

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
FORM 10-Q**

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2023

OR

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. 001-09818

ALLIANCEBERNSTEIN HOLDING L.P.

(Exact name of registrant as specified in its charter)

Delaware

13-3434400

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

501 Commerce Street, Nashville, TN 37203

(Address of principal executive offices)

(Zip Code)

(615) 622-0000

(Registrant's telephone number, including area code)

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

No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files).

Yes

No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act):

Yes

No

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of Each Class</u>	<u>Trading Symbol</u>	<u>Name of Each Exchange on Which Registered</u>
Units Rep. Assignments of Beneficial Ownership of LP Interests in AB Holding ("Units")	AB	New York Stock Exchange

The number of units representing assignments of beneficial ownership of limited partnership interests outstanding as of March 31, 2023 was 113,476,219.*

*includes 100,000 units of general partnership interest having economic interests equivalent to the economic interests of the units representing assignments of beneficial ownership of limited partnership interests.

ALLIANCEBERNSTEIN HOLDING L.P.

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Part I

FINANCIAL INFORMATION

Item 1. Financial Statements

ALLIANCEBERNSTEIN HOLDING L.P.
Condensed Statements of Financial Condition
(in thousands, except unit amounts)
(unaudited)

	March 31, 2023	December 31, 2022
ASSETS		
Investment in AB	\$ 2,052,965	\$ 2,074,626
Other assets	6	—
Total assets	\$ 2,052,971	\$ 2,074,626
LIABILITIES AND PARTNERS' CAPITAL		
Liabilities:		
Other liabilities	1,217	1,623
Total liabilities	1,217	1,623
Commitments and contingencies (<i>See Note 8</i>)		
Partners' capital:		
General Partner: 100,000 general partnership units issued and outstanding	1,345	1,355
Limited partners: 113,376,219 and 113,701,097 limited partnership units issued and outstanding	2,135,834	2,160,207
AB Holding Units held by AB to fund long-term incentive compensation plans	(37,053)	(37,551)
Accumulated other comprehensive loss	(48,372)	(51,008)
Total partners' capital	2,051,754	2,073,003
Total liabilities and partners' capital	\$ 2,052,971	\$ 2,074,626

See Accompanying Notes to Condensed Financial Statements.

ALLIANCEBERNSTEIN HOLDING L.P.
Condensed Statements of Income
(in thousands, except per unit amounts)
(unaudited)

	Three Months Ended March 31,	
	2023	2022
Equity in net income attributable to AB Unitholders	\$ 76,382	\$ 94,353
Income taxes	8,945	8,425
Net income	\$ 67,437	\$ 85,928
Net income per unit:		
Basic	\$ 0.59	\$ 0.87
Diluted	\$ 0.59	\$ 0.87

See Accompanying Notes to Condensed Financial Statements.

ALLIANCEBERNSTEIN HOLDING L.P.
Condensed Statements of Comprehensive Income
(in thousands)
(unaudited)

	Three Months Ended March 31,	
	2023	2022
Net income	\$ 67,437	\$ 85,928
Other comprehensive income (loss):		
Foreign currency translation adjustments, before tax	2,469	(4,317)
Income tax benefit	22	30
Foreign currency translation adjustments, net of tax	2,491	(4,287)
Changes in employee benefit related items:		
Amortization of prior service cost	3	2
Recognized actuarial gain	143	84
Changes in employee benefit related items	146	86
Income tax (expense)	(1)	(3)
Employee benefit related items, net of tax	145	83
Other comprehensive income (loss)	2,636	(4,204)
Comprehensive income	\$ 70,073	\$ 81,724

See Accompanying Notes to Condensed Financial Statements.

ALLIANCEBERNSTEIN HOLDING L.P.
Condensed Statements of Changes in Partners' Capital
(in thousands)
(unaudited)

	Three Months Ended March 31,	
	2023	2022
General Partner's Capital		
Balance, beginning of period	\$ 1,355	\$ 1,439
Net income	60	87
Cash distributions to Unitholders	(70)	(129)
Balance, end of period	1,345	1,397
Limited Partners' Capital		
Balance, beginning of period	2,160,207	1,696,199
Net income	67,377	85,841
Cash distributions to Unitholders	(79,240)	(127,543)
Retirement of AB Holding Units	(15,956)	(11,707)
Issuance of AB Holding Units to fund long-term incentive compensation plan awards	3,446	27,362
Balance, end of period	2,135,834	1,670,152
AB Holding Units held by AB to fund long-term incentive compensation plans		
Balance, beginning of period	(37,551)	(43,309)
Change in AB Holding Units held by AB to fund long-term incentive compensation plans	498	(4,093)
Balance, end of period	(37,053)	(47,402)
Accumulated Other Comprehensive (Loss)		
Balance, beginning of period	(51,008)	(32,705)
Foreign currency translation adjustment, net of tax	2,491	(4,287)
Changes in employee benefit related items, net of tax	145	83
Balance, end of period	(48,372)	(36,909)
Total Partners' Capital	\$ 2,051,754	\$ 1,587,238

See Accompanying Notes to Condensed Financial Statements.

ALLIANCEBERNSTEIN HOLDING L.P.
Condensed Statements of Cash Flows
(in thousands)
(unaudited)

	Three Months Ended March 31,	
	2023	2022
Cash flows from operating activities:		
Net income	\$ 67,437	\$ 85,928
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity in net income attributable to AB Unitholders	(76,382)	(94,353)
Cash distributions received from AB	87,343	136,714
Changes in assets and liabilities:		
(Increase) in other assets	(6)	—
(Decrease) in other liabilities	(406)	(1,146)
Net cash provided by operating activities	77,986	127,143
Cash flows from financing activities:		
Cash distributions to Unitholders	(79,310)	(127,672)
Capital contributions from AB	1,324	529
Net cash used in financing activities	(77,986)	(127,143)
Change in cash and cash equivalents	—	—
Cash and cash equivalents as of beginning of period	—	—
Cash and cash equivalents as of end of period	\$ —	\$ —

See Accompanying Notes to Condensed Financial Statements.

ALLIANCEBERNSTEIN HOLDING L.P.
Notes to Condensed Financial Statements
March 31, 2023
(unaudited)

The words “we” and “our” refer collectively to AllianceBernstein Holding L.P. (“AB Holding”) and AllianceBernstein L.P. and its subsidiaries (“AB”), or to their officers and employees. Similarly, the word “company” refers to both AB Holding and AB. Where the context requires distinguishing between AB Holding and AB, we identify which of them is being discussed. These statements should be read in conjunction with the audited consolidated financial statements included in the Form 10-K for the year ended December 31, 2022.

1. Business Description, Organization and Basis of Presentation

Business Description

AB Holding’s principal source of income and cash flow is attributable to its investment in AB limited partnership interests. The condensed financial statements and notes of AB Holding should be read in conjunction with the condensed consolidated financial statements and notes of AB included as an exhibit to this quarterly report on Form 10-Q and with AB Holding’s and AB’s audited financial statements included in AB Holding’s Form 10-K for the year ended December 31, 2022.

AB provides diversified investment management, research and related services globally to a broad range of clients. Its principal services include:

- Institutional Services – servicing its institutional clients, including private and public pension plans, foundations and endowments, insurance companies, central banks and governments worldwide, and affiliates such as Equitable Holdings, Inc. (“EQH”) and its subsidiaries, by means of separately-managed accounts, sub-advisory relationships, structured products, collective investment trusts, mutual funds, hedge funds and other investment vehicles.
- Retail Services – servicing its retail clients, primarily by means of retail mutual funds sponsored by AB or an affiliated company, sub-advisory relationships with mutual funds sponsored by third parties, separately-managed account programs sponsored by financial intermediaries worldwide and other investment vehicles.
- Private Wealth Services – servicing its private clients, including high-net-worth individuals and families, trusts and estates, charitable foundations, partnerships, private and family corporations, and other entities, by means of separately-managed accounts, hedge funds, mutual funds and other investment vehicles.
- Bernstein Research Services – servicing institutional investors, such as pension fund, hedge fund and mutual fund managers, seeking high-quality fundamental research, quantitative services and brokerage-related services in equities and listed options.

AB also provides distribution, shareholder servicing, transfer agency services and administrative services to the mutual funds it sponsors.

AB’s high-quality, in-depth research is the foundation of its asset management and private wealth management businesses. AB’s research disciplines include economic, fundamental equity, fixed income and quantitative research. In addition, AB has expertise in multi-asset strategies, wealth management, environmental, social and corporate governance (“ESG”), and alternative investments.

AB provides a broad range of investment services with expertise in:

- Actively-managed equity strategies, with global and regional portfolios across capitalization ranges, concentration ranges and investment strategies, including value, growth and core equities;
- Actively-managed traditional and unconstrained fixed income strategies, including taxable and tax-exempt strategies;
- Actively-managed alternative investments, including hedge funds, fund of funds and direct assets (e.g., direct lending, real estate and private equity);

- Portfolios with Purpose, including actively managed, impact-focused and Responsible+ (climate-conscious, ESG leaders, change catalysts) equity, fixed income and multi-asset strategies that address our clients evolving need to invest their capital with purpose while pursuing strong investment returns;
- Multi-asset solutions and services, including dynamic asset allocation, customized target-date funds and target-risk funds; and
- Some passive management, including index, ESG index and enhanced index strategies.

Organization

As of March 31, 2023, EQH owned approximately 3.5% of the issued and outstanding units representing assignments of beneficial ownership of limited partnership interests in AB Holding (“AB Holding Units”). AllianceBernstein Corporation (an indirect wholly-owned subsidiary of EQH, “General Partner”) is the general partner of both AB Holding and AB. AllianceBernstein Corporation owns 100,000 general partnership units in AB Holding and a 1.0% general partnership interest in AB.

As of March 31, 2023, the ownership structure of AB, expressed as a percentage of general and limited partnership interests, was as follows:

EQH and its subsidiaries	60.0 %
AB Holding	39.3
Unaffiliated holders	0.7
	<u>100.0 %</u>

Including both the general partnership and limited partnership interests in AB Holding and AB, EQH and its subsidiaries had an approximate 61.4% economic interest in AB as of March 31, 2023.

Basis of Presentation

The interim condensed financial statements have been prepared in accordance with the instructions to Form 10-Q pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (“SEC”). In the opinion of management, all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of the interim results, have been made. The preparation of the condensed financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the condensed financial statements and the reported amounts of revenues and expenses during the interim reporting periods. Actual results could differ from those estimates. The condensed statement of financial condition as of December 31, 2022 was derived from audited financial statements. Certain disclosures included in the annual financial statements have been condensed or omitted from these financial statements as they are not required for interim financial statements under principles generally accepted in the United States of America (“GAAP”) and the rules of the SEC.

AB Holding records its investment in AB using the equity method of accounting. AB Holding’s investment is increased to reflect its proportionate share of income of AB and decreased to reflect its proportionate share of losses of AB and cash distributions made by AB to its Unitholders. In addition, AB Holding’s investment is adjusted to reflect its proportionate share of certain capital transactions of AB.

Subsequent Events

We have evaluated subsequent events through the date that these financial statements were filed with the SEC and did not identify any subsequent events that would require disclosure in these financial statements.

2. Cash Distributions

AB Holding is required to distribute all of its Available Cash Flow, as defined in the Amended and Restated Agreement of Limited Partnership of AB Holding (“AB Holding Partnership Agreement”), to its Unitholders *pro rata* in accordance with their percentage interests in AB Holding. Available Cash Flow is defined as the cash distributions AB Holding receives from AB minus such amounts as the General Partner determines, in its sole discretion, should be retained by AB Holding for use in its business (such as the payment of taxes) or plus such amounts as the General Partner determines, in its sole discretion, should be released from previously retained cash flow.

On April 26, 2023, the General Partner declared a distribution of \$0.66 per unit, representing a distribution of Available Cash Flow for the three months ended March 31, 2023. Each general partnership unit in AB Holding is entitled to receive distributions equal to those received by each AB Holding Unit. The distribution is payable on May 25, 2023 to holders of record at the close of business on May 8, 2023.

3. Long-term Incentive Compensation Plans

AB maintains several unfunded, non-qualified long-term incentive compensation plans, under which the company grants awards of restricted AB Holding Units to its employees and members of the Board of Directors, who are not employed by AB or by any of AB’s affiliates (“Eligible Directors”).

AB funds its restricted AB Holding Unit awards either by purchasing AB Holding Units on the open market or purchasing newly-issued AB Holding Units from AB Holding, and then keeping these AB Holding Units in a consolidated rabbi trust until delivering them or retiring them. In accordance with the AB Holding Partnership Agreement, when AB purchases newly-issued AB Holding Units from AB Holding, AB Holding is required to use the proceeds it receives from AB to purchase the equivalent number of newly-issued AB Units, thus increasing its percentage ownership interest in AB. AB Holding Units held in the consolidated rabbi trust are corporate assets in the name of the trust and are available to the general creditors of AB.

Repurchases of AB Holding Units for the three months ended March 31, 2023 and 2022 consisted of the following:

	Three Months Ended March 31,	
	2023	2022
	(in millions)	
Total amount of AB Holding Units Purchased/Retained ⁽¹⁾	0.5	0.3
Total Cash Paid for AB Holding Units Purchased/Retained ⁽¹⁾	\$ 18.8	\$ 14.0
Open Market Purchases of AB Holding Units Purchased ⁽¹⁾	—	—
Total Cash Paid for Open Market Purchases of AB Holding Units ⁽¹⁾	\$ —	\$ —

(1) Purchased on a trade date basis. The difference between open-market purchases and units retained reflects the retention of AB Holding Units from employees to fulfill statutory tax withholding requirements at the time of delivery of long-term incentive compensation awards.

Each quarter, AB considers whether to implement a plan to repurchase AB Holding Units pursuant to Rules 10b5-1 and 10b-18 under the Securities Exchange Act of 1934, as amended (“Exchange Act”). A plan of this type allows a company to repurchase its shares at times when it otherwise might be prevented from doing so because of self-imposed trading blackout periods or because it possesses material non-public information. Each broker selected by AB has the authority under the terms and limitations specified in the plan to repurchase AB Holding Units on AB’s behalf. Repurchases are subject to regulations promulgated by the SEC as well as certain price, market volume and timing constraints specified in the plan. We did not adopt a plan during the first quarter of 2023. AB may adopt additional plans in the future to engage in open-market purchases of AB Holding Units to help fund anticipated obligations under its incentive compensation award program and for other corporate purposes.

During the first three months of 2023 and 2022, AB awarded to employees and Eligible Directors 0.3 million and 0.7 million restricted AB Holding Unit awards, respectively. AB used AB Holding Units repurchased during the applicable period and newly-issued AB Holding Units to fund these restricted AB Holding Unit awards.

4. Net Income per Unit

Basic net income per unit is derived by dividing net income by the basic weighted average number of units outstanding for each period. Diluted net income per unit is derived by adjusting net income for the assumed dilutive effect of compensatory options (“Net income – diluted”) and dividing by the diluted weighted average number of units outstanding for each period.

	Three Months Ended March 31,	
	2023	2022
	(in thousands, except per unit amounts)	
Net income – basic	\$ 67,437	\$ 85,928
Additional allocation of equity in net income attributable to AB resulting from assumed dilutive effect of compensatory options	—	2
Net income – diluted	<u>\$ 67,437</u>	<u>\$ 85,930</u>
Weighted average units outstanding – basic	113,547	99,202
Dilutive effect of compensatory options	—	3
Weighted average units outstanding – diluted	<u>113,547</u>	<u>99,205</u>
Basic net income per unit	<u>\$ 0.59</u>	<u>\$ 0.87</u>
Diluted net income per unit	<u>\$ 0.59</u>	<u>\$ 0.87</u>

There were no anti-dilutive options excluded from diluted net income in the three months ended March 31, 2023 or 2022.

5. Investment in AB

Changes in AB Holding’s investment in AB during the three-month period ended March 31, 2023 are as follows (in thousands):

Investment in AB as of December 31, 2022	\$ 2,074,626
Equity in net income attributable to AB Unitholders	76,382
Changes in accumulated other comprehensive income	2,636
Cash distributions received from AB	(87,343)
Capital contributions (from) AB	(1,324)
AB Holding Units retired	(15,956)
AB Holding Units issued to fund long-term incentive compensation plans	3,446
Change in AB Holding Units held by AB for long-term incentive compensation plans	498
Investment in AB as of March 31, 2023	<u>\$ 2,052,965</u>

6. Units Outstanding

Changes in AB Holding Units outstanding during the three-month period ended March 31, 2023 are as follows:

Outstanding as of December 31, 2022	113,801,097
Units issued	94,258
Units retired	(419,136)
Outstanding as of March 31, 2023	<u>113,476,219</u>

7. Income Taxes

AB Holding is a publicly-traded partnership (“PTP”) for federal tax purposes and, accordingly, is not subject to federal or state corporate income taxes. However, AB Holding is subject to the 4.0% New York City unincorporated business tax (“UBT”), net of credits for UBT paid by AB, and to a 3.5% federal tax on partnership gross income from the active conduct of a trade or business. AB Holding’s partnership gross income is derived from its interest in AB.

AB Holding’s federal income tax is computed by multiplying certain AB qualifying revenues (primarily U.S. investment advisory fees, research payments and brokerage commissions) by AB Holding’s ownership interest in AB, multiplied by

the 3.5% tax rate. AB Holding Units in AB's consolidated rabbi trust are not considered outstanding for purposes of calculating AB Holding's ownership interest in AB.

	Three Months Ended March 31,		% Change
	2023	2022	
	(in thousands)		
Net income attributable to AB Unitholders	\$194,151	\$260,727	(25.5)%
Multiplied by: weighted average equity ownership interest	39.3 %	36.2 %	
Equity in net income attributable to AB Unitholders	<u>\$ 76,382</u>	<u>\$ 94,353</u>	(19.0)
AB qualifying revenues	\$700,215	\$744,717	(6.0)
Multiplied by: weighted average equity ownership interest for calculating tax	35.7 %	31.4 %	
Multiplied by: federal tax	3.5 %	3.5 %	
Federal income taxes	8,749	8,186	
State income taxes	196	239	
Total income taxes	<u>\$ 8,945</u>	<u>\$ 8,425</u>	6.2
Effective tax rate	<u>11.7 %</u>	<u>8.9 %</u>	

In order to preserve AB Holding's status as a PTP for federal income tax purposes, management ensures that AB Holding does not directly or indirectly (through AB) engage in a substantial new line of business. If AB Holding were to lose its status as a PTP, it would be subject to corporate income tax, which would reduce materially AB Holding's net income and its quarterly distributions to AB Holding Unitholders.

