aggregate fair value of assets posted as collateral for such instruments as of September 30, 2016 and December 31, 2015 was $170 million and $283 million, respectively. If the credit contingent provisions of derivative contracts in a net liability position at September 30, 2016 and December 31, 2015 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 $15 million and $1

million, respectively.

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

13. Shareholders' Equity

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

	Three Months Ended September 30,					
	2016			2015		
	Pretax	Income Tax Benefit (Expense)	Net of Tax	Pretax	Income Tax Benefit (Expense)	Net of Tax
	(in millions)					
Net unrealized securities losses:						
Net unrealized securities gains (losses) arising during the period [1]	$82	$ (31)	$51	$(117)	$ 41	$(76)
Reclassification of net securities (gains) losses included in net income [2]	(8)	4	(4)	10	(4)	6
Impact of deferred acquisition costs, deferred sales inducement costs, unearned revenue, benefit reserves and reinsurance recoverables	(114)	39	(75)	78	(27)	51
Net unrealized securities losses	(40)	12	(28)	(29)	10	(19)
Net unrealized derivatives gains:						
Reclassification of net derivative losses included in net income [3] [4]	1	—	1	1	—	1
Net unrealized derivatives gains	1	—	1	1	—	1
Defined benefit plans:						
Net loss arising during the period	—	—	—	—	—	—
Defined benefit plans	—	—	—	—	—	—
Foreign currency translation	(26)	10	(16)	(32)	11	(21)
Other comprehensive loss attributable to Ameriprise Financial	(65)	22	(43)	(60)	21	(39)
Other comprehensive loss attributable to noncontrolling interests	—	—	—	(67)	23	(44)
Total other comprehensive loss	$(65)	$ 22	$(43)	$(127)	$ 44	$(83)

	Nine Months Ended September 30,					
	2016			2015		
	Pretax	Income Tax Benefit (Expense)	Net of Tax	Pretax	Income Tax Benefit (Expense)	Net of Tax
	(in millions)					
Net unrealized securities gains (losses):						
Net unrealized securities gains (losses) arising during the period [1]	$1,134	$ (398)	$736	$(562)	$ 197	$(365)
Reclassification of net securities gains included in net income [2]	(12)	5	(7)	(6)	2	(4)
Impact of deferred acquisition costs, deferred sales inducement costs, unearned revenue, benefit reserves and reinsurance recoverables	(533)	186	(347)	281	(98)	183
Net unrealized securities gains (losses)	589	(207)	382	(287)	101	(186)

Net unrealized derivatives gains:						
Reclassification of net derivative losses included in net income [3] [4]	4	(1)	3	1	—	1
Net unrealized derivatives gains	4	(1)	3	1	—	1
Defined benefit plans:						
Net loss arising during the period	9	(3)	6	—	—	—
Defined benefit plans	9	(3)	6	—	—	—
Foreign currency translation	(85)	30	(55)	(25)	9	(16)
Other comprehensive income (loss) attributable to Ameriprise Financial	517	(181)	336	(311)	110	(201)
Other comprehensive loss attributable to noncontrolling interests	—	—	—	(52)	18	(34)
Total other comprehensive income (loss)	$517	$ (181)	$336	$(363)	$ 128	$(235)

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

(1) Includes other-than-temporary impairment losses on Available-for-Sale securities related to factors other than credit that were recognized in other comprehensive income (loss) during the period.
(2) Reclassification amounts are recorded in net investment income.
(3) Includes nil and $1 million pretax gain reclassified to interest and debt expense for the three months ended September 30, 2016 and 2015, respectively, and a $1 million and $2 million pretax loss reclassified to net investment income for the three months ended September 30, 2016 and 2015, respectively.
(4) Includes $1 million and $3 million pretax gain reclassified to interest and debt expense for the nine months ended September 30, 2016 and 2015, respectively, and a $4 million pretax loss reclassified to net investment income for both the nine months ended September 30, 2016 and 2015.

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	Total
	(in millions)				
Balance, July 1, 2016	$842	$ 3	$ (85)	$ (122)	$638
OCI before reclassifications	(24)	—	—	(16)	(40)
Amounts reclassified from AOCI	(4)	1	—	—	(3)
OCI attributable to Ameriprise Financial	(28)	1	—	(16)	(43)
Balance, September 30, 2016	$814 (1)	$ 4	$ (85)	$ (138)	$595
Balance, January 1, 2016		$426	$1	$(91)	$(83)	$253
Cumulative effect of change in accounting policies		6	—	—	—	6
Balance, January 1, 2016, as adjusted		432	1	(91)	(83)	259
OCI before reclassifications		389	—	—	(55)	334
Amounts reclassified from AOCI		(7)	3	6	—	2
OCI attributable to Ameriprise Financial		382	3	6	(55)	336
Balance, September 30, 2016		$814 (1)	$4	$(85)	$(138)	$595

	Net Unrealized Securities Gains	Net Unrealized Derivatives Gains	Defined Benefit Plans	Foreign Currency Translation	Total
	(in millions)				
Balance, July 1, 2015	$619	$ —	$ (71)	$ (48)	$500
OCI before reclassifications	(25)	—	—	(5)	(30)
Amounts reclassified from AOCI	6	1	—	(16)	(9)
OCI attributable to Ameriprise Financial	(19)	1	—	(21)	(39)
Balance, September 30, 2015	$600 (1)	$ 1	$ (71)	$ (69)	$461
Balance, January 1, 2015	$786	$—	$(71)	$(53)	$662

OCI before reclassifications	(182)	—	—	—	(182)
Amounts reclassified from AOCI	(4)	1	—	(16)	(19)
OCI attributable to Ameriprise Financial	(186)	1	—	(16)	(201)
Balance, September 30, 2015	$600 [1]	$1	$(71)	$(69)	$461

[1] Includes $5 million and $6 million of noncredit related impairments on securities and net unrealized securities gains on previously impaired securities at September 30, 2016 and September 30, 2015, respectively.

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For the nine months ended September 30, 2016 and 2015, the Company repurchased a total of 13.7 million shares and 9.8 million shares, respectively, of its common stock for an aggregate cost of $1.3 billion and $1.2 billion, respectively. In April 2014, 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 April 28, 2016, which was exhausted in the three months ended March 31, 2016. In December 2015, the Company's Board of Directors authorized additional expenditures of up to $2.5 billion of the Company's common stock through December 31, 2017. As of September 30, 2016, the Company had $1.3 billion remaining under its share repurchase authorization.

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

For the nine months ended September 30, 2016 and 2015, the Company reacquired 0.3 million shares and 0.4 million shares, respectively, of its common stock through the surrender of shares upon vesting and paid in the aggregate $29 million and $48 million, respectively, related to the holders' income tax obligations on the vesting date. Option holders may elect to net settle their vested awards resulting in the surrender of the number of shares required to cover the strike price and tax obligation of the options exercised. These shares are reacquired by the Company and recorded as treasury shares. For the nine months ended September 30, 2016 and 2015, the Company reacquired 0.3 million shares and 0.7 million shares, respectively, of its common stock through the net settlement of options for an aggregate value of $31 million and $89 million, respectively.

During the nine months ended September 30, 2016 and 2015, the Company reissued 0.9 million and 1.0 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 9.7% and 24.1% for the three months ended September 30, 2016 and 2015, respectively. The Company's effective tax rate was 18.6% and 23.0% for the nine months ended September 30, 2016 and 2015, respectively. The Company's effective tax rates for the three months and nine months ended September 30, 2016 are lower than the statutory rate as a result of tax preferred items including the dividends received deduction, low income housing tax credits, and lower taxes on net income from foreign subsidiaries. The decrease in the effective tax rate for the three months and nine months ended September 30, 2016 compared to the prior year periods is primarily due to lower pretax income.

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, 2016.

The Company is required to establish a valuation allowance for any portion of the deferred tax assets that management believes will not be realized. Included in deferred tax assets is a significant deferred tax asset relating to capital losses that have been recognized for financial statement purposes but not yet for tax return purposes. Under current U.S. federal income tax law, capital losses generally must be used against capital gain income within five years of the year in which the capital losses are recognized for tax purposes. Significant judgment is required in determining if a valuation allowance should be established, and the amount of such allowance if required. Factors used in making this determination include estimates relating to the performance of the business. 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 $11 million at both September 30, 2016 and December 31, 2015.

As of September 30, 2016 and December 31, 2015, the Company had $115 million and $161 million, respectively, of gross unrecognized tax benefits. If recognized, approximately $47 million and $57 million, net of federal tax benefits, of unrecognized tax benefits at September 30, 2016 and December 31, 2015, respectively, would affect the effective tax rate.

It is reasonably possible that the total amounts of unrecognized tax benefits will change in the next 12 months. The Company estimates that the total amount of gross unrecognized tax benefits may decrease by $65 million to $75 million in the next 12 months primarily due to resolution of IRS examinations.

The Company recognizes interest and penalties related to unrecognized tax benefits as a component of the income tax provision. The Company recognized nil and a net decrease of $44 million in interest and penalties for the three months and nine months ended September 30, 2016, respectively. The Company recognized a net increase of $1 million and $3 million in interest and penalties for the three months and nine months ended September 30, 2015, respectively. At September 30, 2016 and December 31, 2015, the Company had a payable of $7 million and $51 million, respectively, related to accrued interest and penalties.

The Company or one or more of its subsidiaries files income tax returns in the U.S. federal jurisdiction, and various state and foreign jurisdictions. The IRS has completed its examinations of the 1997 through 2011 tax returns and these years are effectively settled;

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

however, the statutes of limitation, except for 2007, remain open for certain carryover adjustments. The IRS is currently auditing the Company's U.S. income tax returns for 2012 and 2013. The Company's state income tax returns are currently under examination by various jurisdictions for years ranging from 2005 through 2014. State income tax examinations prior to 2005 are effectively settled; however, the statutes of limitation are open in certain jurisdictions back to 1997 due to potential carryover adjustments related to the IRS audit.

15. Guarantees and Contingencies

Guarantees

The Company is required by law to be a member of the guaranty fund association in every state where it is licensed to do business. In the event of insolvency of one or more unaffiliated insurance companies, the Company could be adversely affected by the requirement to pay assessments to the guaranty fund associations.

The Company projects its cost of future guaranty fund assessments based on estimates of insurance company insolvencies provided by the National Organization of Life and Health Insurance Guaranty Associations ("NOLHGA") and the amount of its premiums written relative to the industry-wide premium in each state. The Company accrues the estimated cost of future guaranty fund assessments when it is considered probable that an assessment will be imposed, the event obligating the Company to pay the assessment has occurred and the amount of the assessment can be reasonably estimated.

The Company has a liability for estimated guaranty fund assessments and a related premium tax asset. At both September 30, 2016 and December 31, 2015, the estimated liability was $13 million and the related premium tax asset was $12 million. The expected period over which guaranty fund assessments will be made and the related tax credits recovered is not known.

Contingencies

The Company and its subsidiaries are involved in the normal course of business in legal, regulatory and arbitration proceedings, including class actions, concerning matters arising in connection with the conduct of its activities as a diversified financial services firm. These include proceedings specific to the Company as well as proceedings generally applicable to business practices in the industries in which it operates. The Company can also be subject to litigation arising out of its general business activities, such as its investments, contracts, leases and employment relationships. Uncertain economic conditions, heightened and sustained volatility in the financial markets and significant financial reform legislation may increase the likelihood that clients and other persons or regulators may present or threaten legal claims or that regulators increase the scope or frequency of examinations of the Company or the financial services industry generally.

As with other financial services firms, the level of regulatory activity and inquiry concerning the Company's businesses remains elevated. From time to time, the Company receives requests for information from, and/or has been subject to examination or claims by, the SEC, FINRA, the OCC, the UK Financial Conduct Authority, state insurance and securities regulators, state attorneys general and various other domestic or foreign governmental and quasi-governmental authorities on behalf of themselves or clients concerning the Company's business activities and practices, and the practices of the Company's financial advisors. The Company has numerous pending matters which include information requests, exams or inquiries that the Company has received during recent periods regarding certain matters, including: sales and distribution of mutual funds, exchange traded funds, annuities, equity and fixed income securities, real estate investment trusts, insurance products, and financial advice offerings; supervision of the Company's financial advisors; administration of insurance and annuity claims; security of client information; trading activity; performance advertising and product disclosures; and transaction monitoring systems and controls. The Company is also responding to regulatory audits, market conduct examinations and other state inquiries relating to an industry-wide investigation of unclaimed property and escheatment practices and procedures. The number of reviews and investigations has increased in recent years with regard to many firms in the financial services industry, including Ameriprise Financial. The Company has cooperated and will continue to cooperate with the applicable regulators.

These legal and regulatory proceedings and disputes are subject to uncertainties and, as such, it is inherently difficult to determine whether any loss is probable or even reasonably possible, or to reasonably estimate the amount of any loss. The Company cannot predict with certainty if, how or when any such proceedings will be initiated or resolved or what the eventual settlement, fine, penalty or other relief, if any, may be, particularly for proceedings that are in their early stages of development or where plaintiffs seek indeterminate damages. Numerous issues may need to be resolved, including through potentially lengthy discovery and determination of important factual matters, and by addressing unsettled legal questions relevant to the proceedings in question, before a loss or range of loss can be reasonably estimated for any proceeding. An adverse outcome in one or more proceeding could eventually result in adverse judgments, settlements, fines, penalties or other sanctions, in addition to further claims, examinations or adverse publicity that could have a material adverse effect on the Company’s consolidated financial condition, results of operations or liquidity.

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (continued)

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

Certain legal and regulatory proceedings are described below.

In November 2014, a lawsuit was filed against the Company's London-based asset management affiliate in England's High Court of Justice Commercial Court, entitled Otkritie Capital International Ltd and JSC Otkritie Holding v. Threadneedle Asset Management Ltd. and Threadneedle Management Services Ltd. ("Threadneedle Defendants"). Claimants allege that the Threadneedle Defendants should be held liable for the wrongful acts of one of its former employees, who in February 2014 was held jointly and severally liable with several other parties for conspiracy and dishonest assistance in connection with a fraud perpetrated against Claimants in 2011. Claimants allege they were harmed by that fraud in the amount of $120 million. The Threadneedle Defendants applied to the Court for an Order dismissing the proceedings as an abuse of process of the Court. This application was declined in August 2015. The Threadneedle Defendants applied to the Court of Appeal for leave to appeal, which application was granted in November 2015. A hearing on the appeal is expected in January 2017 and the case is stayed pending the outcome of the appeal. The Company cannot reasonably estimate the range of loss, if any, that may result from this matter due to the early procedural status of the case, the number of parties involved, and the failure to allege any specific, evidence based damages.

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
	(in millions, except per share amounts)			
Numerator:				
Net income attributable to Ameriprise Financial	$215	$397	$914	$1,205
Denominator:				
Basic: Weighted-average common shares outstanding	164.0	180.4	168.3	183.5
Effect of potentially dilutive nonqualified stock options and other share-based awards	1.8	2.3	1.8	2.5
Diluted: Weighted-average common shares outstanding	165.8	182.7	170.1	186.0
Earnings per share attributable to Ameriprise Financial, Inc. common shareholders:				
Basic	$1.31	$2.20	$5.43	$6.57
Diluted	$1.30	$2.17	$5.37	$6.48

The calculation of diluted earnings per share excludes the incremental effect of 2.9 million and 1.7 million options as of September 30, 2016 and 2015, respectively, due to their anti-dilutive effect.

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

17. Segment Information

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

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

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

Operating earnings is defined as operating net revenues less operating expenses. Operating net revenues and operating expenses exclude the market impact on IUL benefits (net of hedges and the related DAC amortization, unearned revenue amortization, and the reinsurance accrual), integration and restructuring charges and the impact of consolidating investment entities. Operating net revenues also exclude net realized investment gains or losses (net of unearned revenue amortization and the reinsurance accrual) and the market impact of hedges to offset interest rate changes on unrealized gains or losses for certain investments. Operating expenses also exclude the market impact on variable annuity guaranteed benefits (net of hedges and the related DSIC and DAC amortization) and the DSIC and DAC amortization offset to net realized investment gains or losses. The market impact on variable annuity guaranteed benefits and IUL benefits includes changes in embedded derivative values caused by changes in financial market conditions, net of changes in economic hedge values and unhedged items including the difference between assumed and actual underlying separate account investment performance, fixed income credit exposures, transaction costs and certain policyholder contract elections, net of related impacts on DAC and DSIC amortization. The market impact also includes certain valuation adjustments made in accordance with FASB Accounting Standards Codification 820, Fair Value Measurements and Disclosures, including the impact on embedded derivative values of discounting projected benefits to reflect a current estimate of the Company's life insurance subsidiary's nonperformance spread.

