COMPANY PROFILE

Ameriprise Financial, Inc.

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COMPANY OVERVIEW

Ameriprise Financial , Inc. (Ameriprise or "the company") is a holding company engaged in providing financial services through its subsidiaries to individual and institutional clients. It offers products and services, including wealth management, asset management, annuities, protection, and others. The company primarily operates in the Americas, Europe, and Asia Pacific. It is headquartered in Minneapolis, Minnesota.

The company reported revenues of (US Dollars) US$11,735 million for the fiscal year ended December 2016 (FY2016), a decrease of 3.8% over FY2015. In FY2016, the company's operating margin was 15.6%, compared to an operating margin of 20.7% in FY2015. In FY2016, the company recorded a net margin of 11.2%, compared to a net margin of 12.8% in FY2015.

The company reported revenues of US$2,911 million for the first quarter ended March 2017, a decrease of 5.2% over the previous quarter.

KEY FACTS

Head Office	Ameriprise Financial, Inc. 1099 Ameriprise Financial Ctr MINNEAPOLIS Minnesota 55474 MINNEAPOLIS Minnesota USA
Phone	1 612 6718001
Fax	1 302 6555049
Web Address	www.ameriprise.com
Revenue / turnover (USD Mn)	11,735.0
Financial Year End	December
Employees	13,000
New York Stock Exchange Ticker	AMP

SWOT ANALYSIS

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Strength	**Weakness**
Ability to Retain Large, Well-Trained Sales Force Driving AWM Growth Strong Heritage and Established Position in the Financial Services Industry Diversified Range of Products and Services Reducing Volatility in Revenues	Declining net investment income affecting revenue growth Reliance On Third Parties For The Sale Of Products And Services Could Adversely Affect The Sales
Opportunity	**Threat**
Aging Population Likely To Increase Demand for Retirement Products Grail Advisors acquisition may position the company to benefit from ETF market expansion Positive Outlook for the Global Asset Management Market Improves AWM Growth Visibility	Intense Competition Likely To Keep Margins under Pressure Defaults in fixed maturity securities portfolio or consumer credit products could affect earnings Rise in Regulatory Compliance Costs May Affect Margins

Strength

Ability to Retain Large, Well-Trained Sales Force Driving AWM Growth

Ameriprise has a large, well trained sales force operating in the US financial advisory market. On December 31, 2016, the company had a nationwide network of approximately 9,700 affiliated financial advisors, of which more than 2,000 are employees of the company and 7,700 are independent franchisees or employees and contractors of franchisees. Since going public in 2005, the company has been ranking among the top five firms based on the number of financial advisors. Moreover, as of December 31, 2016, over 55.4% of the company's advisors have been with the company for more than 10 years, with an average tenure of nearly 20 years. Among advisors who have been with Ameriprise for more than 10 years, the company has a retention rate of over 95%.

The company is able to retain its large work force as it offers its advisors and client’s wide choice of products and competitive payout to financial advisors. The ability to retain its large, well-trained sales force is driving the company's growth at its largest business segment namely advice and wealth management (AWM).

Strong Heritage and Established Position in the Financial Services Industry

Despite being a public company for just 11 years, Ameriprise has a heritage of more than 120 years. During the course of its history, the company has established itself as one of the leading providers of financial services. The company has demonstrated its ability to grow and prosper without the benefits of its previous owner, American Express, which spun off the company in 2005. For instance, the company's brand value and rankings are now better than they were prior to the spin-off. The company has grown its client base and assets, with total owned, managed and administered assets reaching $787.4 billion in FY2016. The company's strong heritage and established position in the financial services industry provide it with significant competitive advantages over its competitors.

Diversified Range of Products and Services Reducing Volatility in Revenues

Ameriprise's revenue sources are diversified by business segments, and products/solutions within business segments. The company generates revenue through five business segments namely advice and wealth management, which accounted for 42.9% of the total revenues in FY2016, followed by asset management (25.3%), annuities (21%), and protection (21.4%). Further, the sources of revenues within these business segments are also diversified. For instance, advice and wealth management segment generates revenues through financial advice, and full-service brokerage services, primarily to retail clients, through its financial advisers. The company's diversified range of products and services are helping it to reduce volatility in its revenues.

Weakness

Declining net investment income affecting revenue growth

Ameriprise's net investment income is experiencing a declining trend since 2010. For instance, its net investment income has declined by 17.5%, from $2,046 million in 2011 to $1,314 million in 2016. The company's net investment income includes interest income on fixed maturity securities, mortgage loans, policy and certificate loans, and other investments.Net investment income has declined due to decrease in investment income on fixed maturity securities primarily due to low interest rates, loss related to the market impact of hedges on investments, and decrease in net realized investment gains. Due to this, the company's revenue growth has declined by 24.8% points, from 28.6% (from 2009-10) to a decrease of 3.8% (2015-16). Declining net investment income is affecting the revenue of the company.

Reliance On Third Parties For The Sale Of Products And Services Could Adversely Affect The Sales

Ameriprise is highly dependent on third parties distribution network for the sale of its products and services. The company offers investment and property casualty products which are provided through alliances with unaffiliated third parties. Maintaining and deepening relationships with these unaffiliated distributors is an important part of company growth strategy. As strong third-party distribution arrangements enhance the ability to market company products and to increase assets under management, revenues and profitability. But the relationship with distributors is subject to periodic negotiation that may result in increased distribution costs and/or reductions in the amount of the products marketed. Along with the company products these unaffiliated distributors also provide products and services of other financial institutions. There is no assurance that the distribution relationships have established will continue. As the company distribution partners may cease to operate or otherwise terminate their relationship. Moreover if there is any termination in relationships with the third party, it could negatively affect the profitability of the company.