8. Commitments and Contingencies

Legal and regulatory matters described below pertain to AB and are included here due to their potential significance to AB Holding's investment in AB.

With respect to all significant litigation matters, we consider the likelihood of a negative outcome. If we determine the likelihood of a negative outcome is probable and the amount of the loss can be reasonably estimated, we record an estimated loss for the expected outcome of the litigation. If the likelihood of a negative outcome is reasonably possible and we are able to determine an estimate of the possible loss or range of loss in excess of amounts already accrued, if any, we disclose that fact together with the estimate of the possible loss or range of loss. However, it is often difficult to predict the outcome or estimate a possible loss or range of loss because litigation is subject to inherent uncertainties, particularly when plaintiffs allege substantial or indeterminate damages. Such is also the case when the litigation is in its early stages or when the litigation is highly complex or broad in scope. In these cases, we disclose that we are unable to predict the outcome or estimate a possible loss or range of loss.

On December 14, 2022, four individual participants in the Profit Sharing Plan for Employees of AllianceBernstein L.P., (the "Plan") filed a class action complaint (the "Complaint") in the U.S. District Court for the Southern District of New York against AB, current and former members of the Compensation Committee of the Board of Directors, and the Investment and Administrative Committees under the Plan. Plaintiffs, who seek to represent a class of all participants in the Plan from December 14, 2016 to the present, allege that defendants violated their fiduciary duties and engaged in prohibited transactions under the Employee Retirement Income Security Act of 1974, as amended ("ERISA") by including proprietary collective investment trusts as investment options offered under the Plan. The Complaint seeks unspecified damages, disgorgement and other equitable relief. AB is prepared to defend itself vigorously against these claims. While the ultimate outcome of this matter is currently not determinable given the matter remains in its early stages, we do not believe this litigation will have a material adverse effect on our results of operations, financial condition or liquidity.

AB may be involved in various other matters, including regulatory inquiries, administrative proceedings and litigation, some of which may allege significant damages. It is reasonably possible that AB could incur losses pertaining to these other matters, but management cannot currently estimate any such losses. Management, after consultation with legal counsel, currently believes that the outcome of any individual matter that is pending or threatened, or all of them combined, will not have a material adverse effect on our results of operations, financial condition or liquidity. However, any inquiry,

proceeding or litigation has the element of uncertainty; management cannot determine whether further developments relating to any individual matter that is pending or threatened, or all of them combined, will have a material adverse effect on our results of operations, financial condition or liquidity in any future reporting period.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

AB Holding’s principal source of income and cash flow is attributable to its investment in AB Units. AB Holding’s interim condensed financial statements and notes and management’s discussion and analysis of financial condition and results of operations (“MD&A”) should be read in conjunction with those of AB included as an exhibit to this Form 10-Q. They also should be read in conjunction with AB’s audited financial statements and notes and MD&A included in AB Holding’s Form 10-K for the year ended December 31, 2022.

Results of Operations

	Three Months Ended March 31,		% Change
	2023	2022	
	(in thousands, except per unit amounts)		
Net income attributable to AB Unitholders	\$ 194,151	\$ 260,727	(25.5)%
Weighted average equity ownership interest	39.3 %	36.2 %	
Equity in net income attributable to AB Unitholders	76,382	94,353	(19.0)
Income taxes	8,945	8,425	6.2
Net income of AB Holding	\$ 67,437	\$ 85,928	(21.5)
Diluted net income per AB Holding Unit	\$ 0.59	\$ 0.87	(32.2)
Distribution per AB Holding Unit ⁽¹⁾	\$ 0.66	\$ 0.90	(26.7)

⁽¹⁾ Distributions reflect the impact of AB’s non-GAAP adjustments.

AB Holding's net income for the three months ended March 31, 2023 decreased \$18.5 million, as compared to the corresponding period in 2022 primarily due to lower net income attributable to AB Unitholders, partially offset by a higher weighted average equity ownership interest.

AB Holding’s partnership gross income is derived from its interest in AB. AB Holding’s income taxes, which reflect a 3.5% federal tax on its partnership gross income from the active conduct of a trade or business, are computed by multiplying certain AB qualifying revenues (primarily U.S. investment advisory fees, research payments and brokerage commissions) by AB Holding’s ownership interest in AB, multiplied by the 3.5% tax rate. AB Holding's effective tax rate was 11.7% during the three months ended March 31, 2023, compared to 8.9% during the three months ended March 31, 2022. *See Note 7 to the condensed financial statements in Item 1* for the calculation of income tax expense.

Management Operating Metrics

As supplemental information, AB provides the performance measures “adjusted net revenues,” “adjusted operating income” and “adjusted operating margin,” which are the principal metrics management uses in evaluating and comparing the period-to-period operating performance of AB. Management principally uses these metrics in evaluating performance because they present a clearer picture of AB's operating performance and allow management to see long-term trends without the distortion primarily caused by long-term incentive compensation-related mark-to-market adjustments, real estate charges and other adjustment items. Similarly, management believes that these management operating metrics help investors better understand the underlying trends in AB's results and, accordingly, provide a valuable perspective for investors. Such measures are not based on generally accepted accounting principles (“non-GAAP measures”). These non-GAAP measures are provided in addition to, and not as substitutes for, net revenues, operating income and operating margin, and they may not be comparable to non-GAAP measures presented by other companies. Management uses both GAAP and non-GAAP measures in evaluating the company’s financial performance. The non-GAAP measures alone may pose limitations because they do not include all of AB’s revenues and expenses. Further, adjusted diluted net income per AB Holding Unit is not a liquidity measure and should not be used in place of cash flow measures. *See AB’s MD&A contained in Exhibit 99.1.*

The impact of these adjustments on AB Holding’s net income and diluted net income per AB Holding Unit is as follows:

	Three Months Ended March 31,	
	2023	2022
	(in thousands, except per Unit amounts)	
AB non-GAAP adjustments, before taxes	\$ 19,318	\$ 11,601
AB income tax (expense) on non-GAAP adjustments	(506)	(1,874)
AB non-GAAP adjustments, after taxes	18,812	9,727
AB Holding’s weighted average equity ownership interest in AB	39.3 %	36.2 %
Impact on AB Holding’s net income of AB non-GAAP adjustments	\$ 7,401	\$ 3,520
Net income – diluted, GAAP basis	\$ 67,437	\$ 85,930
Impact on AB Holding’s net income of AB non-GAAP adjustments	7,401	3,520
Adjusted net income – diluted	\$ 74,838	\$ 89,450
Diluted net income per AB Holding Unit, GAAP basis	\$ 0.59	\$ 0.87
Impact of AB non-GAAP adjustments	0.07	0.03
Adjusted diluted net income per AB Holding Unit	\$ 0.66	\$ 0.90

The degree to which AB's non-GAAP adjustments impact AB Holding's net income fluctuates based on AB Holding's ownership percentage in AB.

Cash Distributions

AB Holding is required to distribute all of its Available Cash Flow, as defined in the AB Holding Partnership Agreement, to its Unitholders (including the General Partner). Available Cash Flow typically is the adjusted diluted net income per unit for the quarter multiplied by the number of units outstanding at the end of the quarter. Management anticipates that Available Cash Flow will continue to be based on adjusted diluted net income per unit, unless management determines, with concurrence of the Board of Directors, that one or more adjustments made to adjusted net income should not be made with respect to the Available Cash Flow calculation. *See Note 2 to the condensed financial statements in Item 1* for a description of Available Cash Flow.

Capital Resources and Liquidity

During the three months ended March 31, 2023, net cash provided by operating activities was \$78.0 million, compared to \$127.1 million during the corresponding 2022 period. The decrease primarily resulted from lower cash distributions received from AB of \$49.4 million.

During the three months ended March 31, 2023, net cash used in financing activities was \$78.0 million, compared to \$127.1 million during the corresponding 2022 period. The decrease was primarily due to lower cash distributions to Unitholders of \$48.4 million.

Management believes that AB Holding will have the resources it needs to meet its financial obligations as a result of the cash flow AB Holding realizes from its investment in AB.

Commitments and Contingencies

See Note 8 to the condensed financial statements in Item 1.

CAUTIONS REGARDING FORWARD-LOOKING STATEMENTS

Certain statements provided by management in this report and in the portion of AB’s Form 10-Q attached hereto as *Exhibit 99.1* are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from

future results expressed or implied by such forward-looking statements. The most significant of these factors include, but are not limited to, the following: the performance of financial markets, the investment performance of sponsored investment products and separately managed accounts, general economic conditions, industry trends, future acquisitions, integration of acquired companies, competitive conditions and government regulations, including changes in tax regulations and rates and the manner in which the earnings of publicly-traded partnerships are taxed. We caution readers to carefully consider such factors. Further, these forward-looking statements speak only as of the date on which such statements are made; we undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements. For further information regarding these forward-looking statements and the factors that could cause actual results to differ, see “Risk Factors” in Part I, Item 1A of our Form 10-K for the year ended December 31, 2022 and Part II, Item 1A in this Form 10-Q. Any or all of the forward-looking statements that we make in our Form 10-K, this Form 10-Q, other documents we file with or furnish to the SEC, and any other public statements we issue, may turn out to be wrong. It is important to remember that other factors besides those listed in “Risk Factors” and those listed below could also adversely impact our revenues, financial condition, results of operations and business prospects.

The forward-looking statements referred to in the preceding paragraph, most of which directly affect AB but also affect AB Holding because AB Holding’s principal source of income and cash flow is attributable to its investment in AB, include statements regarding:

- Our belief that the cash flow AB Holding realizes from its investment in AB will provide AB Holding with the resources it needs to meet its financial obligations: AB Holding’s cash flow is dependent on the quarterly cash distributions it receives from AB. Accordingly, AB Holding’s ability to meet its financial obligations is dependent on AB’s cash flow from its operations, which is subject to the performance of the capital markets and other factors beyond our control.
- Our financial condition and ability to access the public and private capital markets providing adequate liquidity for our general business needs: Our financial condition is dependent on our cash flow from operations, which is subject to the performance of the capital markets, our ability to maintain and grow client assets under management and other factors beyond our control. Our ability to access public and private capital markets on reasonable terms may be limited by adverse market conditions, our firm’s credit ratings, our profitability and changes in government regulations, including tax rates and interest rates.
- The outcome of litigation: Litigation is inherently unpredictable, and excessive damage awards do occur. Though we have stated that we do not expect any pending legal proceedings to have a material adverse effect on our results of operations, financial condition or liquidity, any settlement or judgment with respect to a legal proceeding could be significant and could have such an effect.
- The possibility that we will engage in open market purchases of AB Holding Units to help fund anticipated obligations under our incentive compensation award program: The number of AB Holding Units AB may decide to buy in future periods, if any, to help fund incentive compensation awards depends on various factors, some of which are beyond our control, including the fluctuation in the price of an AB Holding Unit (NYSE: AB) and the availability of cash to make these purchases.
- Our determination that adjusted employee compensation expense, excluding the impact of performance-based fees, generally should not exceed 50% of our adjusted net revenues on an annual basis: Aggregate employee compensation reflects employee performance and competitive compensation levels. Fluctuations in our revenues and/or changes in competitive compensation levels could result in adjusted employee compensation expense exceeding 50% of our adjusted net revenues.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes in AB Holding’s market risk from the information provided under “Quantitative and Qualitative Disclosures About Market Risk” in Part II, Item 7A of AB Holding’s Form 10-K for the year ended December 31, 2022.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Each of AB Holding and AB maintains a system of disclosure controls and procedures that is designed to ensure that information required to be disclosed in our reports under the Exchange Act is (i) recorded, processed, summarized and reported

in a timely manner, and (ii) accumulated and communicated to management, including the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), to permit timely decisions regarding our disclosure.

As of the end of the period covered by this report, management carried out an evaluation, under the supervision and with the participation of the CEO and the CFO, of the effectiveness of the design and operation of the disclosure controls and procedures. Based on this evaluation, the CEO and the CFO concluded that the disclosure controls and procedures are effective.

Changes in Internal Control over Financial Reporting

No change in our internal control over financial reporting occurred during the first quarter of 2023 that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Part II

OTHER INFORMATION

Item 1. Legal Proceedings

See Note 8 to the condensed financial statements contained in Part I, Item 1.

Item 1A. Risk Factors

There have been no material changes to the risk factors from those appearing in AB Holding's Annual Report on Form 10-K for the fiscal year ended December 31, 2022.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

There were no AB Holding Units sold by AB Holding in the period covered by this report that were not registered under the Securities Act.

Each quarter, AB considers whether to implement a plan to repurchase AB Holding Units pursuant to Rules 10b5-1 and 10b-18 under the Securities Exchange Act of 1934 ("Exchange Act"). We did not, however, adopt a plan during the first quarter of 2023. AB may adopt additional plans in the future to engage in open-market purchases of AB Holding Units to help fund anticipated obligations under the firm's incentive compensation award program and for other corporate purposes. See Note 3 to the condensed financial statements contained in Part I, Item 1.

AB Holding Units bought by us or one of our affiliates during the first quarter of 2023 are as follows:

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of AB Holding Units Purchased	Average Price Paid Per AB Holding Unit, net of Commissions	Total Number of AB Holding Units Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of AB Holding Units that May Yet Be Purchased Under the Plans or Programs
1/1/23 - 1/31/23 ⁽¹⁾	305,803	\$ 34.38	—	—
2/1/23 - 2/28/23 ⁽¹⁾	197,497	38.77	—	—
3/1/23 - 3/31/23 ⁽¹⁾	17,670	35.31	—	—
Total	520,970	\$ 36.08	—	—

⁽¹⁾ During the first quarter of 2023, AB retained from employees 520,970 AB Holding Units to allow them to fulfill statutory withholding tax requirements at the time of distribution of long-term incentive compensation awards.

AB Units bought by us or one of our affiliates during the first quarter of 2023 are as follows:

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of AB Units Purchased	Average Price Paid Per AB Unit, net of Commissions	Total Number of AB Units Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of AB Units that May Yet Be Purchased Under the Plans or Programs
1/1/23 - 1/31/23	—	—	—	—
2/1/23 - 2/28/23	—	—	—	—
3/1/23 - 3/31/23 ⁽¹⁾	600	\$ 38.62	—	—
Total	600	\$ 38.62	—	—

⁽¹⁾ During March 2023, AB purchased 600 AB Units in private transactions and retired them.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

Item 6. Exhibits

- 31.1 [Certification of Mr. Bernstein furnished pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 31.2 [Certification of Ms. Burke furnished pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 32.1 [Certification of Mr. Bernstein furnished for the purpose of complying with Rule 13a-14\(b\) or Rule 15d-14\(b\) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- 32.2 [Certification of Ms. Burke furnished for the purpose of complying with Rule 13a-14\(b\) or Rule 15d-14\(b\) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- 99.1 [Part I, Items 1 through 4 of the AllianceBernstein L.P. Quarterly Report on Form 10-Q for the quarter ended March 31, 2023.](#)
- 101.INS XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
- 101.SCH XBRL Taxonomy Extension Schema.
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase.
- 101.LAB XBRL Taxonomy Extension Label Linkbase.
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase.
- 101.DEF XBRL Taxonomy Extension Definition Linkbase.
- 104 The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2023, formatted in Inline XBRL (included in Exhibit 101).

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: April 26, 2023

ALLIANCEBERNSTEIN HOLDING L.P.

By: /s/ Kate Burke
Kate Burke
Chief Operating Officer & Chief Financial Officer

By: /s/ Bill Siemers
Bill Siemers
Controller & Chief Accounting Officer

Part I
FINANCIAL INFORMATION

Item 1. Financial Statements

**ALLIANCEBERNSTEIN L.P.
AND SUBSIDIARIES**
Condensed Consolidated Statements of Financial Condition
(in thousands, except unit amounts)
(unaudited)

	March 31, 2023	December 31, 2022
ASSETS		
Cash and cash equivalents	\$ 886,145	\$ 1,130,143
Cash and securities segregated, at fair value (cost: \$1,041,813 and \$1,511,916)	1,054,643	1,522,431
Receivables, net:		
Brokers and dealers	92,337	112,226
Brokerage clients	1,729,210	1,881,496
AB funds fees	345,016	314,247
Other fees	139,695	127,040
Investments:		
Long-term incentive compensation-related	43,984	47,870
Other	167,954	169,648
Assets of consolidated company-sponsored investment funds:		
Cash and cash equivalents	20,417	19,751
Investments	543,339	516,536
Other assets	30,795	44,424
Furniture, equipment and leasehold improvements, net	189,670	189,258
Goodwill	3,598,591	3,598,591
Intangible assets, net	298,754	310,203
Deferred sales commissions, net	58,216	52,250
Right-of-use assets	355,608	371,898
Assets held for sale	671,069	551,351
Other assets	165,422	179,568
Total assets	\$ 10,390,865	\$ 11,138,931

	March 31, 2023	December 31, 2022
LIABILITIES, REDEEMABLE NON-CONTROLLING INTEREST AND CAPITAL		
Liabilities:		
Payables:		
Brokers and dealers	\$ 408,878	\$ 389,828
Brokerage clients	2,594,685	3,322,903
AB mutual funds	89,238	162,291
Contingent consideration liability	248,185	247,309
Accounts payable and accrued expenses	147,327	173,466
Lease liabilities	409,749	427,479
Liabilities of consolidated company-sponsored investment funds	43,647	55,529
Accrued compensation and benefits	436,747	415,878
Debt	1,035,000	990,000
Liabilities held for sale	157,761	107,952
Total liabilities	5,571,217	6,292,635
Commitments and contingencies (<i>See Note 12</i>)		
Redeemable non-controlling interest of consolidated entities	376,290	368,656
Capital:		
General Partner	45,595	45,985
Limited partners: 285,654,435 and 285,979,913 units issued and outstanding	4,609,592	4,648,113
Receivables from affiliates	(5,097)	(4,270)
AB Holding Units held for long-term incentive compensation plans	(96,077)	(95,318)
Accumulated other comprehensive (loss)	(122,998)	(129,477)
Partners' capital attributable to AB Unitholders	4,431,015	4,465,033
Non-redeemable non-controlling interests in consolidated entities	12,343	12,607
Total capital	4,443,358	4,477,640
Total liabilities, redeemable non-controlling interest and capital	\$ 10,390,865	\$ 11,138,931

See Accompanying Notes to Condensed Consolidated Financial Statements.