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

	September 30, 2016	December 31, 2015
	(in millions)	
Advice & Wealth Management	$11,996	$ 11,338
Asset Management	7,436	7,931
Annuities	97,006	94,002
Protection	22,212	20,755
Corporate & Other	4,973	11,293
Total assets	$143,623	$ 145,319

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
	(in millions)			
Operating net revenues:				
Advice & Wealth Management	$1,272	$1,245	$3,720	$3,747
Asset Management	740	782	2,203	2,421
Annuities	631	632	1,846	1,914
Protection	679	586	1,891	1,776
Corporate & Other	(15)	(4)	(20)	(12)
Eliminations [1][2]	(353)	(366)	(1,042)	(1,090)
Total segment operating revenues	2,954	2,875	8,598	8,756
Net realized gains (losses)	6	(10)	(5)	5
Revenues attributable to CIEs	27	43	77	333
Market impact on IUL benefits, net	6	9	18	5
Market impact of hedges on investments	5	(31)	(54)	(32)
Total net revenues per consolidated statements of operations [3][4]	$2,998	$2,886	$8,634	$9,067

[1] Represents the elimination of intersegment revenues recognized for the three months ended September 30, 2016 and 2015 in each segment as follows: Advice & Wealth Management ($244 and $259, respectively); Asset Management ($12 and $11, respectively); Annuities ($85 and $85, respectively); Protection ($12 and $10, respectively); and Corporate & Other (nil and $1, respectively).

[2] Represents the elimination of intersegment revenues recognized for the nine months ended September 30, 2016 and 2015 in each segment as follows: Advice & Wealth Management ($727 and $770, respectively); Asset Management ($33 and $33, respectively); Annuities ($247 and $255, respectively); Protection ($34 and $31, respectively); and Corporate & Other ($1 and $1, respectively).

[3] Includes foreign net revenues of $162 million and $230 million for the three months ended September 30, 2016 and 2015, respectively.

[4] Includes foreign net revenues of $500 million and $756 million for the nine months ended September 30, 2016 and 2015, respectively.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
	(in millions)			
Operating earnings:				
Advice & Wealth Management	$231	$219	$657	$649
Asset Management	155	180	452	568
Annuities	(68)	176	202	498
Protection	11	25	117	148
Corporate & Other	(72)	(42)	(198)	(161)
Total segment operating earnings	257	558	1,230	1,702
Net realized gains (losses)	6	(10)	(5)	5
Net income (loss) attributable to CIEs	—	(45)	(1)	102

Market impact on variable annuity guaranteed benefits, net	(37)	(5)	(78)	(75)
Market impact on IUL benefits, net	7	(1)	31	(2)
Market impact of hedges on investments	5	(31)	(54)	(32)
Integration and restructuring charges	—	(3)	—	(4)
Pretax income per consolidated statements of operations	$238	$463	$1,123	$1,696

AMERIPRISE FINANCIAL, INC.

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

The following discussion and analysis of our consolidated financial condition and results of operations should be read in conjunction with the "Forward-Looking Statements" that follow and our Consolidated Financial Statements and Notes presented in Item 1. Our Management's Discussion and Analysis should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2015, filed with the Securities and Exchange Commission ("SEC") on February 25, 2016 ("2015 10-K"), as well as our current reports on Form 8-K and other publicly available information. References below to "Ameriprise Financial," "Ameriprise," the "Company," "we," "us," and "our" refer to Ameri Financial, Inc. exclusively, to our entire family of companies, or to one or more of our subsidiaries.

Overview

Ameriprise Financial is a diversified financial services company with a more than 120 year history of providing financial solutions. We offer a broad range of products and services designed to achieve the financial objectives of individual and institutional clients. We are America's leader in financial planning and a leading global financial institution with $796 billion in assets under management and administration as of September 30, 2016.

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

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

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

Financial markets and macroeconomic conditions have had and will continue to have a significant impact on our operating and performance results. In addition, the business and regulatory environment in which we operate remains subject to elevated uncertainty and change. To succeed, we expect to continue focusing on our key strategic objectives. The success of these and other strategies may be affected by the factors discussed in "Item 1A. Risk Factors" in our 2015 10-K, "Item 1A. Risk Factors" in our Form 10-Q for the quarterly period ended March 31, 2016 filed with the SEC on May 5, 2016, "Item 1A. Risk Factors" in our Form 10-Q for the quarterly period ended June 30, 2016 filed with the SEC on August 1, 2016, this Form 10-Q and other factors as discussed herein.

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

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

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

aforementioned changes are collectively referred to as unlocking. Our unlocking process also impacts premium deficiency testing for certain insurance products. The unfavorable unlocking impact in the third quarter of 2016 primarily reflected continued low interest rates and higher persistency on living benefit contracts that more than offset benefits from persistency on annuity contracts without living benefits, an update to market-related inputs related to our living benefit valuation and other model updates. Our long-term interest rate assumption remains unchanged, but we extended the period it would take for rates to reach our long term level from 3.5 years to 5.5 years. In addition, our review of our closed long term care ("LTC") business in the third quarter of 2016 resulted in a loss recognition of $31 million due to continued low interest rates, higher morbidity and higher reinsurance expenses, slightly offset by premium increases. The $31 million is comprised of $58 million of amortization of DAC and the release of the related deferred reinsurance liability of $27 million. The favorable unlocking impact in the third quarter of 2015 primarily reflected improved policyholder behavior, an update to market-related inputs related to our living benefit valuation and model changes that more than offset the difference between our previously assumed interest rates versus the low interest rate environment. Our review of our LTC business in the third quarter of 2015 resulted in no loss recognition as better-than-expected premium increases, which were reflected in our projections, offset higher morbidity and lower interest rates. See

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

We consolidate certain variable interest entities for which we provide asset management services. These entities are defined as consolidated investment entities ("CIEs"). While the consolidation of the CIEs impacts our balance sheet and income statement, our exposure to these entities is unchanged and there is no impact to the underlying business results. For further information on CIEs, see Note 3 to our Consolidated Financial Statements. Effective January 1, 2016, we adopted ASU 2015-02 - Consolidation: Amendments to the Consolidation Analysis and deconsolidated several collateralized loan obligations ("CLOs") and all previously consolidated property funds. See Note 2 to our Consolidated Financial Statements for the adoption impact. Effective January 1, 2016, we no longer have net income (loss) attributable to noncontrolling interests primarily due to the deconsolidation of property funds. The results of operations of the CIEs are reflected in the Corporate & Other segment. On a consolidated basis, the management fees we earn for the services we provide to the CIEs and the related general and administrative expenses are eliminated and the changes in the fair value of assets and liabilities related to the CIEs, primarily syndicated loans and debt, are reflected in net investment income. We continue to include the fees from these entities in the management and financial advice fees line within our Asset Management segment. Effective January 1, 2016, we adopted ASU 2014-13 - Consolidation: Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity and elected the measurement alternative. As a result, the carrying value of the CIE debt is set equal to the fair value of the CIE assets; therefore the changes in the fair value of assets and liabilities related to CIEs is nil. The CIE debt held by Ameriprise Financial is eliminated in consolidation. See Note 2 and Note 10 to our Consolidated Financial Statements for additional information.

While our consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles ("GAAP"), management believes that operating measures, which exclude net realized investment gains or losses, net of the related DSIC and DAC amortization, unearned revenue amortization and the reinsurance accrual; the market impact on variable annuity guaranteed benefits, net of hedges and the related DSIC and DAC amortization; the market impact on indexed universal life benefits, net of hedges and the related DAC amortization, unearned revenue amortization and the reinsurance accrual; the market impact of hedges to offset interest rate changes on unrealized gains or losses for certain investments; integration and restructuring charges; income (loss) from discontinued operations; and the impact of consolidating CIEs, best reflect the underlying performance of our core operations and facilitate a more meaningful trend analysis. Management uses certain of these non-GAAP measures to evaluate our financial performance on a basis comparable to that used by some securities analysts and investors. Also, certain of these non-GAAP measures are taken into consideration, to varying degrees, for purposes of business planning and analysis and for certain compensation-related matters. Throughout our Management's Discussion and Analysis, these non-GAAP measures are referred to as operating measures. These non-GAAP measures should not be viewed as a substitute for U.S. GAAP measures.

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

Our financial targets are:

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

The following tables reconcile our GAAP measures to operating measures:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
	(in millions)			
Total net revenues	$2,998	$2,886	$8,634	$9,067
Less: Revenue attributable to CIEs	27	43	77	333

Less: Net realized gains (losses)	6	(10)	(5)	5
Less: Market impact on indexed universal life benefits	6	9	18	5
Less: Market impact of hedges on investments	5	(31)	(54)	(32)
Operating total net revenues	$2,954	$2,875	$8,598	$8,756

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	Three Months Ended September 30,		Per Diluted Share Three Months Ended September 30,	
	2016	2015	2016	2015
	(in millions, except per share amounts)			
Net income attributable to Ameriprise Financial	$ 215	$ 397	$ 1.30	$ 2.17
Add: Integration/restructuring charges [1]	—	3	—	0.02
Add: Market impact on variable annuity guaranteed benefits [1]	37	5	0.22	0.03
Add: Market impact on indexed universal life benefits [1]	(7)	1	(0.04)	0.01
Add: Market impact of hedges on investments [1]	(5)	31	(0.03)	0.17
Less: Net realized gains (losses) [1]	6	(10)	0.04	(0.05)
Tax effect of adjustments [2]	(7)	(18)	(0.04)	(0.10)
Operating earnings	$ 227	$ 429	$ 1.37	$ 2.35
Weighted average common shares outstanding:				
Basic	164.0	180.4		
Diluted	165.8	182.7		

[1] Pretax operating adjustments.

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

	Nine Months Ended September 30,		Per Diluted Share Nine Months Ended September 30,	
	2016	2015	2016	2015
	(in millions, except per share amounts)			
Net income attributable to Ameriprise Financial	$ 914	$ 1,205	$ 5.37	$ 6.48
Less: Net loss attributable to CIEs	(1)	—	(0.01)	—
Add: Integration/restructuring charges [1]	—	4	—	0.02
Add: Market impact on variable annuity guaranteed benefits [1]	78	75	0.46	0.40
Add: Market impact on indexed universal life benefits [1]	(31)	2	(0.18)	0.01
Add: Market impact of hedges on investments [1]	54	32	0.31	0.17
Less: Net realized gains (losses) [1]	(5)	5	(0.03)	0.03
Tax effect of adjustments [2]	(37)	(38)	(0.22)	(0.20)
Operating earnings	$ 984	$ 1,275	$ 5.78	$ 6.85
Weighted average common shares outstanding:				
Basic	168.3	183.5		
Diluted	170.1	186.0		

[1] Pretax operating adjustments.

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

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

	Twelve Months Ended September 30,	
	2016	2015
	(in millions)	
Net income attributable to Ameriprise Financial	$1,271	$1,630
Less: Loss from discontinued operations, net of tax	—	(1)
Net income from continuing operations attributable to Ameriprise Financial	1,271	1,631
Less: Adjustments [1]	(154)	(84)
Operating earnings	$1,425	$1,715
Total Ameriprise Financial, Inc. shareholders' equity	$7,165	$8,017
Less: Accumulated other comprehensive income, net of tax	478	615
Total Ameriprise Financial, Inc. shareholders' equity from continuing operations, excluding AOCI	6,687	7,402
Less: Equity impacts attributable to CIEs	62	250
Operating equity	$6,625	$7,152
Return on equity from continuing operations, excluding AOCI	19.0 %	22.0 %
Operating return on equity, excluding AOCI [2]	21.5 %	24.0 %

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

[2] Operating return on equity, excluding AOCI, is calculated using the trailing twelve months of earnings excluding the after-tax net realized investment gains/losses, net of DSIC and DAC amortization, unearned revenue amortization and the reinsurance accrual; market impact on variable annuity guaranteed benefits, net of hedges and related DSIC and DAC amortization; the market impact on indexed universal benefits, net of hedges and the related DAC amortization, unearned revenue amortization, and the reinsurance accrual; the market impact of hedges to offset interest rate changes on unrealized gains or losses for certain investments; integration and restructuring charges; net income (loss) from consolidated investment entities; and discontinued operations in the numerator, and Ameriprise Financial shareholders' equity, excluding AOCI and the impact of consolidating investment entities using a five-point average of quarter-end equity in the denominator. After-tax is calculated using the statutory rate of 35%.

On April 8, 2016, the Department of Labor published its final rule regarding the definition of who is an investment advice fiduciary under ERISA and the Internal Revenue Code, a new "best interest contract" prohibited transaction exemption regarding how such advice can be provided to retirement investors (primarily account holders in 401(k) plans and IRAs and other types of ERISA clients), a new class prohibited transaction exemption for how ERISA investment advice fiduciaries can engage in certain principal transactions with retirement investors, and certain amendments and partial revocations of pre-existing exemptions. These regulations focus in large part on conflicts of interest related to investment recommendations made by financial advisors, registered investment advisors, and other investment professionals to retirement investors, how financial advisors are able to discuss IRA rollovers, as well as how financial advisors and affiliates can transact with retirement investors. Qualified accounts, particularly IRAs, make up a significant portion of our assets under management and administration. We are continuing to review and analyze the potential impact of the regulations on our clients and prospective clients as well as the potential impact on

our business. Teams across the company are working diligently to assess these principles-based rules and we will work with, and provide guidance to, our advisors to make the necessary changes to effectively implement these new rules.

Critical Accounting Policies and Estimates

The accounting and reporting policies that we use affect our Consolidated Financial Statements. Certain of our accounting and reporting policies are critical to an understanding of our consolidated results of operations and financial condition and, in some cases, the application of these policies can be significantly affected by the estimates, judgments and assumptions made by management during the preparation of our Consolidated Financial Statements. These accounting policies are discussed in detail in “Management’s Discussion and Analysis — Critical Accounting Policies and Estimates” in our 2015 10-K.

Recent Accounting Pronouncements

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

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Assets Under Management and Administration

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

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

The following table presents detail regarding our AUM and AUA:

	September 30,			
	2016	2015	Change	
	(in billions)			
Assets Under Management and Administration				
Advice & Wealth Management AUM	$196.2	$173.0	$23.2	13 %
Asset Management AUM	467.8	471.1	(3.3)	(1)
Corporate & Other AUM	0.3	0.7	(0.4)	(57)
Eliminations	(24.7)	(22.2)	(2.5)	(11)
Total Assets Under Management	639.6	622.6	17.0	3
Total Assets Under Administration	156.0	143.2	12.8	9
Total AUM and AUA	$795.6	$765.8	$29.8	4 %

Total AUM increased $17.0 billion, or 3%, to $639.6 billion as of September 30, 2016 compared to $622.6 billion as of September 30, 2015 reflecting a $23.2 billion increase in Advice & Wealth Management AUM driven by wrap account net inflows and market appreciation, partially offset by a $3.3 billion decrease in Asset Management AUM driven by net outflows and the negative impact of foreign currency translation, partially offset by market appreciation. See our segment results of operations discussion below for additional information on changes in our AUM.

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Consolidated Results of Operations for the Three Months Ended September 30, 2016 and 2015

The following table presents our consolidated results of operations:

	Three Months Ended September 30,			
	2016	2015	Change	
	(in millions)			
Revenues				
Management and financial advice fees	$1,464	$1,465	$(1)	—%
Distribution fees	455	451	4	1
Net investment income	387	321	66	21
Premiums	374	360	14	4
Other revenues	330	296	34	11
Total revenues	3,010	2,893	117	4
Banking and deposit interest expense	12	7	5	71
Total net revenues	2,998	2,886	112	4
Expenses				
Distribution expenses	798	806	(8)	(1)
Interest credited to fixed accounts	161	171	(10)	(6)
Benefits, claims, losses and settlement expenses	855	471	384	82
Amortization of deferred acquisition costs	163	133	30	23
Interest and debt expense	52	98	(46)	(47)
General and administrative expense	731	744	(13)	(2)
Total expenses	2,760	2,423	337	14
Pretax income	238	463	(225)	(49)
Income tax provision	23	111	(88)	(79)
Net income	215	352	(137)	(39)
Less: Net loss attributable to noncontrolling interests	—	(45)	45	NM
Net income attributable to Ameriprise Financial	$215	$397	$(182)	(46)%

NM Not Meaningful.

Overall

Pretax income decreased $225 million, or 49%, to $238 million for the three months ended September 30, 2016 compared to $463 million for the prior year period primarily due to the impact of unlocking, asset management net outflows, a $21 million increase in catastrophe losses, the market impact on variable annuity guaranteed benefits (net of hedges and the related DSIC and DAC amortization) and an unfavorable $29 million LTC reserve correction in the third quarter of 2016, partially offset by market appreciation, a $36 million favorable change in the market impact of hedges on investments, favorable development in prior year auto and home reserves as well as improved current year loss performance, the impact on DAC, DSIC and reserves for insurance features in non-traditional long-duration contracts from actual versus expected market performance based on our view of bond and equity performance and a $45 million decrease in net loss from CIEs.

