# Ameriprise Financial

## Fourth Quarter 2020 Conference Call

January 28, 2021

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# Forward-looking statements

Some of the statements made in our January 27, 2021 earnings release and/or in this January 28, 2021 presentation constitute forward-looking statements. These statements reflect management's estimates, plans, beliefs and expectations, and speak only as of January 28, 2021. These forward-looking statements involve a number of risks and uncertainties.

A list of certain factors that could cause actual results to be materially different from those expressed or implied by any of these forward-looking statements is set forth under the heading "Forward-looking statements" in our January 27, 2021 earnings release, a complete copy of which is available on our website, and under the heading "Risk Factors" and elsewhere in our Annual Report on Form 10-K for the year ended December 31, 2019 as well as our Quarterly Report on Form 10-Q for the quarter ended September 30, 2020. We undertake no obligation to update publicly or revise these forward-looking statements for any reason. In addition, the financial results and values presented in our fourth quarter earnings release and/or in this presentation are based upon asset valuations that represent estimates as of January 27, 2021 and may be revised in our Form 10-K for the year ended December 31, 2020.

Non-GAAP Financial Measures
This presentation contains certain non-GAAP financial measures, and the corresponding ratios, that our management feels best represents the underlying performance of our core operations and facilitates a more meaningful trend analysis without the distortion of various adjustment items. Reconciliations of such non-GAAP financial measures to the most directly comparable GAAP financial measure have bene provided along with the presentation and can be found on our website at www.ir.ameriprise.com.

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# Consolidated fourth quarter results

| GAAP | Q4 2020 | Q4 2019 | Over/(Under) |
|---|---|---|---|
| Net Revenues ($M) | $3,183 | $3,287 | (3%) |
| Expenses ($M) | $2,993 | $2,753 | (9%) |
| Net Income ($M) | $177 | $463 | (62%) |
| Diluted EPS | $1.43 | $3.53 | (59%) |
| ROE, ex. AOCI (1) | 26.1% | 33.1% | (700 bps) |

| Adjusted Operating | Q4 2020 | Q4 2019 | Over/(Under) |
|---|---|---|---|
| Net Revenues ($M) | $3,136 | $3,045 | 3% |
| Expenses ($M) | $2,463 | $2,400 | (3%) |
| Earnings ($M) | $559 | $551 | 1% |
| Diluted EPS | $4.53 | $4.20 | 8% |
| ROE, ex. AOCI (1) | 30.2% | 38.3% | (810 bps) |

GAAP results were negatively impacted by market changes that affected credit spreads and the valuation of derivatives. The reduction in short term interest rates impacted adjusted operating earnings by $73 million in the quarter and $303 million for the full year.

(1) Calculated on a trailing 12 month basis.

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# Q4 2020 Business & Financial Results

Walter Berman
Chief Financial Officer

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# Ameriprise delivered strong results and is positioned well for growth in 2021

- Strong financial performance fueled by robust organic growth with operating earnings per diluted share of $4.53, up 8% from last year
- Reached $1.1 trillion of assets under management and administration with $15 billion of inflows from wrap and asset management driven by our ability to meet client needs efficiently and effectively, which is translating into excellent and sustainable organic growth
- Strong expense management while still investing for business growth
- Robust free cash flow generation across our businesses coupled with balance sheet strength supports continued capital management

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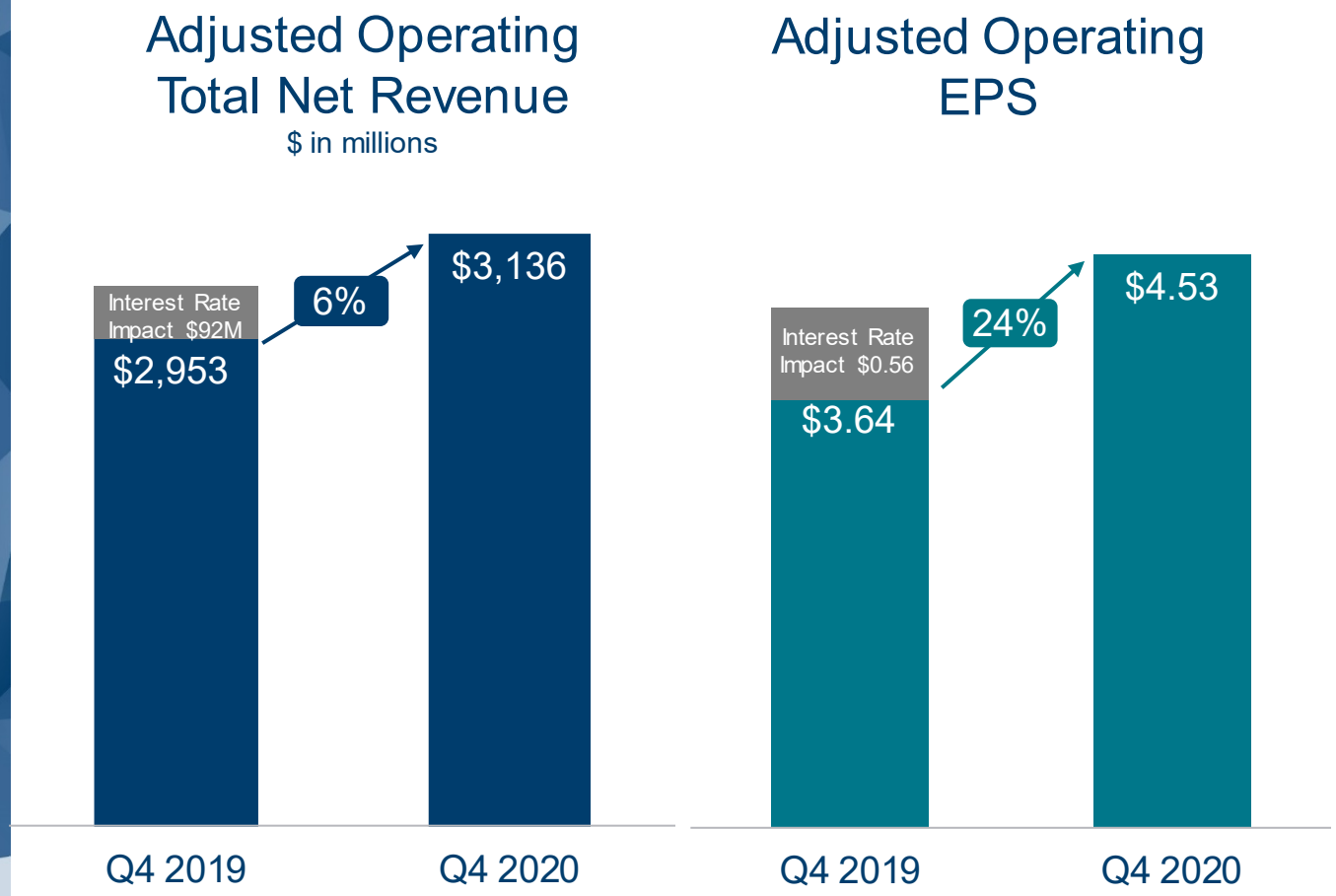
# Strong underlying business performance continue to offset interest rate headwinds