**ALLIANCEBERNSTEIN L.P.
AND SUBSIDIARIES**
Condensed Consolidated Statements of Income
(in thousands, except per unit amounts)
(unaudited)

	Three Months Ended March 31,	
	2023	2022
Revenues:		
Investment advisory and services fees	\$ 728,907	\$ 823,782
Bernstein research services	100,038	117,807
Distribution revenues	141,078	168,341
Dividend and interest income	50,679	11,475
Investment gains (losses)	5,264	(39,024)
Other revenues	26,146	26,155
Total revenues	<u>1,052,112</u>	<u>1,108,536</u>
Less: Interest expense	28,021	2,849
Net revenues	<u>1,024,091</u>	<u>1,105,687</u>
Expenses:		
Employee compensation and benefits	434,163	439,420
Promotion and servicing:		
Distribution-related payments	148,381	176,244
Amortization of deferred sales commissions	8,154	9,383
Trade execution, marketing, T&E and other	50,630	51,227
General and administrative	139,653	177,625
Contingent payment arrangements	2,444	838
Interest on borrowings	13,713	1,411
Amortization of intangible assets	11,693	1,136
Total expenses	<u>808,831</u>	<u>857,284</u>
Operating income	215,260	248,403
Income taxes	11,342	12,721
Net income	203,918	235,682
Net income (loss) of consolidated entities attributable to non-controlling interests	9,767	(25,045)
Net income attributable to AB Unitholders	<u>\$ 194,151</u>	<u>\$ 260,727</u>
Net income per AB Unit:		
Basic	<u>\$ 0.67</u>	<u>\$ 0.95</u>
Diluted	<u>\$ 0.67</u>	<u>\$ 0.95</u>

See Accompanying Notes to Condensed Consolidated Financial Statements.

ALLIANCEBERNSTEIN L.P.
AND SUBSIDIARIES
Condensed Consolidated Statements of Comprehensive Income
(in thousands)
(unaudited)

	Three Months Ended March 31,	
	2023	2022
Net income	\$ 203,918	\$ 235,682
Other comprehensive income (loss):		
Foreign currency translation adjustments, before tax	6,131	(11,822)
Income tax benefit	47	101
Foreign currency translation adjustments, net of tax	6,178	(11,721)
Changes in employee benefit related items:		
Amortization of prior service cost	6	6
Recognized actuarial gain	298	323
Changes in employee benefit related items	304	329
Income tax (expense)	(3)	(9)
Employee benefit related items, net of tax	301	320
Other comprehensive income (loss)	6,479	(11,401)
Less: Comprehensive income (loss) in consolidated entities attributable to non-controlling interests	9,767	(25,045)
Comprehensive income attributable to AB Unitholders	\$ 200,630	\$ 249,326

See Accompanying Notes to Condensed Consolidated Financial Statements.

**ALLIANCEBERNSTEIN L.P.
AND SUBSIDIARIES**
Condensed Consolidated Statements of Changes in Partners' Capital
(in thousands)
(unaudited)

	Three Months Ended March 31,	
	2023	2022
General Partner's Capital		
Balance, beginning of period	\$ 45,985	\$ 42,850
Net income	1,941	2,607
Cash distributions to General Partner	(2,221)	(3,781)
Long-term incentive compensation plans activity	15	(1)
(Retirement) issuance of AB Units, net	(125)	157
Balance, end of period	45,595	41,832
Limited Partners' Capital		
Balance, beginning of period	4,648,113	4,336,211
Net income	192,210	258,120
Cash distributions to Unitholders	(219,698)	(374,029)
Long-term incentive compensation plans activity	1,438	(157)
(Retirement) issuance of AB Units, net	(12,471)	15,498
Balance, end of period	4,609,592	4,235,643
Receivables from Affiliates		
Balance, beginning of period	(4,270)	(8,333)
Long-term incentive compensation awards expense	191	174
Capital contributions (to) from AB Holding	(1,018)	33
Balance, end of period	(5,097)	(8,126)
AB Holding Units held for Long-term Incentive Compensation Plans		
Balance, beginning of period	(95,318)	(119,470)
Purchases of AB Holding Units to fund long-term compensation plans, net	(18,090)	(13,822)
Retirement (issuance) of AB Units, net	12,510	(15,655)
Long-term incentive compensation awards expense	6,585	18,442
Re-valuation of AB Holding Units held in rabbi trust	(1,764)	(409)
Balance, end of period	(96,077)	(130,914)
Accumulated Other Comprehensive (Loss)		
Balance, beginning of period	(129,477)	(90,335)
Foreign currency translation adjustment, net of tax	6,178	(11,721)
Changes in employee benefit related items, net of tax	301	320
Balance, end of period	(122,998)	(101,736)
Total Partners' Capital attributable to AB Unitholders	4,431,015	4,036,699
Non-redeemable Non-controlling Interests in Consolidated Entities		
Balance, beginning of period	12,607	—
Adjustment	(264)	—
Balance, end of period	12,343	—
Total Capital	\$ 4,443,358	\$ 4,036,699

See Accompanying Notes to Condensed Consolidated Financial Statements.

ALLIANCEBERNSTEIN L.P. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

	Three Months Ended March 31,	
	2023	2022
Cash flows from operating activities:		
Net income	\$ 203,918	\$ 235,682
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Amortization of deferred sales commissions	8,154	9,383
Non-cash long-term incentive compensation expense	6,776	18,616
Depreciation and other amortization	22,849	11,124
Unrealized (gains) losses on investments	(4,662)	21,024
Unrealized (gains) losses on investments of consolidated company-sponsored investment funds	(16,162)	40,898
Non-cash lease expense	26,426	26,557
Loss on assets held for sale	2,500	—
Other, net	(3,523)	4,395
Changes in assets and liabilities:		
Decrease (increase) in securities, segregated	467,788	(188,669)
Decrease (increase) in receivables	126,176	(193,178)
Decrease in investments	18,571	8,434
(Increase) decrease in investments of consolidated company-sponsored investment funds	(10,641)	85,201
(Increase) in deferred sales commissions	(14,120)	(3,562)
(Increase) in other assets	(102,965)	(111,939)
Increase (decrease) in other assets and liabilities of consolidated company-sponsored investment funds, net	1,747	(50,360)
(Decrease) increase in payables	(764,090)	199,166
(Decrease) increase in accounts payable and accrued expenses	(12,365)	20,473
Increase in accrued compensation and benefits	23,277	43,766
Cash payments to relieve operating lease liabilities	(26,566)	(26,828)
Net cash (used in) provided by operating activities	(46,912)	150,183
Cash flows from investing activities:		
Purchases of furniture, equipment and leasehold improvements	(10,572)	(6,237)
Net cash used in investing activities	(10,572)	(6,237)

Three Months Ended March 31,

2023 **2022**

Cash flows from financing activities:

Proceeds from debt, net	45,000	95,000
Increase (decrease) in overdrafts payable	86	(14,736)
Distributions to General Partner and Unitholders	(221,919)	(377,810)
(Redemptions) of non-controlling interest in consolidated company-sponsored investment funds, net	(2,133)	(58,103)
Capital contributions (to) affiliates	(1,324)	(529)
Purchases of AB Holding Units to fund long-term incentive compensation plan awards, net	(18,090)	(13,822)
Other, net	(2,339)	(1,173)
Net cash used in financing activities	(200,719)	(371,173)
Effect of exchange rate changes on cash and cash equivalents	10,232	(11,431)
Net (decrease) in cash and cash equivalents	(247,971)	(238,658)
Cash and cash equivalents as of beginning of the period	1,309,017	1,376,026
Cash and cash equivalents as of end of the period	\$ 1,061,046	\$ 1,137,368

See Accompanying Notes to Condensed Consolidated Financial Statements.

**ALLIANCEBERNSTEIN L.P.
AND SUBSIDIARIES**
Notes to Condensed Consolidated Financial Statements
March 31, 2023
(unaudited)

The words “we” and “our” refer collectively to AllianceBernstein L.P. and its subsidiaries (“AB”), or to their officers and employees. Similarly, the word “company” refers to AB. These statements should be read in conjunction with AB’s audited consolidated financial statements included in AB’s Form 10-K for the year ended December 31, 2022.

1. Business Description Organization and Basis of Presentation

Business Description

We provide diversified investment management, research and related services globally to a broad range of clients. Our principal services include:

- Institutional Services – servicing our institutional clients, including private and public pension plans, foundations and endowments, insurance companies, central banks and governments worldwide, and affiliates such as Equitable Holdings, Inc. (“EQH”) and its subsidiaries, by means of separately-managed accounts, sub-advisory relationships, structured products, collective investment trusts, mutual funds, hedge funds and other investment vehicles.
- Retail Services – servicing our retail clients, primarily by means of retail mutual funds sponsored by AB or an affiliated company, sub-advisory relationships with mutual funds sponsored by third parties, separately-managed account programs sponsored by financial intermediaries worldwide and other investment vehicles.
- Private Wealth Services – servicing our private clients, including high-net-worth individuals and families, trusts and estates, charitable foundations, partnerships, private and family corporations, and other entities, by means of separately-managed accounts, hedge funds, mutual funds and other investment vehicles.
- Bernstein Research Services – servicing institutional investors, such as pension fund, hedge fund and mutual fund managers, seeking high-quality fundamental research, quantitative services and brokerage-related services in equities and listed options.

We also provide distribution, shareholder servicing, transfer agency services and administrative services to the mutual funds we sponsor.

Our high-quality, in-depth research is the foundation of our asset management and private wealth management businesses. Our research disciplines include economic, fundamental equity, fixed income and quantitative research. In addition, we have expertise in multi-asset strategies, wealth management, environmental, social and corporate governance (“ESG”), and alternative investments.

We provide a broad range of investment services with expertise in:

- Actively-managed equity strategies, with global and regional portfolios across capitalization ranges, concentration ranges and investment strategies, including value, growth and core equities;
- Actively-managed traditional and unconstrained fixed income strategies, including taxable and tax-exempt strategies;
- Actively-managed alternative investments, including hedge funds, fund of funds and direct assets (e.g., direct lending, real estate and private equity);
- Portfolios with Purpose, including actively managed, impact-focused and Responsible+ (climate-conscious, ESG leaders, change catalysts) equity, fixed income and multi-asset strategies that address our clients evolving need to invest their capital with purpose while pursuing strong investment returns;
- Multi-asset solutions and services, including dynamic asset allocation, customized target-date funds and target-risk funds; and

- Some passive management, including index, ESG index and enhanced index strategies.

Organization

As of March 31, 2023, EQH owned approximately 3.5% of the issued and outstanding units representing assignments of beneficial ownership of limited partnership interests in AllianceBernstein Holding L.P. (“AB Holding Units”). AllianceBernstein Corporation (an indirect wholly-owned subsidiary of EQH, “General Partner”) is the general partner of both AllianceBernstein Holding L.P. (“AB Holding”) and AB. AllianceBernstein Corporation owns 100,000 general partnership units in AB Holding and a 1.0% general partnership interest in AB.

As of March 31, 2023, the ownership structure of AB, including limited partnership units outstanding as well as the general partner's 1.0% interest, was as follows:

EQH and its subsidiaries	60.0 %
AB Holding	39.3
Unaffiliated holders	0.7
	<u>100.0 %</u>

Including both the general partnership and limited partnership interests in AB Holding and AB, EQH and its subsidiaries had an approximate 61.4% economic interest in AB as of March 31, 2023.

Basis of Presentation

The interim condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (“SEC”). In the opinion of management, all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of the interim results, have been made. The preparation of the condensed consolidated financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the interim reporting periods. Actual results could differ from those estimates. The condensed consolidated statement of financial condition as of December 31, 2022 was derived from audited financial statements. Certain disclosures included in the annual financial statements have been condensed or omitted from these financial statements as they are not required for interim financial statements under principles generally accepted in the United States of America (“GAAP”) and the rules of the SEC.

Principles of Consolidation

The condensed consolidated financial statements include AB and its majority-owned and/or controlled subsidiaries, and the consolidated entities that are considered to be variable interest entities (“VIEs”) and/or voting interest entities (“VOEs”) in which AB has a controlling financial interest. Non-controlling interests on the condensed consolidated statements of financial condition include the portion of consolidated company-sponsored investment funds in which we do not have direct equity ownership. All significant inter-company transactions and balances among the consolidated entities have been eliminated.

Subsequent Events

We have evaluated subsequent events through the date that these financial statements were filed with the SEC and did not identify any subsequent events that would require disclosure in these financial statements.

2. Significant Accounting Policies

Recently Adopted Accounting Pronouncements or Accounting Pronouncements Not Yet Adopted

During the first quarter of 2023, there have been no recently adopted accounting pronouncements or pronouncements not yet adopted that have or are expected to have a material impact on our consolidated results of operations.

3. Revenue Recognition

Revenues for the three months ended March 31, 2023 and 2022 consisted of the following:

	Three Months Ended March 31,	
	2023	2022
(in thousands)		
Subject to contracts with customers:		
Investment advisory and services fees		
Base fees	\$ 692,327	\$ 747,813
Performance-based fees	36,580	75,969
Bernstein research services	100,038	117,807
Distribution revenues		
All-in-management fees	68,788	81,221
12b-1 fees	15,155	19,517
Other distribution fees	57,135	67,603
Other revenues		
Shareholder servicing fees	20,293	22,414
Other	5,691	3,509
	<u>996,007</u>	<u>1,135,853</u>
Not subject to contracts with customers:		
Dividend and interest income, net of interest expense	22,658	8,626
Investment gains (losses)	5,264	(39,024)
Other revenues	162	232
	<u>28,084</u>	<u>(30,166)</u>
Total net revenues	<u>\$ 1,024,091</u>	<u>\$ 1,105,687</u>

4. Long-term Incentive Compensation Plans

We maintain several unfunded, non-qualified long-term incentive compensation plans, under which we grant annual awards to employees, generally in the fourth quarter, and to members of the Board of Directors of the General Partner, who are not employed by our company or by any of our affiliates (“Eligible Directors”).

We fund our restricted AB Holding Unit awards either by purchasing AB Holding Units on the open market or purchasing newly-issued AB Holding Units from AB Holding, and then keeping these AB Holding Units in a consolidated rabbi trust until delivering them or retiring them. In accordance with the Amended and Restated Agreement of Limited Partnership of AB (“AB Partnership Agreement”), when AB purchases newly-issued AB Holding Units from AB Holding, AB Holding is required to use the proceeds it receives from AB to purchase the equivalent number of newly-issued AB Units, thus increasing its percentage ownership interest in AB. AB Holding Units held in the consolidated rabbi trust are corporate assets in the name of the trust and are available to the general creditors of AB.

Repurchases and retention of AB Holding Units for the three months ended March 31, 2023 and 2022 consisted of the following:

	Three Months Ended March 31,	
	2023	2022
	(in millions)	
Total amount of AB Holding Units Purchased/Retained ⁽¹⁾	0.5	0.3
Total Cash Paid for AB Holding Units Purchased/Retained ⁽¹⁾	\$ 18.8	\$ 14.0
Open Market Purchases of AB Holding Units Purchased ⁽¹⁾	—	—
Total Cash Paid for Open Market Purchases of AB Holding Units ⁽¹⁾	\$ —	\$ —

(1) Purchased on a trade date basis. The difference between open-market purchases and units retained reflects the retention of AB Holding Units from employees to fulfill statutory tax withholding requirements at the time of delivery of long-term incentive compensation awards.

Purchases of AB Holding Units reflected on the condensed consolidated statements of cash flows are net of AB Holding Unit purchases by employees as part of a distribution reinvestment election.

Each quarter, we consider whether to implement a plan to repurchase AB Holding Units pursuant to Rules 10b5-1 and 10b-18 under the Securities Exchange Act of 1934, as amended ("Exchange Act"). A plan of this type allows a company to repurchase its shares at times when it otherwise might be prevented from doing so because of self-imposed trading blackout periods or because it possesses material non-public information. Each broker we select has the authority under the terms and limitations specified in the plan to repurchase AB Holding Units on our behalf. Repurchases are subject to regulations promulgated by the SEC as well as certain price, market volume and timing constraints specified in the plan. We did not adopt a plan during the first quarter of 2023. We may adopt additional plans in the future to engage in open-market purchases of AB Holding Units to help fund anticipated obligations under our incentive compensation award program and for other corporate purposes.

During the first three months of 2023 and 2022, we awarded to employees and Eligible Directors 0.3 million and 0.7 million restricted AB Holding Unit awards, respectively. We use any AB Holding Units repurchased during the applicable period and newly-issued AB Holding Units to fund these awards.

5. Net Income per Unit

Basic net income per unit is derived by reducing net income for the 1% general partnership interest and dividing the remaining 99% by the basic weighted average number of limited partnership units outstanding for each period. Diluted net income per unit is derived by reducing net income for the 1% general partnership interest and dividing the remaining 99% by the total of the diluted weighted average number of limited partnership units outstanding for each period.

	Three Months Ended March 31,	
	2023	2022
	(in thousands, except per unit amounts)	
Net income attributable to AB Unitholders	\$ 194,151	\$ 260,727
Weighted average limited partnership units outstanding – basic	285,726	271,383
Dilutive effect of compensatory options to buy AB Holding Units	—	3
Weighted average limited partnership units outstanding – diluted	285,726	271,386
Basic net income per AB Unit	\$ 0.67	\$ 0.95
Diluted net income per AB Unit	\$ 0.67	\$ 0.95

There were no anti-dilutive options excluded from diluted net income in the three months ended March 31, 2023 or 2022.

6. Cash Distributions

AB is required to distribute all of its Available Cash Flow, as defined in the AB Partnership Agreement, to its Unitholders and to the General Partner. Available Cash Flow can be summarized as the cash flow received by AB from operations minus such amounts as the General Partner determines, in its sole discretion, should be retained by AB for use in its

business, or plus such amounts as the General Partner determines, in its sole discretion, should be released from previously retained cash flow.

Typically, Available Cash Flow has been the adjusted diluted net income per unit for the quarter multiplied by the number of general and limited partnership interests at the end of the quarter. In future periods, management anticipates that Available Cash Flow will be based on adjusted diluted net income per unit, unless management determines, with the concurrence of the Board of Directors, that one or more adjustments that are made for adjusted net income should not be made with respect to the Available Cash Flow calculation.

On April 26, 2023, the General Partner declared a distribution of \$0.74 per AB Unit, representing a distribution of Available Cash Flow for the three months ended March 31, 2023. The General Partner, as a result of its 1% general partnership interest, is entitled to receive 1% of each distribution. The distribution is payable on May 25, 2023 to holders of record on May 8, 2023.

7. Cash and Securities Segregated Under Federal Regulations and Other Requirements

As of March 31, 2023 and December 31, 2022, \$1.1 billion and \$1.5 billion, respectively, of U.S. Treasury Bills were segregated in a special reserve bank custody account for the exclusive benefit of our brokerage customers under Rule 15c3-3 of the Exchange Act.

