

# Ameriprise Financial

Third Quarter 2022 Conference Call

October 26, 2022

# Forward-looking statements

Some of the statements made in our October 25, 2022 earnings release and/or in this October 26, 2022 presentation constitute forward-looking statements. These statements reflect management's estimates, plans, beliefs and expectations, and speak only as of October 26, 2022. 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 October 25, 2022 earnings release, a complete copy of which is available on our website, and risks described under the heading "Risk Factors" and elsewhere in our Annual Report on Form 10-K for the year ended December 31, 2021. 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 third quarter earnings release and/or in this presentation are based upon asset valuations that represent estimates as of October 26, 2022 and may be revised in our Form 10-Q for the quarter ended September 30, 2022.

## Non-GAAP Financial Measures

This presentation contains certain non-GAAP financial measures that our management feels best reflect the underlying performance of our operations. Reconciliations of such non-GAAP financial measures to the most directly comparable GAAP financial measure have been provided along with the presentation and can be found on our website at [www.ir.ameriprise.com](http://www.ir.ameriprise.com).

# Consolidated Third Quarter 2022 Results

<b>GAAP</b>	<b>Q3 2022</b>	<b>Q3 2021</b>	<b>Over/(Under)</b>
Net Revenues (\$M)	\$3,491	\$2,903	20%
Expenses (\$M)	\$2,806	\$1,633	(72)%
Net Income (\$M)	\$548	\$1,031	(47)%
Diluted EPS	\$4.86	\$8.65	(44)%
ROE, ex. AOCI <sup>(1)</sup>	47.1%	41.7%	540 bps
<b>Adjusted Operating</b>	<b>Q3 2022</b>	<b>Q3 2021</b>	<b>Over/(Under)</b>
Net Revenues (\$M)	\$3,545	\$3,515	1%
Expenses (\$M)	\$2,807	\$2,665	(5)%
Earnings (\$M)	\$591	\$699	(15)%
Diluted EPS	\$5.24	\$5.86	(11)%
ROE, ex. AOCI <sup>(1)</sup>	45.6%	47.8%	(220) bps
<b>Adjusted Operating, excluding unlocking <sup>(2)</sup></b>	<b>Q3 2022</b>	<b>Q3 2021</b>	<b>Over/(Under)</b>
Net Revenues (\$M)	\$3,544	\$3,496	1%
Expenses (\$M)	\$2,637	\$2,638	-
Earnings (\$M)	\$725	\$705	3%
Diluted EPS	\$6.43	\$5.91	9%
ROE, ex. AOCI <sup>(1)</sup>	47.9%	47.9%	0 bps

<sup>(1)</sup> Calculated on a trailing 12 month basis.

<sup>(2)</sup> Unlocking impacts reflect the company's annual review of insurance and annuity valuation assumptions and model changes and the LTC gross premium valuation.

# Q3 2022 Business & Financial Results

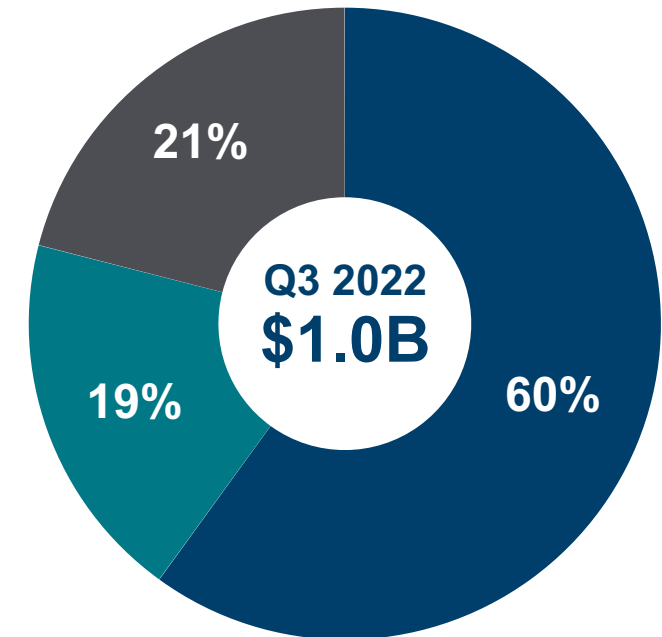
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Walter Berman  
Chief Financial Officer

# EPS up 9%<sup>1</sup> demonstrating the strength of our diversified business model despite macro pressures

- Results in the quarter highlight the strength of our diversified business model, as favorable business momentum and higher interest rates more than offset impacts from market depreciation
  - Wealth Management delivered strong organic growth and benefited from rising interest rates and Ameriprise Bank growth
  - Asset Management performance reflects market depreciation
  - Retirement & Protection Solutions delivered stable performance in volatile markets
- Expenses continue to be managed effectively across the firm; excluding BMO and unlocking, total expenses were down 3%
- Balance sheet fundamentals remain strong despite continued market depreciation and a return of \$632 million of capital to shareholders