- Revenue was up 6%, excluding the $92 million benefit from higher short-term interest rates in the prior year, reflecting strong underlying performance
- Solid underlying earnings growth and margins from strong business trends in Wealth Management and Asset Management
- G&A expenses continue to be well managed down 1% while investing for growth
- Strong underlying EPS growth

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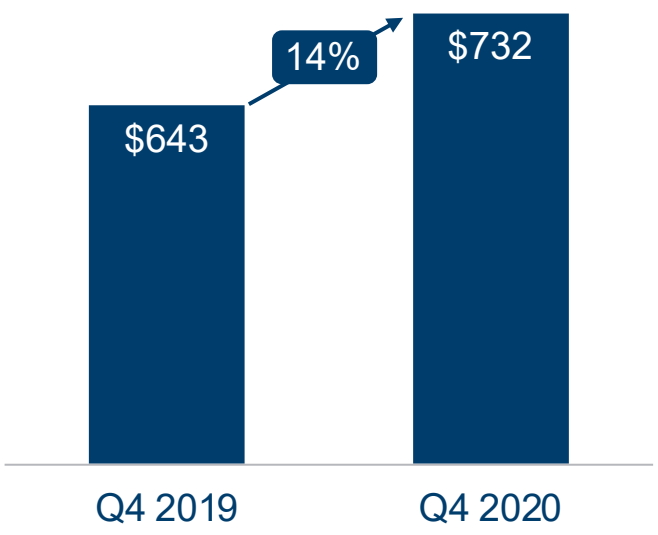
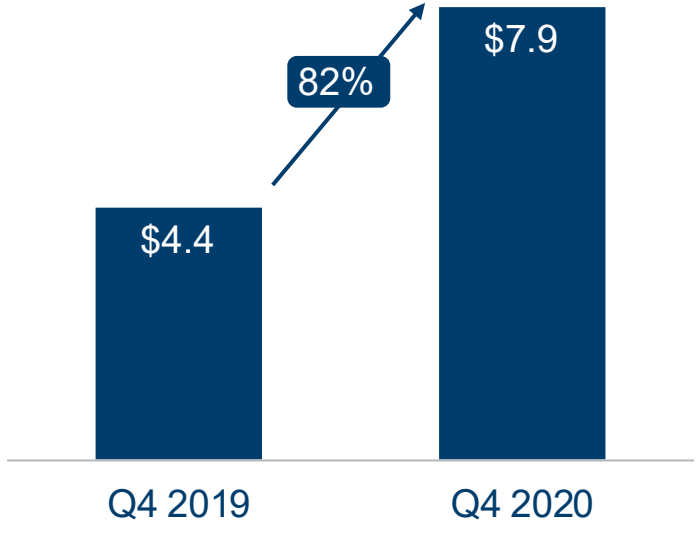
# Robust Advice & Wealth delivered excellent organic growth across all measures