Net loss from CIEs was nil for the three months ended September 30, 2016 compared to $45 million for the prior year period primarily reflecting the deconsolidation of CIEs effective January 1, 2016. As we elected the measurement alternative for the remaining consolidated CLOs as of January 1, 2016, the carrying value of the CIE debt is set equal to the fair value of the CIE assets and therefore the changes in the fair value of assets and liabilities related to CIEs is nil for the three months ended September 30, 2016.

The market impact on variable annuity guaranteed benefits (net of hedges and the related DSIC and DAC amortization) was an expense of $37 million for the three months ended September 30, 2016 compared to an expense of $5 million for the prior year period.

The impact on DAC, DSIC and reserves for insurance features in non-traditional long-duration contracts from actual versus expected market performance based on our view of bond and equity performance was a benefit of $14 million ($8 million for DAC, $2 million for DSIC and $4 million for insurance features in non-traditional long duration contracts) for the three months ended September 30, 2016 reflecting favorable equity market and bond fund returns compared to an expense of $36 million ($25 million

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for DAC, $6 million for DSIC and $5 million for insurance features in non-traditional long duration contracts) for the prior year period reflecting unfavorable equity market and bond fund returns.

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

Pretax Increase (Decrease)	2016	2015
	(in millions)	
Premiums	$—	$(3)
Other revenues	64	8
Total revenues	64	5
Distribution expenses	(27)	—
Benefits, claims, losses and settlement expenses	229	(58)
Amortization of DAC	81	15
Total expenses	283	(43)
Total [1]	$(219)	$48

[1] Includes a $16 million and $6 million net benefit related to the market impact on variable annuity guaranteed benefits and indexed universal life benefits for the three months ended September 30, 2016 and 2015, respectively.

Net Revenues

Net revenues increased $112 million, or 4%, to $3.0 billion for the three months ended September 30, 2016 compared to $2.9 billion for the prior year period primarily due to increases in net investment income and other revenues. Net revenues for the three months ended September 30, 2016 included $27 million of CIE revenues compared to $43 million for the prior year period primarily reflecting the CIE deconsolidation.

Net investment income increased $66 million, or 21%, to $387 million for the three months ended September 30, 2016 compared to $321 million for the prior year period primarily due to an increase in CIE net investment income, the market impact of hedges on investments, and net realized investment gains (losses), partially offset by a $10 million impairment on an affordable housing investment in the third quarter of 2016 to align it with the remaining tax benefit cash flows. Net realized investment gains were $6 million for the the third quarter of 2016 compared to net realized investment losses of $10 million for the prior year period. The market impact of hedges on investments was a gain of $5 million for the third quarter of 2016 compared to a loss of $31 million for the prior year period. Net investment income for the three months ended September 30, 2016 included $31 million of CIE net investment income compared to $2 million for the prior year period.

Other revenues increased $34 million, or 11%, to $330 million for the three months ended September 30, 2016 compared to $296 million for the prior year period primarily due to the impact of unlocking, higher fees from variable annuity guarantee sales in the prior year where the fees start on the first anniversary date and higher average fee rates and a $9 million unfavorable impact related to a life reinsurance premium correction in the prior year period, partially offset by a $56 million decrease in CIE other revenues reflecting the CIE deconsolidation. Other revenues for the third quarter of 2016 included a $64 million favorable impact from unlocking compared to an $8 million favorable impact in the prior year period. The primary driver of the unlocking impact to other revenues for the third quarter of 2016 was a positive impact from higher projected gains on reinsurance contracts resulting from unfavorable mortality experience. The primary driver of the unlocking impact to other revenues for the prior year period was a positive impact from model updates related to our indexed universal life product, partially offset by a negative impact from lower projected gains on reinsurance contracts resulting from favorable mortality experience.

Expenses

Total expenses increased $337 million, or 14%, to $2.8 billion for the three months ended September 30, 2016 compared to $2.4 billion for the prior year period primarily due to the impact of unlocking, partially offset by the CIE deconsolidation. Expenses for the three months ended September 30, 2016 included $27 million of CIE expenses

compared to $88 million for the prior year period primarily reflecting the CIE deconsolidation.

Distribution expenses decreased $8 million, or 1%, to $798 million for the three months ended September 30, 2016 compared to $806 million for the prior year period driven by a $27 million benefit related to the write-off of the deferred reinsurance liability in connection with loss recognition testing of LTC insurance products in the third quarter of 2016, partially offset by higher compensation-related expense.

Interest credited to fixed accounts decreased $10 million, or 6%, to $161 million for the three months ended September 30, 2016 compared to $171 million for the prior year period primarily due to lower average fixed annuity account balances and the market impact on indexed universal life benefits, net of hedges, partially offset by higher average variable annuities fixed sub-account balances. The market impact on indexed universal life benefits, net of hedges was a benefit of $5 million for the three months ended

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September 30, 2016 compared to an expense of $4 million for the prior year period. Average fixed annuity account balances decreased $789 million, or 7%, to $10.2 billion for the three months ended September 30, 2016 compared to the prior year period as older policies continue to lapse and new sales are limited due to low interest rates. Average variable annuities fixed sub-account balances increased $213 million, or 4%, to $5.1 billion for the three months ended September 30, 2016 compared to the prior year period.

Benefits, claims, losses and settlement expenses increased $384 million, or 82%, to $855 million for the three months ended September 30, 2016 compared to $471 million for the prior year period primarily reflecting the following items:

- The three months ended September 30, 2016 included a $229 million expense from unlocking compared to a $58 million benefit in the prior year period. The unlocking impact for the third quarter of 2016 primarily reflected continued low interest rates and an unfavorable impact from persistency on living benefit reserves, partially offset by a benefit from updates to withdrawal utilization and fee assumptions, as well as market-related inputs related to our living benefit valuation. The unlocking impact for the prior year period primarily reflected an update to market-related inputs related to our living benefit valuation and a benefit from model changes that more than offset the difference between our previously assumed interest rates versus the low interest rate environment.
- A $29 million increase in LTC reserves from a correction related to our claim utilization assumption in the third quarter of 2016.
- A $13 million decrease in expense in the third quarter of 2015 related to a LTC future loss reserve adjustment.
- An $8 million increase in expense related to higher reserve funding driven by the impact of higher fees from variable annuity guarantee sales in the prior year where the fees start on the first anniversary date.
- A $17 million decrease in expense due to the impact on DSIC and insurance features in non-traditional long duration contracts from actual versus expected market performance based on our view of bond and equity performance. This impact was a benefit of $6 million for the third quarter of 2016 compared to an expense of $11 million for the prior year period reflecting favorable equity market and bond fund returns in the third quarter of 2016 compared to unfavorable equity market and bond fund returns in the prior year period.
- A $182 million increase in expense compared to the prior year period from the unhedged nonperformance credit spread risk adjustment on variable annuity guaranteed benefits. As the embedded derivative liability on which the nonperformance credit spread is applied increases (decreases), the impact of the nonperformance credit spread is favorable (unfavorable) to expense. The favorable impact of the nonperformance credit spread was $3 million for the three months ended September 30, 2016 compared to a favorable impact of $185 million for the prior year period.
- A $135 million decrease in expense from other market impacts on variable annuity guaranteed benefits, net of hedges in place to offset those risks and the related DSIC amortization. This decrease was the result of a favorable $1.4 billion change in the market impact on variable annuity guaranteed living benefits reserves, an unfavorable $1.3 billion change in the market impact on derivatives hedging the variable annuity guaranteed benefits and a favorable $2 million DSIC offset. The main market drivers contributing to these changes are summarized below:
  - Interest rate impact on the variable annuity guaranteed living benefits liability net of the impact on the corresponding hedge assets resulted in a lower expense in the third quarter of 2016 compared to the prior year period.
  - Equity market impact on the variable annuity guaranteed living benefits liability net of the impact on the corresponding hedge assets resulted in a benefit in the third quarter of 2016 compared to an expense in the prior year period.
  - Other unhedged items, including the difference between the assumed and actual underlying separate account investment performance, fixed income credit exposures, transaction costs and various behavioral items, were a net favorable impact compared to the prior year period.

Amortization of DAC increased $30 million, or 23%, to $163 million for the three months ended September 30, 2016 compared to $133 million for the prior year period primarily reflecting the following items:

- The impact of unlocking was an expense of $81 million for the three months ended September 30, 2016 compared to an expense of $15 million for the prior year period. The impact of unlocking in the third quarter of 2016 primarily reflected continued low interest rates that more than offset benefits from persistency on annuity contracts without

living benefits. Our long-term interest rate assumption remains unchanged, but we extended the period it would take for rates to reach our long term level from 3.5 years to 5.5 years. In addition, in connection with the loss recognition on LTC insurance products in the third quarter of 2016, we wrote-off $58 million of DAC due to continued low interest rates, higher morbidity and higher reinsurance expenses, slightly offset by premium increases.

The impact on DAC from actual versus expected market performance based on our view of bond and equity performance was a benefit of $8 million for the third quarter of 2016 compared to an expense of $25 million for the prior year period reflecting favorable equity market and bond fund returns in the third quarter of 2016 compared to unfavorable equity market and bond fund returns in the prior year period.

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Interest and debt expense decreased $46 million, or 47%, to $52 million for the three months ended September 30, 2016 compared to $98 million for the prior year period primarily due to a $43 million decrease in CIE interest and debt expense reflecting the CIE deconsolidation.

General and administrative expenses decreased $13 million, or 2%, to $731 million for the three months ended September 30, 2016 compared to $744 million for the prior year period due an $18 million decrease in CIE expenses reflecting the CIE deconsolidation and a positive impact of foreign exchange, partially offset by $7 million of incremental expense related to the planning and implementation of the new Department of Labor fiduciary standard and higher performance related compensation. The positive impact of foreign exchange was more than offset by a negative impact of foreign exchange on management and financial advice fees.

Income Taxes

Our effective tax rate was 9.7% for the three months ended September 30, 2016 compared to 24.1% for the prior year period. The effective tax rate for the three months ended September 30, 2016 was 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 September 30, 2016 compared to the prior year period was primarily due to lower pretax income.

Results of Operations by Segment for the Three Months Ended September 30, 2016 and 2015

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

The following table presents summary financial information by segment:

	Three Months Ended September 30,	
	2016	2015
	(in millions)	
Advice & Wealth Management		
Net revenues	$1,272	$1,245
Expenses	1,041	1,026
Operating earnings	$231	$219
Asset Management		
Net revenues	$740	$782
Expenses	585	602
Operating earnings	$155	$180
Annuities		
Net revenues	$631	$632
Expenses	699	456
Operating earnings (loss)	$(68)	$176
Protection		
Net revenues	$679	$586
Expenses	668	561
Operating earnings	$11	$25
Corporate & Other		
Net revenues	$(15)	$(4)
Expenses	57	38
Operating loss	$(72)	$(42)

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

Segment Pretax Operating Increase (Decrease)	Three Months Ended September 30,			
	2016		2015	
	Annuities	Protection	Annuities	Protection
	(in millions)			
Premiums	$—	$ —	$—	$ (3)
Other revenues	—	64	—	(5)
Total revenues	—	64	—	(8)
Distribution expenses	—	(27)	—	—
Benefits, claims, losses and settlement expenses	197	46	(61)	6
Amortization of DAC	18	65	(5)	10
Total expenses	215	84	(66)	16
Total	$(215)	$ (20)	$66	$ (24)

Advice & Wealth Management

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

	2016	2015
	(in billions)	
Beginning balance	$189.7	$181.9
Net flows	2.8	3.0
Market appreciation (depreciation) and other	5.0	(11.1)
Ending balance	$197.5	$173.8
Advisory wrap account assets ending balance [1]	$195.4	$172.3
Average advisory wrap account assets [2]	$192.7	$177.7

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

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

Wrap account assets increased $7.8 billion, or 4%, during the three months ended September 30, 2016 due to net inflows of $2.8 billion and market appreciation and other of $5.0 billion. Average advisory wrap account assets increased $15.0 billion, or 8%, compared to the prior year period primarily reflecting net inflows and equity market appreciation.

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

	2016	2015
	(in billions)	
Beginning balance	$173.8	$169.2
Net flows	9.0	12.2
Market appreciation (depreciation) and other	14.7	(7.6)
Ending balance	$197.5	$173.8

Wrap account assets increased $23.7 billion, or 14%, from the prior year period primarily due to net inflows and equity market appreciation.

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

	Three Months Ended September 30,		Change	
	2016	2015		
	(in millions)			
Revenues				
Management and financial advice fees	$689	$658	$31	5 %
Distribution fees	531	540	(9)	(2)
Net investment income	47	38	9	24
Other revenues	17	16	1	6
Total revenues	1,284	1,252	32	3
Banking and deposit interest expense	12	7	5	71
Total net revenues	1,272	1,245	27	2
Expenses				
Distribution expenses	781	764	17	2
Interest and debt expense	2	2	—	—
General and administrative expense	258	260	(2)	(1)
Total expenses	1,041	1,026	15	1
Operating earnings	$231	$219	$12	5 %

Our Advice & Wealth Management segment pretax operating earnings, which exclude net realized investment gains or losses, increased $12 million, or 5%, to $231 million for the three months ended September 30, 2016 compared to $219 million for the prior year period reflecting wrap account net inflows, equity market appreciation and higher earnings on brokerage cash, partially offset by lower transactional volume. Pretax operating margin was 18.2% for the three months ended September 30, 2016 compared to 17.6% for the prior year period.

Net Revenues

Net revenues exclude net realized investment gains or losses. Net revenues increased $27 million, or 2%, to $1.3 billion for the three months ended September 30, 2016 compared to $1.2 billion for the prior year period primarily due to higher management fees. Operating net revenue per branded advisor increased to $131,000 for the three months ended September 30, 2016, up 3%, from $127,000 for the prior year period. Total branded advisors were 9,747 at September 30, 2016 compared to 9,814 at September 30, 2015.

Management and financial fees increased $31 million, or 5%, to $689 million for the three months ended September 30, 2016 compared to $658 million for the prior year period due to growth in wrap account assets. Average advisory wrap account assets increased $15.0 billion, or 8%, compared to the prior year period primarily reflecting net inflows and equity market appreciation.

Distribution fees decreased $9 million, or 2%, to $531 million for the three months ended September 30, 2016 compared to $540 million for the prior year period primarily due to lower transactional volume, partially offset by higher brokerage cash spread due to an increase in short-term interest rates and equity market appreciation.

Expenses

Total expenses increased $15 million, or 1%, to $1.0 billion for the three months ended September 30, 2016 compared to the prior year period primarily due to a $17 million increase in distribution expenses reflecting higher advisor compensation due to equity market appreciation and wrap account net inflows, partially offset by lower transactional volume.

Asset Management

Fee waivers have been provided to the Columbia Money Market Funds (the "Funds") by Columbia and certain other subsidiaries performing services for the Funds for the purpose of reducing the expenses charged to a Fund in a given period to maintain or improve a Fund's net yield in that period. Our subsidiaries may enter into contractual arrangements with the Funds identifying the specific fees to be waived and/or expenses to be reimbursed, as well as the time period for which such waivers will apply. In aggregate, we voluntarily waived fees of $1 million and $2 million for the three months ended September 30, 2016 and 2015, respectively.

On September 1, 2016, we completed our acquisition of Emerging Global Advisors, LLC ("EGA"), a New York-based registered investment adviser and provider of strategic beta portfolios focused on emerging markets. The acquisition adds approximately $1.0 billion in assets under management.

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

Columbia

			2016	2015
Mutual Fund Rankings in top 2 Lipper Quartiles				
Domestic Equity	Equal weighted	1 year	62%	57%
		3 year	68%	65%
		5 year	67%	57%
	Asset weighted	1 year	74%	59%
		3 year	78%	72%
		5 year	84%	70%
International Equity	Equal weighted	1 year	55%	68%
		3 year	60%	73%
		5 year	80%	70%
	Asset weighted	1 year	73%	35%
		3 year	44%	42%
		5 year	52%	40%
Taxable Fixed Income	Equal weighted	1 year	78%	58%
		3 year	71%	59%
		5 year	76%	71%
	Asset weighted	1 year	82%	72%
		3 year	76%	82%
		5 year	85%	85%
Tax Exempt Fixed Income	Equal weighted	1 year	84%	94 %
		3 year	89%	100%
		5 year	94%	100%
	Asset weighted	1 year	92%	99 %
		3 year	81%	100%
		5 year	88%	100%
Asset Allocation Funds	Equal weighted	1 year	69 %	90 %
		3 year	100%	67 %
		5 year	75 %	88 %
	Asset weighted	1 year	87 %	100%
		3 year	100%	73 %
		5 year	81 %	97 %
Number of funds with 4 or 5 Morningstar star ratings		Overall	54	51
		3 year	54	52
		5 year	52	44
Percent of funds with 4 or 5 Morningstar star ratings		Overall	56%	50%
		3 year	56%	51%
		5 year	55%	46%
Percent of assets with 4 or 5 Morningstar star ratings		Overall	68%	58%
		3 year	75%	57%
		5 year	67%	54%

Mutual fund performance rankings are based on the performance of Class Z fund shares for Columbia branded mutual funds. Only funds with Class Z shares are included.

