



# Ameriprise Financial

## Second Quarter 2020 Conference Call

July 30, 2020

# Forward-looking statements

Some of the statements made in our July 29, 2020 earnings release and/or in this July 30, 2020 presentation constitute forward-looking statements. These statements reflect management's estimates, plans, beliefs and expectations, and speak only as of July 30, 2020. 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 July 29, 2020 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 March 31, 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 second quarter earnings release and/or in this presentation are based upon asset valuations that represent estimates as of July 29, 2020 and may be revised in our Form 10-Q for the quarter ended June 30, 2020.

## 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 results

GAAP	Q2 2020	Q2 2019	Over/(Under)
Net Revenues (\$M)	\$2,712	\$3,245	(16%)
Expenses (\$M)	\$3,238	\$2,658	(22%)
Net Income (\$M)	\$(539)	\$492	NM
Diluted EPS	\$(4.31)	\$3.57	NM
ROE, ex. AOCI <sup>(1)</sup>	41.7%	33.1%	860 bps

Adjusted Operating	Q2 2020	Q2 2019 <sup>(3)</sup>	Over/(Under)
Net Revenues (\$M)	\$2,765	\$3,247	(15%)
Expenses (\$M)	\$2,188	\$2,574	15%
Earnings (\$M) <sup>(2)</sup>	\$333	\$560	(41%)
Diluted EPS <sup>(2)</sup>	\$2.64	\$4.06	(35%)
ROE, ex. AOCI <sup>(1)</sup>	35.6%	37.1%	(150) bps

(1) Calculated on a trailing 12 month basis.

(2) Includes an unfavorable tax reversal of \$144 million or \$1.14 per diluted share.

(3) Includes \$295 million of revenue and \$281 million of expense related to the Auto & Home business, which was sold on October 1, 2019.  
Excluding Auto & Home, net revenue declined 6% and expenses were favorable 5%.

# Q2 2020 Business & Financial Results

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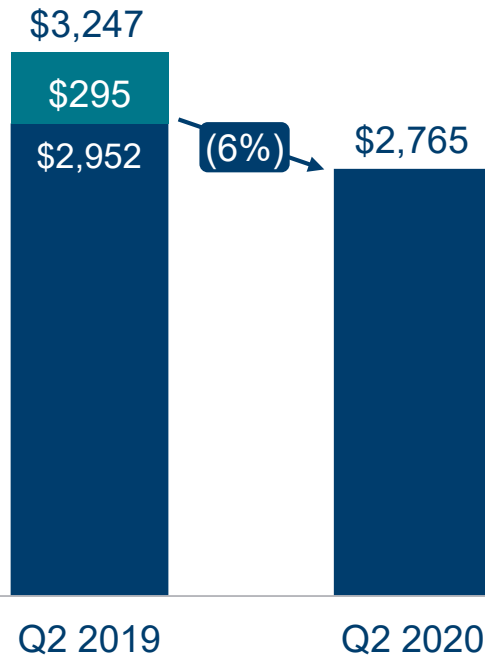
Walter Berman  
Chief Financial Officer

# Strong performance in a challenging environment

- Significant headwinds from rates, markets and the pandemic
- Adjusted operating EPS of \$2.64 reflects the challenging environment, as well as the reversal of the first quarter tax benefit; negative impact of interest rates and tax reversal was \$1.90
- Strong organic growth with flows in Advice & Wealth Management and Asset Management
- Continued to demonstrate strong balance sheet and risk fundamentals
  - Meeting client and advisor needs consistently while operating remotely
  - Strong generation of free cash flow and excess capital position of \$1.9 billion

# Strong underlying business performance adversely impacted by external headwinds and tax reversal

Adjusted Operating Total Net Revenue  
\$ in millions



Adjusted Operating EPS<sup>1</sup>



■ Continued Operations ■ Auto & Home

■ Continued Operations ■ Auto & Home

□ NOL Impact

- Financial performance impacted by:
  - Full impact of lower interest rates
  - Lower average equity markets
  - Reduced transactional activity
  - Reversal of the tax benefit realized in the first quarter
- Underlying business trends were strong even during the pandemic:
  - Solid organic growth and flows
  - Expense discipline
  - Strong capital return