Pretax Adjusted Operating Earnings<sup>2</sup>



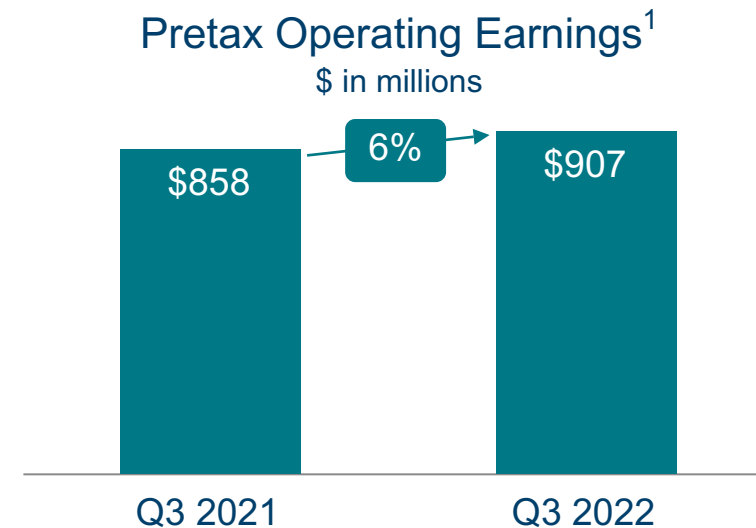
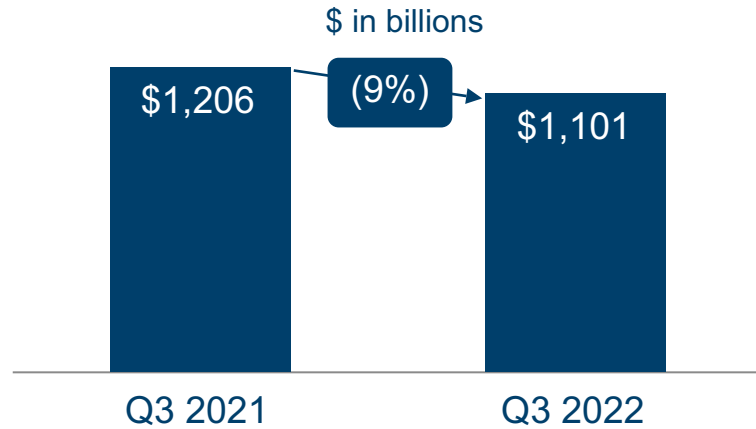
■ Advice & Wealth Management  
■ Asset Management  
■ Retirement & Protection Solutions

(1) Excludes unlocking impacts related to the company's annual review of insurance and annuity valuation assumptions and model changes and the LTC gross premium valuation.

(2) Excludes unlocking impacts and the Corporate & Other Segment.

# Interest rate impacts and business momentum more than offset significant market pressure

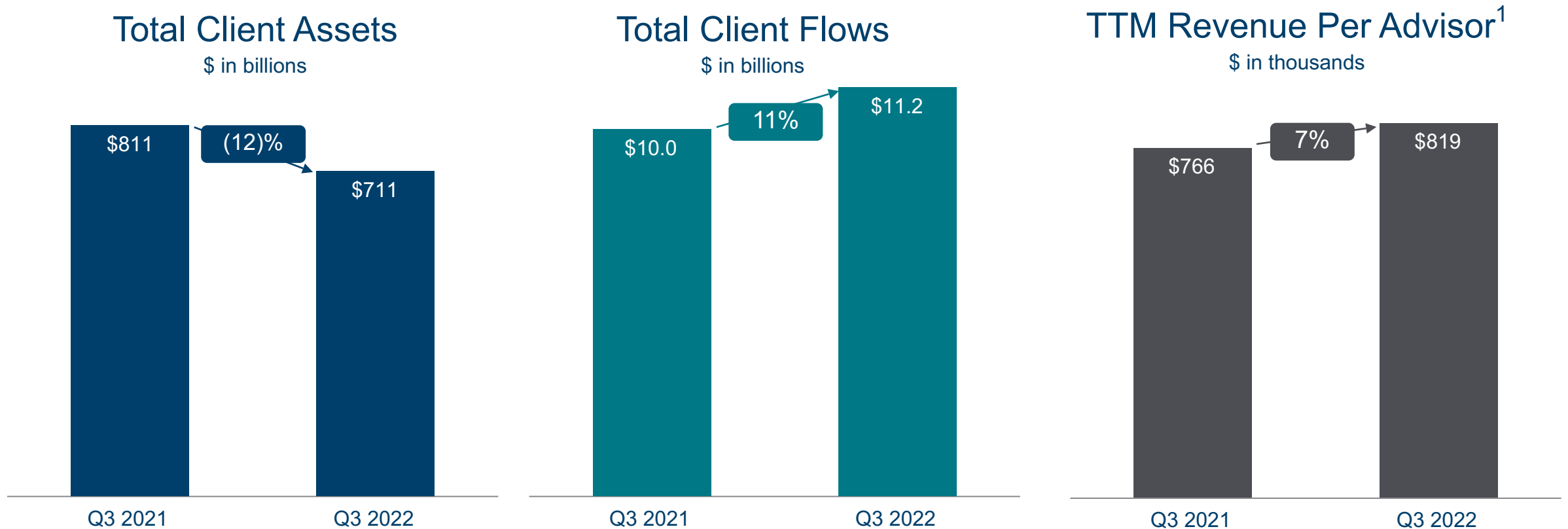
## Assets Under Management & Administration (AUM/A)



- AUM/A declined 9% as strong business growth and client flows were negatively impacted by depreciating markets
  - Equity markets down 19%
  - Fixed income markets down 14%
  - Foreign exchange translation
    - EUR down 15%
    - GBP down 17%
- Ameriprise flows remained strong at \$64 billion over the past 12 months, including \$9 billion in the third quarter
- Pretax operating earnings increased 6%
  - Significant benefits from interest rates
  - Strong client flows
  - Continued expense discipline
  - Negative impacts from market depreciation and decline in foreign currency translation

(1) Excludes unlocking impacts related to the company's annual review of insurance and annuity valuation assumptions and model changes and the LTC gross premium valuation.