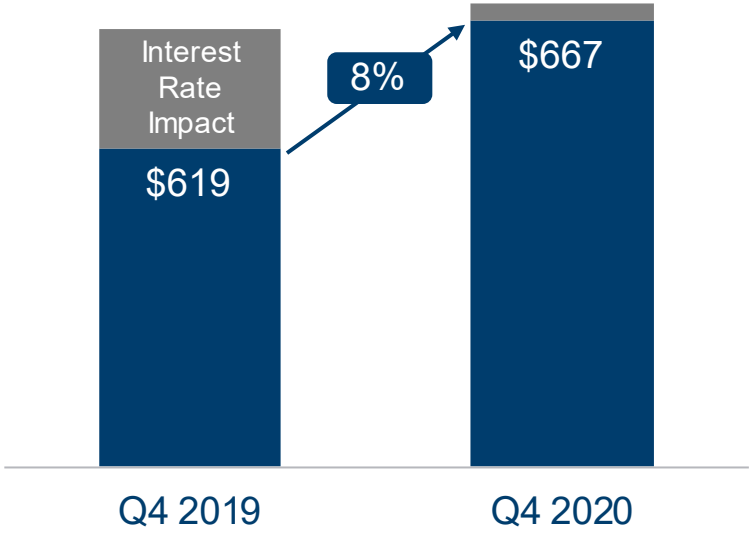
## Total Client Assets
$ in billions




## Wrap Net Flows
$ in billions




## Advisor Productivity
$ in thousands

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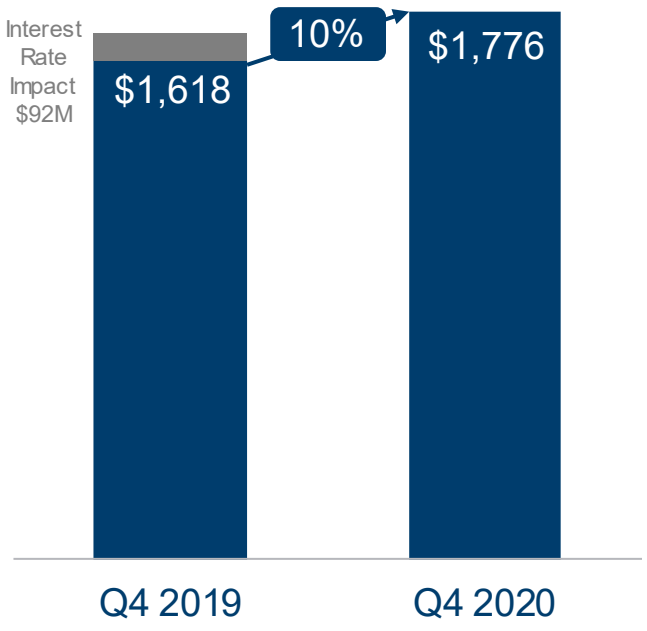
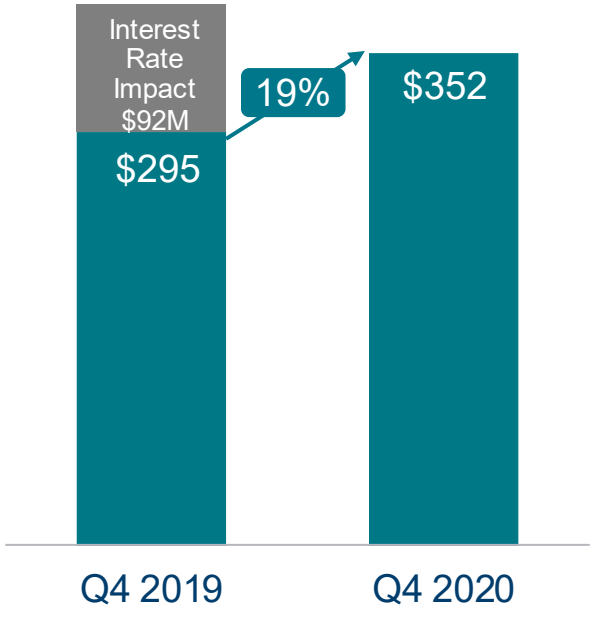
# AWM very strong organic growth and flows continue to drive margin expansion

Adjusted Operating Total Net Revenues
$ in millions




Pretax Adjusted Operating Earnings
$ in millions




- Demonstrated strong underlying revenue growth in the face of $92 million of interest rate headwinds
  - Underlying revenue increased 10% driven by strong wrap flows, improved transactional activity and equity market appreciation
- Expenses remain well managed with G&A up 2% as expense reengineering offsetting bank growth and elevated share-based compensation expense
- Earnings were up 19% to $352 million
- Pretax adjusted operating margin of 19.8%, up 60 bps sequentially