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Equal Weighted Rankings in Top 2 Quartiles: Counts the number of funds with above median ranking divided by the total number of funds. Asset size is not a factor.
Asset Weighted Rankings in Top 2 Quartiles: Sums the total assets of the funds with above median ranking divided by total assets of all funds. Funds with more assets will receive a greater share of the total percentage above or below median.

Threadneedle Retail Fund Rankings in Top 2 Morningstar Quartiles or Above Index Benchmark			2016	2015
Equity	Equal weighted	1 year	52%	71%
		3 year	72%	74%
		5 year	71%	84%
	Asset weighted	1 year	62%	67%
		3 year	69%	68%
		5 year	63%	93%
Fixed Income	Equal weighted	1 year	58%	56%
		3 year	50%	68%
		5 year	64%	71%
	Asset weighted	1 year	57%	66%
		3 year	69%	69%
		5 year	73%	59%
Allocation (Managed) Funds	Equal weighted	1 year	88%	63%
		3 year	88%	86%
		5 year	83%	83%
	Asset weighted	1 year	80%	73%
		3 year	97%	93%
		5 year	92%	93%

The performance of each fund is measured on a consistent basis against the most appropriate benchmark — a peer group of similar funds or an index.
Equal weighted: Counts the number of funds with above median ranking (if measured against peer group) or above index performance (if measured against an index) divided by the total number of funds. Asset size is not a factor.
Asset weighted: Sums the assets of the funds with above median ranking (if measured against peer group) or above index performance (if measured against an index) divided by the total sum of assets in the funds. Funds with more assets will receive a greater share of the total percentage above or below median or index.
Aggregated Allocation (Managed) Funds include funds that invest in other funds of the Threadneedle range including those funds that invest in both equity and fixed income.
Aggregated Threadneedle data includes funds on the Threadneedle platform sub-advised by Columbia as well as advisors not affiliated with Ameriprise Financial, Inc.
Beginning in the first quarter of 2016, the Columbia and Threadneedle AUM rollforwards have been combined to align with the Columbia Threadneedle Investments brand, which represents the combined capabilities, resources and reach of both firms. In addition, we combined the rollforwards for Institutional and Alternative AUM and included the change in Affiliated General Account Assets in the market appreciation (depreciation) and other line within the combined AUM rollforward. All changes were made on a retrospective basis.

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The following table presents global managed assets by type:

	September 30,		Change		Average[1] Three Months Ended September 30,		Change	
	2016	2015			2016	2015		
	(in billions)							
Equity	$245.9	$248.9	$(3.0)	(1)%	$244.6	$266.2	$(21.6)	(8)%
Fixed income	183.3	184.7	(1.4)	(1)	182.4	187.3	(4.9)	(3)
Money market	6.6	6.5	0.1	2	6.9	6.7	0.2	3
Alternative	7.3	8.3	(1.0)	(12)	7.2	7.9	(0.7)	(9)
Hybrid and other	24.7	22.7	2.0	9	24.7	22.9	1.8	8
Total managed assets	$467.8	$471.1	$(3.3)	(1)%	$465.8	$491.0	$(25.2)	(5)%

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

The following table presents the changes in global managed assets:

	Three Months Ended September 30,	
	2016	2015
	(in billions)	
Global Retail Funds		
Beginning assets	$259.2	$280.2
Inflows	12.3	11.7
Acquisition related inflows [1]	1.0	—
Outflows	(14.2)	(16.3)
Net VP/VIT fund flows	(0.6)	(0.1)
Net new flows	(1.5)	(4.7)
Reinvested dividends	0.6	0.6
Net flows	(0.9)	(4.1)
Distributions	(0.9)	(0.9)
Market appreciation (depreciation) and other [3]	9.5	(15.5)
Foreign currency translation [2][3]	(0.9)	(1.1)
Total ending assets	266.0	258.6
Global Institutional		
Beginning assets	200.4	222.9
Inflows	5.1	6.9
Outflows	(8.5)	(10.2)
Net flows	(3.4)	(3.3)
Market appreciation (depreciation) and other [3][4]	7.1	(4.0)
Foreign currency translation [2][3]	(2.3)	(3.1)
Total ending assets	201.8	212.5
Total managed assets	$467.8	$471.1
Total net flows	$(4.3)	$(7.4)
Former Parent Company Related [5]		
Retail net new flows	$—	$(0.6)
Institutional net new flows	(1.4)	(2.0)
Total net new flows	$(1.4)	$(2.6)

(1) Inflows associated with acquisitions that closed during the period.
(2) Amounts represent local currency to US dollar translation for reporting purposes.

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

(4) Includes $0.8 billion and $0.3 billion for the total change in Affiliated General Account Assets during the three months ended September 30, 2016 and 2015, respectively.

(5) Former parent company related assets and net new flows are included in the rollforwards above.

On June 23, 2016, the United Kingdom (UK) held a referendum on membership of the European Union (EU) and the British public voted to leave the EU, which caused volatility in capital and currency markets. The full impact of the UK referendum result remains uncertain. This uncertainty, which is expected to last for a lengthy period of time, has had and may continue to have a negative impact on our UK and European net flows and foreign currency translation resulting from the weakening of the British Pound.

Total segment AUM increased $8.2 billion, or 2%, during the three months ended September 30, 2016 driven by market appreciation and other, partially offset by net outflows and a negative impact of foreign currency translation. Total segment AUM net outflows were $4.3 billion for the three months ended September 30, 2016, which included $1.4 billion of outflows of former parent-related assets. Management expects, consistent with prior patterns of outflows, that outflows of primarily low margin assets directly or indirectly affiliated with Threadneedle and Columbia former parent companies will continue for the foreseeable future. The overall impact to segment results is difficult to quantify due to uncertain timing, volume and mix of the outflows.

Global retail funds increased $6.8 billion, or 3%, during the three months ended September 30, 2016 due to market appreciation and other, partially offset by net outflows and a negative impact of foreign currency translation. Global retail net outflows of $0.9 billion during the three months ended September 30, 2016 included $0.6 billion of outflows from the Columbia Acorn® Fund, $0.6 billion of outflows of our variable product funds underlying insurance and annuity separate accounts, and $0.4 billion of UK and European net outflows, partially offset by inflows of $1.0 billion related to the EGA acquisition. Global institutional AUM increased $1.4 billion, or 1%, during the three months ended September 30, 2016 due to market appreciation and other, partially offset by net outflows of $3.4 billion and a $2.3 billion negative impact of foreign currency translation. Global institutional net outflows included $1.4 billion of outflows of former parent-related assets and $0.7 billion of outflows from Acorn strategies.

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

	Three Months Ended September 30,		Change	
	2016	2015		
	(in millions)			
Revenues				
Management and financial advice fees	$612	$656	$(44)	(7)%
Distribution fees	125	123	2	2
Net investment income	1	1	—	—
Other revenues	2	2	—	—
Total revenues	740	782	(42)	(5)
Banking and deposit interest expense	—	—	—	—
Total net revenues	740	782	(42)	(5)
Expenses				
Distribution expenses	261	270	(9)	(3)
Amortization of deferred acquisition costs	4	4	—	—

Interest and debt expense	5	6	(1)	(17)
General and administrative expense	315	322	(7)	(2)
Total expenses	585	602	(17)	(3)
Operating earnings	$155	$180	$(25)	(14)%

Our Asset Management segment pretax operating earnings, which exclude net realized investment gains or losses, decreased $25 million, or 14%, to $155 million for the three months ended September 30, 2016 compared to $180 million for the prior year period primarily due to net outflows, partially offset by market appreciation.

Net Revenues

Net revenues, which exclude net realized investment gains or losses, decreased $42 million, or 5%, to $740 million for the three months ended September 30, 2016 compared to $782 million for the prior year period primarily due to a decrease in management and financial advice fees.

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Management and financial advice fees decreased $44 million, or 7%, to $612 million for the three months ended September 30, 2016 compared to $656 million for the prior year period primarily due to lower asset-based fees driven by a decrease in average AUM. Average AUM decreased $25.2 billion, or 5%, compared to the prior year period due to net outflows and the negative impact of foreign currency translation, partially offset by market appreciation. Our average weighted equity index, which is a proxy for equity movements on AUM, increased 4% for the three months ended September 30, 2016 compared to the prior year period.

Expenses

Total expenses decreased $17 million, or 3%, to $585 million for the three months ended September 30, 2016 compared to $602 million for the prior year period due to a $9 million decrease in distribution expenses from lower retail fund assets and a decrease in general and administrative expense.

General and administrative expense decreased $7 million, or 2%, to $315 million for the three months ended September 30, 2016 compared to $322 million for the prior year period primarily due to a positive impact of foreign exchange, partially offset by higher performance related compensation. The positive impact of foreign exchange was more than offset by a negative impact of foreign exchange on management and financial advice fees.

Annuities

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

	Three Months Ended September 30,		Change	
	2016	2015		
	(in millions)			
Revenues				
Management and financial advice fees	$188	$187	$1	1 %
Distribution fees	89	91	(2)	(2)
Net investment income	192	208	(16)	(8)
Premiums	29	25	4	16
Other revenues	133	121	12	10
Total revenues	631	632	(1)	—
Banking and deposit interest expense	—	—	—	—
Total net revenues	631	632	(1)	—
Expenses				
Distribution expenses	106	111	(5)	(5)
Interest credited to fixed accounts	122	125	(3)	(2)
Benefits, claims, losses and settlement expenses	346	89	257	NM
Amortization of deferred acquisition costs	66	66	—	—
Interest and debt expense	7	10	(3)	(30)
General and administrative expense	52	55	(3)	(5)
Total expenses	699	456	243	53 %
Operating earnings (loss)	$(68)	$176	$(244)	NM

NM Not Meaningful.

Our Annuities segment pretax operating income (loss), which excludes net realized investment gains or losses (net of the related DSIC and DAC amortization) and the market impact on variable annuity guaranteed benefits (net of hedges and the related DSIC and DAC amortization), was a loss of $68 million for the three months ended September 30, 2016 compared to income of $176 million for the prior year period primarily due to the impact of unlocking and lower investment yields, partially offset by equity market appreciation and the impact on DAC, DSIC and reserves for insurance features in non-traditional long-duration contracts from actual versus expected market performance based

on our view of bond and equity performance.

The impact on DAC, DSIC and reserves for insurance features in non-traditional long-duration contracts from actual versus expected market performance based on our view of bond and equity performance was a benefit of $13 million ($7 million for DAC, $2 million for DSIC and $4 million for insurance features in non-traditional long duration contracts) for the three months ended September 30, 2016 reflecting favorable equity market and bond fund returns compared to an expense of $34 million ($23 million for DAC, $6 million for DSIC and $5 million for insurance features in non-traditional long duration contracts) for the prior year period reflecting unfavorable equity market and bond fund returns.

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RiverSource variable annuity account balances increased 4% to $75.9 billion at September 30, 2016 compared to the prior year period due to equity market appreciation, partially offset by net outflows of $1.7 billion.

RiverSource fixed annuity account balances declined 7% to $10.2 billion at September 30, 2016 compared to the prior year period as older policies continue to lapse and new sales are limited due to low interest rates. Given the current interest rate environment, our current fixed annuity book is expected to gradually run off and earnings on our fixed annuity business will trend down.

Net Revenues

Net revenues, which exclude net realized investment gains or losses, were essentially flat at $631 million for the three months ended September 30, 2016 compared to $632 million for the prior year period as a decrease in net investment income was offset by higher premiums and other revenues.

Net investment income, which excludes net realized investment gains or losses, decreased $16 million, or 8%, to $192 million for the three months ended September 30, 2016 compared to $208 million for the prior year period reflecting a decrease of approximately $10 million from lower invested assets primarily due to fixed annuity net outflows and approximately $6 million from lower interest rates.

Other revenues increased $12 million, or 10%, to $133 million for the three months ended September 30, 2016 compared to $121 million for the prior year period due to higher fees from variable annuity guarantee sales in the prior year where the fees start on the first anniversary date and higher average fee rates.

Expenses

Total expenses, which exclude the market impact on variable annuity guaranteed benefits (net of hedges and the related DSIC and DAC amortization) and the DAC and DSIC offset to net realized investment gains or losses, increased $243 million, or 53%, to $699 million for the three months ended September 30, 2016 compared to $456 million for the prior year period due to the impact of unlocking, partially offset by the impact on DAC and DSIC from actual versus expected market performance based on our view of bond and equity performance.

Benefits, claims, losses and settlement expenses, which exclude the market impact on variable annuity guaranteed benefits (net of hedges and the related DSIC amortization) and the DSIC offset to net realized investment gains or losses, increased $257 million to $346 million for the three months ended September 30, 2016 compared to $89 million for the prior year period primarily reflecting the following items:

- Benefits, claims, losses and settlement expenses for the third quarter of 2016 included a $197 million expense from unlocking primarily reflecting continued low interest rates and an unfavorable impact from persistency on living benefit reserves, partially offset by a benefit from updates to withdrawal utilization and fee assumptions, as well as market-related inputs related to our living benefit valuation. Benefits, claims, losses and settlement expenses for the third quarter of 2015 included a $61 million benefit from unlocking primarily reflecting an update to market-related inputs related to our living benefit valuation and a benefit from model changes that more than offset the difference between our previously assumed interest rates versus the low interest rate environment.
- An $8 million increase in expense related to higher reserve funding driven by the impact of higher fees from variable annuity guarantee sales in the prior year where the fees start on the first anniversary date.
- A $17 million decrease in expense compared to the prior year period due to the impact on DSIC and insurance features in non-traditional long duration contracts from actual versus expected market performance based on our view of bond and equity performance. This impact was a benefit of $6 million for the third quarter of 2016 compared to an expense of $11 million for the prior year period reflecting favorable equity market and bond fund returns in the third quarter of 2016 compared to unfavorable equity market and bond fund returns in the prior year period.

Amortization of DAC was flat at $66 million for the three months ended September 30, 2016 compared to the prior year period primarily reflecting the unfavorable impact of unlocking, offset by the impact on DAC from actual versus expected market performance based on our view of bond and equity performance, which was a benefit of $7 million for the three months ended September 30, 2016 compared to an expense of $23 million for the prior year period reflecting favorable equity market and bond fund returns in the third quarter of 2016 compared to unfavorable equity market and bond fund returns in the prior year period. Amortization of DAC for the third quarter of 2016 included an

$18 million expense from unlocking reflecting continued low interest rates, partially offset by benefits from persistency on annuity contracts without living benefits. Our long-term interest rate assumption remains unchanged, but we extended the period it would take for rates to reach our long term level from 3.5 years to 5.5 years. Amortization of DAC for the third quarter of 2015 included a $5 million benefit from unlocking primarily driven by improved persistency that more than offset the difference between our previously assumed interest rates versus the low interest rate environment.

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Protection

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

	Three Months Ended September 30,		Change	
	2016	2015		
	(in millions)			
Revenues				
Management and financial advice fees	$13	$ 14	$(1)	(7)%
Distribution fees	24	24	—	—
Net investment income	124	118	6	5
Premiums	350	339	11	3
Other revenues	168	91	77	85
Total revenues	679	586	93	16
Banking and deposit interest expense	—	—	—	—
Total net revenues	679	586	93	16
Expenses				
Distribution expenses	(14)	12	(26)	NM
Interest credited to fixed accounts	44	42	2	5
Benefits, claims, losses and settlement expenses	464	384	80	21
Amortization of deferred acquisition costs	97	50	47	94
Interest and debt expense	8	9	(1)	(11)
General and administrative expense	69	64	5	8
Total expenses	668	561	107	19
Operating earnings	$11	$ 25	$(14)	(56)%

NM Not Meaningful.

Our Protection segment pretax operating earnings, which excludes net realized investment gains or losses (net of the related DAC amortization, unearned revenue amortization and the reinsurance accrual) and the market impact on indexed universal life benefits (net of hedges and the related DAC amortization, unearned revenue amortization and the reinsurance accrual), decreased $14 million, or 56%, to $11 million for the three months ended September 30, 2016 compared to $25 million for the prior year period primarily due to higher catastrophe losses and a $29 million increase in LTC reserves from a correction related to our claim utilization assumption in the third quarter of 2016, partially offset by the impact of unlocking and favorable development in prior year auto and home reserves as well as improved current year loss performance.