# Wealth Management total client flows remain strong in challenging environment



(1) Calculated on a trailing twelve month basis  
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# Wealth Management margin expansion continues from interest rates and organic growth

## Adjusted Operating Total Net Revenue

\$ in millions

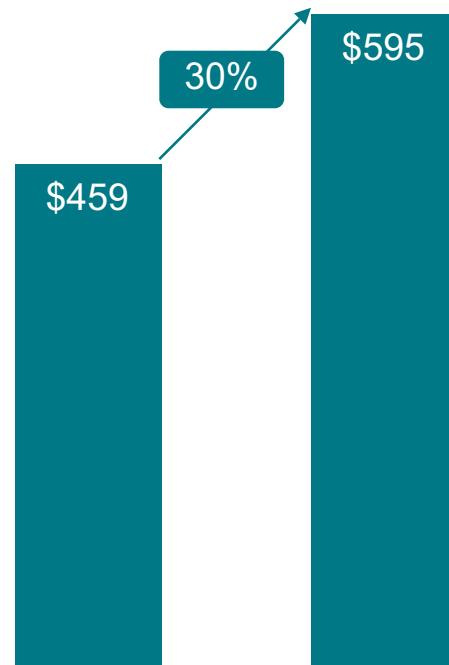


Q3 2021

Q3 2022

## Pretax Adjusted Operating Earnings

\$ in millions



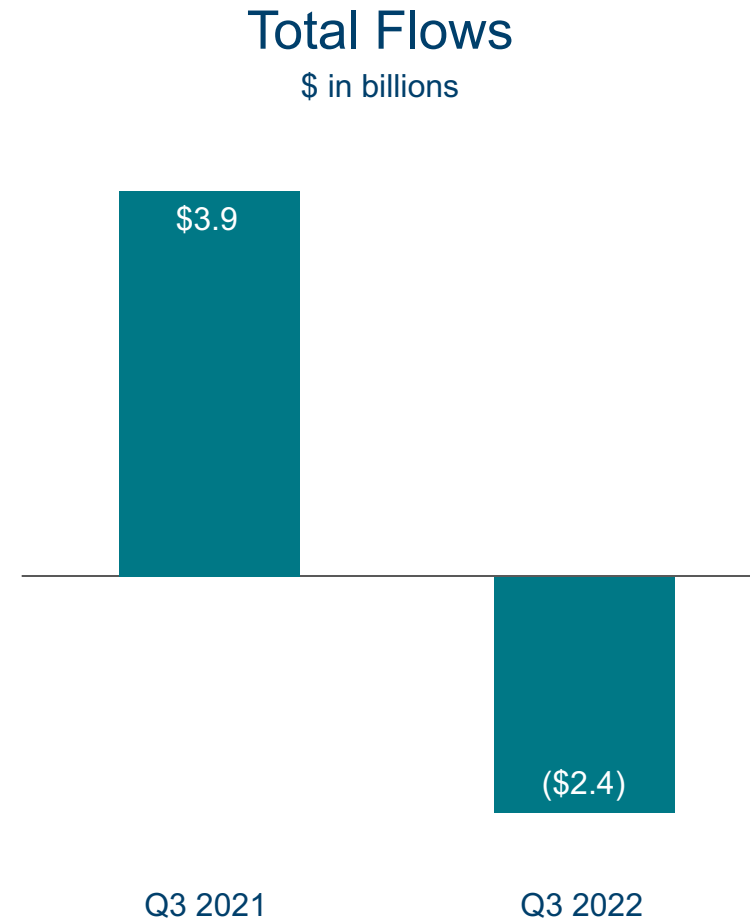
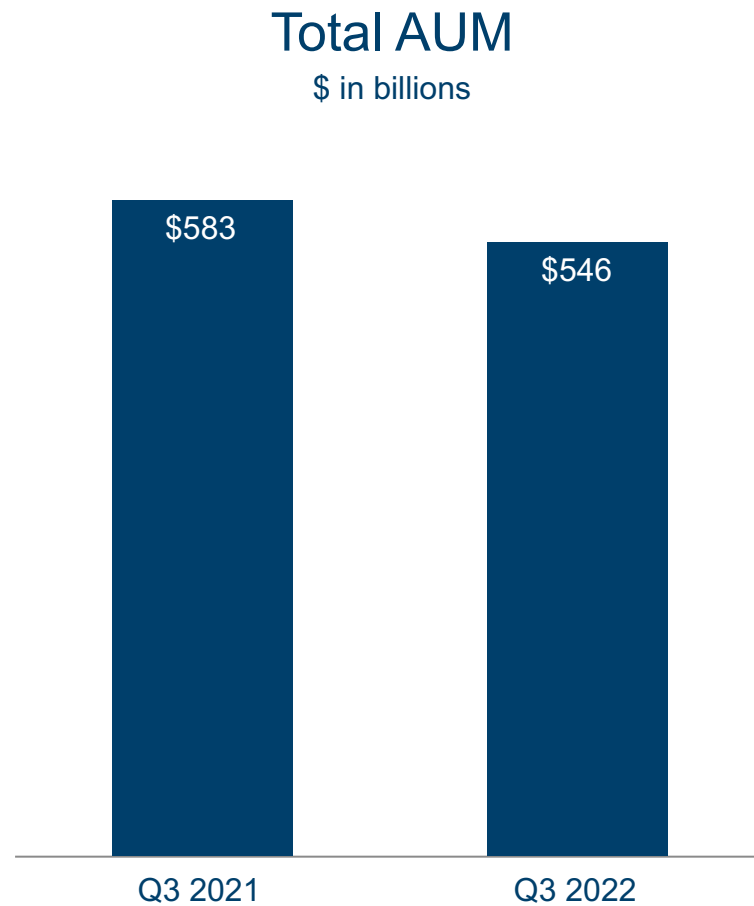
Q3 2021