8. Investments

Investments consist of:

	March 31, 2023	December 31, 2022
	(in thousands)	
Equity securities:		
Long-term incentive compensation-related	\$ 17,145	\$ 21,055
Seed capital	134,775	138,012
Investments in limited partnership hedge funds:		
Long-term incentive compensation-related	26,839	26,815
Seed capital	15,731	15,711
Time deposits	7,528	7,750
Other	9,920	8,175
Total investments	\$ 211,938	\$ 217,518

Total investments related to long-term incentive compensation obligations of \$44.0 million and \$47.9 million as of March 31, 2023 and December 31, 2022, respectively, consist of company-sponsored mutual funds and hedge funds. For long-term incentive compensation awards granted before 2009, we typically made investments in company-sponsored mutual funds and hedge funds that were notionally elected by plan participants and maintained them (and continue to maintain them) in a consolidated rabbi trust or separate custodial account. The rabbi trust and custodial account enable us to hold such investments separate from our other assets for the purpose of settling our obligations to participants. The investments held in the rabbi trust and custodial account remain available to the general creditors of AB.

The underlying investments of hedge funds in which we invest include long and short positions in equity securities, fixed income securities (including various agency and non-agency asset-based securities), currencies, commodities and derivatives (including various swaps and forward contracts). These investments are valued at quoted market prices or, where quoted market prices are not available, are fair valued based on the pricing policies and procedures of the underlying funds.

We allocate seed capital to our investment teams to help develop new products and services for our clients. A portion of our seed capital trading investments are equity and fixed income products, primarily in the form of separately-managed account portfolios, U.S. mutual funds, Luxembourg funds, Japanese investment trust management funds or Delaware business trusts. We also may allocate seed capital to investments in private equity funds. Regarding our seed capital investments, the amounts above reflect those funds in which we are not the primary beneficiary of a VIE or hold a controlling financial interest in a VOE. See Note 14, *Consolidated Company-Sponsored Investment Funds*, for a description

of the seed capital investments that we consolidate. As of March 31, 2023 and December 31, 2022, our total seed capital investments were \$324.6 million and \$309.6 million, respectively. Seed capital investments in unconsolidated company-sponsored investment funds are valued using published net asset values or non-published net asset values if they are not listed on an active exchange but have net asset values that are comparable to funds with published net asset values and have no redemption restrictions.

In addition, we have long positions in corporate equities and long exchange-traded options traded through our options desk.

The portion of unrealized gains (losses) related to equity securities, as defined by ASC 321-10, held as of March 31, 2023 and 2022 were as follows:

	Three Months Ended March 31,	
	2023	2022
	(in thousands)	
Net gains (losses) recognized during the period	\$ 5,464	\$ (16,550)
Less: net gains recognized during the period on equity securities sold during the period	590	4,539
Unrealized gains (losses) recognized during the period on equity securities held	\$ 4,874	\$ (21,089)

9. Derivative Instruments

See Note 14, *Consolidated Company-Sponsored Investment Funds*, for disclosure of derivative instruments held by our consolidated company-sponsored investment funds.

We enter various futures, forwards, options and swaps to economically hedge certain seed capital investments. Also, we have currency forwards that help us to economically hedge certain balance sheet exposures. In addition, our options desk trades long and short exchange-traded equity options. We do not hold any derivatives designated in a formal hedge relationship under ASC 815-10, *Derivatives and Hedging*.

The notional value and fair value as of March 31, 2023 and December 31, 2022 for derivative instruments (excluding derivative instruments relating to our options desk trading activities *discussed below*) not designated as hedging instruments were as follows:

	Notional Value	Fair Value	
		Derivative Assets	Derivative Liabilities
		(in thousands)	
March 31, 2023:			
Exchange-traded futures	\$ 164,368	\$ 4	\$ 4,878
Currency forwards	35,796	4,456	5,019
Interest rate swaps	14,890	204	162
Credit default swaps	218,604	11,796	4,882
Total return swaps	52,247	227	1,178
Option swaps	50,000	—	292
Total derivatives	\$ 535,905	\$ 16,687	\$ 16,411
December 31, 2022:			
Exchange-traded futures	\$ 154,687	\$ 1,768	\$ 162
Currency forwards	34,597	4,446	5,047
Interest rate swaps	16,847	386	262
Credit default swaps	225,671	17,507	7,302
Total return swaps	28,742	605	933
Option swaps	50,000	—	6
Total derivatives	\$ 510,544	\$ 24,712	\$ 13,712

As of March 31, 2023 and December 31, 2022, the derivative assets and liabilities are included in both receivables and payables to brokers and dealers on our condensed consolidated statements of financial condition.

The gains and losses for derivative instruments (excluding our options desk trading activities *discussed below*) for the three months ended March 31, 2023 and 2022 recognized in investment gains (losses) in the condensed consolidated statements of income were as follows:

	Three Months Ended March 31,	
	2023	2022
	(in thousands)	
Exchange-traded futures	\$ (4,632)	\$ 7,513
Currency forwards	(105)	544
Interest rate swaps	(63)	(73)
Credit default swaps	(2,228)	1,717
Total return swaps	(2,056)	7,406
Option swaps	(1,410)	2,625
Net (losses) gains on derivative instruments	\$ (10,494)	\$ 19,732

We may be exposed to credit-related losses in the event of non-performance by counterparties to derivative financial instruments. We minimize our counterparty exposure through a credit review and approval process. In addition, we have executed various collateral arrangements with counterparties to the over-the-counter derivative transactions that require both pledging and accepting collateral in the form of cash. As of March 31, 2023 and December 31, 2022, we held \$7.9 million and \$8.4 million, respectively, of cash collateral payable to trade counterparties. This obligation to return cash is reported in payables to brokers and dealers in our condensed consolidated statements of financial condition.

Although notional amount typically is utilized as the measure of volume in the derivatives market, it is not used as a measure of credit risk. Generally, the current credit exposure of our derivative contracts is limited to the net positive estimated fair value of derivative contracts at the reporting date after taking into consideration the existence of netting agreements and any collateral received. A derivative with positive value (a derivative asset) indicates existence of credit risk because the counterparty would owe us if the contract were closed. Alternatively, a derivative contract with negative value (a derivative liability) indicates we would owe money to the counterparty if the contract were closed. Generally, if there is more than one derivative transaction with a single counterparty, a master netting arrangement exists with respect to derivative transactions with that counterparty to provide for aggregate net settlement.

Certain of our standardized contracts for over-the-counter derivative transactions (“ISDA Master Agreements”) contain credit risk related contingent provisions pertaining to each counterparty’s credit rating. In some ISDA Master Agreements, if the counterparty’s credit rating, or in some agreements, our assets under management (“AUM”), falls below a specified threshold, either a default or a termination event permitting us or the counterparty to terminate the ISDA Master Agreement would be triggered. In all agreements that provide for collateralization, various levels of collateralization of net liability positions are applicable, depending on the credit rating of the counterparty. As of March 31, 2023 and December 31, 2022, we delivered \$10.0 million and \$4.2 million, respectively, of cash collateral into brokerage accounts. We report this cash collateral in cash and cash equivalents in our condensed consolidated statement of financial condition.

As of March 31, 2023 and December 31, 2022, long and short exchange-traded equity options were classified as held for sale on our condensed consolidated statement of financial condition. Our options desk provides our clients with equity derivative strategies and execution for exchange-traded options on single stocks, exchange-traded funds and indices. While predominately agency-based, the options desk may commit capital to facilitate a client’s transaction. Our options desk hedges the risks associated with this activity by taking offsetting positions in equities. For the three months ended March 31, 2023 and 2022, we recognized losses of \$2.9 million and \$2.0 million, respectively, on equity options activity. These gains and losses are recognized in investment gains (losses) in the condensed consolidated statement of income.

10. Offsetting Assets and Liabilities

See Note 14, *Consolidated Company-Sponsored Investment Funds*, for disclosure of offsetting assets and liabilities of our consolidated company-sponsored investment funds.

Offsetting of assets as of March 31, 2023 and December 31, 2022 was as follows:

	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Statement of Financial Condition	Net Amounts of Assets Presented in the Statement of Financial Condition	Financial Instruments Collateral	Cash Collateral Received	Net Amount
	(in thousands)					
March 31, 2023:						
Securities borrowed	\$ 45,772	\$ —	\$ 45,772	\$ (45,772)	\$ —	\$ —
Derivatives	\$ 16,687	\$ —	\$ 16,687	\$ —	\$ (7,871)	\$ 8,816
December 31, 2022:						
Securities borrowed	\$ 62,063	\$ —	\$ 62,063	\$ (62,058)	\$ —	\$ 5
Derivatives	\$ 24,712	\$ —	\$ 24,712	\$ —	\$ (8,361)	\$ 16,351

Offsetting of liabilities as of March 31, 2023 and December 31, 2022 was as follows:

	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Statement of Financial Condition	Net Amounts of Liabilities Presented in the Statement of Financial Condition	Financial Instruments Collateral	Cash Collateral Pledged	Net Amount
	(in thousands)					
March 31, 2023:						
Securities loaned	\$ 274,650	\$ —	\$ 274,650	\$ (271,957)	\$ —	\$ 2,693
Derivatives	\$ 16,411	\$ —	\$ 16,411	\$ —	\$ (9,987)	\$ 6,424
December 31, 2022:						
Securities loaned	\$ 272,580	\$ —	\$ 272,580	\$ (267,053)	\$ —	\$ 5,527
Derivatives	\$ 13,712	\$ —	\$ 13,712	\$ —	\$ (4,158)	\$ 9,554

Cash collateral, whether pledged or received on derivative instruments, is not considered material and, accordingly, is not disclosed by counterparty.

11. Fair Value

See Note 14, *Consolidated Company-Sponsored Investment Funds*, for disclosure of fair value of our consolidated company-sponsored investment funds.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (*i.e.*, the “exit price”) in an orderly transaction between market participants at the measurement date. The three broad levels of fair value hierarchy are as follows:

- Level 1 – Quoted prices in active markets are available for identical assets or liabilities as of the reported date.
- Level 2 – Quoted prices in markets that are not active or other pricing inputs that are either directly or indirectly observable as of the reported date.
- Level 3 – Prices or valuation techniques that are both significant to the fair value measurement and unobservable as of the reported date. These financial instruments do not have two-way markets and are measured using management’s best estimate of fair value, where the inputs into the determination of fair value require significant management judgment or estimation.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

Valuation of our financial instruments by pricing observability levels as of March 31, 2023 and December 31, 2022 was as follows (in thousands):

	Level 1	Level 2	Level 3	NAV Expedient ⁽¹⁾	Other	Total
March 31, 2023:						
Money markets	\$ 95,690	\$ —	\$ —	\$ —	\$ —	\$ 95,690
Securities segregated (U.S. Treasury Bills)	—	1,054,638	—	—	—	1,054,638
Derivatives	4	16,683	—	—	—	16,687
Investments:						
Equity securities	121,971	28,255	170	1,524	—	151,920
Limited partnership hedge funds ⁽²⁾	—	—	—	—	42,570	42,570
Time deposits ⁽³⁾	—	—	—	—	7,528	7,528
Other investments	6,894	—	—	—	3,026	9,920
Total investments	128,865	28,255	170	1,524	53,124	211,938
Total assets measured at fair value	\$ 224,559	\$ 1,099,576	\$ 170	\$ 1,524	\$ 53,124	\$ 1,378,953
Derivatives	4,878	11,533	—	—	—	16,411
Contingent payment arrangements	—	—	248,185	—	—	248,185
Total liabilities measured at fair value	\$ 4,878	\$ 11,533	\$ 248,185	\$ —	\$ —	\$ 264,596

	Level 1	Level 2	Level 3	NAV Expedient ⁽¹⁾	Other	Total
December 31, 2022:						
Money markets	\$ 95,521	\$ —	\$ —	\$ —	\$ —	\$ 95,521
Securities segregated (U.S. Treasury Bills)	—	1,521,705	—	—	—	1,521,705
Derivatives	1,768	22,944	—	—	—	24,712
Investments:						
Equity securities	129,655	27,799	129	1,484	—	159,067
Limited partnership hedge funds ⁽²⁾	—	—	—	—	42,526	42,526
Time deposits ⁽³⁾	—	—	—	—	7,750	7,750
Other investments	6,689	—	—	—	1,486	8,175
Total investments	136,344	27,799	129	1,484	51,762	217,518
Total assets measured at fair value	\$ 233,633	\$ 1,572,448	\$ 129	\$ 1,484	\$ 51,762	\$ 1,859,456
Derivatives	162	13,550	—	—	—	13,712
Contingent payment arrangements	—	—	247,309	—	—	247,309
Total liabilities measured at fair value	\$ 162	\$ 13,550	\$ 247,309	\$ —	\$ —	\$ 261,021

⁽¹⁾ Investments measured at fair value using NAV (or its equivalent) as a practical expedient.

⁽²⁾ Investments in equity method investees that are not measured at fair value in accordance with GAAP.

⁽³⁾ Investments carried at amortized cost that are not measured at fair value in accordance with GAAP.

Other investments included in Level 1 of the fair value hierarchy include our investment in a mutual fund measured at fair value (\$6.9 million and \$6.7 million as of March 31, 2023 and December 31, 2022, respectively). Other investments not measured at fair value include (i) investment in a start-up company that does not have a readily available fair value (this investment was \$0.3 million as of both March 31, 2023 and December 31, 2022) and (ii) broker dealer exchange memberships that are not measured at fair value in accordance with GAAP (\$2.7 million and \$1.2 million as of March 31, 2023 and December 31, 2022, respectively).

We *provide below* a description of the fair value methodologies used for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy:

- **Money markets:** We invest excess cash in various money market funds that are valued based on quoted prices in active markets; these are included in Level 1 of the valuation hierarchy.
- **Treasury Bills:** We hold U.S. Treasury Bills, which are primarily segregated in a special reserve bank custody account as required by Rule 15c3-3 of the Exchange Act. These securities are valued based on quoted yields in secondary markets and are included in Level 2 of the valuation hierarchy.
- **Equity securities:** Our equity securities consist principally of company-sponsored mutual funds with NAVs and various separately-managed portfolios consisting primarily of equity and fixed income mutual funds with quoted prices in active markets, which are included in Level 1 of the valuation hierarchy. In addition, some securities are valued based on observable inputs from recognized pricing vendors, which are included in Level 2 of the valuation hierarchy.
- **Derivatives:** We hold exchange-traded futures with counterparties that are included in Level 1 of the valuation hierarchy. In addition, we also hold currency forward contracts, interest rate swaps, credit default swaps, option swaps and total return swaps with counterparties that are valued based on observable inputs from recognized pricing vendors, which are included in Level 2 of the valuation hierarchy.
- **Contingent payment arrangements:** Contingent payment arrangements relate to contingent payment liabilities associated with various acquisitions. At each reporting date, we estimate the fair values of the contingent consideration expected to be paid based upon probability-weighted AUM and revenue projections, using unobservable market data inputs, which are included in Level 3 of the valuation hierarchy.

During the three months ended March 31, 2023 there were no transfers between Level 2 and Level 3 securities.

The change in carrying value associated with Level 3 financial instruments carried at fair value, classified as equity securities, is as follows:

	Three Months Ended March 31,	
	2023	2022
	(in thousands)	
Balance as of beginning of period	\$ 129	\$ 126
Purchases	—	—
Sales	—	—
Realized gains (losses), net	—	—
Unrealized gains (losses), net	41	(7)
Balance as of end of period	\$ 170	\$ 119

Realized and unrealized gains and losses on Level 3 financial instruments are recorded in investment gains and losses in the condensed consolidated statements of income.

Our acquisitions may include contingent consideration arrangements as part of the purchase price. The change in carrying value associated with Level 3 financial instruments carried at fair value, classified as contingent payment arrangements, is as follows:

	Three Months Ended March 31,	
	2023	2022
	(in thousands)	
Balance as of beginning of period	\$ 247,309	\$ 38,260
Accretion	2,443	838
Payments	(792)	—
Held for sale reclassification	(775)	—
Balance as of end of period	\$ 248,185	\$ 39,098

As of March 31, 2023, the expected revenue growth rates ranged from 2.0% to 83.9%, with a weighted average of 10.3%, calculated using cumulative revenues and range of revenue growth rates. The discount rates range from 1.9% to 10.4%, with a weighted average of 4.6%, calculated using total contingent liabilities and range of discount rates. As of March 31, 2022, the expected revenue growth rates ranged from 2.0% to 83.9%, with a weighted average of 7.9%, calculated using cumulative revenues and a range of revenue growth rates (excluding revenue growth from additional AUM contributed from existing clients). The discount rates ranged from 1.9% to 10.4%, with a weighted average of 7.0%, calculated using total contingent liabilities and range of discount rates.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

We did not have any material assets or liabilities that were measured at fair value for impairment on a nonrecurring basis during the three months ended March 31, 2023 or during the year ended December 31, 2022.

12. Commitments and Contingencies

Legal Proceedings

With respect to all significant litigation matters, we consider the likelihood of a negative outcome. If we determine the likelihood of a negative outcome is probable and the amount of the loss can be reasonably estimated, we record an estimated loss for the expected outcome of the litigation. If the likelihood of a negative outcome is reasonably possible and we are able to determine an estimate of the possible loss or range of loss in excess of amounts already accrued, if any, we disclose that fact together with the estimate of the possible loss or range of loss. However, it is often difficult to predict the outcome or estimate a possible loss or range of loss because litigation is subject to inherent uncertainties, particularly when

plaintiffs allege substantial or indeterminate damages. Such is also the case when the litigation is in its early stages or when the litigation is highly complex or broad in scope. In these cases, we disclose that we are unable to predict the outcome or estimate a possible loss or range of loss.

On December 14, 2022, four individual participants in the Profit Sharing Plan for Employees of AllianceBernstein L.P., (the "Plan") filed a class action complaint (the "Complaint") in the U.S. District Court for the Southern District of New York against AB, current and former members of the Compensation Committee, and the Investment and Administrative Committees under the Plan. Plaintiffs, who seek to represent a class of all participants in the Plan from December 14, 2016 to the present, allege that defendants violated their fiduciary duties and engaged in prohibited transactions under the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), by including proprietary collective investment trusts as investment options offered under the Plan. The Complaint seeks unspecified damages, disgorgement and other equitable relief. AB is prepared to defend itself vigorously against these claims. While the ultimate outcome of this matter is currently not determinable given the matter remains in its early stages, we do not believe this litigation will have a material adverse effect on our results of operations, financial condition or liquidity.

