ALLIANCEBERNSTEIN HOLDING L.P.
Form 10-K
February 14, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

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

For the Fiscal Year Ended December 31, 2016

OR

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

For the transition period from to

Commission file number 001-09818

ALLIANCEBERNSTEIN HOLDING L.P.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	13-3434400 (I.R.S. Employer Identification No.)
1345 Avenue of the Americas, New York, N.Y. (Address of principal executive offices)	10105 (Zip Code)

Registrant's telephone number, including area code: (212) 969-1000

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

Title of Class	Name of each exchange on which registered
units representing assignments of beneficial ownership of limited partnership interests	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No x

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 x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes x No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "accelerated filer", "large accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

(Check one):

Large accelerated filer x Accelerated filer o Non-accelerated filer o Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o No x

The aggregate market value of the units representing assignments of beneficial ownership of limited partnership interests held by non-affiliates computed by reference to the price at which such units were last sold on the New York Stock Exchange as of June 30, 2016 was approximately $2.1 billion.

The number of units representing assignments of beneficial ownership of limited partnership interests outstanding as of December 31, 2016 was 96,652,190. (This figure includes 100,000 general partnership units having economic interests equivalent to the economic interests of the units representing assignments of beneficial ownership of limited partnership interests.)

DOCUMENTS INCORPORATED BY REFERENCE

This Form 10-K does not incorporate any document by reference.

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Glossary of Certain Defined Terms

"AB" – AllianceBernstein L.P. (Delaware limited partnership formerly known as Alliance Capital Management L.P., "Alliance Capital"), the operating partnership, and its subsidiaries and, where appropriate, its predecessors, AB Holding and ACMC, Inc. and their respective subsidiaries.

"AB Holding" – AllianceBernstein Holding L.P. (Delaware limited partnership).

"AB Holding Partnership Agreement" – the Amended and Restated Agreement of Limited Partnership of AB Holding, dated as of October 29, 1999 and as amended February 24, 2006.

"AB Holding Units" – units representing assignments of beneficial ownership of limited partnership interests in AB Holding.

"AB Partnership Agreement" – the Amended and Restated Agreement of Limited Partnership of AB, dated as of October 29, 1999 and as amended February 24, 2006.

"AB Units" – units of limited partnership interest in AB.

"AUM" – AB's assets under management.

"AXA" – AXA (société anonyme organized under the laws of France) is the holding company for the AXA Group, a worldwide leader in financial protection. AXA operates primarily in Europe, North America, the Asia/Pacific regions and, to a lesser extent, in other regions, including the Middle East, Africa and Latin America. AXA has five operating business segments: Life and Savings, Property and Casualty, International Insurance, Asset Management and Banking.

"AXA Equitable" – AXA Equitable Life Insurance Company (New York stock life insurance company), a subsidiary of AXA Financial, and its subsidiaries other than AB and its subsidiaries.

"AXA Financial" – AXA Financial, Inc. (Delaware corporation), a subsidiary of AXA.

"Bernstein Transaction" – AB's acquisition of the business and assets of SCB Inc., formerly known as Sanford C. Bernstein Inc., and the related assumption of the liabilities of that business, completed on October 2, 2000.

"Exchange Act" – the Securities Exchange Act of 1934, as amended.

"ERISA" – the Employee Retirement Income Security Act of 1974, as amended.

"General Partner" – AllianceBernstein Corporation (Delaware corporation), the general partner of AB and AB Holding and a subsidiary of AXA Equitable, and, where appropriate, ACMC, LLC, its predecessor.

"Investment Advisers Act" – the Investment Advisers Act of 1940, as amended.

"Investment Company Act" – the Investment Company Act of 1940, as amended.

"NYSE" – the New York Stock Exchange, Inc.

"Partnerships" – AB and AB Holding together.

“SEC” – the United States Securities and Exchange Commission.

“Securities Act” – the Securities Act of 1933, as amended.