Opportunity

Aging Population Likely To Increase Demand for Retirement Products

In the US, with the aging of the baby boomer generation the demand for pension and retirement products is seeing a surge. In the UK, old age population is rapidly growing and has more than trebled as a percentage of total population over the last century. In Asia, population of over 65 plus is likely to be 456.3 million by 2025, which would increase the need for retirement solutions. The ratio of retirees to workers in Europe is rising fast and is likely to increase from 1 to 5 in 2000 to a projected 1 to 2 by 2050. Long-term healthcare spending in the UK is likely to rise by around 315% in real terms between 2000 and 2051, to meet demographic pressures. This would mean higher spending by aged people in UK. This, along with the gradual withering of the value of the state pension indicates higher demand for other saving instruments like insurance and private pensions.

The population of 65 years and above is expected to increase by 56% between 2000 and 2020, with the most significant increase between 2010 and 2020. According to a market survey, 76% of the baby boomers don’t have any reliable income source that last through retirement, which would offer tremendous possibilities to insurance companies. The changing demography of these countries provides potential for the growth in the retirement products, which could benefit the life and pension business of Prudential.

Grail Advisors acquisition may position the company to benefit from ETF market expansion

The popularity and acceptance of Exchange Traded Funds (ETFs) has been increasing over the years. ETFs are hybrid products that give investors the benefits of mutual funds along with the flexibility of stocks. The combined assets of the US listed ETFs reached $2.56 trillion in 2016 compared to $2.1 trillion in FY2015, $1.9 trillion in FY2014 and $1.3 trillion in FY2013. Global ETF inflows totaled $375 billion in 2016, surpassing 2015's $348 billion. Total creations for the US equity ETFs were $162.5 billion. That was followed by $81.7 billion for the US fixed-income ETFs; $15.8 billion for international equity ETFs; $10.9 billion for international fixed-income ETFs; and $10.4 billion for commodity ETFs. Looking at the number of funds registered so far in each year, the popularity of ETFs seems to be a long term trend.

Ameriprise is hoping to benefit from the increasing demand for ETFs. In May 2011, the company completed the acquisition of Grail Advisors, LLC (Grail), which provides Columbia Management Investment Advisers, the capability of offering actively managed ETFs. The acquisition of Grail Advisors, LLC will enable the company to benefit from the increasing demand for ETFs.

Positive Outlook for the Global Asset Management Market Improves AWM Growth Visibility

The global asset management industry has been growing at a positive rate and the trend is expected to continue in the coming years. According to industry estimates, total assets under management increased 8% to a record $74 trillion in 2014, after rising 13% to in 2013. Furthermore, as per industry estimates, the volume of investable assets is set to increase at a compound growth rate of nearly 6% to more than $100 trillion by 2020. Assets under management in the Asia countries economy are set to grow faster than in the developed economies. Ameriprise's asset management division generated 24.7% of the company's total revenue in FY2015. The company's assets under management amounted to $776.7 billion in FY2015, ranking eleven in long-term mutual fund assets in the US, and fifth in branded advisor force in the US. The growing demand for the asset management industry could leverage its presence to benefit from this positive outlook and growth in its revenues.

Threat

Intense Competition Likely To Keep Margins under Pressure

There are nearly 873 financial firms from around the world that compete in the US market to provide investment management services to fund investors. Nearly 79% of the US fund and trust sponsors are independent fund advisers, and these sponsors manage 67% half of investment company assets. Banks, insurance companies, securities broker-dealers, and non-US fund advisers are other types of sponsors in the US marketplace. Historically, low barriers to entry have attracted a large number of investment company sponsors to the fund marketplace in the US, and active competition among these sponsors has led to squeeze on margins (front-end and back end loads charged by mutual fund companies). These low barriers to entry led to a rapid increase in the number of fund sponsors in the 1980s and 1990s. However, this trend has reversed itself since 2000. The competition in the industry continues to be intense and dynamic. As a result, margins are expected to be under pressure for companies that operate investment funds.

Defaults in fixed maturity securities portfolio or consumer credit products could affect earnings

Issuers of the fixed maturity securities that Ameriprise owns may default on principal and interest payments. As of December 31, 2016, 5% of the company's invested assets had ratings below investment-grade. Moreover, economic downturns and corporate malfeasance can increase the number of companies, including those with investment-grade ratings that default on their debt obligations. Default-related declines in the value of its fixed maturity securities portfolio or consumer credit products could cause the company's net earnings to decline.

Rise in Regulatory Compliance Costs May Affect Margins

The financial services industry in the US is subject to extensive regulation under federal and state laws. As a limited powers national association, Ameriprise National Trust Bank (formerly Ameriprise Bank) is subject to supervision under various laws and regulations enforced by the OCC, including those related to capital adequacy, liquidity and conflicts of interest, and to a limited extent, by the FDIC. The European Union’s Solvency II Directive (Solvency II) came into effect on January 2016. Under this directive regulatory capital is more volatile than under the previous solvency I regime. Solvency II aims about the amount of capital that EU insurance companies must hold to reduce the risk of insolvency. The Financial institutions in the UK and other regions have been facing increasing regulatory challenges both in terms of compliance and costs. For instance, on March 7, 2012, the Financial Services Authority (FSA) published a Policy Statement (PS 12/4) with further changes to rules and guidance in a number of areas concerning the operation of with-profits funds. PS 12/4 gives rise to uncertainties as to how such rules and guidance will be applied to Prudential's with-profits business in the UK. These directives and measures could lead to increased capital requirements to support the company's existing businesses. Increasing regulatory challenges could increase compliance risks for insurers such as Prudential.