(1) Excluding Q2 2020 NOL tax reversal of \$144 million

# Strong balance sheet fundamentals and risk management foundation

		Q2 2020
Balance Sheet & Enterprise Risk Management	Liquidity	<ul style="list-style-type: none"> <li>Enterprise wide liquidity of \$7.7 billion</li> <li>Parent Company liquidity of \$2.7 billion</li> </ul>
	Return to Shareholders	<ul style="list-style-type: none"> <li>Year-to-date free cash flow generation of ~100%</li> <li>Dividends to shareholders of \$131 million</li> <li>Resumed buyback with \$251 million returned in the quarter</li> </ul>
	Excess Capital	<ul style="list-style-type: none"> <li>Remained strong at \$1.9 billion</li> </ul>
	Owned Asset Portfolio	<ul style="list-style-type: none"> <li>Defensively positioned, diversified portfolio with AA- average rating                             <ul style="list-style-type: none"> <li>Performed well with minimal impairments</li> <li>Net unrealized gain position of \$2.1 billion</li> </ul> </li> </ul>
	Hedging	<ul style="list-style-type: none"> <li>95% effective</li> </ul>
	Operational Risk Management	<ul style="list-style-type: none"> <li>Meeting client needs while 95% of workforce working from home</li> <li>Executing initial phase of return to work in Q3</li> </ul>
Business	Financials & Metrics	<ul style="list-style-type: none"> <li>Impacted by markets in March and cautious client sentiment</li> <li>Strong AWM and AM flow trends continued following period of market dislocation</li> <li>No impact on life insurance mortality; significant reinsurance coverage</li> <li>Favorable LTC impact from fewer clients entering nursing homes and increased mortality-related terminations from clients on claim</li> </ul>

# AWM delivered strong organic growth and flows amidst disruptive environment

Adjusted Operating  
Total Net Revenues  
\$ in millions



Pretax Adjusted  
Operating Earnings  
\$ in millions

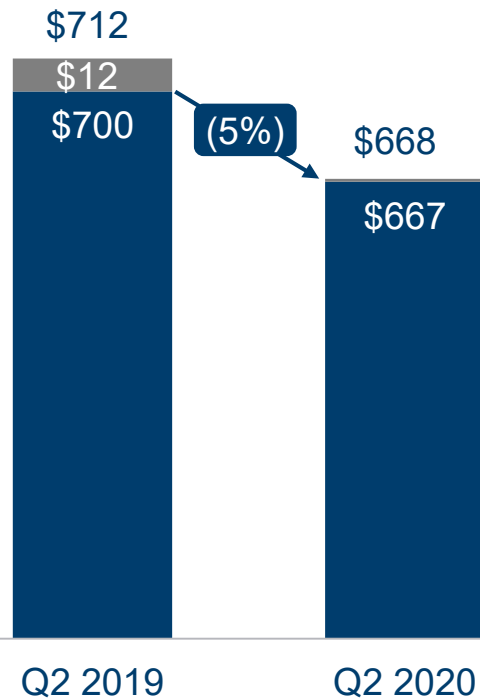


- Continued strong business trends:
  - Very good client flows with wrap net inflows of \$4.9 billion
  - Advisor productivity improved 5%
  - Excellent recruiting trends with 75 new highly productive experienced advisors
- Headwinds for financial results created by lower:
  - Rates on brokerage cash and net investment income
  - Average equity markets; however, based on our billing methodology markets were down 5%
  - Transactional activity from slowing insurance and annuity sales related to the pandemic and volatile markets
- Expenses declined 1%
  - Distribution expenses were down 1%
  - G&A expenses were in line with expectations, up 1% as investments for future growth were partially offset by ongoing reengineering
- Pretax adjusted operating margin of 18%