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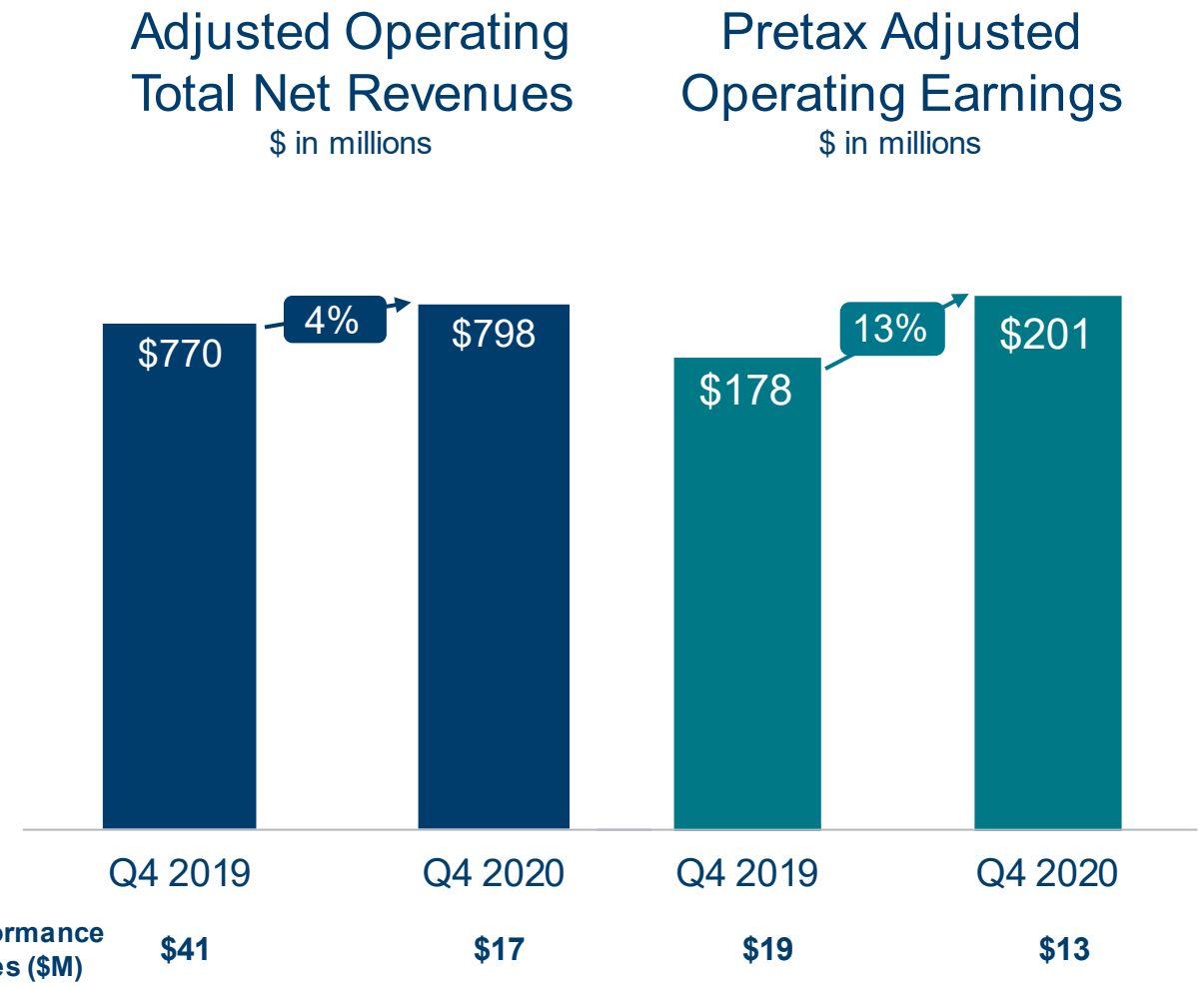
# Asset Management demonstrates continued improvement in profitable growth




- Sustained improvement in flow trends with net inflows[1] of $8.3 billion, a $4.1 billion improvement from the prior year
- Revenue increased 4% from improvement in net flows and market appreciation
  - Adjusted for performance fees, revenue was up 7%
  - Fee rate remained strong at 52 basis points
- Expenses remain well managed with G&A down 2%
  - Adjusted for the timing of performance fee and elevated share-based compensation, G&A was up 2%
- Earnings increased 13% to $201 million
- Pretax adjusted operating margin of 39.5%

[1] Excluding former parent outflows

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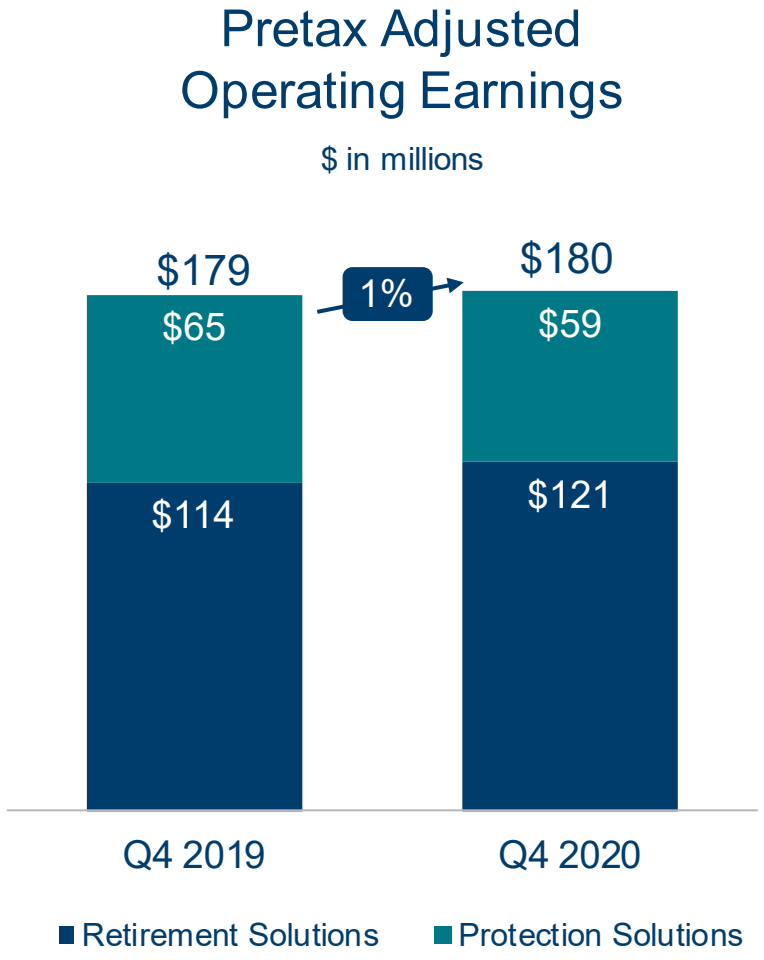
# Retirement & Protection Solutions delivering consistent financial results and prudent risk management