Net Revenues

Net revenues, which exclude net realized investment gains or losses (net of unearned revenue amortization and the reinsurance accrual) and the unearned revenue amortization and the reinsurance accrual offset to the market impact on indexed universal life benefits, increased $93 million, or 16%, to $679 million for the three months ended September 30, 2016 compared to $586 million for the prior year period primarily due to the impact of unlocking, higher auto and home premiums primarily due to rate increases and a $13 million unfavorable impact related to a life reinsurance premium correction in the third quarter of 2015.

Other revenues increased $77 million, or 85%, to $168 million for the three months ended September 30, 2016 compared to $91 million for the prior year period primarily due to the impact of unlocking and a $9 million unfavorable impact related to a life reinsurance premium correction in the prior year period. Other revenues for the third quarter of 2016 included a $64 million favorable impact from unlocking compared to a $5 million unfavorable impact in the prior year period. The primary driver of the unlocking impact to other revenues for the third quarter of

2016 was a positive impact from higher projected gains on reinsurance contracts resulting from unfavorable mortality experience. The primary driver of the unlocking impact to other revenues for the prior year period was a positive impact from model updates related to our indexed universal life product, partially offset by a negative impact from lower projected gains on reinsurance contracts resulting from favorable mortality experience.

Expenses

Total expenses, which exclude the market impact on indexed universal life benefits (net of hedges and the related DAC amortization) and the DAC offset to net realized investment gains or losses, increased $107 million, or 19%, to $668 million for the three months ended September 30, 2016 compared to $561 million for the prior year period primarily due to the impact of unlocking, a $29 million increase in LTC reserves from a correction related to our claim utilization assumption in the third quarter of 2016 and a $13 million decrease in the third quarter of 2015 related to a LTC future loss reserve adjustment.

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Distribution expenses decreased $26 million to a negative $14 million for the three months ended September 30, 2016 compared to $12 million for the prior year period primarily due to a $27 million benefit related to the write-off of the deferred reinsurance liability in connection with loss recognition testing of LTC insurance products in the third quarter of 2016.

Benefits, claims, losses and settlement expenses increased $80 million, or 21%, to $464 million for the three months ended September 30, 2016 compared to $384 million for the prior year period primarily due to the impact of unlocking, higher catastrophe losses, a $29 million increase in LTC reserves from a correction related to our claim utilization assumption in the third quarter of 2016 and a $13 million decrease in the third quarter of 2015 related to a LTC future loss reserve adjustment, partially offset by a $10 million positive impact from prior year auto and home reserve development and improved current year loss performance. The unlocking impact for the third quarter of 2016 was $46 million and primarily reflected continued low interest rates and unfavorable mortality experience. The impact of unlocking for the prior year period was $6 million. Catastrophe losses were $29 million for the three months ended September 30, 2016 compared to $8 million for the prior year period.

Amortization of DAC increased $47 million, or 94%, to $97 million for the three months ended September 30, 2016 compared to $50 million for the prior year period primarily due to the impact of unlocking. The impact of unlocking was an expense of $65 million for the three months ended September 30, 2016 compared to an expense of $10 million for the prior year period. The unlocking impact for the third quarter of 2016 primarily reflected the DAC write-off of $58 million in connection with the loss recognition on LTC insurance products due to continued low interest rates, higher morbidity and higher reinsurance expenses, slightly offset by premium increases. The unlocking impact for the prior year period was primarily driven by the difference between our previously assumed interest rates versus the low interest rate environment.

Corporate & Other

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

	Three Months Ended September 30,		Change	
	2016	2015		
	(in millions)			
Revenues				
Net investment loss	$(18)	$(5)	$(13)	NM
Other revenues	4	1	3	NM
Total revenues	(14)	(4)	(10)	NM
Banking and deposit interest expense	1	—	1	—
Total net revenues	(15)	(4)	(11)	NM
Expenses				
Interest and debt expense	5	3	2	67
General and administrative expense	52	35	17	49
Total expenses	57	38	19	50
Operating loss	$(72)	$(42)	$(30)	(71)%

NM Not Meaningful.

Our Corporate & Other segment pretax operating loss excludes net realized investment gains or losses, the market impact of hedges to offset interest rate changes on unrealized gains or losses for certain investments, integration and restructuring charges, and the impact of consolidating CIEs. Our Corporate & Other segment pretax operating loss increased $30 million, or 71%, to $72 million for the three months ended September 30, 2016 compared to $42 million for the prior year period primarily due to increases in net investment loss and general and administrative expense.

Net investment loss increased $13 million to $18 million for the three months ended September 30, 2016 compared to $5 million for the prior year period primarily due to a $10 million impairment on an affordable housing partnership investment in the third quarter of 2016 to align it with the remaining tax benefit cash flows.

General and administrative expense increased $17 million, or 49%, to $52 million for the three months ended September 30, 2016 compared to $35 million for the prior year period primarily due to $7 million of incremental expense related to the planning and implementation of the new Department of Labor fiduciary standard and higher performance based compensation.

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Consolidated Results of Operations for the Nine Months Ended September 30, 2016 and 2015

The following table presents our consolidated results of operations:

	Nine Months Ended September 30,		Change	
	2016	2015		
	(in millions)			
Revenues				
Management and financial advice fees	$4,289	$4,451	$(162)	(4)%
Distribution fees	1,338	1,389	(51)	(4)
Net investment income	1,090	1,228	(138)	(11)
Premiums	1,114	1,081	33	3
Other revenues	832	939	(107)	(11)
Total revenues	8,663	9,088	(425)	(5)
Banking and deposit interest expense	29	21	8	38
Total net revenues	8,634	9,067	(433)	(5)
Expenses				
Distribution expenses	2,371	2,460	(89)	(4)
Interest credited to fixed accounts	465	503	(38)	(8)
Benefits, claims, losses and settlement expenses	1,934	1,547	387	25
Amortization of deferred acquisition costs	360	302	58	19
Interest and debt expense	160	271	(111)	(41)
General and administrative expense	2,221	2,288	(67)	(3)
Total expenses	7,511	7,371	140	2
Pretax income	1,123	1,696	(573)	(34)
Income tax provision	209	389	(180)	(46)
Net income	914	1,307	(393)	(30)
Less: Net income attributable to noncontrolling interests	—	102	(102)	NM
Net income attributable to Ameriprise Financial	$914	$1,205	$(291)	(24)%

NM Not Meaningful.

Overall

Pretax income decreased $573 million, or 34%, to $1.1 billion for the nine months ended September 30, 2016 compared to $1.7 billion for the prior year period primarily due to the impact of unlocking, asset management net outflows, lower transactional volume, a $24 million increase in catastrophe losses, a $22 million unfavorable change in the market impact of hedges on investments, a $23 million expense from the resolution of a legacy legal matter related to the hedge fund business, market depreciation, an unfavorable $29 million LTC reserve correction in the third quarter of 2016 and a $103 million decrease in net income (loss) from CIEs, partially offset by a $33 million favorable change in the market impact on indexed universal life benefits, wrap account net inflows and the impact on DAC, DSIC and reserves for insurance features in non-traditional long-duration contracts from actual versus expected market performance based on our view of bond and equity performance.

Net income (loss) from CIEs for the nine months ended September 30, 2016 was a loss of $1 million compared to income of $102 million for the prior year period primarily reflecting the deconsolidation of CIEs effective January 1, 2016.

Results for the nine months ended September 30, 2016 included $34 million of management fees we earned for services provided to deconsolidated CIEs. These fees were eliminated on a consolidated basis in the prior year period.

The market impact on indexed universal life benefits (net of hedges and the related DAC amortization, unearned revenue amortization and the reinsurance accrual) was a benefit of $31 million for the nine months ended September 30, 2016 compared to an expense of $2 million for the prior year period.

The impact on DAC, DSIC and reserves for insurance features in non-traditional long-duration contracts from actual versus expected market performance based on our view of bond and equity performance was a benefit of $5 million ($3 million for DAC, $1 million for DSIC and $1 million for insurance features in non-traditional long duration contracts) for the nine months ended September 30, 2016 reflecting favorable equity market and bond fund returns compared to a net expense of $20 million ($20 million for DAC, $5 million for DSIC and a $5 million benefit for insurance features in non-traditional long duration contracts) for the prior year period reflecting unfavorable equity market and bond fund returns.

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See the table of total pretax impacts on our revenues and expenses attributable to unlocking within our Consolidated Results of Operations for the three months ended September 30, 2016.

Net Revenues

Net revenues decreased $433 million, or 5%, to $8.6 billion for the nine months ended September 30, 2016 compared to $9.1 billion for the prior year period primarily due to decreases in management and financial advice fees, distribution fees, net investment income and other revenues. Net revenues for the nine months ended September 30, 2016 included $77 million of CIE revenues compared to $333 million for the prior year period primarily reflecting the CIE deconsolidation.

Management and financial advice fees decreased $162 million, or 4%, to $4.3 billion for the nine months ended September 30, 2016 compared to $4.5 billion for the prior year period primarily due to lower asset-based fees driven by a decrease in average AUM, as well as a $16 million decrease in performance fees. Average AUM decreased $32.9 billion, or 5%, compared to the prior year period due to asset management net outflows, market depreciation and the negative impact of foreign currency translation, partially offset by wrap account net inflows. See our discussion on the changes in AUM in our segment results of operations section. Management and financial advice fees for the nine months ended September 30, 2016 included $34 million of fees we earned for services provided to CLOs and property funds that were deconsolidated effective January 1, 2016. These fees were eliminated on a consolidated basis in the prior year period.

Distribution fees decreased $51 million, or 4%, to $1.3 billion for the nine months ended September 30, 2016 compared to $1.4 billion for the prior year period primarily due to market depreciation and lower transactional volume, partially offset by higher brokerage cash spread due to an increase in short-term interest rates.

Net investment income decreased $138 million, or 11%, to $1.1 billion for the nine months ended September 30, 2016 compared to $1.2 billion for the prior year period primarily due to a $72 million decrease in CIE net investment income, a $22 million unfavorable change in the market impact of hedges on investments and a $27 million decrease in investment income on fixed maturities driven by low interest rates. In addition, net realized investment losses were $5 million for the nine months ended September 30, 2016, which included an $11 million loss from the sale of consumer loans, compared to net realized investment gains of $5 million for the prior year period. Net investment income for the nine months ended September 30, 2016 included $89 million CIE net investment income compared to $161 million for the prior year period primarily reflecting the CIE deconsolidation.

Other revenues decreased $107 million, or 11%, to $832 million for the nine months ended September 30, 2016 compared to $939 million for the prior year period due to a $216 million decrease in CIE other revenues reflecting the CIE deconsolidation, partially offset by the impact of unlocking, the unearned revenue amortization and the reinsurance accrual offset to the market impact on indexed universal life benefits and higher fees from variable annuity guarantee sales in the prior year where the fees start on the first anniversary date and higher average fee rates. The unearned revenue amortization and the reinsurance accrual offset to the market impact on indexed universal life benefits was a positive $18 million for the nine months ended September 30, 2016 compared to a positive $5 million for the prior year period. Other revenues for the nine months ended September 30, 2016 included a $64 million favorable impact from unlocking compared to an $8 million favorable impact in the prior year period. The primary driver of the unlocking impact to other revenues for the nine months ended September 30, 2016 was a positive impact from higher projected gains on reinsurance contracts resulting from unfavorable mortality experience. The primary driver of the unlocking impact to other revenues for the prior year period was a positive impact from model updates related to our indexed universal life product, partially offset by a negative impact from lower projected gains on reinsurance contracts resulting from favorable mortality experience.

Expenses

Total expenses increased $140 million, or 2%, to $7.5 billion for the nine months ended September 30, 2016 compared to $7.4 billion for the prior year period primarily due to the impact of unlocking, partially offset by the CIE deconsolidation. Expenses for the nine months ended September 30, 2016 included $78 million of CIE expenses compared to $231 million for the prior year period primarily reflecting the CIE deconsolidation.

Distribution expenses decreased $89 million, or 4%, to $2.4 billion for the nine months ended September 30, 2016 compared to $2.5 billion for the prior year period driven by lower advisor compensation due to equity market depreciation and lower transactional volume, as well as a $27 million benefit related to the write-off of the deferred reinsurance liability in connection with loss recognition testing of LTC insurance products in the third quarter of 2016. Interest credited to fixed accounts decreased $38 million, or 8%, to $465 million for the nine months ended September 30, 2016 compared to $503 million for the prior year period primarily due to lower average fixed annuity account balances and the market impact on indexed universal life benefits, net of hedges, partially offset by higher average variable annuities fixed sub-account balances. The market impact on indexed universal life benefits, net of hedges was a benefit of $25 million for the nine months ended September 30, 2016 compared to an expense of $5 million for the prior year period. Average fixed annuity account balances decreased $1.0 billion, or 9%, to $10.4 billion for the nine months ended September 30, 2016 compared to the prior year period as older policies continue to lapse and new sales are limited due to low interest rates. Average variable annuities fixed sub-account balances increased $149 million, or 3%, to $5.0 billion for the nine months ended September 30, 2016 compared to the prior year period.

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Benefits, claims, losses and settlement expenses increased $387 million, or 25%, to $1.9 billion for the nine months ended September 30, 2016 compared to $1.5 billion for the prior year period primarily reflecting the following items:

- The nine months ended September 30, 2016 included a $229 million expense from unlocking compared to a $58 million benefit in the prior year period. The unlocking impact for the nine months ended September 30, 2016 primarily reflected continued low interest rates and an unfavorable impact from persistency on living benefit reserves, partially offset by a benefit from updates to withdrawal utilization and fee assumptions, as well as market-related inputs related to our living benefit valuation. The unlocking impact for the prior year period primarily reflected an update to market-related inputs related to our living benefit valuation and a benefit from model changes that more than offset the difference between our previously assumed interest rates versus the low interest rate environment.
- A $24 million increase in catastrophe losses compared to the prior year period.
- A $29 million increase in LTC reserves from a correction related to our claim utilization assumption in the third quarter of 2016.
- An $18 million increase in expense related to higher reserve funding driven by the impact of higher fees from variable annuity guarantee sales in the prior year where the fees start on the first anniversary date.

Amortization of DAC increased $58 million, or 19%, to $360 million for the nine months ended September 30, 2016 compared to $302 million for the prior year period primarily reflecting the following items:

- The impact of unlocking was an expense of $81 million for the nine months ended September 30, 2016 compared to an expense of $15 million for the prior year period. The unlocking impact for the nine months ended September 30, 2016 primarily reflected continued low interest rates that more than offset benefits from persistency on annuity contracts without living benefits. In addition, in connection with the loss recognition on LTC insurance products in the third quarter of 2016, we wrote-off $58 million of DAC due to continued low interest rates, higher morbidity and higher reinsurance expenses, slightly offset by premium increases.
- The impact on DAC from actual versus expected market performance based on our view of bond and equity performance was a benefit of $3 million for the nine months ended September 30, 2016 compared to an expense of $20 million for the prior year period reflecting favorable equity market and bond fund returns in the current year period compared to unfavorable equity market and bond fund returns in the prior year period.
- The DAC offset to the market impact on variable annuity guaranteed benefits (net of hedges and the related DSIC amortization) was an expense of $6 million for the nine months ended September 30, 2016 compared to a benefit of $1 million for the prior year period.

Interest and debt expense decreased $111 million, or 41%, to $160 million for the nine months ended September 30, 2016 compared to $271 million for the prior year period primarily due to a $105 million decrease in CIE interest and debt expense reflecting the CIE deconsolidation.

General and administrative expenses decreased $67 million, or 3%, to $2.2 billion for the nine months ended September 30, 2016 compared to $2.3 billion for the prior year period primarily due a $48 million decrease in CIE expenses reflecting the CIE deconsolidation, a $9 million sales and use tax reserve release in the first quarter of 2016, an $8 million decrease in compensation related to lower performance fees, a benefit from the impact of foreign exchange and lower investment spending, partially offset by $19 million of incremental expense related to the planning and implementation of the new Department of Labor fiduciary standard and $23 million of expense in the second quarter of 2016 from the resolution of a legacy legal matter related to the hedge fund business.

Income Taxes

Our effective tax rate was 18.6% for the nine months ended September 30, 2016 compared to 23.0% for the prior year period. The effective tax rate for the nine months ended September 30, 2016 was 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 nine months ended September 30, 2016 compared to the prior year period was primarily due to lower pretax income.