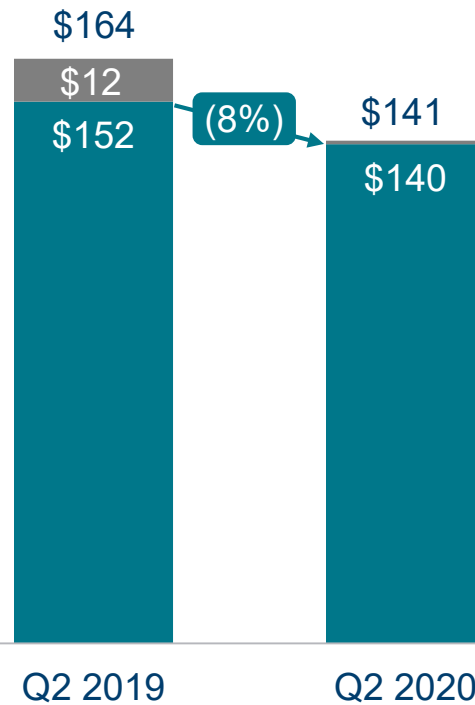


# Asset Management delivered positive net flows and achieved targeted profitability

Adjusted Operating Total Net Revenues  
\$ in millions



Pretax Adjusted Operating Earnings  
\$ in millions

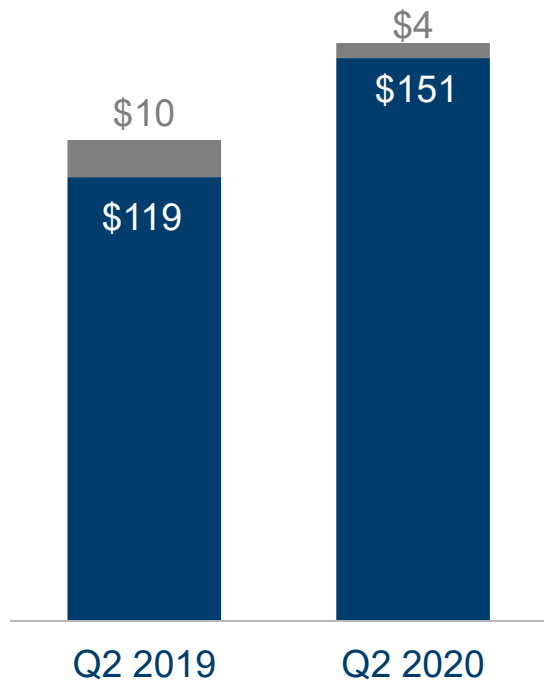


■ Performance Fees

- Revenue and earnings were within expectations reflecting:
  - Strong net inflows in the quarter with favorable mix shift
  - Average equity markets down 3%
  - Elevated performance fees last year
  - Prior period net outflows
  - Continued strong expense discipline
- Pretax adjusted operating margin of 35%

# Annuities and Protection continued to perform within expectations and generate substantial free cash flow

Annuities Pretax Adjusted Operating Earnings  
\$ in millions



■ Variable Annuities ■ Fixed Annuities

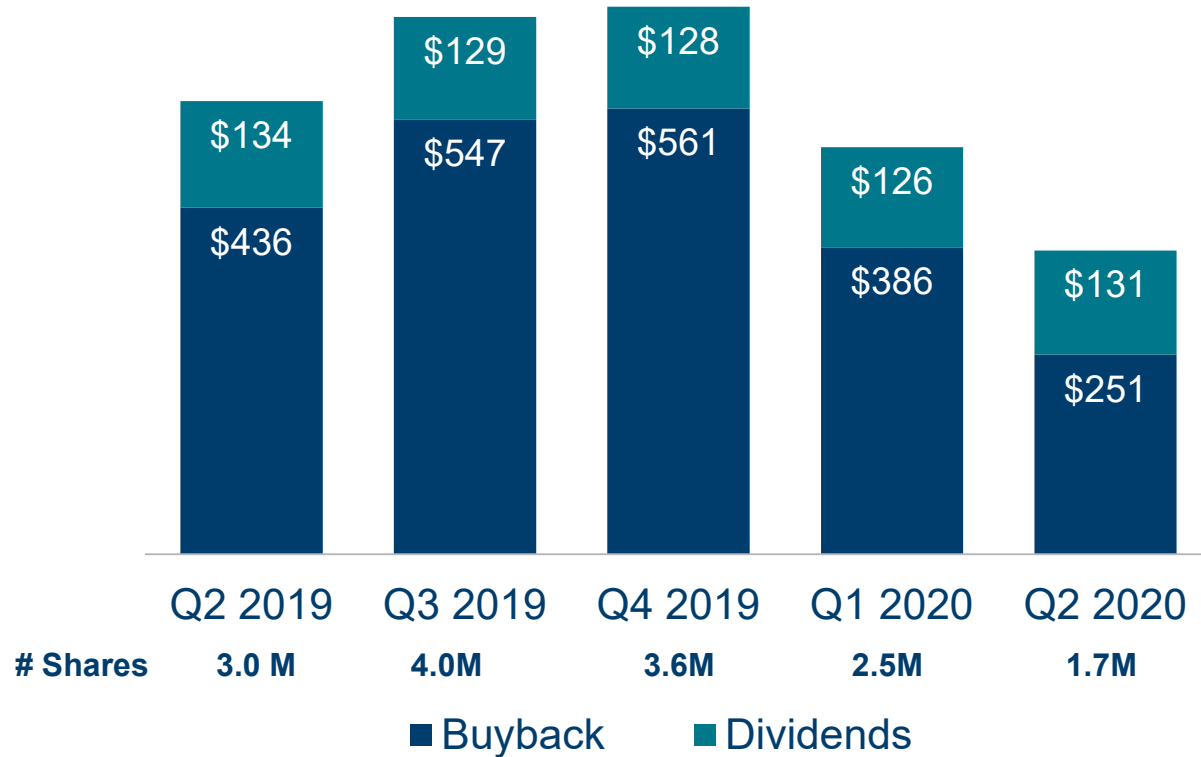
Protection Pretax Adjusted Operating Earnings  
\$ in millions