Q3 2022

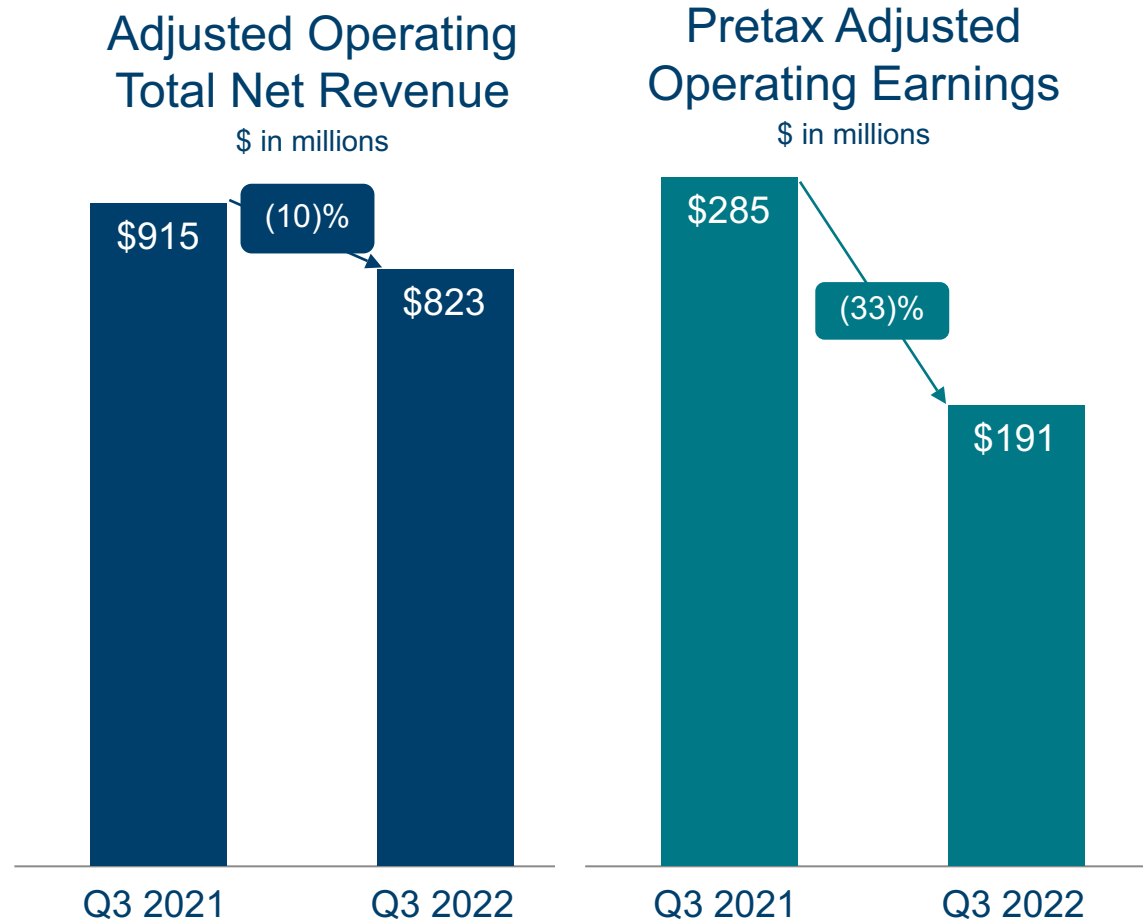
- Pretax earnings up 30%, as higher interest earnings and client flows more than offset market depreciation and lower transactional activity
- Significant opportunity with rising rates with cash balances elevated at \$46 billion, up 16% from the prior year
  - The gross fee yield was 251 bps, up 121 bps sequentially
- Ameriprise Bank grew to \$19 billion, driving sustainable benefits from higher rates
- Adjusted operating expenses declined 3% as lower distribution expenses partially offset higher G&A
  - G&A increase reflects investments for growth and higher volume-related activity
  - Prior year G&A expenses were unusually low as a result of timing, lower staffing and reduced T&E
  - Year-to-date G&A is up 7%, in line with our full year expectation
- Margin expanded 540 bps to 27.8%
- Interest rate benefits will continue to offset market depreciation moving into next quarter and throughout 2023