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Results of Operations by Segment for the Nine Months Ended September 30, 2016 and 2015

The following table presents summary financial information by segment:

	Nine Months Ended September 30,	
	2016	2015
	(in millions)	
Advice & Wealth Management		
Net revenues	$3,720	$3,747
Expenses	3,063	3,098
Operating earnings	$657	$649
Asset Management		
Net revenues	$2,203	$2,421
Expenses	1,751	1,853
Operating earnings	$452	$568
Annuities		
Net revenues	$1,846	$1,914
Expenses	1,644	1,416
Operating earnings	$202	$498
Protection		
Net revenues	$1,891	$1,776
Expenses	1,774	1,628
Operating earnings	$117	$148
Corporate & Other		
Net revenues	$(20)	$(12)
Expenses	178	149
Operating loss	$(198)	$(161)

See the table of total pretax impacts on our revenues and expenses attributable to unlocking within our Results of Operations by Segment for the three months ended September 30, 2016.

Advice & Wealth Management

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

	2016	2015
	(in billions)	
Beginning balance	$180.5	$174.7
Net flows	6.9	9.1
Market appreciation (depreciation) and other	10.1	(10.0)
Ending balance	$197.5	$173.8
Advisory wrap account assets ending balance [1]	$195.4	$172.3
Average advisory wrap account assets [2]	$184.7	$177.9

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

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

Wrap account assets increased $17.0 billion, or 9%, during the nine months ended September 30, 2016 due to net inflows of $6.9 billion and market appreciation and other of $10.1 billion. Net flows decreased $2.2 billion, or 24%,

compared to the prior year period. Average advisory wrap account assets increased $6.8 billion, or 4%, compared to the prior year period reflecting net inflows, partially offset by equity market depreciation.

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

	Nine Months Ended September 30,		Change	
	2016	2015		
	(in millions)			
Revenues				
Management and financial advice fees	$1,989	$1,961	$28	1 %
Distribution fees	1,569	1,644	(75)	(5)
Net investment income	138	108	30	28
Other revenues	53	55	(2)	(4)
Total revenues	3,749	3,768	(19)	(1)
Banking and deposit interest expense	29	21	8	38
Total net revenues	3,720	3,747	(27)	(1)
Expenses				
Distribution expenses	2,275	2,304	(29)	(1)
Interest and debt expense	6	6	—	—
General and administrative expense	782	788	(6)	(1)
Total expenses	3,063	3,098	(35)	(1)
Operating earnings	$657	$649	$8	1 %

Our Advice & Wealth Management segment pretax operating earnings, which exclude net realized investment gains or losses, increased $8 million, or 1%, to $657 million for the nine months ended September 30, 2016 compared to $649 million for the prior year period reflecting wrap account net inflows and higher earnings on brokerage cash and short-term investments, partially offset by lower transactional volume and equity market depreciation. Pretax operating margin was 17.7% for the nine months ended September 30, 2016 compared to 17.3% for the prior year period.

Net Revenues

Net revenues exclude net realized investment gains or losses. Net revenues decreased $27 million, or 1%, to $3.7 billion for the nine months ended September 30, 2016 compared to the prior year period due to lower distribution fees, partially offset by higher management and financial advice fees and net investment income. Operating net revenue per branded advisor decreased to $382,000 for the nine months ended September 30, 2016, down 1%, from $385,000 for the prior year period reflecting lower transactional transactional volume.

Management and financial fees increased $28 million, or 1%, to $2.0 billion for the nine months ended September 30, 2016 compared to the prior year period due to growth in wrap account assets. Average advisory wrap account assets increased $6.8 billion, or 4%, compared to the prior year period reflecting net inflows, partially offset by equity market depreciation.

Distribution fees decreased $75 million, or 5%, to $1.6 billion for the nine months ended September 30, 2016 compared to the prior year period primarily due to lower transactional volume and equity market depreciation, partially offset by higher brokerage cash spread due to an increase in short-term interest rates.

Net investment income increased $30 million, or 28%, to $138 million for the nine months ended September 30, 2016 compared to $108 million for the prior year period primarily due to an increase in invested balances driven by certificate net inflows and higher investment yields.

Expenses

Total expenses decreased $35 million, or 1%, to $3.1 billion for the nine months ended September 30, 2016 compared to the prior year period due to a $29 million decrease in distribution expenses reflecting lower advisor compensation due to equity market depreciation and lower transactional volume.

Asset Management

In aggregate, we voluntarily waived fees of $2 million and $6 million for the nine months ended September 30, 2016 and 2015, respectively. See our discussion on fee waivers within our Asset Management Results of Operations for the three months ended September 30, 2016.

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The following table presents global managed assets by type:

	September 30,		Change		Average[1] Nine Months Ended September 30,		Change	
	2016	2015			2016	2015		
	(in billions)							
Equity	$245.9	$248.9	$(3.0)	(1)%	$244.0	$274.7	$(30.7)	(11)%
Fixed income	183.3	184.7	(1.4)	(1)	179.6	190.7	(11.1)	(6)
Money market	6.6	6.5	0.1	2	7.3	6.6	0.7	11
Alternative	7.3	8.3	(1.0)	(12)	7.7	7.7	—	—
Hybrid and other	24.7	22.7	2.0	9	24.2	21.7	2.5	12
Total managed assets	$467.8	$471.1	$(3.3)	(1)%	$462.8	$501.4	$(38.6)	(8)%

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

The following table presents the changes in global managed assets:

	Nine Months Ended September 30,	
	2016	2015
	(in billions)	
Global Retail Funds		
Beginning assets	$263.9	$281.5
Inflows	38.3	39.9
Acquisition related inflows [1]	1.0	—
Outflows	(45.7)	(51.0)
Net VP/VIT fund flows	(1.3)	(0.6)
Net new flows	(7.7)	(11.7)
Reinvested dividends	3.8	4.7
Net flows	(3.9)	(7.0)
Distributions	(4.6)	(5.9)
Market appreciation and other [2][4]	13.8	(8.7)
Foreign currency translation [3][4]	(3.2)	(1.3)
Total ending assets	266.0	258.6
Global Institutional		
Beginning assets	208.0	224.0
Inflows	18.5	20.7
Outflows	(31.1)	(28.9)
Net flows	(12.6)	(8.2)
Market appreciation and other [4][5]	14.9	(0.5)
Foreign currency translation [3][4]	(8.5)	(2.8)
Total ending assets	201.8	212.5
Total managed assets	$467.8	$471.1
Total net flows	$(16.5)	$(15.2)
Former Parent Company Related [6]		
Retail net new flows	$(0.6)	$(1.5)
Institutional net new flows	(7.4)	(6.5)
Total net new flows	$(8.0)	$(8.0)

(1) Inflows associated with acquisitions that closed during the period.
(2) Included in Market appreciation (depreciation) and other for retail funds in the second quarter of 2015 is $(0.5) billion related to the sale of the Multi-Manager business.
(3) Amounts represent local currency to US dollar translation for reporting purposes.

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

(5) Includes $2.6 billion and $(0.7) billion for the total change in Affiliated General Account Assets during the nine months ended September 30, 2016 and 2015, respectively.

(6) Former parent company related assets and net new flows are included in the rollforwards above.

Total segment AUM decreased $4.1 billion, or 1%, during the nine months ended September 30, 2016 driven by net outflows, a negative impact of foreign currency translation and retail fund distributions, partially offset by market appreciation and other. Total segment AUM net outflows were $16.5 billion for the nine months ended September 30, 2016, which included $8.0 billion of outflows of former parent-related assets. Management expects, consistent with prior patterns of outflows, that outflows of primarily low margin assets directly or indirectly affiliated with Threadneedle and Columbia former parent companies will continue for the foreseeable future. The overall impact to segment results is difficult to quantify due to uncertain timing, volume and mix of the outflows.

Global retail funds increased $2.1 billion, or 1%, during the nine months ended September 30, 2016 due to market appreciation and other, partially offset by net outflows, distributions and a negative impact of foreign currency translation. Global retail net outflows of $3.9 billion during the nine months ended September 30, 2016 included $1.9 billion of outflows from the Columbia Acorn® Fund, $0.6 billion of outflows from former parent-related assets (includes $0.1 billion of outflows from the Columbia Acorn® Fund), $1.3 billion of outflows of our variable product funds underlying insurance and annuity separate accounts and UK and European net outflows of $1.3 billion, partially offset by reinvested dividends and inflows of $1.0 billion related to the EGA acquisition. Global institutional AUM decreased $6.2 billion, or 3%, during the nine months ended September 30, 2016 due to net outflows of $12.6 billion and an $8.5 billion negative impact of foreign currency translation, partially offset by market appreciation and other. Global institutional net outflows included $0.5 billion of outflows related to a CLO unwind, $0.7 billion from the termination of a former subadvisor and $7.4 billion of outflows of former parent-related assets, of which $4.0 billion was driven by changes made to individually managed accounts by a former affiliated distribution partner.

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

	Nine Months Ended September 30,		Change	
	2016	2015		
	(in millions)			
Revenues				
Management and financial advice fees	$1,826	$2,026	$(200)	(10)%
Distribution fees	363	376	(13)	(3)
Net investment income	9	11	(2)	(18)
Other revenues	5	8	(3)	(38)
Total revenues	2,203	2,421	(218)	(9)
Banking and deposit interest expense	—	—	—	—
Total net revenues	2,203	2,421	(218)	(9)
Expenses				
Distribution expenses	762	826	(64)	(8)
Amortization of deferred acquisition costs	13	12	1	8
Interest and debt expense	16	19	(3)	(16)
General and administrative expense	960	996	(36)	(4)
Total expenses	1,751	1,853	(102)	(6)
Operating earnings	$452	$568	$(116)	(20)%

Our Asset Management segment pretax operating earnings, which exclude net realized investment gains or losses, decreased $116 million, or 20%, to $452 million for the nine months ended September 30, 2016 compared to $568 million for the prior year period primarily due to net outflows, equity market depreciation and a $9 million expense from the resolution of a legacy legal matter related to the hedge fund business, partially offset by continued expense management.

Net Revenues

Net revenues, which exclude net realized investment gains or losses, decreased $218 million, or 9%, to $2.2 billion for the nine months ended September 30, 2016 compared to $2.4 billion for the prior year period primarily due to lower management and financial advice fees.

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Management and financial advice fees decreased $200 million, or 10%, to $1.8 billion for the nine months ended September 30, 2016 compared to $2.0 billion for the prior year period primarily due to lower asset-based fees driven by a decrease in average AUM, as well as a $16 million decrease in performance fees. Average AUM decreased $38.6 billion, or 8%, compared to the prior year period due to net outflows, equity market depreciation and the negative impact of foreign currency translation. Our average weighted equity index decreased 3% for the nine months ended September 30, 2016 compared to the prior year period.

Expenses

Total expenses decreased $102 million, or 6%, to $1.8 billion for the nine months ended September 30, 2016 compared to $1.9 billion for the prior year period due to a $64 million decrease in distribution expenses from lower retail fund assets and a decrease in general and administrative expense.

General and administrative expense decreased $36 million, or 4%, to $960 million for the nine months ended September 30, 2016 compared to $996 million for the prior year period primarily due to an $8 million decrease in compensation related to lower performance fees, a benefit from the impact of foreign exchange and lower investment spending, partially offset by a $9 million expense from the resolution of a legacy legal matter related to the hedge fund business.

Annuities

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

	Nine Months Ended September 30,		Change	
	2016	2015		
	(in millions)			
Revenues				
Management and financial advice fees	$549	$569	$(20)	(4)%
Distribution fees	260	274	(14)	(5)
Net investment income	573	647	(74)	(11)
Premiums	89	77	12	16
Other revenues	375	347	28	8
Total revenues	1,846	1,914	(68)	(4)
Banking and deposit interest expense	—	—	—	—
Total net revenues	1,846	1,914	(68)	(4)
Expenses				
Distribution expenses	316	335	(19)	(6)
Interest credited to fixed accounts	360	377	(17)	(5)
Benefits, claims, losses and settlement expenses	628	339	289	85
Amortization of deferred acquisition costs	159	168	(9)	(5)
Interest and debt expense	24	29	(5)	(17)
General and administrative expense	157	168	(11)	(7)
Total expenses	1,644	1,416	228	16
Operating earnings	$202	$498	$(296)	(59)%

Our Annuities segment pretax operating income, which excludes net realized investment gains or losses (net of the related DSIC and DAC amortization) and the market impact on variable annuity guaranteed benefits (net of hedges and the related DSIC and DAC amortization), decreased $296 million, or 59%, to $202 million for the nine months ended September 30, 2016 compared to $498 million for the prior year period primarily due to the impact of unlocking, lower investment yields and the negative impact from fixed annuity net outflows, partially offset by the impact on DAC, DSIC and reserves for insurance features in non-traditional long-duration contracts from actual

versus expected market performance based on our view of bond and equity performance, as well as higher net fees from variable annuity guarantee sales.

The impact on DAC, DSIC and reserves for insurance features in non-traditional long-duration contracts from actual versus expected market performance based on our view of bond and equity performance was a benefit of $5 million ($3 million for DAC, $1 million for DSIC and $1 million for insurance features in non-traditional long duration contracts) for the nine months ended September 30, 2016 reflecting favorable equity market and bond fund returns compared to a net expense of $19 million ($19 million for DAC, $5 million for DSIC and a $5 million benefit for insurance features in non-traditional long duration contracts) for the prior year period reflecting unfavorable equity market and bond fund returns.

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RiverSource variable annuity account balances increased 4% to $75.9 billion at September 30, 2016 compared to the prior year period due to equity market appreciation, partially offset by net outflows of $1.7 billion.
RiverSource fixed annuity account balances declined 7% to $10.2 billion at September 30, 2016 compared to the prior year period as older policies continue to lapse and new sales are limited due to low interest rates. Given the current interest rate environment, our current fixed annuity book is expected to gradually run off and earnings on our fixed annuity business will trend down.

Net Revenues

Net revenues, which exclude net realized investment gains or losses, decreased $68 million, or 4%, to $1.8 billion for the nine months ended September 30, 2016 compared to $1.9 billion for the prior year period primarily due to lower management and financial advice fees and net investment income, partially offset by higher other revenues.
Management and financial advice fees decreased $20 million, or 4%, to $549 million for the nine months ended September 30, 2016 compared to $569 million for the prior year period due to lower fees on variable annuities driven by lower average separate account balances. Average variable annuity account balances decreased $3.3 billion, or 5%, from the prior year period due to net outflows and equity market depreciation.
Net investment income, which excludes net realized investment gains or losses, decreased $74 million, or 11%, to $573 million for the nine months ended September 30, 2016 compared to $647 million for the prior year period reflecting a decrease of approximately $44 million from lower invested assets primarily due to fixed annuity net outflows and approximately $30 million from lower interest rates.
Other revenues increased $28 million, or 8%, to $375 million for the nine months ended September 30, 2016 compared to $347 million for the prior year period due to higher fees from variable annuity guarantee sales in the prior year where the fees start on the first anniversary date and higher average fee rates.

Expenses

Total expenses, which exclude the market impact on variable annuity guaranteed benefits (net of hedges and the related DSIC and DAC amortization) and the DAC and DSIC offset to net realized investment gains or losses, increased $228 million, or 16%, to $1.6 billion for the nine months ended September 30, 2016 compared to $1.4 billion for the prior year period primarily due to the impact of unlocking.
Distribution expenses decreased $19 million, or 6%, to $316 million for the nine months ended September 30, 2016 compared to $335 million for the prior year period due to lower variable annuity compensation driven by lower sales and lower average separate account balances.
Interest credited to fixed accounts decreased $17 million, or 5%, to $360 million for the nine months ended September 30, 2016 compared to $377 million for the prior year period driven by lower average fixed annuity account balances, partially offset by higher average variable annuities fixed sub-account balances. Average fixed annuity account balances decreased $1.0 billion, or 9%, to $10.4 billion for the nine months ended September 30, 2016 compared to the prior year period as older policies continue to lapse and new sales are limited due to low interest rates. Average variable annuities fixed sub-account balances increased $149 million, or 3%, to $5.0 billion for the nine months ended September 30, 2016 compared to the prior year period.
Benefits, claims, losses and settlement expenses, which exclude the market impact on variable annuity guaranteed benefits (net of hedges and the related DSIC amortization) and the DSIC offset to net realized investment gains or losses, increased $289 million, or 85%, to $628 million for the nine months ended September 30, 2016 compared to $339 million for the prior year period primarily reflecting the following items:

- Benefits, claims, losses and settlement expenses for the nine months ended September 30, 2016 included a $197 million expense from unlocking primarily reflecting continued low interest rates and an unfavorable impact from persistency on living benefit reserves, partially offset by a benefit from updates to withdrawal utilization and fee assumptions, as well as market-related inputs related to our living benefit valuation. Benefits, claims, losses and settlement expenses for the prior year period included a $61 million benefit from unlocking primarily reflecting an update to market-related inputs related to our living benefit valuation and a benefit from model changes that more than offset the difference between our previously assumed interest rates versus the low interest rate environment.
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An $18 million increase in expense related to higher reserve funding driven by the impact of higher fees from variable annuity guarantee sales in the prior year where the fees start on the first anniversary date.