- 58% of retirement product sales without living benefits
- Insurance sales mix shifting to highly accretive VUL sales
- Earnings performing within expectations with the equity market appreciation offsetting continued interest rate pressure
- Limited financial impact from COVID-19 as elevated life insurance claim count mitigated by reinsurance
- Net amount of risk of 0.4% of living benefits and 0.1% of death benefits, which is among the lowest in the industry
- Hedge effectiveness of 98.2% in the quarter

Note: Retirement & Protection Solutions segment includes Retirement Solutions (Variable Annuities and Payout Annuities) and Protection Solutions (Life and Disability Insurance). Fixed Annuities was moved to the Corporate & Other segment as a closed block in Q3 2020. Prior periods have been restated.

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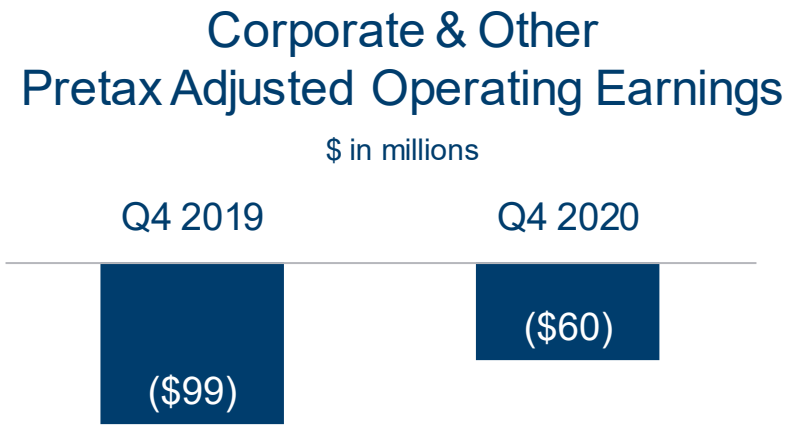
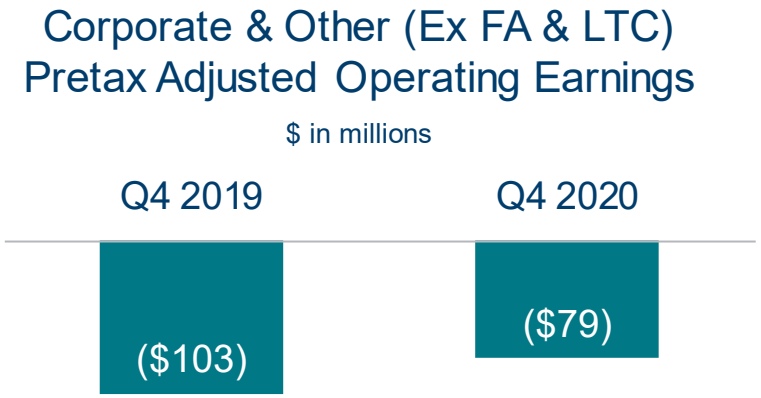
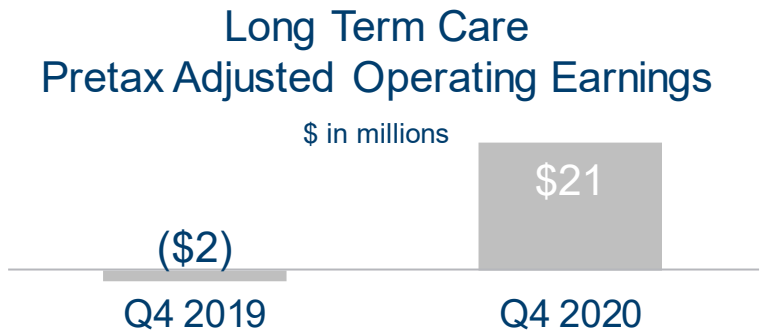
# Corporate & Other benefitted from improved LTC results and lower corporate expenses




## Closed Blocks




Fixed annuities was moved into the Corporate & Other segment in Q3 2020 as a closed block. Prior periods have been restated.