“WPS Acquisition” – AB's acquisition of W.P. Stewart & Co., Ltd. (“WPS”), a concentrated growth equity investment manager, completed on December 12, 2013.

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PART I

Item 1. Business

The words "we" and "our" in this Form 10-K refer collectively to AB Holding and AB and its subsidiaries, or to their officers and employees. Similarly, the words "company" and "firm" refer to both AB Holding and AB. Where the context requires distinguishing between AB Holding and AB, we identify which company is being discussed. Cross-references are in italics.

We use "global" in this Form 10-K to refer to all nations, including the United States; we use "international" or "non-U.S." to refer to nations other than the United States.

We use "emerging markets" in this Form 10-K to refer to countries included in the Morgan Stanley Capital International ("MSCI") emerging markets index, which are, as of December 31, 2016, Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Peru, Philippines, Poland, Qatar, Russia, South Africa, Taiwan, Thailand, Turkey and the United Arab Emirates.

Clients

We provide research, diversified investment management and related services globally to a broad range of clients through our three buy-side distribution channels: Institutions, Retail and Private Wealth Management, and our sell-side business, Bernstein Research Services. See "Distribution Channels" in this Item 1 for additional information.

As of December 31, 2016, 2015 and 2014, our AUM were approximately $480 billion, $467 billion and $474 billion, respectively, and our net revenues as of each of December 31, 2016, 2015 and 2014 were approximately $3.0 billion. AXA, our parent company, and its subsidiaries, whose AUM consist primarily of fixed income investments, together constitute our largest client. Our affiliates represented approximately 24%, 24% and 23% of our AUM as of December 31, 2016, 2015 and 2014, respectively, and we earned approximately 5% of our net revenues from services we provided to our affiliates in each of those years. See "Distribution Channels" below and "Assets Under Management" and "Net Revenues" in Item 7 for additional information regarding our AUM and net revenues.

Generally, we are compensated for our investment services on the basis of investment advisory and services fees calculated as a percentage of AUM. For additional information about our investment advisory and services fees, including performance-based fees, see "Risk Factors" in Item 1A and "Net Revenues – Investment Advisory and Services Fees" in Item 7.

Research

Our high-quality, in-depth research is the foundation of our business. We believe that our global team of research professionals, whose disciplines include economic, fundamental equity, fixed income and quantitative research, gives us a competitive advantage in achieving investment success for our clients. We also have experts focused on multi-asset strategies, wealth management and alternative investments.

Investment Services

Our broad range of investment services includes:

- Actively-managed equity strategies, with global and regional portfolios across capitalization ranges and investment strategies, including value, growth and core equities;
- Actively-managed traditional and unconstrained fixed income strategies, including taxable and tax-exempt strategies;

- Passive management, including index and enhanced index strategies;
- Alternative investments, including hedge funds, fund of funds and private equity (e.g., direct real estate investing and direct lending); and
- Multi-asset solutions and services, including dynamic asset allocation, customized target-date funds and target-risk funds.

Our services span various investment disciplines, including market capitalization (e.g., large-, mid- and small-cap equities), term (e.g., long-, intermediate- and short-duration debt securities), and geographic location (e.g., U.S., international, global, emerging markets, regional and local), in major markets around the world.

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Our AUM by client domicile and investment service as of December 31, 2016, 2015 and 2014 were as follows:

By Client Domicile ($ in billions):

By Investment Service ($ in billions):

Distribution Channels

Institutions

We offer to our institutional clients, which include private and public pension plans, foundations and endowments, insurance companies, central banks and governments worldwide, and various of our affiliates, separately-managed accounts, sub-advisory relationships, structured products, collective investment trusts, mutual funds, hedge funds and other investment vehicles ("Institutional Services").