AB may be involved in various other matters, including regulatory inquiries, administrative proceedings and litigation, some of which may allege significant damages. It is reasonably possible that we could incur losses pertaining to these other matters, but we cannot currently estimate any such losses. Management, after consultation with legal counsel, currently believes that the outcome of any other individual matter that is pending or threatened, or all of them combined, will not have a material adverse effect on our results of operations, financial condition or liquidity. However, any inquiry, proceeding or litigation has an element of uncertainty; management cannot determine whether further developments relating to any other individual matter that is pending or threatened, or all of them combined, will have a material adverse effect on our results of operation, financial condition or liquidity in any future reporting period.

Other

AllianceBernstein L.P., in its capacity as a general partner, committed to funding \$52.3 million in two Real Estate Funds. As of March 31, 2023, we had funded \$44.1 million of these commitments.

13. Leases

We lease office space, furniture and office equipment under various operating and financing leases. Our current leases have remaining lease terms of one year to 15 years, some of which include options to extend the leases for up to five years, and some of which include options to terminate the leases within one year. Since 2010, we have sub-leased over one million square feet of office space.

Leases included in the condensed consolidated statement of financial condition as of March 31, 2023 and December 31, 2022 were as follows:

	<u>Classification</u>	<u>March 31, 2023</u>	<u>December 31, 2022</u>
		(in thousands)	
Operating Leases			
Operating lease right-of-use assets	Right-of-use assets	\$ 344,293	\$ 360,092
Operating lease liabilities	Lease liabilities	398,686	415,539
Finance Leases			
Property and equipment, gross	Right-of-use assets	18,701	18,116
Amortization of right-of-use assets	Right-of-use assets	<u>(7,386)</u>	<u>(6,310)</u>
Property and equipment, net		11,315	11,806
Finance lease liabilities	Lease liabilities	11,063	11,940

The components of lease expense included in the condensed consolidated statement of income as of March 31, 2023 and March 31, 2022 were as follows:

	Classification	Three Months Ended March 31,	
		2023	2022
(in thousands)			
Operating lease cost	General and administrative	\$ 23,164	\$ 24,525
Financing lease cost:			
Amortization of right-of-use assets	General and administrative	1,076	740
Interest on lease liabilities	Interest expense	65	37
Total finance lease cost		1,141	777
Variable lease cost ⁽¹⁾	General and administrative	8,867	10,687
Sublease income	General and administrative	(8,260)	(8,561)
Net lease cost		\$ 24,912	\$ 27,428

⁽¹⁾ Variable lease expense includes operating expenses, real estate taxes and employee parking.

The sub-lease income represents all revenues received from sub-tenants. It is primarily fixed base rental payments combined with variable reimbursements such as operating expenses, real estate taxes and employee parking. The vast majority of sub-tenant income is derived from our New York metro sub-tenant agreements. Sub-tenant income related to base rent is recorded on a straight-line basis.

Maturities of lease liabilities were as follows:

Year ending December 31,	Operating Leases	Financing Leases	Total
	(in thousands)		
2023 (excluding the three months ended March 31, 2023)	\$ 74,188	\$ 2,853	\$ 77,041
2024	105,833	3,468	109,301
2025	38,128	3,039	41,167
2026	36,546	1,810	38,356
2027	33,578	324	33,902
Thereafter	147,132	—	147,132
Total lease payments	435,405	11,494	446,899
Less interest	(36,719)	(431)	
Present value of lease liabilities	\$ 398,686	\$ 11,063	

We have signed a lease that commences in 2024, relating to approximately 166,000 square feet of space in New York City. Our estimated total base rent obligation (excluding taxes, operating expenses and utilities) over the 20-year lease term is approximately \$393.0 million.

Lease term and discount rate:

Weighted average remaining lease term (years):

Operating leases	7.28
Finance leases	3.23

Weighted average discount rate:

Operating leases	2.70 %
Finance leases	2.29 %

Supplemental non-cash activity related to leases was as follows:

	Three Months Ended March 31,	
	2023	2022
(in thousands)		
Right-of-use assets obtained in exchange for lease obligations ⁽¹⁾ :		
Operating leases	3,390	7,719
Finance leases	585	2,569

⁽¹⁾ Represents non-cash activity and, accordingly, is not reflected in the condensed consolidated statement of cash flows.

14. Consolidated Company-Sponsored Investment Funds

We regularly provide seed capital to new company-sponsored investment funds. As such, we may consolidate or de-consolidate a variety of company-sponsored investment funds each quarter. Due to the similarity of risks related to our involvement with each company-sponsored investment fund, disclosures required under the VIE model are aggregated, such as disclosures regarding the carrying amount and classification of assets.

We are not required to provide financial support to company-sponsored investment funds, and only the assets of such funds are available to settle each fund's own liabilities. Our exposure to loss regarding consolidated company-sponsored investment funds is limited to our investment in, and our management fee earned from, such funds. Equity and debt holders of such funds have no recourse to AB's assets or to the general credit of AB.

The balances of consolidated VIEs and VOEs included in our condensed consolidated statements of financial condition were as follows:

	March 31, 2023			December 31, 2022		
	VIEs	VOEs	Total	VIEs	VOEs	Total
(in thousands)						
Cash and cash equivalents	\$ 20,417	\$ —	\$ 20,417	\$ 19,751	\$ —	\$ 19,751
Investments	526,530	16,809	543,339	516,536	—	516,536
Other assets	30,556	239	30,795	44,424	—	44,424
Total assets	\$ 577,503	\$ 17,048	\$ 594,551	\$ 580,711	\$ —	\$ 580,711
Liabilities	\$ 43,586	\$ 61	\$ 43,647	\$ 55,529	\$ —	\$ 55,529
Redeemable non-controlling interest	374,736	1,554	376,290	368,656	—	368,656
Partners' capital attributable to AB Unitholders	159,181	15,433	174,614	156,526	—	156,526
Total liabilities, redeemable non-controlling interest and partners' capital	\$ 577,503	\$ 17,048	\$ 594,551	\$ 580,711	\$ —	\$ 580,711

During three-month period ended March 31, 2023, we deconsolidated one fund in which we had a seed investment of approximately \$1.7 million as of December 31, 2022, due to no longer having a controlling financial interest.

Fair Value

Cash and cash equivalents include cash on hand, demand deposits, overnight commercial paper and highly liquid investments with original maturities of three months or less. Due to the short-term nature of these instruments, the recorded value has been determined to approximate fair value.

Valuation of consolidated company-sponsored investment funds' financial instruments by pricing observability levels as of March 31, 2023 and December 31, 2022 was as follows (in thousands):

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
March 31, 2023:				
Investments - VIEs	\$ 125,788	\$ 400,742	\$ —	\$ 526,530
Investments - VOEs	16,809	—	—	16,809
Derivatives - VIEs	1,211	2,459	—	3,670
Total assets measured at fair value	\$ 143,808	\$ 403,201	\$ —	\$ 547,009
Derivatives - VIEs	14,830	1,481	—	16,311
Total liabilities measured at fair value	\$ 14,830	\$ 1,481	\$ —	\$ 16,311
December 31, 2022:				
Investments - VIEs	\$ 129,706	\$ 386,830	\$ —	\$ 516,536
Derivatives - VIEs	1,529	6,023	—	7,552
Total assets measured at fair value	\$ 131,235	\$ 392,853	\$ —	\$ 524,088
Derivatives - VIEs	\$ 14,932	\$ 6,608	\$ —	\$ 21,540
Total liabilities measured at fair value	\$ 14,932	\$ 6,608	\$ —	\$ 21,540

See Note 11 for a description of the fair value methodologies used for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy.

The change in carrying value associated with Level 3 financial instruments carried at fair value within consolidated company-sponsored investment funds was as follows:

	Three Months Ended March 31,	
	2023	2022
	(in thousands)	
Balance as of beginning of period	\$ —	\$ 3,357
Deconsolidated funds	—	(3,351)
Transfers (out)	—	(6)
Purchases	—	248
Balance as of end of period	\$ —	\$ 248

The Level 3 securities primarily consist of corporate bonds that are vendor priced with no ratings available, bank loans, non-agency collateralized mortgage obligations and asset-backed securities.

Transfers into and out of all levels of the fair value hierarchy are reflected at end-of-period fair values. Realized and unrealized gains and losses on Level 3 financial instruments are recorded in investment gains and losses in the condensed consolidated statements of income.

Derivative Instruments

As of March 31, 2023 and December 31, 2022, the VIEs held \$12.6 million and \$14.0 million (net), respectively, of futures, forwards and swaps within their portfolios. For the three months ended March 31, 2023 and March 31, 2022, we recognized \$1.7 million and \$0.5 million of gains, respectively, on these derivatives. These gains and losses are recognized in investment gains (losses) in the condensed consolidated statements of income.

As of March 31, 2023 and December 31, 2022, the VIEs held \$1.7 million and \$2.7 million, respectively, of cash collateral payable to trade counterparties. This obligation to return cash is reported in the liabilities of consolidated company-sponsored investment funds in our condensed consolidated statements of financial condition.

As of March 31, 2023 and December 31, 2022, the VIEs delivered \$4.6 million and \$5.4 million, respectively, of cash collateral into brokerage accounts. The VIEs report this cash collateral in the consolidated company-sponsored investment funds cash and cash equivalents in our condensed consolidated statements of financial condition.

As of March 31, 2023, the VOEs held no futures, forwards, options or swaps within their portfolios.

As of March 31, 2023, the VOEs held no cash collateral payable to trade counterparties.

As of March 31, 2023, the VOEs delivered no cash collateral in brokerage accounts.

Offsetting Assets and Liabilities

Offsetting of derivative assets of consolidated company-sponsored investment funds as of March 31, 2023 and December 31, 2022 was as follows:

	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Statement of Financial Condition	Net Amounts of Assets Presented in the Statement of Financial Condition	Financial Instruments Collateral	Cash Collateral Received	Net Amount
(in thousands)						
March 31, 2023:						
Derivatives - VIEs	\$ 3,670	\$ —	\$ 3,670	\$ —	\$ (1,689)	\$ 1,981
December 31, 2022:						
Derivatives - VIEs	\$ 7,552	\$ —	\$ 7,552	\$ —	\$ (2,731)	\$ 4,821

Offsetting of derivative liabilities of consolidated company-sponsored investment funds as of March 31, 2023 and December 31, 2022 was as follows:

	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Statement of Financial Condition	Net Amounts of Liabilities Presented in the Statement of Financial Condition	Financial Instruments Collateral	Cash Collateral Pledged	Net Amount
(in thousands)						
March 31, 2023:						
Derivatives - VIEs	\$ 16,311	\$ —	\$ 16,311	\$ —	\$ (4,634)	\$ 11,677
December 31, 2022:						
Derivatives - VIEs	\$ 21,540	\$ —	\$ 21,540	\$ —	\$ (5,444)	\$ 16,096

Cash collateral, whether pledged or received on derivative instruments, is not considered material and, accordingly, is not disclosed by counterparty.

Non-Consolidated VIEs

As of March 31, 2023, the net assets of company-sponsored investment products that are non-consolidated VIEs are approximately \$49.0 billion, and our maximum risk of loss is our investment of \$8.8 million in these VIEs and our advisory fee receivables from these VIEs is \$57.5 million. As of December 31, 2022, the net assets of company-sponsored investment products that were non-consolidated VIEs was approximately \$46.4 billion; our maximum risk of loss was our investment of \$5.7 million in these VIEs and our advisory fees receivable from these VIEs was \$54.2 million.

15. Units Outstanding

Changes in AB Units outstanding during the three-month period ended March 31, 2023 were as follows:

Outstanding as of December 31, 2022	285,979,913
Units issued	94,258
Units retired ⁽¹⁾	(419,736)
Outstanding as of March 31, 2023	<u>285,654,435</u>

⁽¹⁾ During the three-months ended March 31, 2023, we purchased 600 AB Units in private transactions and retired them.

16. Debt

Credit Facility

AB has an \$800.0 million committed, unsecured senior revolving credit facility (the "Credit Facility") with a group of commercial banks and other lenders, which matures on October 13, 2026. The Credit Facility was amended and restated on February 9, 2023, to reflect the transition from US LIBOR, which will be retired as of June 30, 2023, to the term Secured Overnight Financial Rate or "SOFR". Other than this immaterial change, there were no other significant changes included in the amendment. The Credit Facility provides for possible increases in the principal amount by up to an aggregate incremental amount of \$200.0 million; any such increase is subject to the consent of the affected lenders. The Credit Facility is available for AB and Sanford C. Bernstein & Co., LLC ("SCB LLC") business purposes, including the support of AB's commercial paper program. Both AB and SCB LLC can draw directly under the Credit Facility and management may draw on the Credit Facility from time to time. AB has agreed to guarantee the obligations of SCB LLC under the Credit Facility.

The Credit Facility contains affirmative, negative and financial covenants, which are customary for facilities of this type, including restrictions on dispositions of assets, restrictions on liens, a minimum interest coverage ratio and a maximum leverage ratio. As of March 31, 2023, we were in compliance with these covenants. The Credit Facility also includes customary events of default (with customary grace periods, as applicable), including provisions under which, upon the occurrence of an event of default, all outstanding loans may be accelerated and/or lender's commitments may be terminated. Also, under such provisions, upon the occurrence of certain insolvency- or bankruptcy-related events of default, all amounts payable under the Credit Facility would automatically become immediately due and payable, and the lender's commitments automatically would terminate.

Amounts under the Credit Facility may be borrowed, repaid and re-borrowed by us from time to time until the maturity of the facility. Voluntary prepayments and commitment reductions requested by us are permitted at any time without a fee (other than customary breakage costs relating to the prepayment of any drawn loans) upon proper notice and subject to a minimum dollar requirement. Borrowings under the Credit Facility bear interest at a rate per annum, which will be, at our option, a rate equal to an applicable margin, which is subject to adjustment based on the credit ratings of AB, plus one of the following indices: SOFR; a Prime rate; or the Federal Funds rate.

As of March 31, 2023 and December 31, 2022, we had no amounts outstanding under the Credit Facility. Furthermore, during the first three months of 2023 and the full year 2022, we did not draw upon the Credit Facility.

EQH Facility

AB also has a \$900.0 million committed, unsecured senior credit facility ("EQH Facility") with EQH. The EQH Facility matures on November 4, 2024 and is available for AB's general business purposes. Borrowings under the EQH Facility generally bear interest at a rate per annum based on prevailing overnight commercial paper rates.

The EQH Facility contains affirmative, negative and financial covenants which are substantially similar to those in AB's committed bank facilities. As of March 31, 2023, we were in compliance with these covenants. The EQH Facility also includes customary events of default substantially similar to those in AB's committed bank facilities, including provisions under which, upon the occurrence of an event of default, all outstanding loans may be accelerated and/or the lender's commitment may be terminated.

Amounts under the EQH Facility may be borrowed, repaid and re-borrowed by us from time to time until the maturity of the facility. AB or EQH may reduce or terminate the commitment at any time without penalty upon proper notice. EQH also may terminate the facility immediately upon a change of control of our general partner.

As of both March 31, 2023 and December 31, 2022, AB had \$900.0 million outstanding under the EQH Facility, with interest rates of approximately 4.7% and 4.3%, respectively. Average daily borrowings on the EQH Facility for the first three months of 2023 and the full year 2022 were \$804.1 million and \$655.2 million, respectively, with weighted average interest rates of approximately 4.4% and 1.7%, respectively.

EQH Uncommitted Facility

In addition to the EQH Facility, AB has a \$300.0 million uncommitted, unsecured senior credit facility (“EQH Uncommitted Facility”) with EQH. The EQH Uncommitted Facility matures on September 1, 2024 and is available for AB’s general business purposes. Borrowings under the EQH Uncommitted Facility generally bear interest at a rate per annum based on prevailing overnight commercial paper rates. The EQH Uncommitted Facility contains affirmative, negative and financial covenants which are substantially similar to those in the EQH Facility. As of March 31, 2023 and December 31, 2022, we had \$135.0 million and \$90.0 million outstanding under the EQH Uncommitted Facility, with interest rates of approximately 4.7% and 4.3%, respectively. Average daily borrowing on the EQH Uncommitted Facility for the first three months of 2023 and the full year 2022 were \$7.0 million and \$0.7 million, respectively, with weighted average interest rates of approximately 4.5% and 4.3%, respectively.

Commercial Paper

As of March 31, 2023 and December 31, 2022, we had no commercial paper outstanding. The commercial paper is short term in nature, and as such, recorded value is estimated to approximate fair value (and considered a Level 2 security in the fair value hierarchy). Average daily borrowings of commercial paper during the first three months of 2023 and full year 2022 were \$339.5 million and \$189.9 million, respectively, with weighted average interest rates of approximately 4.7% and 1.5%, respectively.

SCB Lines of Credit

SCB LLC currently has five uncommitted lines of credit with five financial institutions. Four of these lines of credit permit us to borrow up to an aggregate of approximately \$315.0 million, with AB named as an additional borrower, while the other line has no stated limit. AB has agreed to guarantee the obligations on SCB LLC under these lines of credit. As of March 31, 2023 and December 31, 2022, SCB LLC had no outstanding balance on these lines of credit. Average daily borrowings during the first three months of 2023 and full year 2022 were \$3.7 million and \$1.4 million, respectively, with weighted average interest rates of approximately 7.7% and 3.7%, respectively.

17. Divestitures

On November 22, 2022, AB and SocGen, a leading European bank, announced plans to form a joint venture combining their respective cash equities and research businesses. The consummation of the joint venture is subject to customary closing conditions, including regulatory clearances. The closing is expected to occur before the end of 2023. Upon closing, AB will own a 49% interest in the joint venture and SocGen will own a 51% interest, with an option to reach 100% ownership after five years. The assets and liabilities of AB’s research services business (“the disposal group”) have been classified as held for sale on the condensed consolidated statement of financial condition and recorded at fair value, less cost to sell. As a result of classifying these assets as held for sale, we recognized a non-cash valuation adjustment of \$2.5 million and \$7.4 million on the condensed consolidated statement of income for the three months ended March 31, 2023 and December 31, 2022, respectively, to recognize the net carrying value at lower of cost or fair value, less estimated costs to sell.