# Asset Management remains challenged by ongoing market depreciation and FX translation



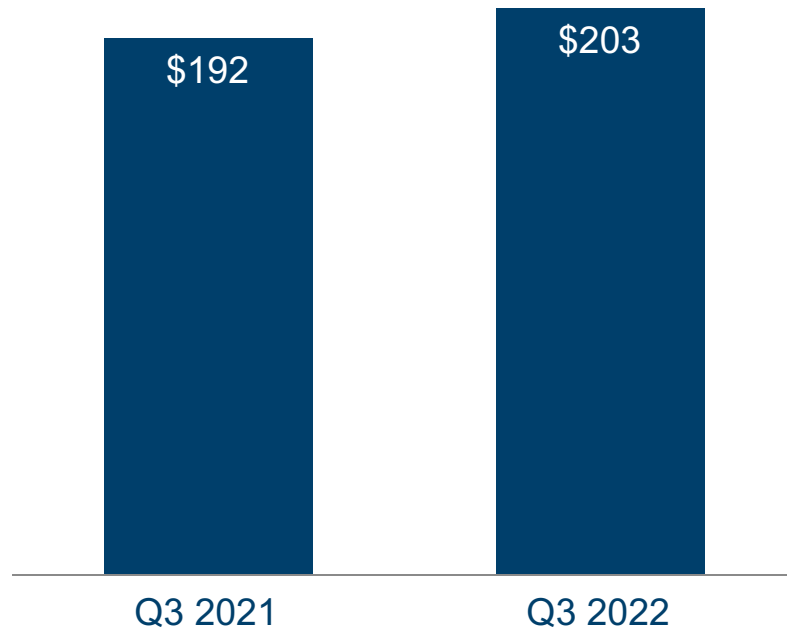
# Asset Management financial results reflect the challenging macro backdrop consistent with industry



- Pretax adjusted operating earnings declined 33% primarily from market depreciation and foreign currency weakening; expense reductions offset the majority of net flow impacts
- Fee rate remained stable at 48 bps
- Increased geographic diversification from the acquisition of BMO resulted in a larger impact from foreign exchange translation
- Total operating expenses (excluding BMO) were down 13% and G&A was down 7%, reflecting tight expense management
- Net pretax adjusted operating margin of 35.6%, above our target range

# Retirement & Protection Solutions delivered stable earnings in the face of market depreciation

Pretax Adjusted  
Operating Earnings<sup>1</sup>  
\$ in millions



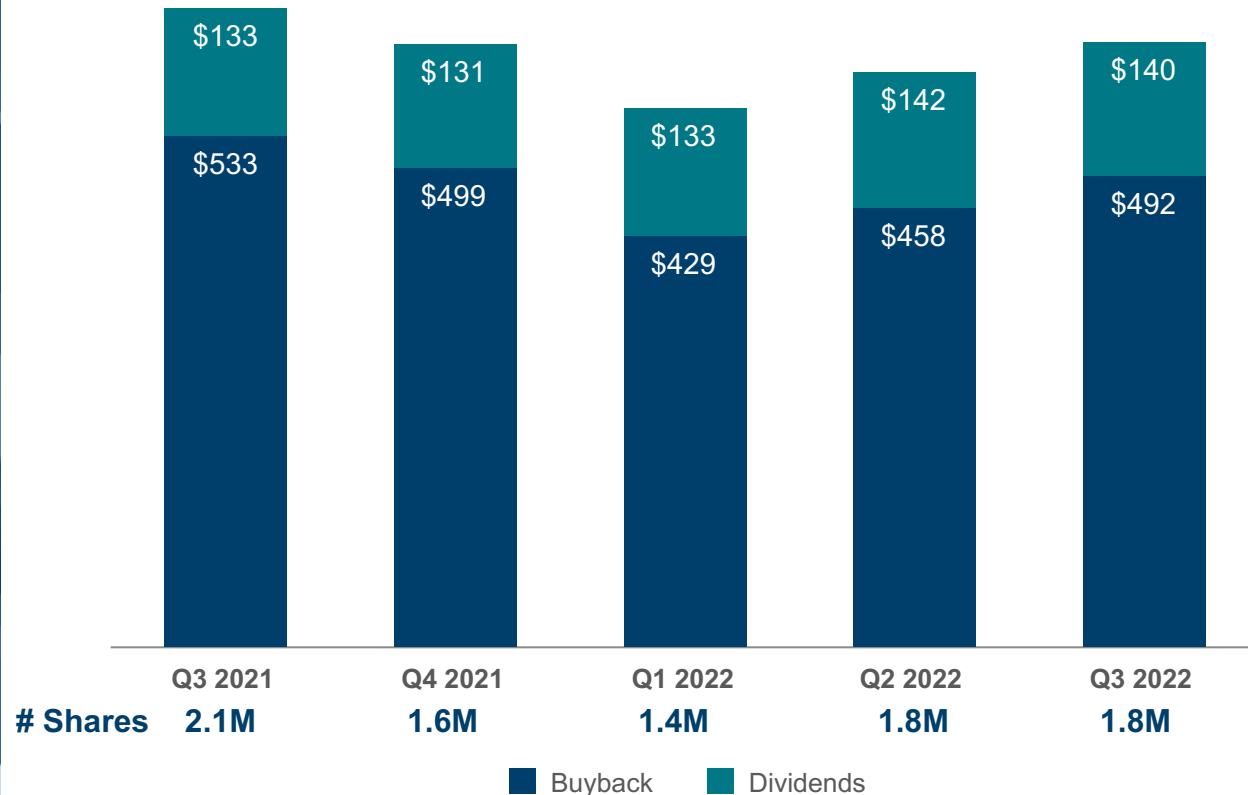
- Pretax earnings excluding unlocking of \$203 million reflecting continued solid performance with a differentiated risk profile and strong free cash flow generation
  - Completed annual actuarial assumption update in the quarter resulting in an unfavorable pretax impact of \$172 million
- Sales declined as a result of market depreciation and management actions to reduce the risk profile of the business
  - Protection sales were concentrated in higher margin, accumulation-focused VUL, which represents 33% of total insurance inforce
  - Annuity sales were in lower risk VAs without living benefit guarantees and structured VAs, which represents 42% of total account value
- Enhancing yield by repositioning the investment portfolio within our risk tolerances by extending duration
- RPS remains well capitalized and continued to generate strong free cash flow

(1) Excludes unlocking impacts related to the company's annual review of insurance and annuity valuation assumptions and model changes.