- Results were in line with expectations in this market environment
  - Lower sales volume given the impact of market volatility on product sales
  - Launch of the new structured VA product contributed to over half of VA sales being without living benefit guarantees
  - VA earnings increased driven by lower surrenders and withdrawals and a decline in sales
  - Protection earnings favorable reflecting favorable claims
  - Continued strong free cash flow generation and effective risk management strategies

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

Capital Returned to Shareholders  
\$ in millions



- Strong balance sheet fundamentals
  - \$2.7 billion of parent company liquidity
  - Free cash flow generation of ~100% year-to-date
  - \$1.9 billion of excess capital
  - AA- rated investment portfolio positioned well to navigate stress scenarios
  - Highly effective hedging program
  - Excellent operational risk management foundation with tools and technology that continue to support effective remote operations
- Strong adjusted operating ROE of 36%
- Resumed buyback in early May and working back toward normalized capital return with \$382 million returned to shareholders in the quarter
- Returned ~90% of earnings to shareholders in the first half of the year

# Reconciliation tables

## Adjusted operating net revenues

(\$ in millions)	Q2 2019	Q2 2020	% Over/ (Under)
Total net revenues	\$ 3,245	\$ 2,712	(16)%
Less: CIEs revenue	24	15	
Less: Net realized investment gains (losses)	-	(3)	
Less: Market impact on indexed universal life benefits	(8)	(66)	
Less: Mean Reversion related impacts	-	1	
Less: Integration/restructuring charges	-	-	
Less: Market impact of hedges on investments	(18)	-	
Adjusted operating total net revenues	3,247	2,765	(15)%
Less: Auto & Home net revenues	295	-	
Adjusted operating total net revenues excluding Auto & Home	<u>\$ 2,952</u>	<u>\$ 2,765</u>	(6)%

## Adjusted operating expenses

(\$ in millions)	Q2 2019	Q2 2020	% Over/ (Under)
Total expenses	\$ 2,658	\$ 3,238	(22)%
Less: CIEs expenses	23	15	
Less: Integration/restructuring charges	2	2	
Less: Market impact on variable annuity guaranteed benefits	60	988	
Less: Market impact on indexed universal life benefits	18	56	
Less: Market impact on fixed index annuity benefits	(1)	3	
Less: Mean reversion related impacts	(18)	(13)	
Less: DAC/DSIC offset to net realized investment gains (losses)	-	(1)	
Adjusted operating expenses	2,574	2,188	15%
Less: Auto & Home expenses	281	-	
Adjusted operating expenses	<u>\$ 2,293</u>	<u>\$ 2,188</u>	5%