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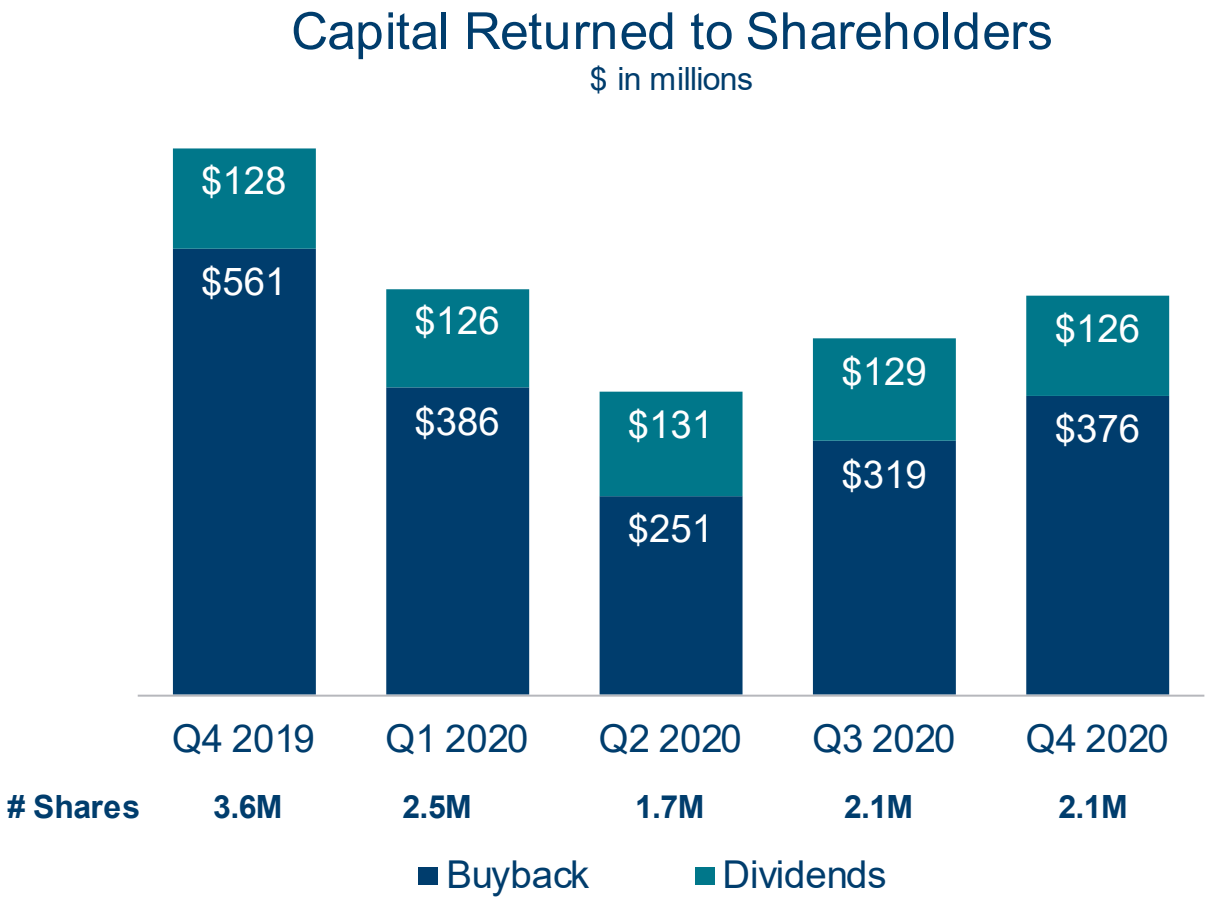
# Strong balance sheet and free cash flow generation support continued capital return




- Strong balance sheet fundamentals
  - $2.3 billion of parent company available liquidity
  - Free cash flow generation of ~90% in 2020
  - $1.9 billion of excess capital
  - AA- rated investment portfolio positioned well to navigate stress scenarios
  - Effective hedging program
  - Strong risk management foundation
- Strong adjusted operating ROE excluding unlocking of 36%
- Returned 90% of earnings to shareholders in the quarter

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# Reconciliation tables

Adjusted operating net revenues

| ($ in millions) | Q4 2019 | Q4 2020 | % Over/ (Under) |
|---|---|---|---|
| Total net revenues | $ 3,287 | $ 3,183 | (3)% |
| Less: Net realized investment gains (losses | (2) | 8 | |
| Less: Market impact on non-traditional long-duration products | 8 | 20 | |
| Less: Mean Reversion related impacts | - | - | |
| Less: Market impact of hedges on investments | 2 | - | |
| Less: Gain on disposal of business | 213 | - | |
| Less: Integration/restructuring charges | - | - | |
| Less: Revenues attributable to the CIEs | 21 | 19 | |
| Adjusted operating total net revenues | 3,045 | 3,136 | 3% |
| Less: Interest Rate Impacts | 92 | - | |
| Adjusted operating total net revenues excluding Interest Rate Impacts | $ 2,953 | $ 3,136 | 6% |

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# Reconciliation tables

Adjusted operating expenses

| ($ in millions) | Q4 2019 | Q4 2020 | % Over/ (Under) |
|---|---|---|---|
| Total expenses | $ 2,753 | $ 2,993 | (9)% |
| Less: CIEs expenses | 20 | 13 | |
| Less: Integration/restructuring charges | 6 | - | |
| Less: Market impact on non-traditional long-duration products | 366 | 634 | |
| Less: Mean reversion related impacts | (39) | (117) | |
| Less: DAC/DSIC offset to net realized investment gains (losses) | - | - | |
| Adjusted operating expenses | 2,400 | 2,463 | (3)% |

