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.

FORM 10-Q
INDEX

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 Outstanding Shares	Common Shares	Additional Paid-In Capital	Retained Earnings	Appropriated Retained Earnings of Consolidated Investment Entities	Treasury Shares	Accumulated Other Comprehensive Income	Total Ameriprise Financial, Inc. Shareholders' Equity	Non-controlling Interests	Total
	(in millions, except share data)									
Balances at January 1, 2015	183,309,509	$ 3	$ 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	2,794,851	—	212	—	—	66	—	278	—	278
Balances at September 30, 2015	175,221,475	$ 3	$ 7,557	$ 9,319	$ 174	$ (9,885)	$ 461	$ 7,629	$ 1,192	$ 8,821
Balances at January 1, 2016, previously reported	171,033,260	$ 3	$ 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	3	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	158,496,397	$ 3	$ 7,709	$ 10,098	$ —	$ (11,609)	$ 595	$ 6,796	$ —	$ 6,796

See Notes to Consolidated Financial Statements.

6

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.

7

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 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 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.

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

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 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.

AMERIPRISE FINANCIAL, INC.
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.

15

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.

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.

18

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)

Description of Securities	December 31, 2015 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:

Ratings	September 30, 2016 Amortized Cost	Fair Value	Percent of Total Fair Value	December 31, 2015 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

Description of Securities	Less than 12 months			12 months or more			Total		
	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

Description of Securities	Less than 12 months			12 months or more			Total		
	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									
Asset backed securities	50	455	(7)	14	254	(4)	64	709	(11)
State and municipal obligations	31	100	(1)	5	110	(27)	36	210	(28)
Foreign government bonds and obligations	9	39	(2)	15	27	(9)	24	66	(11)
Total	618	$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 Total Contract Value	Contract Value in Separate Accounts	Net Amount at Risk	Weighted Average Attained Age	December 31, 2015 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 Net Amount at Risk	Weighted Average Attained Age	December 31, 2015 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.

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					
	Corporate Debt Securities	Residential Mortgage Backed Securities	Commercial Mortgage Backed Securities	Asset Backed Securities	Total	Trading Securities
	(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						
	Corporate Debt Securities	Residential Mortgage Backed Securities	Commercial Mortgage Backed Securities	Asset Backed Securities	Common Stocks	Total	Trading Securities
	(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 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	183	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	202	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: Financial Instruments (1)	Cash Collateral	Securities Collateral	Net Amount
	(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 (1)	Cash Collateral	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 (1)	Cash Collateral	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 (1)	Cash Collateral	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.

43

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.

47

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.

50

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;

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

AMERIPRISE FINANCIAL, INC.
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

55

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

AMERIPRISE FINANCIAL, INC.

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

AMERIPRISE FINANCIAL, INC.

	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%.

AMERIPRISE FINANCIAL, INC.

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

	Twelve Months Ended 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.

AMERIPRISE FINANCIAL, INC.

Assets Under Management and Administration

Assets under management ("AUM") include external client assets for which we provide investment management services, such as the assets of the Columbia 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)