# Strong balance sheet and free cash flow generation support ~90% capital return commitment for 2022

## Capital Returned to Shareholders

\$ in millions



- Strong balance sheet fundamentals and capital management
  - Strong excess capital and holding company liquidity
  - AA-rated investment portfolio positioned well to navigate stress scenarios
  - VA hedge effectiveness<sup>1</sup> of 97% in a volatile market environment
- Ongoing free cash flow generation of ~90% over time with significant contribution from all business segments
- Adjusted operating ROE of 46%
- Repurchased 1.8 million shares in the quarter, with net share count reduced by 27% over the past 5 years

(1) Excludes structured variable annuities



# Reconciliation Tables

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# Reconciliation tables

## Adjusted Operating Earnings Per Diluted Share

(in millions, except per share amounts, unaudited)	Quarter Ended September 30,		Per Diluted Share Quarter Ended September 30,		% Over/ (Under)
	2022	2021	2022	2021	
Net income	\$ 548	\$ 1,031	\$ 4.86	\$ 8.65	(44)%
Less: Net realized investment gains (losses) <sup>(1)</sup>	(92)	12	(0.82)	0.10	
Add: Market impact on non-traditional long-duration products <sup>(1)</sup>	(132)	94	(1.18)	0.79	
Add: Mean reversion-related impacts <sup>(1)</sup>	79	(9)	0.70	(0.08)	
Add: Market impact of hedges on investments <sup>(1)</sup>	—	23	—	0.19	
Add: Block transfer reinsurance transaction impacts <sup>(1)</sup>	—	521	—	4.37	
Add: Integration/restructuring charges <sup>(1)</sup>	11	7	0.10	0.06	
Less: Net income (loss) attributable to consolidated investment entities	(3)	2	(0.03)	0.02	
Add: Tax effect of adjustments <sup>(2)</sup>	(10)	88	(0.09)	0.74	
Adjusted operating earnings	\$ 591	\$ 699	\$ 5.24	\$ 5.86	(11)%
Less: Unlocking	(134)	(6)	(1.19)	(0.05)	
Adjusted operating earnings excluding Unlocking	\$ 725	\$ 705	\$ 6.43	\$ 5.91	9%
Weighted average common shares outstanding:					
Basic	110.5	116.4			
Diluted	112.7	119.2			

<sup>(1)</sup> Pretax adjusted operating adjustment.

<sup>(2)</sup> Calculated using the statutory tax rate of 21%.

# Reconciliation tables

## Adjusted Operating Net Revenues & Expenses

(in millions, unaudited)	Quarter Ended September 30,		% Over / (Under)
	2022	2021	
<b>Total net revenues</b>	\$ 3,491	\$ 2,903	20%
Less: Net realized investment gains (losses)	(100)	14	
Less: Market impact on non-traditional long-duration	15	(1)	
Less: Mean Reversion related impacts	—	—	
Less: Market impact of hedges on investments	—	(23)	
Less: Block transfer reinsurance transaction impacts	—	(644)	
Less: Integration/restructuring charges	—	—	
Less: CIEs revenue	31	42	
<b>Adjusted operating total net revenues</b>	<u>\$ 3,545</u>	<u>\$ 3,515</u>	1%
Less: Annual unlocking/loss recognition	1	19	
<b>Adjusted operating total net revenues excluding</b>	<u><u>3,544</u></u>	<u><u>3,496</u></u>	1%
<b>Total expenses</b>	\$ 2,806	\$ 1,633	(72)%
Less: CIEs expenses	34	40	
Less: Integration/restructuring charges	11	7	
Less: Market impact on non-traditional long-duration	(117)	93	
Less: Mean reversion-related impacts	79	(9)	
Less: Block transfer reinsurance transaction impacts	—	(1,165)	
Less: DAC/DSIC offset to net realized investment gains	(8)	2	
<b>Adjusted operating expenses</b>	<u>\$ 2,807</u>	<u>\$ 2,665</u>	(5)%
Less: Annual unlocking/loss recognition	170	27	
<b>Adjusted Operating expenses excluding Unlocking</b>	<u><u>2,637</u></u>	<u><u>2,638</u></u>	-
Pretax income	\$ 685	\$ 1,270	
Pretax adjusted operating earnings	\$ 738	\$ 850	
Pretax adjusted operating earnings excluding Unlocking	\$ 907	\$ 858	
Pretax income margin	19.6 %	43.7 %	
Pretax adjusted operating margin	20.8 %	24.2 %	
Pretax adjusted operating margin excluding Unlocking	25.6 %	24.5 %	