We manage the assets of our institutional clients pursuant to written investment management agreements or other arrangements, which generally are terminable at any time or upon relatively short notice by either party. In general, our written investment management agreements may not be assigned without the client's consent. For information about our institutional investment advisory and services fees, including performance-based fees, see "Risk Factors" in Item 1A and "Net Revenues – Investment Advisory and Services Fees" in Item 7.

AXA and its subsidiaries together constitute our largest institutional client. AXA's AUM accounted for approximately 35%, 33% and 32% of our institutional AUM as of December 31, 2016, 2015 and 2014, respectively, and approximately 28%, 26% and 22% of our institutional revenues for 2016, 2015 and 2014, respectively. No single institutional client other than AXA and its subsidiaries accounted for more than approximately 1% of our net revenues for the year ended December 31, 2016.

As of December 31, 2016, 2015 and 2014, Institutional Services represented approximately 50%, 51% and 50%, respectively, of our AUM, and the fees we earned from providing these services represented approximately 14% of our net revenues for each of those years. Our AUM and revenues are as follows:

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Institutional Services Assets Under Management
(by Investment Service)

	December 31,			% Change	
	2016	2015	2014	2016-15	2015-14
	(in millions)				
Equity Actively Managed:					
U.S.	$8,792	$9,156	$9,631	(4.0)%	(4.9)%
Global & Non-US	18,215	16,705	19,522	9.0	(14.4)
Total	27,007	25,861	29,153	4.4	(11.3)
Equity Passively Managed[1]:					
U.S.	16,135	15,573	16,196	3.6	(3.8)
Global & Non-US	3,467	4,250	5,818	(18.4)	(27.0)
Total	19,602	19,823	22,014	(1.1)	(10.0)
Total Equity	46,609	45,684	51,167	2.0	(10.7)
Fixed Income Taxable:					
U.S.	97,610	88,997	84,079	9.7	5.8
Global & Non-US	52,598	54,897	64,086	(4.2)	(14.3)
Total	150,208	143,894	148,165	4.4	(2.9)
Fixed Income Tax-Exempt:					
U.S.	1,819	1,920	1,796	(5.3)	6.9
Global & Non-US	—	—	—	—	—
Total	1,819	1,920	1,796	(5.3)	6.9
Fixed Income Passively Managed[1]:					
U.S.	1,305	64	67	1,939.1	(4.5)
Global & Non-US	15	18	185	(16.7)	(90.3)
Total	1,320	82	252	1,509.8	(67.5)
Total Fixed Income	153,347	145,896	150,213	5.1	(2.9)
Other[2]:					
U.S.	3,831	2,939	2,268	30.4	29.6
Global & Non-US	35,477	41,683	33,393	(14.9)	24.8
Total	39,308	44,622	35,661	(11.9)	25.1
Total:					
U.S.	129,492	118,649	114,037	9.1	4.0
Global & Non-US	109,772	117,553	123,004	(6.6)	(4.4)
Total	$239,264	$236,202	$237,041	1.3	(0.4)
Affiliated	$82,721	$78,048	$75,241	6.0	3.7
Non-affiliated	156,543	158,154	161,800	(1.0)	(2.3)
Total	$239,264	$236,202	$237,041	1.3	(0.4)

(1) Includes index and enhanced index services.
(2) Includes certain multi-asset solutions and services and certain alternative investments.

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Revenues from Institutional Services
(by Investment Service)