The following table summarizes the assets and liabilities of the disposal group classified as held for sale on the condensed consolidated statement of financial condition as of March 31, 2023 and December 31, 2022:

	March 31, 2023	December 31, 2022
Cash and cash equivalents	\$ 154,484	\$ 159,123
Receivables, net:		
Brokers and dealers	64,547	44,717
Brokerage clients	29,709	29,243
Other fees	22,245	22,988
Investments	15,988	24,507
Furniture and equipment, net	4,008	4,128
Other assets	223,933	107,764
Right-of-use assets	1,537	1,552
Intangible assets	4,692	4,903
Goodwill	159,826	159,826
Valuation adjustment (allowance) on disposal group	(9,900)	(7,400)
Total assets held for sale	\$ 671,069	\$ 551,351
Payables:		
Brokers and dealers	\$ 43,001	\$ 32,983
Brokerage clients	31,529	10,232
Other liabilities	66,407	50,884
Accrued compensation and benefits	16,824	13,853
Total liabilities held for sale	\$ 157,761	\$ 107,952

As of March 31, 2023 and December 31, 2022, cash and cash equivalents classified as held for sale included in the condensed consolidated statement of cash flows was \$154.5 million and \$159.1 million, respectively.

We have determined that the exit from the sell-side research business does not represent a strategic shift that has had, or is likely to have a major effect on our consolidated results of operations. Accordingly, we have not classified the disposal group as discontinued operations. The results of operations of the disposal group up to the respective dates of sale will be included in our consolidated results of operations for all periods presented. The lower of amortized cost or fair value adjustment upon transferring these assets to held for sale was not material.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Executive Overview

Our total assets under management (“AUM”) as of March 31, 2023 were \$675.9 billion, up \$29.5 billion, or 4.6%, compared to December 31, 2022, and down \$59.5 billion, or 8.1%, compared to March 31, 2022. During the first quarter of 2023, AUM increased due to market appreciation of \$28.7 billion and net inflows of \$0.8 billion (Private Wealth net inflows of \$1.9 billion and Retail net inflows of \$1.6 billion, offset by Institutional net outflows of \$2.7 billion).

Institutional AUM increased \$9.3 billion, or 3.1%, to \$306.6 billion during the first quarter of 2023, due to market appreciation of \$12.0 billion, offset by net outflows of \$2.7 billion. Gross sales decreased sequentially from \$12.6 billion during the fourth quarter of 2022 to \$3.0 billion during the first quarter of 2023, reflecting a \$6.4 billion custom target date sale in the fourth quarter of 2022. Redemptions and terminations decreased sequentially from \$3.5 billion to \$3.4 billion.

Retail AUM increased \$13.8 billion, or 5.7%, to \$256.7 billion during the first quarter of 2023, due to market appreciation of \$12.2 billion and net inflows of \$1.6 billion. Gross sales increased sequentially from \$14.2 billion during the fourth quarter of 2022 to \$16.8 billion during the first quarter of 2023. Redemptions and terminations decreased sequentially from \$15.4 billion to \$13.3 billion.

Private Wealth AUM increased \$6.4 billion, or 6.0%, to \$112.6 billion during the first quarter of 2023, due to market appreciation of \$4.5 billion and net inflows of \$1.9 billion. Gross sales increased sequentially from \$4.1 billion during the fourth quarter of 2022 to \$5.8 billion during the first quarter of 2023. Redemptions and terminations decreased sequentially from \$4.3 billion to \$3.9 billion.

Bernstein Research Services revenue for the first quarter of 2023 was \$100.0 million, down \$17.8 million, or 15.1%, compared to the first quarter of 2022. The decrease was driven primarily by a significant decline in customer trading activity across all regions as a result of market conditions.

Net revenues for the first quarter of 2023 decreased \$81.6 million, or 7.4%, to \$1.0 billion from \$1.1 billion in the first quarter of 2022. The decrease was primarily due to lower investment advisory base fees of \$55.5 million, lower performance-based fees of \$39.4 million, lower distribution revenues of \$27.3 million and lower Bernstein Research Services revenue of \$17.8 million, partially offset by higher investment gains of \$44.3 million compared to investment losses in the prior-year period and higher net dividend and interest income of \$14.0 million. Operating expenses for the first quarter of 2023 decreased \$48.5 million, or 5.7%, to \$808.8 million from \$857.3 million in the first quarter of 2022. The decrease was due to lower general and administrative expenses of \$38.0 million, lower promotion and servicing expenses of \$29.7 million and lower employee compensation and benefits expenses of \$5.3 million, offset by higher interest expense of \$12.3 million, higher amortization of intangibles of \$10.6 million and higher accretion expense associated with contingent payment arrangements of \$1.6 million. Our operating income decreased \$33.1 million, or 13.3%, to \$215.3 million from \$248.4 million in the first quarter of 2022 and our operating margin decreased to 20.1% in the first quarter of 2023 from 24.7% in the first quarter of 2022.

Market Commentary

Despite significant market volatility during the first quarter of 2023, equity and debt markets had positive returns, with the S&P 500, the Dow Jones Industrial Average and the Nasdaq each registering positive returns to end the quarter. The market volatility, particularly during March 2023, was driven by significant instability in the banking sector. This turmoil in banking stocks triggered declines in yields for U.S. Treasuries and Eurozone bonds, and gold prices renewed their recent rally as investors sought safe havens. The markets experienced additional volatility in the quarter as the U.S. Federal Reserve continued with interest rate increases in a further effort to reduce inflation. The Fed, however, held off on a more aggressive rate increase in March 2023 that could have roiled markets after weeks of bank turmoil.

Further fears of a banking crisis arose globally, as Switzerland's Central Bank stepped in to shore up liquidity and investor confidence in the Swiss banking system, particularly Credit Suisse. In the U.K., equities fell in the first quarter, as the European Central Bank increased interest rates despite the banking turmoil in its continued effort to dampen inflation. The anticipation of another rate increase in 2023 gave rise to an upgraded economic outlook for the U.K., which anticipates modest growth in the second quarter. The U.K., however, continues to face labor shortages and the impact of rising taxes. In China, the People's Bank of China, surprised markets by cutting its reserve requirement ratio by 25 basis points in a move expected to inject 500 billion yuan (US\$72.6 billion) worth of liquidity into the interbank system. China's economy continued to show a mild recovery at the start of the year as the zero tolerance COVID policy was lifted, but its resilience could still be tested by domestic employment and real estate pressures, coupled with a complex geopolitical environment.

Relationship with EQH and its Subsidiaries

EQH (our parent company) and its subsidiaries are our largest client. EQH is collaborating with AB in order to improve the risk-adjusted yield for the General Accounts of EQH's insurance subsidiaries by investing additional assets at AB, including the utilization of AB's higher-fee, longer-duration alternative offerings. Equitable Financial Life Insurance Company, a subsidiary of EQH ("Equitable Financial"), has agreed to provide \$10 billion in permanent capital¹ to build out AB's private illiquid offerings, including private alternatives and private placements. Deployment of this capital commitment is approximately 70% completed and is expected to continue over the next year. We expect this anticipated capital from Equitable Financial will continue to accelerate both organic and inorganic growth in our private alternatives business, allowing us to continue to deliver for our clients, employees, unitholders and other stakeholders. For example included in this \$10 billion commitment by EQH is \$750 million in capital to be deployed through AB CarVal.

Assets Under Management

Assets under management by distribution channel are as follows:

	As of March 31,		\$ Change	% Change
	2023	2022		
	(in billions)			
Institutions	\$ 306.6	\$ 325.9	\$ (19.3)	(5.9)%
Retail	256.7	292.6	(35.9)	(12.3)
Private Wealth	112.6	116.9	(4.3)	(3.6)
Total	\$ 675.9	\$ 735.4	\$ (59.5)	(8.1)%

Assets under management by investment service are as follows:

	As of March 31,		\$ Change	% Change
	2023	2022		
	(in billions)			
Equity				
Actively Managed	\$ 229.1	\$ 265.2	\$ (36.1)	(13.6)%
Passively Managed ⁽¹⁾	56.6	66.2	(9.6)	(14.6)
Total Equity	285.7	331.4	(45.7)	(13.8)
Fixed Income				
Actively Managed				
Taxable	198.4	225.9	(27.5)	(12.2)
Tax-exempt	55.3	54.9	0.4	0.8
	253.7	280.8	(27.1)	(9.7)
Passively Managed ⁽¹⁾	9.5	12.7	(3.2)	(24.4)
Total Fixed Income	263.2	293.5	(30.3)	(10.3)
Alternatives/Multi-Asset Solutions⁽²⁾				
Actively Managed	119.9	104.7	15.2	14.5
Passively Managed ⁽¹⁾	7.1	5.8	1.3	22.3
Total Alternatives/Multi-Asset Solutions	127.0	110.5	16.5	14.9
Total	\$ 675.9	\$ 735.4	\$ (59.5)	(8.1)%

⁽¹⁾ Includes index and enhanced index services.

⁽²⁾ Includes certain multi-asset solutions and services not included in equity or fixed income services.

¹ Permanent capital means investment capital of indefinite duration, which may be withdrawn under certain conditions. Although Equitable Financial has indicated its intention over time to provide this investment capital to AB, which is mutually beneficial to both firms, it has no binding commitment to do so.

Changes in assets under management for the three-month and twelve-month periods ended March 31, 2023 are as follows:

	Distribution Channel			
	Institutions	Retail	Private Wealth	Total
	(in billions)			
Balance as of December 31, 2022	\$ 297.3	\$ 242.9	\$ 106.2	\$ 646.4
Long-term flows:				
Sales/new accounts	3.0	16.8	5.8	25.6
Redemptions/terminations	(3.4)	(13.3)	(3.9)	(20.6)
Cash flow/unreinvested dividends	(2.3)	(1.9)	—	(4.2)
Net long-term (outflows) inflows	(2.7)	1.6	1.9	0.8
Market appreciation	12.0	12.2	4.5	28.7
Net change	9.3	13.8	6.4	29.5
Balance as of March 31, 2023	\$ 306.6	\$ 256.7	\$ 112.6	\$ 675.9
Balance as of March 31, 2022	\$ 325.9	\$ 292.6	\$ 116.9	\$ 735.4
Long-term flows:				
Sales/new accounts	20.9	62.1	17.3	100.3
Redemptions/terminations	(14.5)	(60.9)	(16.0)	(91.4)
Cash flow/unreinvested dividends	(12.9)	(10.3)	—	(23.2)
Net long-term (outflows) inflows ⁽¹⁾	(6.5)	(9.1)	1.3	(14.3)
Adjustments ⁽²⁾	(0.4)	—	—	(0.4)
Transfers	(0.1)	0.1	—	—
Acquisition ⁽³⁾	12.2	—	—	12.2
Market depreciation	(24.5)	(26.9)	(5.6)	(57.0)
Net change	(19.3)	(35.9)	(4.3)	(59.5)
Balance as of March 31, 2023	\$ 306.6	\$ 256.7	\$ 112.6	\$ 675.9

⁽¹⁾ Net flows include \$4.5 billion of AXA redemptions for the twelve-month period ended March 31, 2023.

⁽²⁾ Approximately \$0.4 billion of Institutional AUM was removed from our total assets under management during the second quarter of 2022 due to a change in the fee structure.

⁽³⁾ The CarVal acquisition added approximately \$12.2 billion of Institutional AUM in the third quarter of 2022.

Investment Service

	Equity Actively Managed	Equity Passively Managed ⁽¹⁾	Fixed Income Actively Managed - Taxable	Fixed Income Actively Managed - Tax- Exempt	Fixed Income Passively Managed ⁽¹⁾	Alternativ es/ Multi- Asset Solutions ⁽²⁾	Total
	(in billions)						
Balance as of December 31, 2022	\$ 217.9	\$ 53.8	\$ 190.3	\$ 52.5	\$ 9.4	\$ 122.5	\$ 646.4
Long-term flows:							
Sales/new accounts	8.5	0.2	11.1	3.9	—	1.9	25.6
Redemptions/terminations	(10.6)	—	(6.1)	(2.5)	(0.1)	(1.3)	(20.6)
Cash flow/unreinvested dividends	(1.3)	(1.0)	(1.5)	0.2	(0.1)	(0.5)	(4.2)
Net long-term (outflows) inflows	(3.4)	(0.8)	3.5	1.6	(0.2)	0.1	0.8
Market appreciation	14.6	3.6	4.6	1.2	0.3	4.4	28.7
Net change	11.2	2.8	8.1	2.8	0.1	4.5	29.5
Balance as of March 31, 2023	\$ 229.1	\$ 56.6	\$ 198.4	\$ 55.3	\$ 9.5	\$ 127.0	\$ 675.9
Balance as of March 31, 2022	\$ 265.2	\$ 66.2	\$ 225.9	\$ 54.9	\$ 12.7	\$ 110.5	\$ 735.4
Long-term flows:							
Sales/new accounts	37.1	1.8	29.5	16.0	—	15.9	100.3
Redemptions/terminations	(39.2)	(3.1)	(28.3)	(14.6)	(1.5)	(4.7)	(91.4)
Cash flow/unreinvested dividends	(8.6)	(3.1)	(11.0)	—	(0.4)	(0.1)	(23.2)
Net long-term (outflows) inflows ⁽³⁾	(10.7)	(4.4)	(9.8)	1.4	(1.9)	11.1	(14.3)
Adjustments ⁽⁴⁾	—	—	—	—	—	(0.4)	(0.4)
Acquisition ⁽⁵⁾	—	—	—	—	—	12.2	12.2
Market depreciation	(25.4)	(5.2)	(17.7)	(1.0)	(1.3)	(6.4)	(57.0)
Net change	(36.1)	(9.6)	(27.5)	0.4	(3.2)	16.5	(59.5)
Balance as of March 31, 2023	\$ 229.1	\$ 56.6	\$ 198.4	\$ 55.3	\$ 9.5	\$ 127.0	\$ 675.9

(1) Includes index and enhanced index services.

(2) Includes certain multi-asset solutions and services not included in equity or fixed income services.

(3) Net flows include \$4.5 billion of AXA redemptions for the twelve-month period ended March 31, 2023.

(4) Approximately \$0.4 billion of Institutional AUM was removed from our total assets under management during the second quarter of 2022 due to a change in the fee structure.

(5) The CarVal acquisition added approximately \$12.2 billion of Institutional AUM in the third quarter of 2022.

Net long-term inflows (outflows) for actively managed investment services as compared to passively managed investment services for the three-month and twelve-month periods ended March 31, 2023 are as follows:

	Periods Ended March 31, 2023	
	Three-months	Twelve-months
	(in billions)	
Actively Managed		
Equity	\$ (3.4)	\$ (10.7)
Fixed Income	5.1	(8.4)
Alternatives/Multi-Asset Solutions	0.1	9.5
	1.8	(9.6)
Passively Managed		
Equity	(0.8)	(4.4)
Fixed Income	(0.2)	(1.9)
Alternatives/Multi-Asset Solutions	—	1.6
	(1.0)	(4.7)
Total net long-term inflows (outflows)	\$ 0.8	\$ (14.3)

Average assets under management by distribution channel and investment service are as follows:

	Three Months Ended March 31,		\$ Change	% Change
	2023	2022		
	(in billions)			
Distribution Channel:				
Institutions	\$ 304.6	\$ 331.6	\$ (27.0)	(8.2)%
Retail	252.0	301.5	(49.5)	(16.4)
Private Wealth	110.2	118.1	(7.9)	(6.7)
Total	\$ 666.8	\$ 751.2	\$ (84.4)	(11.2)%
Investment Service:				
Equity Actively Managed	\$ 226.8	\$ 270.5	\$ (43.7)	(16.2)%
Equity Passively Managed ⁽¹⁾	55.9	67.5	(11.6)	(17.3)
Fixed Income Actively Managed – Taxable	195.3	236.2	(40.9)	(17.3)
Fixed Income Actively Managed – Tax-exempt	54.1	56.1	(2.0)	(3.4)
Fixed Income Passively Managed ⁽¹⁾	9.5	12.9	(3.4)	(26.3)
Alternatives/Multi-Asset Solutions ⁽²⁾	125.2	108.0	17.2	15.9
Total	\$ 666.8	\$ 751.2	\$ (84.4)	(11.2)%

⁽¹⁾ Includes index and enhanced index services.

⁽²⁾ Includes certain multi-asset solutions and services not included in equity of fixed income services.

Our Institutional channel first quarter average AUM of \$304.6 billion decreased \$27.0 billion, or 8.2%, compared to the first quarter of 2022, primarily due to this AUM decreasing \$19.3 billion, or 5.9%, to \$306.6 billion from March 31, 2022. The \$19.3 billion decrease in AUM resulted primarily from market depreciation of \$24.5 billion and net outflows of \$6.5 billion, partially offset by an addition of \$12.2 billion due to the CarVal acquisition.

Our Retail channel first quarter average AUM of \$252.0 billion decreased \$49.5 billion, or 16.4%, compared to the first quarter of 2022, primarily due to this AUM decreasing \$35.9 billion, or 12.3%, to \$256.7 billion from March 31, 2022. The \$35.9 billion decrease resulted primarily from market depreciation of \$26.9 billion and net outflows of \$9.1 billion.

Our Private Wealth channel first quarter average AUM of \$110.2 billion decreased \$7.9 billion, or 6.7%, compared to the first quarter of 2022, primarily due to this AUM decreasing \$4.3 billion, or 3.6%, to \$112.6 billion from March 31, 2022. The \$4.3 billion decrease resulted from market depreciation of \$5.6 billion, offset by net inflows of \$1.3 billion.