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# Reconciliation tables

Adjusted operating earnings per diluted share

| ($ in millions, except per share amounts) | | | | Per Diluted Share | | |
|---|---|---|---|---|---|---|
| | Q4 2019 | Q4 2020 | % Over/ (Under) | Q4 2019 | Q4 2020 | % Over/ (Under) |
| Net income | $ 463 | $ 177 | (62)% | $ 3.53 | $ 1.43 | (59)% |
| Less: Net realized investment (losses) gains[1] | (2) | 8 | | (0.02) | 0.06 | |
| Add: Market impact on non-traditional long-duration products[1] | 358 | 614 | | 2.73 | 4.98 | |
| Add: Mean reversion related impacts[1] | (39) | (117) | | (0.30) | (0.95) | |
| Add: Market impact of hedges on investments[1] | (2) | - | | (0.02) | - | |
| Less: (Gain) on disposal of business [1] | 213 | - | | 1.62 | - | |
| Add: Integration/restructuring charges[1] | 6 | - | | 0.05 | - | |
| Less: Net income (loss) attributable to the CIEs | 1 | 5 | | 0.01 | 0.04 | |
| Add: Tax effect of adjustments[2] | (23) | (102) | | (0.18) | (0.83) | |
| Adjusted operating earnings | $ 551 | $ 559 | 1% | $ 4.20 | $ 4.53 | 8% |
| Less: Pretax impact of Interest Rate Impact | 92 | - | | 0.70 | - | |
| Less: Tax effect of Interest Rate Impact | (19) | - | | (0.14) | - | |
| Adjusted operating earnings excluding Interest Rate Impact | $ 478 | $ 559 | 17% | $ 3.64 | $ 4.53 | 24% |
| | | | | | | |
| Weighted average common shares outstanding: | | | | | | |
| Basic | 129.0 | 120.9 | | | | |
| Diluted | 131.3 | 123.4 | | | | |

[1] Pretax adjusted operating adjustment.

[2] Calculated using the statutory tax rate of 21%.

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# Reconciliation tables

Adjusted operating return on equity

| ($ in millions) | Twelve Months Ended December 31, 2019 | Twelve Months Ended December 31, 2020 |
|---|---|---|
| Net income | $ 1,893 | $ 1,534 |
| Less: Adjustments [1] | (297) | (236) |
| Adjusted operating earnings | $ 2,190 | $ 1,770 |
| Less: Annual unlocking/loss recognition, net of tax [2] | (16) | (349) |
| Adjusted operating earnings excluding annual unlocking/loss recognition | $ 2,206 | $ 2,119 |
| Less: Auto & Home, net of Tax[2] | 10 | - |
| Adjusted operating earnings excluding Auto & Home and Unlocking | $ 2,196 | $ 2,119 |
| | | |
| Total Ameriprise Financial, Inc. shareholders' equity | $ 5,837 | $ 6,171 |
| Less: Accumulated other comprehensive income, net of tax | 122 | 301 |
| Total Ameriprise Financial, Inc. shareholders' equity excluding AOCI | 5,715 | 5,870 |
| Less: Equity impacts attributable to the consolidated investment entities | 1 | 1 |
| Adjusted operating equity | $ 5,714 | $ 5,869 |
| | | |
| Return on equity, excluding AOCI | 33.1% | 26.1% |
| Adjusted operating return on equity, excluding AOCI [3] | 38.3% | 30.2% |
| Adjusted operating return on equity, excluding AOCI and annual unlocking/loss recognition | 38.6% | 36.1% |
| Adjusted operating return on equity, excluding AOCI, Unlocking and Auto & Home | 38.4% | 36.1% |

(1) Adjustments reflect the trailing twelve months' sum of after-tax net realized investment gains/losses, net of deferred sales inducement costs ("DSIC") and deferred acquisition costs ("DAC") amortization, unearned revenue amortization and the reinsurance accrual; the market impact on non-traditional long-duration products, net of hedges and related DAC amortization, unearned revenue amortization, and the reinsurance accrual; mean reversion related impacts; gain on disposal of business; the market impact of hedges to offset interest rate changes on unrealized gains or losses for certain investments; integration/restructuring charges; and the impact of consolidating certain investment entities. After-tax is calculated using the statutory tax rate of 21%.

(2) After-tax is calculated using the statutory tax rate of 21%.

(3) Adjusted operating return on equity excluding accumulated other comprehensive income (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; the market impact on non-traditional long-duration products, net of hedges and related DAC amortization, unearned revenue amortization, and the reinsurance accrual; mean reversion related impacts; gain on the disposal of business; the market impact of hedges to offset interest rate changes on unrealized gains or losses for certain investments; integration/restructuring charges; the impact of consolidating certain 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 tax rate of 21%.

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# Reconciliation tables

Advice & Wealth Management adjusted operating total net revenues

| ($ in millions) | Q4 2019 | Q4 2020 | % Over/ (Under) |
|---|---|---|---|
| AWM Net revenues | $ 1,710 | $ 1,776 | 4% |
| Less: short-term interest rate impacts | 92 | - | |
| AWM Net revenues excluding short-term interest rate impact | $ 1,618 | $ 1,776 | 10% |

Advice & Wealth Management pretax adjusted operating earnings

| ($ in millions) | Q4 2019 | Q4 2020 | % Over/ (Under) |
|---|---|---|---|
| Pretax adjusted operating earnings | $ 387 | $ 352 | (9)% |
| Less: short-term interest rate impacts | 92 | - | |
| Pretax adjusted operating earnings excluding short-term interest rate impacts | $ 295 | $ 352 | 19% |