	Years Ended December 31,			% Change	
	2016	2015	2014	2016-15	2015-14
	(in thousands)				
Equity Actively Managed:					
U.S.	$49,370	$54,150	$54,176	(8.8)%	— %
Global & Non-US	75,814	88,096	88,777	(13.9)	(0.8)
Total	125,184	142,246	142,953	(12.0)	(0.5)
Equity Passively Managed(1):					
U.S.	2,964	2,824	2,841	5.0	(0.6)
Global & Non-US	2,345	4,295	4,333	(45.4)	(0.9)
Total	5,309	7,119	7,174	(25.4)	(0.8)
Total Equity	130,493	149,365	150,127	(12.6)	(0.5)
Fixed Income Taxable:					
U.S.	101,875	94,272	92,250	8.1	2.2
Global & Non-US	111,602	125,888	125,595	(11.3)	0.2
Total	213,477	220,160	217,845	(3.0)	1.1
Fixed Income Tax-Exempt:					
U.S.	2,591	2,361	2,250	9.7	4.9
Global & Non-US	—	—	—	—	—
Total	2,591	2,361	2,250	9.7	4.9
Fixed Income Passively Managed(1):					
U.S.	322	68	69	373.5	(1.4)
Global & Non-US	1	81	142	(98.8)	(43.0)
Total	323	149	211	116.8	(29.4)
Fixed Income Servicing(2):					
U.S.	12,717	13,510	11,468	(5.9)	17.8
Global & Non-US	1,530	1,715	2,011	(10.8)	(14.7)
Total	14,247	15,225	13,479	(6.4)	13.0
Total Fixed Income	230,638	237,895	233,785	(3.1)	1.8
Other(3):					
U.S.	34,577	23,130	18,643	49.5	24.1
Global & Non-US	25,189	24,070	30,551	4.6	(21.2)
Total	59,766	47,200	49,194	26.6	(4.1)
Total Investment Advisory and Services Fees:					
U.S.	204,416	190,315	181,697	7.4	4.7
Global & Non-US	216,481	244,145	251,409	(11.3)	(2.9)
	420,897	434,460	433,106	(3.1)	0.3
Distribution Revenues	684	248	340	175.8	(27.1)
Shareholder Servicing Fees	479	497	634	(3.6)	(21.6)
Total	$422,060	$435,205	$434,080	(3.0)	0.3
Affiliated	$116,392	$113,187	$95,256	2.8	18.8
Non-affiliated	305,668	322,018	338,824	(5.1)	(5.0)
Total	$422,060	$435,205	$434,080	(3.0)	0.3

(1) Includes index and enhanced index services.

(2) Fixed Income Servicing includes advisory-related services fees that are not based on AUM, including derivative transaction fees, capital purchase program-related advisory services and other fixed income advisory services.

(3) Includes certain multi-asset solutions and services and certain alternative services.

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Retail

We provide investment management and related services to a wide variety of individual retail investors, both in the U.S. and internationally, through retail mutual funds we sponsor, mutual fund sub-advisory relationships, separately-managed account programs (see below), and other investment vehicles ("Retail Products and Services").

We distribute our Retail Products and Services through financial intermediaries, including broker-dealers, insurance sales representatives, banks, registered investment advisers and financial planners. These products and services include open-end and closed-end funds that are either (i) registered as investment companies under the Investment Company Act ("U.S. Funds"), or (ii) not registered under the Investment Company Act and generally not offered to United States persons ("Non-U.S. Funds" and, collectively with the U.S. Funds, "AB Funds"). They also include separately-managed account programs, which are sponsored by financial intermediaries and generally charge an all-inclusive fee covering investment management, trade execution, asset allocation, and custodial and administrative services. In addition, we provide distribution, shareholder servicing, transfer agency services and administrative services for our Retail Products and Services. See "Net Revenues – Investment Advisory and Services Fees" in Item 7 for information about our retail investment advisory and services fees. See Note 2 to AB's consolidated financial statements in Item 8 for a discussion of the commissions we pay to financial intermediaries in connection with the sale of open-end AB Funds.

Fees paid by the U.S. Funds are reflected in the applicable investment management agreement, which generally must be approved annually by the boards of directors or trustees of those funds, including by a majority of the independent directors or trustees. Increases in these fees must be approved by fund shareholders; decreases need not be, including any decreases implemented by a fund's directors or trustees. In general, each investment management agreement with the U.S. Funds provides for termination by either party at any time upon 60 days' notice.