Absolute investment composite returns, gross of fees, and relative performance as of March 31, 2023 compared to benchmarks for certain representative Institutional equity and fixed income services are as follows:

	<u>1-Year</u>	<u>3-Year⁽¹⁾</u>	<u>5-Year⁽¹⁾</u>
Global High Income - Hedged (fixed income)			
Absolute return	(3.9)%	6.9 %	1.9 %
Relative return (vs. Bloomberg Barclays Global High Yield Index - Hedged)	(0.4)	1.8	—
Global Plus - Hedged (fixed income)			
Absolute return	(3.8)	(0.4)	1.2
Relative return (vs. Bloomberg Barclays Global Aggregate Index - Hedged)	—	1.7	0.2
Intermediate Municipal Bonds (fixed income)			
Absolute return	1.2	1.6	2.2
Relative return (vs. Lipper Short/Int. Blended Muni Fund Avg)	0.7	1.1	0.8
U.S. Strategic Core Plus (fixed income)			
Absolute return	(4.7)	(1.3)	1.2
Relative return (vs. Bloomberg Barclays U.S. Aggregate Index)	0.1	1.4	0.3
Emerging Market Debt (fixed income)			
Absolute return	(7.9)	1.8	(0.6)
Relative return (vs. JPM EMBI Global/JPM EMBI)	(2.0)	1.5	(0.4)
Sustainable Global Thematic (equity)			
Absolute return	(8.9)	17.2	10.2
Relative return (vs. MSCI ACWI Index)	(1.5)	1.9	3.2
International Strategic Core Equity (equity)			
Absolute return	(3.3)	10.4	3.2
Relative return (vs. MSCI EAFE Index)	(1.9)	(2.6)	(0.3)
U.S. Small & Mid Cap Value (equity)			
Absolute return	(8.5)	24.9	5.8
Relative return (vs. Russell 2500 Value Index)	2.0	3.1	0.1
U.S. Strategic Value (equity)			
Absolute return	(0.5)	21.6	7.0
Relative return (vs. Russell 1000 Value Index)	5.4	3.7	(0.5)
U.S. Small Cap Growth (equity)			
Absolute return	(14.5)	12.9	8.8
Relative return (vs. Russell 2000 Growth Index)	(3.9)	(0.5)	4.5
U.S. Large Cap Growth (equity)			
Absolute return	(8.3)	16.4	13.8
Relative return (vs. Russell 1000 Growth Index)	2.6	(2.1)	0.1
U.S. Small & Mid Cap Growth (equity)			
Absolute return	(15.4)	12.4	7.4
Relative return (vs. Russell 2500 Growth Index)	(5.0)	(2.3)	0.6

	<u>1-Year</u>	<u>3-Year⁽¹⁾</u>	<u>5-Year⁽¹⁾</u>
Concentrated U.S. Growth (equity)			
Absolute return	(9.3)	16.8	12.5
Relative return (vs. S&P 500 Index)	(1.6)	(1.8)	1.3
Select U.S. Equity (equity)			
Absolute return	(7.3)	19.3	11.3
Relative return (vs. S&P 500 Index)	0.4	0.7	0.1
Strategic Equities (equity)			
Absolute return	(8.6)	16.7	9.3
Relative return (vs. Russell 3000 Index)	—	(1.8)	(1.2)
Global Core Equity (equity)			
Absolute return	(5.0)	13.6	7.1
Relative return (vs. MSCI ACWI Index)	2.4	(1.8)	0.2
U.S. Strategic Core Equity (equity)			
Absolute return	(2.3)	16.4	10.8
Relative return (vs. S&P 500 Index)	5.5	(2.3)	(0.3)
Select U.S. Equity Long/Short (alternatives)			
Absolute return	(5.6)	11.2	7.9
Relative return (vs. S&P 500 Index)	2.1	(7.5)	(3.3)
Global Strategic Core Equity (equity)			
Absolute return	(3.8)	13.8	8.0
Relative return (vs. S&P 500 Index)	3.2	(2.6)	—

⁽¹⁾ Reflects annualized returns.

Consolidated Results of Operations

	Three Months Ended March 31,			
	2023	2022	\$ Change	% Change
	(in thousands, except per unit amounts)			
Net revenues	\$ 1,024,091	\$ 1,105,687	\$ (81,596)	(7.4)%
Expenses	808,831	857,284	(48,453)	(5.7)
Operating income	215,260	248,403	(33,143)	(13.3)
Income taxes	11,342	12,721	(1,379)	(10.8)
Net income	203,918	235,682	(31,764)	(13.5)
Net income (loss) of consolidated entities attributable to non-controlling interests	9,767	(25,045)	34,812	n/m
Net income attributable to AB Unitholders	<u>\$ 194,151</u>	<u>\$ 260,727</u>	<u>\$ (66,576)</u>	(25.5)
Diluted net income per AB Unit	<u>\$ 0.67</u>	<u>\$ 0.95</u>	<u>\$ (0.28)</u>	(29.5)
Distributions per AB Unit	<u>\$ 0.74</u>	<u>\$ 0.99</u>	<u>\$ (0.25)</u>	(25.3)
Operating margin ⁽¹⁾	<u>20.1 %</u>	<u>24.7 %</u>		

(1) Operating income excluding net (loss) income attributable to non-controlling interests as a percentage of net revenues.

Net income attributable to AB Unitholders for the three months ended March 31, 2023 decreased \$66.6 million, or 25.5%, from the three months ended March 31, 2022. The decrease primarily is due to (in millions):

Lower base advisory fees	\$ (55.5)
Lower performance-based fees	(39.4)
Higher net income of consolidated entities attributable to non-controlling interest	(34.8)
Lower distribution revenues	(27.3)
Lower Bernstein Research Services revenue	(17.8)
Higher interest on borrowings	(12.3)
Higher amortization of intangible assets	(10.6)
Higher investment gains	44.3
Lower general and administrative expenses	38.0
Lower promotion and servicing expenses	29.7
Higher net dividend and interest income	14.0
Lower employee compensation and benefits expense	5.3
Other	(0.2)
	<u>\$ (66.6)</u>

Units Outstanding; Unit Repurchases

Each quarter, we consider whether to implement a plan to repurchase AB Holding Units pursuant to Rules 10b5-1 and 10b-18 under the Securities Exchange Act of 1934, as amended (“**Exchange Act**”). A plan of this type allows a company to repurchase its shares at times when it otherwise might be prevented from doing so because of self-imposed trading blackout periods or because it possesses material non-public information. Each broker we select has the authority to repurchase AB Holding Units on our behalf in accordance with the terms and limitations specified in the plan. Repurchases are subject to regulations promulgated by the SEC, as well as certain price, market volume and timing constraints specified in the plan. We did not adopt a plan during the first quarter of 2023. We may adopt additional plans in the future to engage in open-market purchases of AB Holding Units to help fund anticipated obligations under our incentive compensation award program and for other corporate purposes.

Cash Distributions

We are required to distribute all of our Available Cash Flow, as defined in the AB Partnership Agreement, to our Unitholders and the General Partner. Available Cash Flow typically is the adjusted diluted net income per unit for the quarter multiplied by the number of general and limited partnership interests at the end of the quarter. In future periods, management anticipates that Available Cash Flow will continue to be based on adjusted diluted net income per unit, unless management determines, with concurrence of the Board of Directors, that one or more adjustments that are made for adjusted net income should not be made with respect to the Available Cash Flow calculation. See Note 6 to our consolidated financial statements contained in Item 1 for a description of Available Cash Flow.

Management Operating Metrics

We are providing the non-GAAP measures “adjusted net revenues,” “adjusted operating income” and “adjusted operating margin” because they are the principal operating metrics management uses in evaluating and comparing period-to-period operating performance. Management principally uses these metrics in evaluating performance because they present a clearer picture of our operating performance and allow management to see long-term trends without the distortion primarily caused by long-term incentive compensation-related mark-to-market adjustments, acquisition-related expenses and other adjustment items. Similarly, we believe that these management operating metrics help investors better understand the underlying trends in our results and, accordingly, provide a valuable perspective for investors.

These non-GAAP measures are provided in addition to, and not as substitutes for, net revenues, operating income and operating margin, and they may not be comparable to non-GAAP measures presented by other companies. Management uses both accounting principles generally accepted in the United States of America ("US GAAP") and non-GAAP measures in evaluating our financial performance. The non-GAAP measures alone may pose limitations because they do not include all of our revenues and expenses.

	Three Months Ended March 31,	
	2023	2022
	(in thousands, except per unit amounts)	
Net revenues, US GAAP basis	\$ 1,024,091	\$ 1,105,687
Adjustments:		
Distribution-related adjustments:		
Distribution revenues	(141,078)	(168,341)
Investment advisory services fees	(15,456)	(17,285)
Pass-through adjustments:		
Investment advisory services fees	(9,763)	(35,976)
Other revenues	(9,343)	(8,963)
Impact of consolidated company-sponsored funds	(10,409)	24,538
Incentive compensation-related items	(5,443)	4,084
Adjusted net revenues	\$ 832,599	\$ 903,744

	Three Months Ended March 31,	
	2023	2022
Operating income, US GAAP basis	\$ 215,260	\$ 248,403
Adjustments:		
Real estate	(206)	(206)
Incentive compensation-related items	1,608	945
EQH award compensation	191	175
Acquisition-related expenses	17,725	10,687
Sub-total of non-GAAP adjustments	19,318	11,601
Less: Net income (loss) of consolidated entities attributable to non-controlling interests	9,767	(25,045)
Adjusted operating income	224,811	285,049
Adjusted income taxes	11,848	14,595
Adjusted net income	\$ 212,963	\$ 270,454
Diluted net income per AB Unit, GAAP basis	\$ 0.67	\$ 0.95
Impact of non-GAAP adjustments	0.07	0.04
Adjusted diluted net income per AB Unit	\$ 0.74	\$ 0.99
Operating margin, GAAP basis	20.1 %	24.7 %
Impact of non-GAAP adjustments	6.9	6.8
Adjusted operating margin	27.0 %	31.5 %

Adjusted operating income for the three months ended March 31, 2023 decreased \$60.2 million, or 21.1%, from the three months ended March 31, 2022, primarily due to lower investment advisory base fees of \$58.5 million, lower Bernstein Research Services revenue of \$17.8 million, higher interest on borrowings of \$12.3 million and lower performance-based fees of \$12.0 million, partially offset by lower employee compensation and benefits expense (excluding the impact of long-term incentive compensation-related items) of \$21.5 million, higher net dividend and interest income of \$13.7 million and lower investment losses of \$3.8 million.

Adjusted Net Revenues

Net Revenue, as adjusted, is reduced to exclude all of the company's distribution revenues, which are recorded as a separate line item on the consolidated statement of income, as well as a portion of investment advisory services fees received that is used to pay distribution and servicing costs. For certain products, based on the distinct arrangements, certain distribution fees are collected by us and passed through to third-party client intermediaries, while for certain other products, we collect investment advisory services fees and a portion is passed through to third-party client intermediaries. In both arrangements, the third-party client intermediary owns the relationship with the client and is responsible for performing services and distributing the product to the client on our behalf. We believe offsetting distribution revenues and certain investment advisory services fees is useful for our investors and other users of our financial statements because such presentation appropriately reflects the nature of these costs as pass-through payments to third parties that perform functions on behalf of our sponsored mutual funds and/or shareholders of these funds. Distribution-related adjustments fluctuate each period based on the type of investment products sold, as well as the average AUM over the period. Also, we adjust distribution revenues for the amortization of deferred sales commissions as these costs, over time, will offset such revenues.

We adjust investment advisory and services fees and other revenues for pass through costs, primarily related to our transfer agent and shareholder servicing fees. Also, we adjust for certain investment advisory and service fees passed through to our investment advisors. These fees do not affect operating income, as such, we exclude these fees from adjusted net revenues.

We adjust for the revenue impact of consolidating company-sponsored investment funds by eliminating the consolidated company-sponsored investment funds' revenues and including AB's fees from such consolidated company-sponsored investment funds and AB's investment gains and losses on its investments in such consolidated company-sponsored investment funds that were eliminated in consolidation.

Adjusted net revenues exclude investment gains and losses and dividends and interest on employee long-term incentive compensation-related investments. Also, we adjust for certain acquisition-related pass-through performance-based fees and performance related compensation.

Adjusted Operating Income

Adjusted operating income represents operating income on a US GAAP basis excluding (1) real estate charges (credits), (2) the impact on net revenues and compensation expense of the investment gains and losses (as well as the dividends and interest) associated with employee long-term incentive compensation-related investments, (3) the equity compensation paid by EQH to certain AB executives, (4) acquisition-related expenses and (5) the impact of consolidated company-sponsored investment funds.

Real estate charges (credits) incurred during the fourth quarter of 2019 through the fourth quarter of 2020, while excluded in the period in which the charges (credits) were recorded, are included ratably over the remaining applicable lease term.

Prior to 2009, a significant portion of employee compensation was in the form of long-term incentive compensation awards that were notionally invested in AB investment services and generally vested over a period of four years. AB economically hedged the exposure to market movements by purchasing and holding these investments on its balance sheet. All such investments had vested as of year-end 2012 and the investments have been delivered to the participants, except for those investments with respect to which the participant elected a long-term deferral. Fluctuation in the value of these investments, which also impacts compensation expense, is recorded within investment gains and losses on the income statement. Management believes it is useful to reflect the offset achieved from economically hedging the market exposure of these investments in the calculation of adjusted operating income and adjusted operating margin. The non-GAAP measures exclude gains and losses and dividends and interest on employee long-term incentive compensation-related investments included in revenues and compensation expense.

The board of directors of EQH granted to Seth Bernstein, our CEO, equity awards in connection with EQH's IPO. Additionally, equity awards have been granted to Mr. Bernstein and other AB executives for their membership on the EQH Management Committee. These individuals may receive additional equity or cash compensation from EQH in the future related to their service on the Management Committee. Any awards granted to these individuals by EQH are recorded as compensation expense in AB's consolidated statement of income. The compensation expense associated with these awards has been excluded from our non-GAAP measures because they are non-cash and are based upon EQH's, and not AB's, financial performance.

Acquisition-related expenses have been excluded because they are not considered part of our core operating results when comparing financial results from period to period and to industry peers. Acquisition-related expenses include professional fees, amortization of acquired intangible assets and certain compensation-related expenses. These expenses also include the recording of accretion expense and changes in estimates to acquisition related contingent payment arrangements.

We adjusted for the operating income impact of consolidating certain company-sponsored investment funds by eliminating the consolidated company-sponsored funds' revenues and expenses and including AB's revenues and expenses that were eliminated in consolidation. We also excluded the limited partner interests we do not own.

Adjusted Net Income and Adjusted Diluted Net Income per AB Unit

As previously discussed, our quarterly distribution is typically our adjusted diluted net income per unit (which is derived from adjusted net income) for the quarter multiplied by the number of general and limited partnership interests at the end of the quarter. Adjusted income taxes, used in calculating adjusted net income, are calculated using the GAAP effective tax rate adjusted for non-GAAP income tax adjustments.

Adjusted Operating Margin

Adjusted operating margin allows us to monitor our financial performance and efficiency from period to period without the volatility *noted above in our discussion of adjusted operating income* and to compare our performance to industry peers on a basis that better reflects our performance in our core business. Adjusted operating margin is derived by dividing adjusted operating income by adjusted net revenues.

Net Revenues

The components of net revenues are as follows:

	Three Months Ended March 31,		\$ Change	% Change
	2023	2022		
	(in thousands)			
Investment advisory and services fees:				
Institutions:				
Base fees	\$ 155,366	\$ 138,073	\$ 17,293	12.5 %
Performance-based fees	18,803	41,809	(23,006)	(55.0)
	<u>174,169</u>	<u>179,882</u>	<u>(5,713)</u>	<u>(3.2)</u>
Retail:				
Base fees	308,713	366,174	(57,461)	(15.7)
Performance-based fees	(9)	556	(565)	n/m
	<u>308,704</u>	<u>366,730</u>	<u>(58,026)</u>	<u>(15.8)</u>
Private Wealth:				
Base fees	228,248	243,566	(15,318)	(6.3)
Performance-based fees	17,786	33,604	(15,818)	(47.1)
	<u>246,034</u>	<u>277,170</u>	<u>(31,136)</u>	<u>(11.2)</u>
Total:				
Base fees	692,327	747,813	(55,486)	(7.4)
Performance-based fees	36,580	75,969	(39,389)	(51.8)
	<u>728,907</u>	<u>823,782</u>	<u>(94,875)</u>	<u>(11.5)</u>
Bernstein Research Services	100,038	117,807	(17,769)	(15.1)
Distribution revenues	141,078	168,341	(27,263)	(16.2)
Dividend and interest income	50,679	11,475	39,204	n/m
Investment gains (losses)	5,264	(39,024)	44,288	n/m
Other revenues	26,146	26,155	(9)	—
Total revenues	1,052,112	1,108,536	(56,424)	(5.1)
Less: Interest expense	28,021	2,849	25,172	n/m
Net revenues	<u>\$ 1,024,091</u>	<u>\$ 1,105,687</u>	<u>\$ (81,596)</u>	<u>(7.4)</u>

Investment Advisory and Services Fees

Investment advisory and services fees are the largest component of our revenues. These fees generally are calculated as a percentage of the value of AUM as of a specified date, or as a percentage of the value of average AUM for the applicable billing period, and vary with the type of investment service, the size of account and the total amount of assets we manage for a particular client. Accordingly, fee income generally increases or decreases as AUM increase or decrease and is affected by market appreciation or depreciation, the addition of new client accounts or client contributions of additional assets to existing accounts, withdrawals of assets from and termination of client accounts, purchases and redemptions of mutual fund shares, shifts of assets between accounts or products with different fee structures, and acquisitions. Our average basis points realized (investment advisory and services fees divided by average AUM) generally approximate 30 to 105 basis points for actively-managed equity services, 10 to 70 basis points for actively-managed fixed income services and 2 to 50 basis points for passively-managed services. Average basis points realized for other services could range from 3 basis points for certain Institutional third party managed services to over 190 basis points for certain Private Wealth alternative services. These ranges include all-inclusive fee arrangements (covering investment management, trade execution and other services) for our Private Wealth clients.

We calculate AUM using established policies and procedures in accordance with applicable rules. Market-based and fair valuation methods include: last sale/settle prices from an exchange for actively-traded listed equities, options and futures;

evaluated bid prices from recognized pricing vendors for fixed income, asset-backed or mortgage-backed issues; and mid prices derived from market standard models with inputs from recognized pricing vendors for OTC derivatives. Internally derived fair valuation methods are used only when AUM cannot be valued using any of above valuation methods, and include discounted cash flow models or any other methodology that is validated and approved by our Valuation Committee.

The Valuation Committee, which consists of senior officers and employees, is responsible for overseeing the pricing and valuation of all investments held in client and AB portfolios. The Valuation Committee has adopted a Statement of Pricing Policies describing principles and policies that apply to pricing and valuing investments held in these portfolios. We also have a Pricing Group, which reports to the Valuation Committee and is responsible for overseeing the pricing process for all investments.

We sometimes charge our clients performance-based fees. In these situations, we charge a base advisory fee and are eligible to earn an additional performance-based fee or incentive allocation that is calculated as either a percentage of absolute investment results or a percentage of investment results in excess of a stated benchmark over a specified period of time. Some performance-based fees include a high-watermark provision, which generally provides that if a client account underperforms relative to its performance target (whether absolute or relative to a specified benchmark), it must gain back such underperformance before we can collect future performance-based fees. Therefore, if we fail to achieve our performance target for a particular period, we will not earn a performance-based fee for that period and, for accounts with a high-watermark provision, our ability to earn future performance-based fees will be impaired. We are eligible to earn performance-based fees on 9.8%, 8.7% and 0.4% of the assets we manage for institutional clients, private wealth clients and retail clients, respectively (in total, 6.1% of our AUM).

For the three months ended March 31, 2023, our investment advisory and services fees decreased by \$94.9 million, or 11.5%, from the three months ended March 31, 2022, due to a \$55.5 million, or 7.4%, decrease in base fees and a \$39.4 million, or 51.8%, decrease in performance-based fees. The decrease in base fees is primarily due to an 11.2% decrease in average AUM, partially offset by a higher portfolio fee rate. Performance-based fees decreased primarily due to lower performance fees earned on our U.S. Real Estate Funds, partially offset by higher performance fees earned on our Private Credit Fund and Global Opportunistic Credit Fund.