# Reconciliation tables

Adjusted operating earnings per diluted share

(\$ in millions, except per share amounts)			Per Diluted Share		% Over/ (Under)
	Q2 2019	Q2 2020	Q2 2019	Q2 2020	
Net income	\$ 492	\$ (539)	\$ 3.57	\$ (4.31)	NM
Add: Basic to diluted share conversion	-	-	-	0.04	
Less: Net income (loss) attributable to the CIEs	1	-	0.01	-	
Add: Integration/restructuring charges <sup>(1)</sup>	2	2	0.01	0.02	
Add: Market impact on variable annuity guaranteed benefits <sup>(1)</sup>	60	988	0.44	7.83	
Add: Market impact on indexed universal life benefits <sup>(1)</sup>	26	122	0.19	0.97	
Add: Market impact on fixed index annuity benefits <sup>(1)</sup>	(1)	3	(0.01)	0.02	
Add: Mean reversion related impacts <sup>(1)</sup>	(18)	(14)	(0.13)	(0.12)	
Add: Market impact of hedges on investments <sup>(1)</sup>	18	-	0.13	-	
Less: Net realized investment (losses) gains <sup>(1)</sup>	-	(2)	-	(0.02)	
Add: Tax effect of adjustments <sup>(2)</sup>	(18)	(231)	(0.13)	(1.83)	
Adjusted operating earnings	\$ 560	\$ 333	\$ 4.06	\$ 2.64	(35)%
Less: Pretax impact of Auto & Home core results	14	-	0.10	-	
Less: Tax effect of Auto & Home core results	(3)	-	(0.02)	-	
Adjusted operating earnings excluding Auto & Home	\$ 549	\$ 333	\$ 3.98	\$ 2.64	(34)%
Add: Reversal of the NOL from Q1	-	\$ 144	-	1.14	
Adjusted operating earnings excluding Auto & Home	\$ 549	\$ 477	\$ 3.98	\$ 3.78	(5)%
Weighted average common shares outstanding:					
Basic	136.1	125.0			
Diluted	138.0	126.2			

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

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

# Reconciliation tables

Advice & Wealth Management adjusted operating general and administrative expenses

(\$ in millions)	Q2	Q2	% Over/ (Under)
	2019	2020	
Adjusted operating general and administrative expense	\$ 348	\$ 350	(1)%
Less: Bank general and administrative expenses	6	12	
Adjusted operating general and administrative expense excluding items	<u>\$ 342</u>	<u>\$ 338</u>	1%

# Reconciliation tables

## Asset Management net pretax adjusted operating margin

(\$ in millions)	Q2	Q2
	2019	2020
Adjusted operating total net revenues	\$ 712	\$ 668
Less: Distribution pass through revenues	186	177
Less: Subadvisory and other pass through revenues	81	76
Net adjusted operating revenues	<u>\$ 445</u>	<u>\$ 415</u>
Pretax adjusted operating earnings	\$ 164	\$ 141
Less: Adjusted operating net investment income	3	1
Add: Amortization of intangibles	4	3
Net adjusted operating earnings	<u>\$ 165</u>	<u>\$ 143</u>
Pretax adjusted operating margin	23.0%	21.1%
Net pretax adjusted operating margin	37.1%	34.5%

	Q2	Q2	% Over/ (Under)
	2019	2020	
Net adjusted operating revenues	\$ 712	\$ 668	(6)%
Less: Performance fee adjustment	12	-	
Net adjusted operating revenues	<u>\$ 700</u>	<u>\$ 668</u>	(5)%
Net adjusted operating earnings	\$ 164	\$ 141	(14)%
Less: Performance fee adjustment	12	1	
Net adjusted operating earnings	<u>\$ 152</u>	<u>\$ 140</u>	(8)%

# Reconciliation tables

Adjusted operating return on equity

(\$ in millions)	Twelve Months Ended June 30, 2019	Twelve Months Ended June 30, 2020
Net income	\$ 1,929	\$ 2,503
Less: Adjustments <sup>(1)</sup>	(229)	371
Adjusted operating earnings	\$ 2,158	\$ 2,132
Less: Auto & Home, net of Tax <sup>(2)</sup>	21	(8)
Adjusted operating earnings excluding Auto & Home	\$ 2,137	\$ 2,140
Total Ameriprise Financial, Inc. shareholders' equity	\$ 5,742	\$ 6,190
Less: Accumulated other comprehensive income, net of tax	(82)	194
Total Ameriprise Financial, Inc. shareholders' equity excluding AOCI	5,824	5,996
Less: Equity impacts attributable to the consolidated investment entities	1	-
Adjusted operating equity	\$ 5,823	\$ 5,996
Return on equity, excluding AOCI	33.1%	41.7%
Adjusted operating return on equity, excluding AOCI <sup>(3)</sup>	37.1%	35.6%
Adjusted operating return on equity, excluding AOCI and Auto & Home	36.7%	35.7%

acquisition costs ("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 related DAC amortization, unearned revenue amortization, and the reinsurance accrual; the market impact on fixed index annuity benefits, net of hedges and the related DAC amortization; 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%.

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

<sup>(3)</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; 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 related DAC amortization, unearned revenue amortization, and the reinsurance accrual; the market impact on fixed index annuity benefits, net of hedges and the related DAC amortization; 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%.