Fees paid by Non-U.S. Funds are reflected in investment management agreements that continue until they are terminated. Increases in these fees generally must be approved by the relevant regulatory authority, depending on the domicile and structure of the fund, and Non-U.S. Fund shareholders must be given advance notice of any fee increases.

The mutual funds we sub-advise for AXA and its subsidiaries together constitute our largest retail client. They accounted for approximately 21%, 22% and 21% of our retail AUM as of December 31, 2016, 2015 and 2014, respectively, and approximately 4%, 4% and 3% of our retail net revenues as of 2016, 2015 and 2014, respectively.

Certain subsidiaries of AXA, including AXA Advisors, LLC ("AXA Advisors"), a subsidiary of AXA Financial, were responsible for approximately 2%, 4% and 3% of total sales of shares of open-end AB Funds in 2016, 2015 and 2014, respectively. HSBC was responsible for approximately 12% of our open-end AB Fund sales in 2016. UBS AG was responsible for approximately 8% and 11% of our open-end AB Fund sales in 2015 and 2014, respectively. Neither our affiliates, HSBC or UBS AG are under any obligation to sell a specific amount of AB Fund shares and each also sells shares of mutual funds that it sponsors and that are sponsored by unaffiliated organizations. No other entity accounted for 10% or more of our open-end AB Fund sales.

Most open-end U.S. Funds have adopted a plan under Rule 12b-1 of the Investment Company Act that allows the fund to pay, out of assets of the fund, distribution and service fees for the distribution and sale of its shares ("Rule 12b-1 Fees"). The open-end U.S. Funds have entered into such agreements with us, and we have entered into selling and distribution agreements pursuant to which we pay sales commissions to the financial intermediaries that distribute our open-end U.S. Funds. These agreements are terminable by either party upon notice (generally 30 days) and do not obligate the financial intermediary to sell any specific amount of fund shares.

As of December 31, 2016, retail U.S. Fund AUM were approximately $41 billion, or 26% of retail AUM, as compared to $45 billion, or 29%, as of December 31, 2015, and $49 billion, or 30%, as of December 31, 2014. Non-U.S. Fund AUM, as of December 31, 2016, totaled $59 billion, or 37% of retail AUM, as compared to $52 billion, or 33%, as of December 31, 2015, and $57 billion, or 36%, as of December 31, 2014.

Our Retail Services represented approximately 33%, 33% and 34% of our AUM as of December 31, 2016, 2015 and 2014, respectively, and the fees we earned from providing these services represented approximately 42%, 45% and 46% of our net revenues for the years ended December 31, 2016, 2015 and 2014, respectively. Our AUM and revenues are as follows:

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Retail Services Assets Under Management
(by Investment Service)

	December 31,			% Change	
	2016	2015	2014	2016-15	2015-14
	(in millions)				
Equity Actively Managed:					
U.S.	$31,717	$31,481	$29,449	0.7 %	6.9 %
Global & Non-US	12,514	14,810	15,920	(15.5)	(7.0)
Total	44,231	46,291	45,369	(4.5)	2.0
Equity Passively Managed[1]:					
U.S.	20,997	19,483	21,268	7.8	(8.4)
Global & Non-US	7,025	6,664	6,600	5.4	1.0
Total	28,022	26,147	27,868	7.2	(6.2)
Total Equity	72,253	72,438	73,237	(0.3)	(1.1)
Fixed Income Taxable:					
U.S.	6,175	5,905	5,934	4.6	(0.5)
Global & Non-US	54,328	47,891	55,059	13.4	(13.0)
Total	60,503	53,796	60,993	12.5	(11.8)
Fixed Income Tax-Exempt:					
U.S.	13,579	11,601	10,432	17.1	11.2
Global & Non-US	10	12	14	(16.7)	(14.3)
Total	13,589	11,613	10,446	17.0	11.2
Fixed Income Passively Managed[1]:					
U.S.	5,216	5,010	4,917	4.1	1.9
Global & Non-US	4,041	4,492	4,483	(10.0)	0.2
Total	9,257	9,502	9,400	(2.6)	1.1
Total Fixed Income	83,349	74,911	80,839	11.3	(7.3)
Other[2]:					
U.S.	3,229	5,116	5,349	(36.9)	(4.4)
Global & Non-US	1,339	1,903	2,072	(29.6)	(8.2)
Total	4,568	7,019	7,421	(34.9)	(5.4)
Total:					
U.S.	80,913	78,596	77,349	2.9	1.6
Global & Non-US	79,257	75,772	84,148	4.6	(10.0)
Total	$160,170	$154,368	$161,497	3.8	(4.4)
Affiliated	$33,774	$33,364	$34,693	1.2	(3.8)
Non-affiliated	126,396	121,004	126,804	4.5	(4.6)
Total	$160,170	$154,368	$161,497	3.8	(4.4)