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Protection

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

	Nine Months Ended September 30,		Change	
	2016	2015		
	(in millions)			
Revenues				
Management and financial advice fees	$38	$42	$(4)	(10)%
Distribution fees	72	71	1	1
Net investment income	364	350	14	4
Premiums	1,040	1,015	25	2
Other revenues	377	298	79	27
Total revenues	1,891	1,776	115	6
Banking and deposit interest expense	—	—	—	—
Total net revenues	1,891	1,776	115	6
Expenses				
Distribution expenses	11	41	(30)	(73)
Interest credited to fixed accounts	130	121	9	7
Benefits, claims, losses and settlement expenses	1,234	1,132	102	9
Amortization of deferred acquisition costs	170	121	49	40
Interest and debt expense	25	25	—	—
General and administrative expense	204	188	16	9
Total expenses	1,774	1,628	146	9
Operating earnings	$117	$148	$(31)	(21)%

Our Protection segment pretax operating earnings, which excludes net realized investment gains or losses (net of the related DAC amortization, unearned revenue amortization and the reinsurance accrual) and the market impact on indexed universal life benefits (net of hedges and the related DAC amortization, unearned revenue amortization and the reinsurance accrual), decreased $31 million, or 21%, to $117 million for the nine months ended September 30, 2016 compared to $148 million for the prior year period primarily due to higher auto and home losses and a $29 million increase in LTC reserves from a correction related to our claim utilization assumption in the third quarter of 2016, partially offset by an $11 million unfavorable impact related to a reinsurance premium correction in the prior year period.

Net Revenues

Net revenues, which exclude net realized investment gains or losses (net of unearned revenue amortization and the reinsurance accrual) and the unearned revenue amortization and the reinsurance accrual offset to the market impact on indexed universal life benefits, increased $115 million, or 6%, to $1.9 billion for the nine months ended September 30, 2016 compared to $1.8 billion for the prior year period primarily due to the impact of unlocking and increases in net investment income and premiums.

Net investment income increased $14 million, or 4%, to $364 million for the nine months ended September 30, 2016 compared to $350 million for the prior year period primarily reflecting higher average invested assets.

Premiums increased $25 million, or 2%, to $1.0 billion for the nine months ended September 30, 2016 compared to the prior year period primarily due to rate increases on our auto and home policies.

Other revenues increased $79 million, or 27%, to $377 million for the nine months ended September 30, 2016 compared to $298 million for the prior year period primarily due to the impact of unlocking and a $9 million unfavorable impact related to a life reinsurance premium correction in the prior year period. Other revenues for the

nine months ended September 30, 2016 included a $64 million favorable impact from unlocking compared to a $5 million unfavorable impact in the prior year period. The primary driver of the unlocking impact to other revenues for the current year period was a positive impact from higher projected gains on reinsurance contracts resulting from unfavorable mortality experience. The primary driver of the unlocking impact to other revenues for the prior year period was a positive impact from model updates related to our indexed universal life product, partially offset by a negative impact from lower projected gains on reinsurance contracts resulting from favorable mortality experience.

Expenses

Total expenses, which exclude the market impact on indexed universal life benefits (net of hedges and the related DAC amortization) and the DAC offset to net realized investment gains or losses, increased $146 million, or 9%, to $1.8 billion for the nine months ended

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September 30, 2016 compared to $1.6 billion for the prior year period primarily due to the impact of unlocking, a $29 million increase in LTC reserves from a correction related to our claim utilization assumption in the third quarter of 2016 and higher catastrophe losses.

Distribution expenses decreased $30 million, or 73%, to $11 million for the nine months ended September 30, 2016 compared to $41 million for the prior year period primarily due to a $27 million benefit related to the write-off of the deferred reinsurance liability in connection with loss recognition testing of LTC insurance products in the third quarter of 2016.

Benefits, claims, losses and settlement expenses increased $102 million, or 9%, to $1.2 billion for the nine months ended September 30, 2016 compared to $1.1 billion for the prior year period primarily due to the impact of unlocking, higher catastrophe losses and a $29 million increase in LTC reserves from a correction related to our claim utilization assumption in the third quarter of 2016. The unlocking impact for the nine months ended September 30, 2016 was $46 million and primarily reflected continued low interest rates and unfavorable mortality experience. The impact of unlocking for the prior year period was $6 million. Catastrophe losses were $89 million for the nine months ended September 30, 2016 compared to $65 million for the prior year period.

Amortization of DAC increased $49 million, or 40%, to $170 million for the nine months ended September 30, 2016 compared to $121 million for the prior year period primarily due to the impact of unlocking. The impact of unlocking was an expense of $65 million for the nine months ended September 30, 2016 compared to an expense of $10 million for the prior year period. The unlocking impact for the nine months ended September 30, 2016 primarily reflected the DAC write-off of $58 million in connection with the loss recognition on LTC insurance products due to continued low interest rates, higher morbidity and higher reinsurance expenses, slightly offset by premium increases. The unlocking impact for the prior year period was primarily driven by the difference between our previously assumed interest rates versus the low interest rate environment.

General and administrative expense increased $16 million, or 9%, to $204 million for the nine months ended September 30, 2016 compared to $188 million for the prior year period primarily due to an increase in staff and investments in our auto and home business.

Corporate & Other

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

	Nine Months Ended September 30,		Change	
	2016	2015		
	(in millions)			
Revenues				
Net investment loss	$(23)	$(22)	$(1)	(5)%
Other revenues	4	10	(6)	(60)
Total revenues	(19)	(12)	(7)	(58)
Banking and deposit interest expense	1	—	1	—
Total net revenues	(20)	(12)	(8)	(67)
Expenses				
Interest and debt expense	14	12	2	17
General and administrative expense	164	137	27	20
Total expenses	178	149	29	19
Operating loss	$(198)	$(161)	$(37)	(23)%

Our Corporate & Other segment pretax operating loss excludes net realized investment gains or losses, the market impact of hedges to offset interest rate changes on unrealized gains or losses for certain investments, integration and restructuring charges, and the impact of consolidating CIEs. Our Corporate & Other segment pretax operating loss increased $37 million, or 23%, to $198 million for the nine months ended September 30, 2016 compared to $161 million for the prior year period primarily due to a decrease in other revenues and an increase in general and

administrative expense.

Other revenues decreased $6 million, or 60%, to $4 million for the nine months ended September 30, 2016 compared to $10 million for the prior year period due to a $4 million loss on the sale of real estate in second quarter of 2016 and a $7 million gain on the sale of a building in the second quarter of 2015.

General and administrative expense increased $27 million, or 20%, to $164 million for the nine months ended September 30, 2016 compared to $137 million for the prior year period primarily due to $19 million of incremental expense related to the planning and implementation of the new Department of Labor fiduciary standard and a $14 million expense from the resolution of a legacy legal matter related to the hedge fund business.

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Market Risk

Our primary market risk exposures are interest rate, equity price, foreign currency exchange rate and credit risk. Equity price and interest rate fluctuations can have a significant impact on our results of operations, primarily due to the effects they have on the asset management and other asset-based fees we earn, the spread income generated on our fixed annuities, fixed insurance, brokerage client cash balances, face-amount certificate products and the fixed portion of our variable annuities and variable insurance contracts, the value of DAC and DSIC assets, the value of liabilities for guaranteed benefits associated with our variable annuities and the value of derivatives held to hedge these benefits.

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

As a result of the low interest rate environment, our current reinvestment yields are generally lower than the current portfolio yield. We expect our portfolio income yields to continue to decline in future periods if interest rates remain low. The carrying value and weighted average yield of non-structured fixed maturity securities and commercial mortgage loans that may generate proceeds to reinvest through September 30, 2018 due to prepayment, maturity or call activity at the option of the issuer, excluding securities with a make-whole provision, were $4.1 billion and 4.2%, respectively, as of September 30, 2016. In addition, residential mortgage-backed securities, which are subject to prepayment risk as a result of the low interest rate environment, totaled $6.9 billion and had a weighted average yield of 2.7% as of September 30, 2016. While these amounts represent investments that could be subject to reinvestment risk, it is also possible that these investments will be used to fund liabilities or may not be prepaid and will remain invested at their current yields. In addition to the interest rate environment, the mix of benefit payments versus product sales as well as the timing and volumes associated with such mix may impact our investment yield. Furthermore, reinvestment activities and the associated investment yield may also be impacted by corporate strategies implemented at management's discretion. The average yield for investment purchases during the nine months ended September 30, 2016 was approximately 2.7%.

The reinvestment of proceeds from maturities, calls and prepayments at rates below the current portfolio yield, which may be below the level of some liability GMIRs, will have a negative impact to future operating results. To mitigate the unfavorable impact that the low interest rate environment has on our spread income, we assess reinvestment risk in our investment portfolio and monitor this risk in accordance with our asset/liability management framework. In addition, we may reduce the crediting rates on our fixed products when warranted, subject to guaranteed minimums.

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

The variable annuity guarantees continue to be managed by utilizing a hedging program which attempts to match the sensitivity of the assets with the sensitivity of the liabilities. This approach works with the premise that matched sensitivities will produce a highly effective hedging result. Our comprehensive hedging program focuses mainly on first order sensitivities of assets and liabilities: Equity Market Level (Delta), Interest Rate Level (Rho) and Volatility

(Vega). Additionally, various second order sensitivities are managed. We use various index options across the term structure, interest rate swaps and swaptions, total return swaps and futures to manage the risk exposures. The exposures are measured and monitored daily, and adjustments to the hedge portfolio are made as necessary.

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

To evaluate interest rate and equity price risk we perform sensitivity testing which measures the impact on pretax income from the sources listed below for a 12-month period following a hypothetical 100 basis point increase in interest rates or a hypothetical 10%

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decline in equity prices. The interest rate risk test assumes a sudden 100 basis point parallel shift in the yield curve, with rates then staying at those levels for the next 12 months. The equity price risk test assumes a sudden 10% drop in equity prices, with equity prices then staying at those levels for the next 12 months. In estimating the values of variable annuity riders, equity indexed annuities, stock market certificates, indexed universal life insurance and the associated hedge assets, we assume no change in implied market volatility despite the 10% drop in equity prices.
The following tables present our estimate of the impact on pretax income from the above defined hypothetical market movements as of September 30, 2016:

Equity Price Decline 10%	Equity Price Exposure to Pretax Income		
	Before Hedge Impact	Hedge Impact	Net Impact
	(in millions)		
Asset-based management and distribution fees [1]	$ (232)	$ —	$ (232)
DAC and DSIC amortization [2] [3]	(136)	—	(136)
Variable annuity riders:			
GMDB and GMIB [3] [4]	(35)	—	(35)
GMWB [3] [4]	(533)	412	(121)
GMAB	(42)	43	1
DAC and DSIC amortization [5]	N/A	N/A	(5)
Total variable annuity riders	(610)	455	(160)
Macro hedge program [6]	—	36	36
Equity indexed annuities	1	(1)	—
Certificates	4	(4)	—
Indexed universal life insurance	45	(32)	13
Total	$ (928)	$ 454	$ (479)

Interest Rate Increase 100 Basis Points	Interest Rate Exposure to Pretax Income		
	Before Hedge Impact	Hedge Impact	Net Impact
	(in millions)		
Asset-based management and distribution fees [1]	$ (51)	$ —	$ (51)
Variable annuity riders:			
GMDB and GMIB	—	—	—
GMWB	1,315	(1,305)	10
GMAB	41	(38)	3
DAC and DSIC amortization [5]	N/A	N/A	1
Total variable annuity riders	1,356	(1,343)	14
Macro hedge program [6]	—	1	1
Fixed annuities, fixed insurance and fixed portion of variable annuities and variable insurance products	81	—	81
Brokerage client cash balances	166	—	166
Certificates	(5)	—	(5)
Indexed universal life insurance	73	1	74
Total	$ 1,620	$ (1,341)	$ 280

N/A Not Applicable.
[1] Excludes incentive income which is impacted by market and fund performance during the period and cannot be readily estimated.
[2] Market impact on DAC and DSIC amortization resulting from lower projected profits.
[3] In estimating the impact on DAC and DSIC amortization resulting from lower projected profits, we have not changed our assumed equity asset growth rates. This is a significantly more conservative estimate than if we assumed management follows its mean reversion guideline and increased near-term rates to recover the drop in equity values

over a five-year period. We make this same conservative assumption in estimating the impact from GMDB and GMIB riders and the life contingent benefits associated with GMWB.

(4) In the second quarter of 2016, we reclassified the estimated impact from certain reserves for life contingent benefits associated with GMWB provisions from the GMDB and GMIB line to the GMWB line. The estimated impact from these reserves as of December 31, 2015 was $(123) million.

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(5) Market impact on DAC and DSIC amortization related to variable annuity riders is modeled net of hedge impact.
(6) The market impact of the macro hedge program is modeled net of any related impact to DAC and DSIC amortization.

The above results compare to an estimated negative net impact to pretax income of $417 million related to a 10% equity price decline and an estimated positive net impact to pretax income of $170 million related to a 100 basis point increase in interest rates as of December 31, 2015.

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

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

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

Fair Value Measurements

We report certain assets and liabilities at fair value; specifically, separate account assets, derivatives, embedded derivatives, properties held by our consolidated property funds, and most investments and cash equivalents. Fair value assumes the exchange of assets or liabilities occurs in orderly transactions and is not the result of a forced liquidation or distressed sale. We include actual market prices, or observable inputs, in our fair value measurements to the extent available. Broker quotes are obtained when quotes from pricing services are not available. We validate prices obtained from third parties through a variety of means such as: price variance analysis, subsequent sales testing, stale price review, price comparison across pricing vendors and due diligence reviews of vendors. See Note 10 to the Consolidated Financial Statements for additional information on our fair value measurements.

Fair Value of Liabilities and Nonperformance Risk

Companies are required to measure the fair value of liabilities at the price that would be received to transfer the liability to a market participant (an exit price). Since there is not a market for our obligations of our variable annuity riders and indexed universal life insurance, we consider the assumptions participants in a hypothetical market would make to reflect an exit price. As a result, we adjust the valuation of variable annuity riders and indexed universal life insurance by updating certain contractholder assumptions, adding explicit margins to provide for profit, risk and expenses, and adjusting the rates used to discount expected cash flows to reflect a current market estimate of our nonperformance risk. The nonperformance risk adjustment is based on observable market data adjusted to estimate the risk of our life insurance company subsidiaries not fulfilling these liabilities. Consistent with general market conditions, this estimate resulted in a spread over the LIBOR swap curve as of September 30, 2016. As our estimate of this spread widens or tightens, the liability will decrease or increase. If this nonperformance credit spread moves to a zero spread over the LIBOR swap curve, the reduction to net income would be approximately $421 million, net of DAC, DSIC, unearned revenue amortization, the reinsurance accrual and income taxes (calculated at the statutory tax rate of 35%), based on September 30, 2016 credit spreads.

Liquidity and Capital Resources

Overview

We maintained substantial liquidity during the nine months ended September 30, 2016. At September 30, 2016 and December 31, 2015, we had $3.1 billion and $2.4 billion, respectively, in cash and cash equivalents excluding CIEs.

We have additional liquidity available through an unsecured revolving credit facility for up to $500 million that expires in May 2020. Under the terms of the credit agreement, we can increase this facility to $750 million upon satisfaction of certain approval requirements. Available borrowings under this facility are reduced by any outstanding letters of credit. At September 30, 2016, we had no outstanding borrowings under this credit facility and had $1 million of outstanding letters of credit. Our credit facility contains various administrative, reporting, legal and financial covenants. We were in compliance with all such covenants at September 30, 2016.

During the first quarter of 2016, we extinguished $16 million of our junior subordinated notes due 2066 in open market transactions and recognized a gain of less than $1 million. On June 1, 2016, we redeemed our remaining outstanding junior subordinated notes due 2066 at a redemption price equal to 100% of the principal balance of the notes plus accrued and compounded interest.

On August 11, 2016, we 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. The proceeds of the senior notes will be used for general corporate purposes.