Advice & Wealth Management net pretax adjusted operating margin

| ($ in millions) | Q4 2019 | Q4 2020 | % Over/ (Under) |
|---|---|---|---|
| AWM Net revenues | $ 1,710 | $ 1,776 | |
| Pretax adjusted operating earnings | $ 387 | $ 352 | |
| AWM Net revenues excluding short-term interest rate impact | $ 1,618 | $ 1,776 | |
| Pretax adjusted operating earnings excluding short-term interest rate impacts | $ 295 | $ 352 | |
| Pretax Adjusted Operating Margin | 22.6% | 19.8% | |
| Pretax Adjusted Operating Margin excluding short-term interest rate impacts | 18.2% | 19.8% | 160 bps |

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# Reconciliation tables

Advice & Wealth Management adjusted revenue per advisor

| | 1Q 2019 | 2Q 2019 | 3Q 2019 | 4Q 2019 | 1Q 2020 | 2Q 2020 | 3Q 2020 | 4Q 2020 | |
|---|---|---|---|---|---|---|---|---|---|
| Total Net Revenue | $ 1,554 | $ 1,653 | $ 1,682 | $ 1,710 | $ 1,695 | $ 1,537 | $ 1,667 | $ 1,776 | |
| Interest Revenue | $ (122) | $ (122) | $ (116) | $ (92) | $ (68) | $ - | $ - | $ - | |
| Advisor Count | 9,979 | 9,951 | 9,930 | 9,871 | 9,878 | 9,894 | 9,905 | 9,922 | |
| Rev Per Adv | 156 | 166 | 169 | 173 | 172 | 155 | 168 | 179 | |
| Rev Per Adv ex. Int | 144 | 154 | 158 | 164 | 165 | 155 | 168 | 179 | |
| Rev Per Adv TTM | | | | 664 | | | | 674 | 2% |
| Rev Per Adv ex. Int TTM | | | | 619 | | | | 667 | 8% |

Adjusted operating general and administrative expense

| ($ in millions) | Q4 2019 | Q4 2020 | % Over/ (Under) |
|---|---|---|---|
| General and administrative expense | $ 839 | $ 828 | 1% |
| Less: CIEs expense | - | 1 | |
| Less: Integration/restructuring charges | 6 | - | |
| Adjusted operating general and administrative expense | $ 833 | $ 827 | 1% |

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# Reconciliation tables

Pretax operating margin

| ($ in millions) | Q4 2019 | Q4 2020 |
|---|---|---|
| Total net revenues | $ 3,287 | $ 3,183 |
| Less: Net realized investment gains (losses) | (2) | 8 |
| Less: Market impact on non-traditional long-duration products | 8 | 20 |
| Less: Mean reversion related impacts | - | - |
| Less market impact of hedges on investments | 2 | - |
| Less gain on disposal of business | 213 | - |
| Less: Revenues attributable to the CIEs | 21 | 19 |
| Adjusted operating total net revenues | $ 3,045 | $ 3,136 |
| | | |
| Pretax income | $ 534 | $ 190 |
| Less: Net realized investment gains (losses) | (2) | 8 |
| Add: Market impact on non-traditional long-duration products | 358 | 614 |
| Add: Mean reversion related impacts | (39) | (117) |
| Add Market impact of hedges on investments | (2) | - |
| Less gain on disposal of business | 213 | - |
| Add: Integration/restructuring charges | 6 | - |
| Less: Pretax income (loss) attributable to the CIEs | 1 | 6 |
| Pretax adjusted operating earnings | $ 645 | $ 673 |
| | | |
| Pretax operating margin | 16.2% | 6.0% |
| Pretax adjusted operating margin | 21.2% | 21.5% |

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# Reconciliation tables

Asset Management net pretax adjusted operating margin

| ($ in millions) | Q4 2019 | Q4 2020 |
|---|---|---|
| Adjusted operating total net revenues | $ 770 | $ 798 |
| Less: Distribution pass through revenues | 193 | 205 |
| Less: Subadvisory and other pass through revenues | 85 | 94 |
| Net adjusted operating revenues | $ 492 | $ 499 |
| | | |
| Pretax adjusted operating earnings | $ 178 | $ 201 |
| Less: Adjusted operating net investment income | 4 | 8 |
| Add: Amortization of intangibles | 4 | 4 |
| Net adjusted operating earnings | $ 178 | $ 197 |
| | | |
| Pretax adjusted operating margin | 23.1% | 25.2% |
| Net pretax adjusted operating margin | 36.2% | 39.5% |

Asset Management net pretax adjusted operating revenues and earnings

| | Q4 2019 | Q4 2020 | % Over/ (Under) |
|---|---|---|---|
| Net adjusted operating revenues | $ 770 | $ 798 | 4% |
| Less: Performance fee adjustment | 41 | 17 | |
| Net adjusted operating revenues ex Performance fees | $ 729 | $ 781 | 7% |
| | | | |
| Net adjusted operating earnings | $ 178 | $ 201 | 13% |
| Less: Performance fee adjustment | 19 | 13 | |
| Net adjusted operating earnings ex Performance fees | $ 159 | $ 188 | 18% |

Asset Management net adjusted operating G&A

| | Q4 2019 | Q4 2020 | % Over/ (Under) |
|---|---|---|---|
| Net adjusted operating G&A | $ 345 | $ 339 | (2)% |
| Less: Performance fee adjustment | 22 | 4 | |
| Less: Share-based Compensation | 1 | 8 | |
| Net adjusted operating G&A | $ 322 | $ 327 | 2% |

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