Institutional base fees for the three months ended March 31, 2023 increased \$17.3 million, or 12.5%, from the three months ended March 31, 2022, primarily due to a higher portfolio fee rate, partially offset by a 8.2% decrease in average AUM. Retail base fees for the three months ended March 31, 2023 decreased \$57.5 million, or 15.7%, from the three months ended March 31, 2022, primarily due to a 16.4% decrease in average AUM. Private Wealth base fees for the three months ended March 31, 2023 decreased \$15.3 million, or 6.3%, from the three months ended March 31, 2022, primarily due to a 6.7% decrease in average AUM.

Bernstein Research Services

We earn revenues for providing investment research to, and executing brokerage transactions for, institutional clients. These clients compensate us principally by directing us to execute brokerage transactions on their behalf, for which we earn commissions, and to a lesser extent, but increasingly, by paying us directly for research through commission sharing agreements or cash payments. In the fourth quarter of 2022, AB and Société Générale (EURONEXT: SCGLY, “SocGen”), a leading European bank, announced plans to form a joint venture combining their respective cash equities and research businesses. As a result, the Bernstein Research Services business has been classified as held for sale on the condensed consolidated statement of financial condition. For further discussion, see *Note 17 Divestitures*.

Revenues from Bernstein Research Services for the three months ended March 31, 2023 decreased \$17.8 million, or 15.1%, from the three months ended March 31, 2022. This decrease was driven by a significant decline in customer trading activity across all regions as a result of market conditions.

Distribution Revenues

Two of our subsidiaries act as distributors and/or placement agents of company-sponsored mutual funds and receive distribution services fees from certain of those funds as full or partial reimbursement of the distribution expenses they incur. Period-over-period fluctuations of distribution revenues typically are in line with fluctuations of the corresponding average AUM of these mutual funds.

Distribution revenues for the three months ended March 31, 2023 decreased \$27.3 million, or 16.2%, from the three months ended March 31, 2022, primarily due to the corresponding average AUM of these mutual funds decreasing 15.0% and a decrease in the overall portfolio fee rate.

Dividend and Interest Income and Brokerage Related Interest Expense

Dividend and interest income consists primarily of investment income and interest earned on customer margin balances and U.S. Treasury Bills as well as dividend and interest income in our consolidated company-sponsored investment funds. Interest expense principally reflects interest accrued on cash balances in customers' brokerage accounts.

Dividend and interest income for the three months ended March 31, 2023 increased \$39.2 million, from the three months ended March 31, 2022, primarily due to higher interest earned on customer margin balances and higher interest earned on U.S. Treasury Bills. Brokerage related interest expense for the three months ended March 31, 2023 increased \$25.2 million from the three months ended March 31, 2022, due to higher interest paid on cash balances in customers' brokerage accounts.

Investment Gains (Losses)

Investment gains (losses) consist primarily of realized and unrealized investment gains or losses on: (i) employee long-term incentive compensation-related investments, (ii) U.S. Treasury Bills, (iii) market-making in exchange-traded options and equities, (iv) seed capital investments, (v) derivatives and (vi) investments in our consolidated company-sponsored investment funds. Investment gains (losses) also include equity in earnings of proprietary investments in limited partnership hedge funds that we sponsor and manage.

Investment (losses) gains are as follows:

	Three Months Ended March 31,	
	2023	2022
(in thousands)		
Long-term incentive compensation-related investments:		
Realized gains	\$ 655	\$ 1,335
Unrealized gains (losses)	1,150	(5,485)
Investments held by consolidated company-sponsored investment funds:		
Realized (losses)	(5,582)	(989)
Unrealized gains (losses)	16,162	(40,898)
Seed capital investments:		
Realized gains (losses):		
Seed capital and other	52	3,576
Derivatives	(4,480)	16,628
Unrealized gains (losses):		
Seed capital and other	3,652	(15,537)
Derivatives	(5,995)	3,104
Brokerage-related investments:		
Realized (losses)	(199)	(667)
Unrealized (losses)	(151)	(91)
	<u>\$ 5,264</u>	<u>\$ (39,024)</u>

Other Revenues

Other revenues consist of fees earned for transfer agency services provided to company-sponsored mutual funds, fees earned for administration and recordkeeping services provided to company-sponsored mutual funds and the general accounts of EQH and its subsidiaries, and other miscellaneous revenues. Other revenues for the three months ended March 31, 2023 were flat as compared to the three months ended March 31, 2022.

Expenses

The components of expenses are as follows:

	Three Months Ended March 31,		\$ Change	% Change
	2023	2022		
	(in thousands)			
Employee compensation and benefits	\$ 434,163	\$ 439,420	\$ (5,257)	(1.2)%
Promotion and servicing:				
Distribution-related payments	148,381	176,244	(27,863)	(15.8)
Amortization of deferred sales commissions	8,154	9,383	(1,229)	(13.1)
Trade execution, marketing, T&E and other	50,630	51,227	(597)	(1.2)
	207,165	236,854	(29,689)	(12.5)
General and administrative	139,653	177,625	(37,972)	(21.4)
Contingent payment arrangements	2,444	838	1,606	191.6
Interest on borrowings	13,713	1,411	12,302	n/m
Amortization of intangible assets	11,693	1,136	10,557	n/m
Total	\$ 808,831	\$ 857,284	\$ (48,453)	(5.7)

Employee Compensation and Benefits

Employee compensation and benefits expense consists of base compensation (including salaries and severance), annual short-term incentive compensation awards (cash bonuses), annual long-term incentive compensation awards, commissions, fringe benefits and other employment costs (including recruitment, training, temporary help and meals).

Compensation expense as a percentage of net revenues was 42.4% and 39.7% for the three months ended March 31, 2023 and 2022, respectively. Compensation expense generally is determined on a discretionary basis and is primarily a function of our firm's current-year financial performance. The amounts of incentive compensation we award are designed to motivate, reward and retain top talent while aligning our executives' interests with the interests of our Unitholders. Senior management, with the approval of the Compensation and Workplace Practices Committee of the Board of Directors of AllianceBernstein Corporation ("Compensation Committee"), periodically confirms that the appropriate metric to consider in determining the amount of incentive compensation is the ratio of adjusted employee compensation and benefits expense to adjusted net revenues. Adjusted net revenues used in the adjusted compensation ratio are the same as the adjusted annual net revenues presented as a non-GAAP measure (*discussed earlier in this Item 2*). Adjusted employee compensation and benefits expense is total employee compensation and benefits expense minus other employment costs such as recruitment, training, temporary help and meals (which was 1.0% and 0.9% of adjusted net revenues for the three months ended March 31, 2023 and March 31, 2022, respectively), and excludes the impact of mark-to-market vesting expense, as well as dividends and interest expense, associated with employee incentive compensation-related investments and the amortization expense associated with the awards issued by EQH to some of our firm's executive officers relating to their roles as members of the EQH Management Committee. Senior management, with the approval of the Compensation Committee, has established as an objective that adjusted employee compensation and benefits expense, excluding the impact of performance-based fees, generally should not exceed 50% of our adjusted net revenues in any year, except in unexpected or unusual circumstances. Our ratio of adjusted compensation expense as a percentage of adjusted net revenues was 49.5% for the three months ended March 31, 2023 and was 48.0% for the three months ended March 31, 2022.

For the three months ended March 31, 2023, employee compensation and benefits expense decreased \$5.3 million, or 1.2%, compared to the three months ended March 31, 2022, primarily due to lower incentive compensation of \$32.5 million and lower commissions of \$9.1 million, partially offset by higher base compensation of \$31.5 million and higher fringes of \$4.6 million.

Promotion and Servicing

Promotion and servicing expenses include distribution-related payments to financial intermediaries for distribution of AB mutual funds and amortization of deferred sales commissions paid to financial intermediaries for the sale of back-end load shares of AB mutual funds. Also included in this expense category are costs related to trade execution and clearance, travel and entertainment, advertising and promotional materials.

Promotion and servicing expenses decreased \$29.7 million, or 12.5%, during the three months ended March 31, 2023 compared to the three months ended March 31, 2022. The decrease was primarily due to lower distribution-related payments of \$27.9 million, lower transfer fees of \$3.3 million, lower trade execution expenses of \$1.8 million and lower amortization of deferred sales commissions of \$1.2 million, offset by higher travel and entertainment expenses of \$3.0 million and higher marketing and communication expenses of \$1.5 million.

General and Administrative

General and administrative expenses include portfolio services expenses, technology expenses, professional fees and office-related expenses (occupancy, communications and similar expenses). General and administrative expenses as a percentage of net revenues were 13.6% and 16.1% for the three months ended March 31, 2023 and 2022, respectively. General and administrative expenses decreased \$38.0 million, or 21.4%, during the three months ended March 31, 2023 compared to the corresponding period in 2022, primarily due to lower portfolio servicing fees of \$34.7 million, lower professional fees of \$6.0 million and a favorable foreign exchange translation impact of \$2.1 million, partially offset by higher valuation adjustments related to the classification of Bernstein Research Services as held for sale of \$2.5 million and higher technology expenses of \$2.2 million.

Contingent Payment Arrangements

Contingent payment arrangements reflect changes in estimates of contingent payment liabilities associated with acquisitions in previous periods, as well as accretion expense of these liabilities. There were no changes in our estimates during the first three months ended March 31, 2023 or 2022.

Interest on Borrowings

Interest on borrowings reflects interest expense related to our debt and credit facilities. *See Note 16 to AB's condensed consolidated financial statements contained in Item 1*, for disclosures relating to our debt and credit facilities. For the three months ended March 31, 2023 interest on borrowings increased \$12.3 million, compared to the three months ended March 31, 2022. The increase was due to higher average borrowings and higher interest rates.

Amortization of Intangible Assets

Amortization of intangible assets reflects our amortization of costs assigned to acquired investment management contracts with a finite life. These assets are recognized at fair value and generally are amortized on a straight-line basis over their estimated useful life. Amortization of intangible assets increased \$10.6 million during the three months ended March 31, 2023 compared to the three months ended March 31, 2022. This increase was primarily due to acquired intangible assets associated with the CarVal acquisition.

Income Taxes

AB, a private limited partnership, is not subject to federal or state corporate income taxes. However, AB is subject to a 4.0% New York City unincorporated business tax ("UBT"). Our domestic corporate subsidiaries are subject to federal, state and local income taxes and generally are included in the filing of a consolidated federal income tax return. Separate state and local income tax returns also are filed. Foreign corporate subsidiaries generally are subject to taxes in the jurisdictions where they are located.

Income tax expense for the three months ended March 31, 2023 decreased \$1.4 million, or 10.8%, compared to the three months ended March 31, 2022. The decrease was primarily due to one-time discrete items in the three months ended March 31, 2023. There were no material changes to uncertain tax positions (*FIN 48 reserves*) or valuation allowances against deferred tax assets for the three months ended March 31, 2023.

Net Income (Loss) of Consolidated Entities Attributable to Non-Controlling Interests

Net income (loss) of consolidated entities attributable to non-controlling interests primarily consists of limited partner interests owned by other investors in our consolidated company-sponsored investment funds. For the three months ended March 31, 2023, we had \$9.8 million of net gains of consolidated entities attributable to non-controlling interests compared to net losses of \$25.0 million for the three months ended March 31, 2022. Period-to-period fluctuations result primarily from the number of consolidated company-sponsored investment funds and their respective market performance.

CAPITAL RESOURCES AND LIQUIDITY

Cash flows from operating activities primarily include the receipt of investment advisory and services fees and other revenues offset by the payment of operating expenses incurred in the normal course of business. Our cash flows from operating activities have historically been positive and sufficient in supporting our operations. We do not anticipate this to change in the foreseeable future. Cash flows from investing activities generally consist of small capital expenditures and, when applicable, business acquisitions. Cash flows from financing activities primarily consist of issuance and repayment of debt and the repurchase of AB Holding Units to fund our long-term deferred compensation plans. We are required to distribute all of our Available Cash Flow to our Unitholders and the General Partner.

During the first three months of 2023, net cash used in operating activities was \$46.9 million, compared to net cash provided by operating activities of \$150.2 million during the corresponding 2022 period. The change is primarily due to lower earnings of \$121.4 million (after non-cash reconciling items), an increase in fees receivable of \$101.6 million and net activity of our consolidated funds of \$43.7 million, partially offset by a decrease in broker-dealer related receivables (net of payables and segregated U.S. treasury bills activity) of \$114.1 million.

During the first three months of 2023, net cash used in investing activities was \$10.6 million, compared to \$6.2 million net cash used during the corresponding 2022 period. The change is due to higher purchases of furniture, equipment and leasehold improvements of \$4.3 million.

During the first three months of 2023, net cash used in financing activities was \$200.7 million, compared to \$371.2 million during the corresponding 2022 period. The change is primarily due to lower distributions to the General Partner and Unitholders of \$155.9 million and lower net contributions from non-controlling interests of consolidated company-sponsored investment funds during the first three months of 2023 as compared to the corresponding 2022 period of \$56.0 million, partially offset by lower net borrowings of debt of \$50.0 million.

As of March 31, 2023, AB had \$1.1 billion of cash and cash equivalents (including cash and cash equivalents of consolidated company-sponsored investment funds and cash held-for-sale), all of which is available for liquidity but consist primarily of cash on deposit for our broker-dealers related to various customer clearing activities, and cash held by foreign subsidiaries of \$544.0 million.

Debt and Credit Facilities

See Note 16 to AB's condensed consolidated financial statements contained in Item 1, for disclosures relating to our debt and credit facilities.

Our financial condition and access to public and private debt markets should provide adequate liquidity for our general business needs. Management believes that cash flow from operations and the issuance of debt and AB Units or AB Holding Units will provide us with the resources we need to meet our financial obligations. See “*Cautions Regarding Forward-Looking Statements*” for a discussion of credit markets and our ability to renew our credit facilities at expiration.

COMMITMENTS AND CONTINGENCIES

AB's capital commitments, which consist primarily of operating leases for office space, generally are funded from future operating cash flows. *See Note 13* for discussion of lease commitments.

See Note 12 for discussion of commitments and contingencies.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the condensed consolidated financial statements and notes to condensed consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses.

There have been no updates to our critical accounting estimates from those disclosed in “*Management's Discussion and Analysis of Financial Condition*” in our Form 10-K for the year ended December 31, 2022.

ACCOUNTING PRONOUNCEMENTS

See Note 2 to AB's condensed consolidated financial statements contained in Item 1.

CAUTIONS REGARDING FORWARD-LOOKING STATEMENTS

Certain statements provided by management in this report and in the portion of AB's Form 10-Q attached hereto as *Exhibit 99.1* are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from future results expressed or implied by such forward-looking statements. The most significant of these factors include, but are not limited to, the following: the performance of financial markets, the investment performance of sponsored investment products and separately managed accounts, general economic conditions, industry trends, future acquisitions, integration of acquired companies, competitive conditions and government regulations, including changes in tax regulations and rates and the manner in which the earnings of publicly-traded partnerships are taxed. We caution readers to carefully consider such factors. Further, these forward-looking statements speak only as of the date on which such statements are made; we undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements. For further information regarding these forward-looking statements and the factors that could cause actual results to differ, see "Risk Factors" in Part I, Item 1A of our Form 10-K for the year ended December 31, 2022 and Part II, Item 1A in this Form 10-Q. Any or all of the forward-looking statements that we make in our Form 10-K, this Form 10-Q, other documents we file with or furnish to the SEC, and any other public statements we issue, may turn out to be wrong. It is important to remember that other factors besides those listed in "Risk Factors" and those listed below could also adversely impact our revenues, financial condition, results of operations and business prospects.

The forward-looking statements referred to in the preceding paragraph, most of which directly affect AB but also affect AB Holding because AB Holding's principal source of income and cash flow is attributable to its investment in AB, include statements regarding:

- Our belief that the cash flow AB Holding realizes from its investment in AB will provide AB Holding with the resources it needs to meet its financial obligations: AB Holding's cash flow is dependent on the quarterly cash distributions it receives from AB. Accordingly, AB Holding's ability to meet its financial obligations is dependent on AB's cash flow from its operations, which is subject to the performance of the capital markets and other factors beyond our control.
- Our financial condition and ability to access the public and private capital markets providing adequate liquidity for our general business needs: Our financial condition is dependent on our cash flow from operations, which is subject to the performance of the capital markets, our ability to maintain and grow client assets under management and other factors beyond our control. Our ability to access public and private capital markets on reasonable terms may be limited by adverse market conditions, our firm's credit ratings, our profitability and changes in government regulations, including tax rates and interest rates.
- The outcome of litigation: Litigation is inherently unpredictable, and excessive damage awards do occur. Though we have stated that we do not expect any pending legal proceedings to have a material adverse effect on our results of operations, financial condition or liquidity, any settlement or judgment with respect to a legal proceeding could be significant and could have such an effect.
- The possibility that we will engage in open market purchases of AB Holding Units to help fund anticipated obligations under our incentive compensation award program: The number of AB Holding Units AB may decide to buy in future periods, if any, to help fund incentive compensation awards depends on various factors, some of which are beyond our control, including the fluctuation in the price of an AB Holding Unit (NYSE: AB) and the availability of cash to make these purchases.
- Our determination that adjusted employee compensation expense, excluding the impact of performance-based fees, generally should not exceed 50% of our adjusted net revenues on an annual basis: Aggregate employee compensation reflects employee performance and competitive compensation levels. Fluctuations in our revenues and/or changes in competitive compensation levels could result in adjusted employee compensation expense exceeding 50% of our adjusted net revenues.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes in AB's market risk from the information provided under "*Quantitative and Qualitative Disclosures About Market Risk*" in Part II, Item 7A of AB's Form 10-K for the year ended December 31, 2022.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Each of AB Holding and AB maintains a system of disclosure controls and procedures that is designed to ensure that information required to be disclosed in our reports under the Exchange Act is (i) recorded, processed, summarized and reported in a timely manner, and (ii) accumulated and communicated to management, including the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), to permit timely decisions regarding our disclosure.

As of the end of the period covered by this report, management carried out an evaluation, under the supervision and with the participation of the CEO and the CFO, of the effectiveness of the design and operation of the disclosure controls and procedures. Based on this evaluation, the CEO and the CFO concluded that the disclosure controls and procedures are effective.

Changes in Internal Control over Financial Reporting

No change in our internal control over financial reporting occurred during the first quarter of 2023 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.