We enter into short-term borrowings, which may include repurchase agreements and Federal Home Loan Bank (“FHLB”) advances, to

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reduce reinvestment risk. Short-term borrowings allow us to receive cash to reinvest in longer-duration assets, while paying back the short-term debt with cash flows generated by the fixed income portfolio. The balance of repurchase agreements at both September 30, 2016 and December 31, 2015 was $50 million, which is collateralized with agency residential mortgage backed securities and commercial mortgage backed securities from our investment portfolio. Our subsidiary, RiverSource Life Insurance Company ("RiverSource Life"), is a member of the FHLB of Des Moines, which provides access to collateralized borrowings. As of both September 30, 2016 and December 31, 2015, we had $150 million of borrowings from the FHLB, which is collateralized with commercial mortgage backed securities. We believe cash flows from operating activities, available cash balances and our availability of revolver borrowings will be sufficient to fund our operating liquidity needs.

Dividends from Subsidiaries

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

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

	Actual Capital		Regulatory Capital Requirements	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
	(in millions)			
RiverSource Life[1][2]	$3,751	$ 3,800	N/A	$ 589
RiverSource Life of NY[1][2]	337	333	N/A	44
IDS Property Casualty[1][3]	736	684	215	214
Ameriprise Insurance Company[1][3]	47	46	2	2
ACC[4][5]	320	274	301	258
Threadneedle Asset Management Holdings Sàrl[6]	379	285	157	165
Ameriprise National Trust Bank[7]	27	36	10	10
AFSI[3][4]	103	93	#	#
Ameriprise Captive Insurance Company[3]	51	54	10	11
Ameriprise Trust Company[3]	28	27	23	22
AEIS[3][4]	117	110	21	52
RiverSource Distributors, Inc.[3][4]	15	15	#	#
Columbia Management Investment Distributors, Inc.[3][4]	17	17	#	#

N/A Not applicable.

Amounts are less than $1 million.

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

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

(3)

Regulatory capital requirement is based on the applicable regulatory requirement, calculated as of September 30, 2016 and December 31, 2015.

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

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

(6) Actual capital and regulatory capital requirements are determined in accordance with U.K. regulatory legislation. The regulatory capital requirements at September 30, 2016 represent calculations at December 31, 2015 of the rule based requirements, as specified by FCA regulations.

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

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

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

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(including $75 million to IDS Property Casualty). During the nine months ended September 30, 2015, the parent holding company received cash dividends or a return of capital from its subsidiaries of $1.3 billion (including $675 million from RiverSource Life) and contributed cash to its subsidiaries of $243 million (including $175 million to IDS Property Casualty).

In 2009, RiverSource established an agreement to protect its exposure to Genworth Life Insurance Company ("GLIC") for its reinsured LTC. In early July of 2016, substantial enhancements to this reinsurance protection agreement were finalized. The terms of these confidential provisions within the agreement have been shared, in the normal course of regular reviews, with our domiciliary regulator and rating agencies. Management believes that this agreement and offsetting non LTC legacy arrangements with Genworth will enable RiverSource to recover on all net exposure in the event of an insolvency of GLIC.

Dividends Paid to Shareholders and Share Repurchases

We paid regular quarterly dividends to our shareholders totaling $368 million and $355 million for the nine months ended September 30, 2016 and 2015, respectively. On October 25, 2016, we announced a quarterly dividend of $0.75 per common share. The dividend will be paid on November 18, 2016 to our shareholders of record at the close of business on November 7, 2016.

In April 2014, our Board of Directors authorized an expenditure of up to $2.5 billion for the repurchase of shares of our common stock through April 28, 2016, which was exhausted in the three months ended March 31, 2016. In December 2015, our Board of Directors authorized us to repurchase up to an additional $2.5 billion of our common stock through December 31, 2017. As of September 30, 2016, we had $1.3 billion remaining under our share repurchase authorization. We intend to fund share repurchases through existing working capital, future earnings and other customary financing methods. The share repurchase programs do not require the purchase of any minimum number of shares, and depending on market conditions and other factors, these purchases may be commenced or suspended at any time without prior notice. Acquisitions under the share repurchase programs may be made in the open market, through privately negotiated transactions or block trades or other means. During the nine months ended September 30, 2016, we repurchased a total of 13.7 million shares of our common stock at an average price of $93.11 per share.

Cash Flows

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

Operating Activities

Net cash provided by operating activities decreased $198 million to $1.7 billion for the nine months ended September 30, 2016 compared to $1.9 billion for the prior year period primarily due to higher cash outflows related to derivatives, as well as a decrease in cash from lower fee revenue net of related expenses.

Investing Activities

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

Net cash used by investing activities decreased $81 million to $366 million for the nine months ended September 30, 2016 compared to $447 million for the prior year period primarily due to an $871 million increase in net cash related to changes in investments of CIEs primarily reflecting the CIE deconsolidation, a $224 million increase in proceeds from sales, maturities and repayments of mortgage loans reflecting the sale of a portion of our consumer loans in the first quarter of 2016, a $93 million decrease in funding of mortgage loans and a $97 million increase in proceeds from sales, maturities, sinking fund payments and calls of Available-for-Sale securities, partially offset by a $1.3 billion increase in cash used for purchases of Available-for-Sale securities.

Financing Activities

Net cash used in financing activities decreased $734 million to $568 million for the nine months ended September 30, 2016 compared to $1.3 billion for the prior year period. Net cash inflows related to investment certificates increased $479 million compared to the prior year period due to higher proceeds from additions, partially offset by higher maturities, withdrawals and cash surrenders. Cash outflows from surrenders and other benefits of policyholder account balances decreased $721 million compared to the prior year period. During the nine months ended September 30, 2016, we repaid the remaining $245 million of our junior subordinated notes due 2066. In the third quarter of 2016, we issued $500 million of unsecured senior notes due 2026. Net cash outflows related to noncontrolling interests decreased $117 million compared to the prior year period reflecting the CIE deconsolidation. Net cash outflows related to borrowings of CIEs was $134 million for the nine months ended September 30, 2016 compared to net cash inflows of $1.2 billion for the nine months ended September 30, 2015 primarily reflecting the CIE deconsolidation.

Contractual Commitments

There have been no material changes to our contractual obligations disclosed in our 2015 10-K.

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Off-Balance Sheet Arrangements

We provide asset management services to investment entities which are considered to be VIEs, such as CLOs, hedge funds, property funds and private equity funds, which are sponsored by us. We consolidate certain CLOs. We have determined that consolidation is not required for certain CLOs, hedge funds, property funds and private equity funds which are sponsored by us. Prior to January 1, 2016, we consolidated property funds. Our maximum exposure to loss with respect to our investment in these non-consolidated entities is limited to our carrying value. We have no obligation to provide further financial or other support to these investment entities nor have we provided any support to these investment entities. See Note 2 and Note 3 to our Consolidated Financial Statements for additional information on our arrangements with these investment entities.

Forward-Looking Statements

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

- statements of the Company's plans, intentions, positioning, expectations, objectives or goals, including those relating to asset flows, mass affluent and affluent client acquisition strategy, client retention and growth of our client base, financial advisor productivity, retention, recruiting and enrollments, the introduction, cessation, terms or pricing of new or existing products and services, acquisition integration, benefits and claims expenses, general and administrative costs, consolidated tax rate, return of capital to shareholders, debt repayment and excess capital position and financial flexibility to capture additional growth opportunities;
- other statements about future economic performance, the performance of equity markets and interest rate variations and the economic performance of the United States and of global markets; and
- statements of assumptions underlying such statements.

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

Such factors include, but are not limited to:

- conditions in the interest rate, credit default, equity market and foreign exchange environments, including changes in valuations, liquidity and volatility;
- changes in and the adoption of relevant accounting standards and securities rating agency standards and processes, as well as changes in the litigation and regulatory environment, including ongoing legal proceedings and regulatory actions, the frequency and extent of legal claims threatened or initiated by clients, other persons and regulators, and developments in regulation and legislation, including the rules and regulations implemented or to be implemented in connection with the Dodd-Frank Wall Street Reform and Consumer Protection Act or in light of the U.S. Department of Labor rule and exemptions pertaining to the fiduciary status of investment advice providers to 401(k) plan, plan sponsors, plan participants and the holders of individual retirement or health savings accounts;
- investment management performance and distribution partner and consumer acceptance of the Company's products;
- effects of competition in the financial services industry, including pricing pressure, the introduction of new products and services and changes in product distribution mix and distribution channels;
- changes to the Company's reputation that may arise from employee or advisor misconduct, legal or regulatory actions, perceptions of the financial services industry generally, improper management of conflicts of interest or otherwise;
- the Company's capital structure, including indebtedness, limitations on subsidiaries to pay dividends, and the extent, manner, terms and timing of any share or debt repurchases management may effect as well as the opinions of rating agencies and other analysts and the reactions of market participants or the Company's regulators, advisors, distribution partners or customers in response to any change or prospect of change in any such opinion;
- changes to the availability and cost of liquidity and the Company's credit capacity that may arise due to shifts in market conditions, the Company's credit ratings and the overall availability of credit;
-

risks of default, capacity constraint or repricing by issuers or guarantors of investments the Company owns or by counterparties to hedge, derivative, insurance or reinsurance arrangements or by manufacturers of products the Company distributes, experience deviations from the Company's assumptions regarding such risks, the evaluations or the prospect of changes in evaluations of any such third parties published by rating agencies or other analysts, and the reactions of other market participants or the Company's regulators, advisors, distribution partners or customers in response to any such evaluation or prospect of changes in evaluation;

- experience deviations from the Company's assumptions regarding morbidity, mortality and persistency in certain annuity and insurance products, or from assumptions regarding market returns assumed in valuing or unlocking DAC and DSIC or market volatility underlying the Company's valuation and hedging of guaranteed benefit annuity riders, or from assumptions regarding interest rates assumed in the Company's loss recognition testing of its long term care business, or from assumptions regarding anticipated claims and losses relating to the Company's automobile and home insurance products;

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- changes in capital requirements that may be indicated, required or advised by regulators or rating agencies;
- the impacts of the Company's efforts to improve distribution economics and to grow third-party distribution of its products;
- the ability to pursue and complete strategic transactions and initiatives, including acquisitions, divestitures, restructurings, joint ventures and the development of new products and services;
- the ability to realize the financial, operating and business fundamental benefits of strategic transactions and initiatives the Company has completed, is pursuing or may pursue in the future, which may be impacted by the ability to obtain regulatory approvals, the ability to effectively manage related expenses and by market, business partner and consumer reactions to such strategic transactions and initiatives;
- the ability and timing to realize savings and other benefits from re-engineering and tax planning;
- interruptions or other failures in the Company's communications, technology and other operating systems, including errors or failures caused by third-party service providers, interference or failures caused by third party attacks on the Company's systems, or the failure to safeguard the privacy or confidentiality of sensitive information and data on such systems; and
- general economic and political factors, including consumer confidence in the economy and the financial industry, the ability and inclination of consumers generally to invest as well as their ability and inclination to invest in financial instruments and products other than cash and cash equivalents, the costs of products and services the Company consumes in the conduct of its business, and applicable legislation and regulation and changes therein (such as the June 2016 UK referendum on membership in the European Union), including tax laws, tax treaties, fiscal and central government treasury policy, and policies regarding the financial services industry and publicly-held firms, and regulatory rulings and pronouncements.

Management cautions the reader that the foregoing list of factors is not exhaustive. There may also be other risks that management is unable to predict at this time that may cause actual results to differ materially from those in forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date on which they are made. Management undertakes no obligation to update publicly or revise any forward-looking statements. The foregoing list of factors should be read in conjunction with the "Risk Factors" discussion included in Part I, Item 1A of our 2015 10-K, Part II, Item 1A of our Form 10-Q for the quarterly period ended March 31, 2016 filed with the SEC on May 5, 2016, Part II, Item 1A in our Form 10-Q for the quarterly period ended June 30, 2016 filed with the SEC on August 1, 2016, and this Form 10-Q.

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information set forth in Part I, Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations — Market Risk" in this report is incorporated herein by reference. These disclosures should be read in conjunction with the "Quantitative and Qualitative Disclosures About Market Risk" discussion included as Part II, Item 7A of our 2015 10-K filed with the SEC on February 25, 2016.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) designed to provide reasonable assurance that the information required to be reported in the Exchange Act filings is recorded, processed, summarized and reported within the time periods specified in and pursuant to SEC regulations, including controls and procedures designed to ensure that this information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding the required disclosure. It should be noted that,

because of inherent limitations, our company's disclosure controls and procedures, however well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the disclosure controls and procedures are met.

Our management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report. Based upon that evaluation, our company's Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective at a reasonable level of assurance as of September 30, 2016.

Changes in Internal Control over Financial Reporting

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

AMERIPRISE FINANCIAL, INC.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

ITEM 1A. RISK FACTORS

Other than as described in our Quarterly Report on Form 10-Q for the quarters ended June 30, 2016 and March 31, 2016, there have been no material changes in the risk factors provided in Part I, Item 1A of our 2015 10-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table presents the information with respect to purchases made by or on behalf of Ameriprise Financial, Inc. or any "affiliated purchaser" (as defined in Rule 10b-18(a)(3) under the Securities Exchange Act of 1934), of our common stock during the third quarter of 2016:

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid Per Share	(c) Total Number of Shares Purchased as part of Publicly Announced Plans or Programs[1]	(d) Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs[1]
July 1 to July 31, 2016				
Share repurchase program [1]	1,107,100	$ 93.49	1,107,100	$ 1,604,906,113
Employee transactions [2]	22,170	$ 88.58	N/A	N/A
August 1 to August 31, 2016				
Share repurchase program [1]	1,394,193	$ 96.80	1,394,193	$ 1,469,953,096
Employee transactions [2]	35,788	$ 98.94	N/A	N/A
September 1 to September 30, 2016				
Share repurchase program [1]	1,391,161	$ 99.91	1,391,161	$ 1,330,956,750
Employee transactions [2]	93,246	$ 99.71	N/A	N/A
Totals				
Share repurchase program [1]	3,892,454	$ 96.97	3,892,454	
Employee transactions [2]	151,204	$ 97.90	N/A	
	4,043,658		3,892,454	

N/A Not applicable.

[1] On December 7, 2015, we announced that our Board of Directors authorized us to repurchase up to $2.5 billion of our common stock through December 31, 2017. The share repurchase program does not require the purchase of any minimum number of shares, and depending on market conditions and other factors, these purchases may be commenced or suspended at any time without prior notice. Acquisitions under the share repurchase program may be made in the open market, through privately negotiated transactions or block trades or other means.

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

common stock of Ameriprise Financial, Inc. on the day prior to the date the relevant transaction occurs.

ITEM 6. EXHIBITS

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

AMERIPRISE FINANCIAL, INC.

SIGNATURES

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

AMERIPRISE FINANCIAL, INC.
(Registrant)

Date: November 2, 2016 By /s/ Walter S. Berman
Walter S. Berman
Executive Vice President and
Chief Financial Officer

Date: November 2, 2016 By /s/ David K. Stewart
David K. Stewart
Senior Vice President and Controller
(Principal Accounting Officer)

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EXHIBIT INDEX

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

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

Exhibit	Description
3.1	Amended and Restated Certificate of Incorporation of Ameriprise Financial, Inc. (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K, File No. 1-32525, filed on May 1, 2014).
3.2	Amended and Restated Bylaws of Ameriprise Financial, Inc. (incorporated by reference to Exhibit 3.2 to the Current Report on Form 8-K, File No. 1-32525, filed on May 1, 2014).
4.1	Form of Specimen Common Stock Certificate (incorporated by reference to Exhibit 4.1 to Amendment No. 3 to Form 10 Registration Statement, File No. 1-32525, filed on August 19, 2005).
	Other instruments defining the rights of holders of long-term debt securities of the registrant are omitted pursuant to Section (b)(4)(iii)(A) of Item 601 of Regulation S-K. The registrant agrees to furnish copies of these instruments to the SEC upon request.
31.1*	Certification of James M. Cracchiolo pursuant to Rule 13a-14(a) promulgated under the Securities Exchange Act of 1934, as amended.
31.2*	Certification of Walter S. Berman pursuant to Rule 13a-14(a) promulgated under the Securities Exchange Act of 1934, as amended.
32*	Certification of James M. Cracchiolo and Walter S. Berman pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101*	The following materials from Ameriprise Financial, Inc.'s Quarterly Report on Form 10-Q for the period ended September 30, 2016, formatted in XBRL: (i) Consolidated Statements of Operations for the three months and nine months ended September 30, 2016 and 2015; (ii) Consolidated Statements of Comprehensive Income for the three months and nine months ended September 30, 2016 and 2015; (iii) Consolidated Balance Sheets at September 30, 2016 and December 31, 2015; (iv) Consolidated Statements of Equity for the nine months ended September 30, 2016 and 2015; (v) Consolidated Statements of Cash Flows for the nine months ended September 30, 2016 and 2015; and (vi) Notes to the Consolidated Financial Statements.