# Reconciliation tables

## Ameriprise Financial Adjusted Operating and G&A Expenses

(in millions, except per share amounts, unaudited)	Quarter Ended September 30,		% Over/ (under)
	2022	2021	
Total operating expenses	\$ 2,807	\$ 2,665	5%
BMO operating expenses	81	—	
Unlocking operating expenses	170	27	
Total operating expenses excluding BMO and Unlocking	<u>\$ 2,556</u>	<u>\$ 2,638</u>	(3)%
Total G&A expenses	\$ 904	\$ 806	12%
BMO G&A expenses	75	—	
Total G&A expenses excluding BMO	<u>\$ 829</u>	<u>\$ 806</u>	3%

## Ameriprise Financial G&A Expenses

(in millions, except per share amounts, unaudited)	Year-to-date September 30,		% Over/ (under)
	2022	2021	
Total G&A expenses	\$ 2,718	\$ 2,432	12%
BMO G&A expenses	286	—	
Total G&A expenses excluding BMO	<u>\$ 2,432</u>	<u>\$ 2,432</u>	—



# Reconciliation tables

## Return on Equity (ROE) Excluding Accumulated Other Comprehensive Income "AOCI"

(in millions, unaudited)	Twelve Months Ended September 30,	
	2022	2021
Net income	\$ 2,766	\$ 2,236
Less: Adjustments <sup>(1)</sup>	92	(324)
Adjusted operating earnings	\$ 2,674	\$ 2,560
Less: Annual unlocking/loss recognition, net of tax	(134)	(6)
Adjusted Operating earnings excluding annual unlocking/loss recognition	2,808	2,566
Total Ameriprise Financial, Inc. shareholders' equity	\$ 4,793	\$ 5,766
Less: Accumulated other comprehensive income, net of tax	(1,076)	404
Total Ameriprise Financial, Inc. shareholders' equity excluding AOCI	5,869	5,362
Less: Equity impacts attributable to the consolidated investment entities	1	3
Adjusted operating equity	\$ 5,868	\$ 5,359
Return on equity excluding AOCI	47.1 %	41.7 %
Adjusted operating return on equity excluding AOCI <sup>(2)</sup>	45.6 %	47.8 %
Adjusted operating return on equity excluding AOCI and annual unlocking/loss recognition <sup>(2)</sup>	47.9 %	47.9 %

<sup>(1)</sup> 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; block transfer reinsurance transaction impacts; gain on disposal of business; the market impact of hedges to offset interest rate and currency changes on unrealized gains or losses for certain investments; integration/restructuring charges; the impact of consolidating certain investment entities; and discontinued operations. After-tax is calculated using the statutory tax rate of 21%.

<sup>(2)</sup> 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; block transfer reinsurance transaction impacts; gain on the disposal of business; the market impact of hedges to offset interest rate and currency 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%.

# Reconciliation tables

## Pretax Adjusted Operating Earnings Mix Shift

(in millions, unaudited)	Quarter Ended September 30,	
	2022	2021
Advice & Wealth Management	\$ 595	\$ 459
Asset Management	191	285
RPS	31	187
Less: Unlocking	<u>(172)</u>	<u>(5)</u>
RPS ex Unlocking	<u>203</u>	<u>192</u>
<b>Subtotal pretax adjusted operating earnings ex Unlocking</b>	<b>\$ 989</b>	<b>\$ 936</b>
Advice & Wealth Management	60 %	49 %
Asset Management	19 %	30 %
RPS ex Unlocking	<u>21 %</u>	<u>21 %</u>
<b>Total</b>	<b>100 %</b>	<b>100 %</b>

# Reconciliation tables

## Asset Management Net Pretax Adjusted Operating Margin

(in millions, except per share amounts, unaudited)	Quarter Ended September 30,	
	2022	2021
Adjusted operating total net revenues	\$ 823	\$ 915
Distribution pass thru revenues	(187)	(231)
Subadvisory and other pass thru revenues	(91)	(97)
Net adjusted operating revenues	<u>\$ 545</u>	<u>\$ 587</u>
Pretax adjusted operating earnings	\$ 191	\$ 285
Adjusted operating net investment income	(2)	(1)
Amortization of intangibles	5	3
Net adjusted operating earnings	<u>\$ 194</u>	<u>\$ 287</u>
Pretax adjusted operating margin	23.2 %	31.1 %
Net pretax adjusted operating margin <sup>(1)</sup>	35.6 %	48.9 %

<sup>(1)</sup> Calculated as net adjusted operating earnings as a percentage of net adjusted operating revenues.

## Asset Management Operating Expenses

(in millions, except per share amounts, unaudited)	Quarter Ended September 30,		% Over/ (Under)
	2022	2021	
Total operating expenses	\$ 632	\$ 630	—%
BMO operating expenses	81	—	
Total operating expenses excluding BMO	<u>\$ 551</u>	<u>\$ 630</u>	(13)%
Total G&A expenses	\$ 391	\$ 338	16%
BMO G&A expenses	75	—	
Total G&A expenses excluding BMO	<u>\$ 316</u>	<u>\$ 338</u>	(7)%

# Third Quarter Supplemental LTC Materials

## Annual Update

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### Key Observations:

- Claims performed within expectations
- Additional annual approved premium rate increases
- Increased extensive and substantial credible experience on 89% of the block
- Policy count declined by 6% over the past year to ~87,000

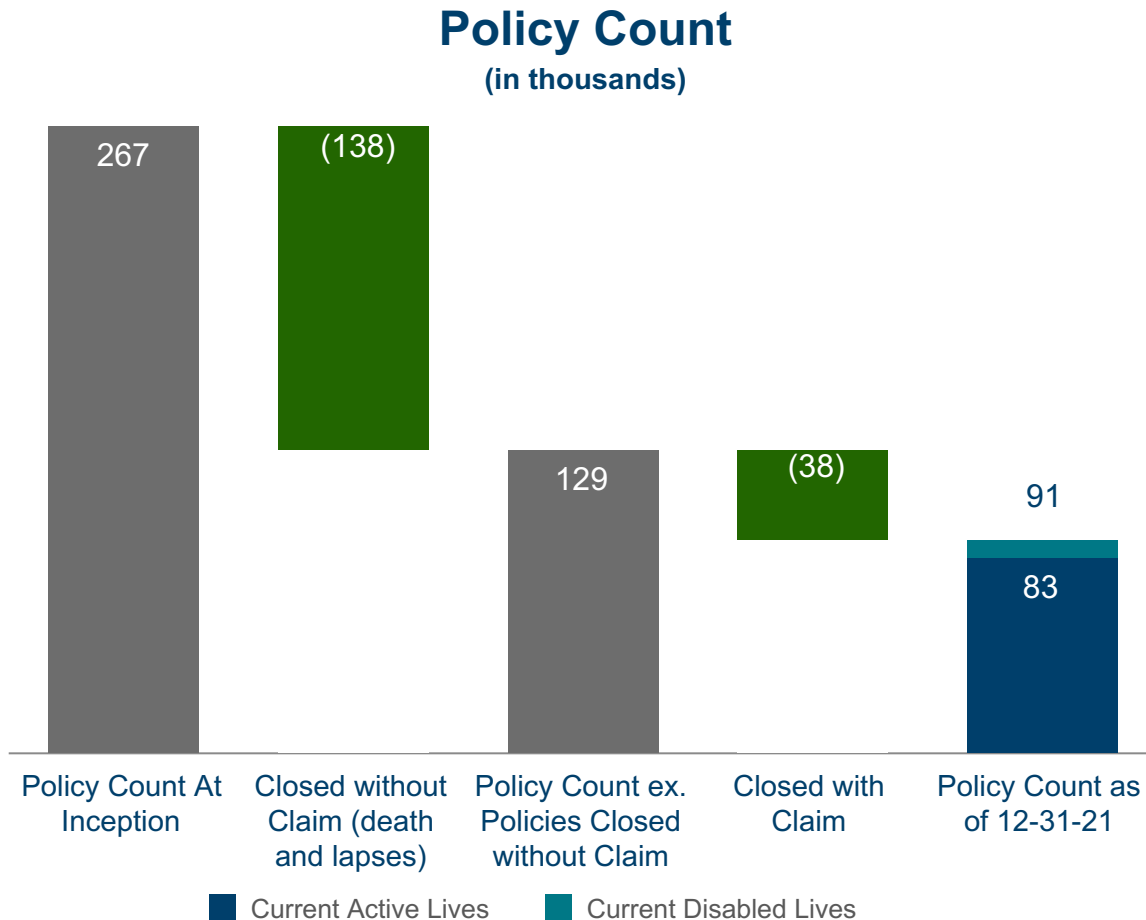
# Appendix - LTC Annual Update

## *Long term care block characteristics*

<b>Data as of 9-30-22</b>	<b>First Generation</b>	<b>Second Generation</b>
Issue Years	1989-1999	1997-2002
# of Policies	39,924	47,036
Average Attained Age of ALR / DLR	83 / 89	78 / 85
% with Lifetime Benefits	54%	35%
Statutory Reserves (does not include \$0.3B of asset adequacy reserves)	\$1.4 billion	\$1.2 billion
GAAP Reserves (net of reinsurance)	\$1.3 billion	\$1.2 billion
Average approved cumulative rate increases	229%	130%

# Appendix - LTC Annual Update

## *Extensive experience used to establish expectations for the future*



- 52% of issued policies have terminated without claim
- Extensive credible claims experience from 38,000 closed claims and 8,000 open claims
- Represents 35% of policy count excluding policies closed without claim
- Incorporate claims experience into management's best estimate related to active life reserves

# Appendix - LTC Annual Update

## *Credible claims experience*

Policy Count  
91,000



Distribution of Credible Claims Experience



Policy count as of 12-31-21, credibility as of 6-30-22. Extensive Credible Experience reflects a 90% probability that claims are within +/- 10%. Substantial experience reflects on average a 75% probability that claims are within +/- 10%. Developing Experience primarily reflects younger issue ages where claims have not yet materialized.

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# Appendix - LTC Annual Update

## *Long term care sensitivity analysis compares favorably to peers*

### GAAP Reserve Sensitivity as of 9-30-22

	<u>Current Assumption</u>	<u>Change in Assumption</u>	<u>Estimated Pretax Impact</u>
<b>Morbidity</b>	No improvement Updated annually to reflect company experience	5% change in incurred claims	+/- \$141M
<b>Mortality</b>	No improvement Updated annually to reflect company experience	1% per year for 10 years	+/- \$123M
<b>Lapse</b>	1.15%	25 bps	+/- \$43M
<b>Asset Yield</b>	5.7%	Reduce 10 Year ultimate rate by 25 bps to 3.25%	-\$10M
<b>Expected Future Rate Increases</b>	\$105M	Change in success rate by 10%	+/- \$11M

Morbidity sensitivity applied to areas that are outside of credible claims experience would be only \$63 million

Opportunity for significant additional premium increases and benefit changes not currently reflected in reserves