(1) Includes index and enhanced index services.
(2) Includes certain multi-asset solutions and services and certain alternative investments.

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Revenues from Retail Services
(by Investment Service)

	Years Ended December 31,			% Change	
	2016	2015	2014	2016-15	2015-14
	(in thousands)				
Equity Actively Managed:					
U.S.	$186,442	$182,802	$181,756	2.0 %	0.6 %
Global & Non-US	93,019	107,870	93,018	(13.8)	16.0
Total	279,461	290,672	274,774	(3.9)	5.8
Equity Passively Managed[1]:					
U.S.	7,670	8,188	10,154	(6.3)	(19.4)
Global & Non-US	5,268	5,268	7,118	—	(26.0)
Total	12,938	13,456	17,272	(3.8)	(22.1)
Total Equity	292,399	304,128	292,046	(3.9)	4.1
Fixed Income Taxable:					
U.S.	16,731	15,842	20,593	5.6	(23.1)
Global & Non-US	374,036	397,767	429,947	(6.0)	(7.5)
Total	390,767	413,609	450,540	(5.5)	(8.2)
Fixed Income Tax-Exempt:					
U.S.	52,847	44,916	38,317	17.7	17.2
Global & Non-US	63	73	78	(13.7)	(6.4)
Total	52,910	44,989	38,395	17.6	17.2
Fixed Income Passively Managed[1]:					
U.S.	6,105	5,663	3,336	7.8	69.8
Global & Non-US	7,817	8,201	8,675	(4.7)	(5.5)
Total	13,922	13,864	12,011	0.4	15.4
Total Fixed Income	457,599	472,462	500,946	(3.1)	(5.7)
Other[2]:					
U.S.	52,024	71,129	64,435	(26.9)	10.4
Global & Non-US	6,932	8,334	9,550	(16.8)	(12.7)
Total	58,956	79,463	73,985	(25.8)	7.4
Total Investment Advisory and Services Fees:					
U.S.	321,819	328,540	318,591	(2.0)	3.1
Global & Non-US	487,135	527,513	548,386	(7.7)	(3.8)
	808,954	856,053	866,977	(5.5)	(1.3)
Distribution Revenues	379,881	423,410	440,961	(10.3)	(4.0)
Shareholder Servicing Fees	73,072	83,078	89,198	(12.0)	(6.9)
Total	$1,261,907	$1,362,541	$1,397,136	(7.4)	(2.5)
Affiliated	$46,060	$47,668	$47,910	(3.4)	(0.5)
Non-affiliated	1,215,847	1,314,873	1,349,226	(7.5)	(2.5)
Total	$1,261,907	$1,362,541	$1,397,136	(7.4)	(2.5)

(1) Includes index and enhanced index services.
(2) Includes certain multi-asset solutions and services and certain alternative investments.

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Private Wealth Management

We offer to our private wealth clients, which include high-net-worth individuals and families, trusts and estates, charitable foundations, partnerships, private and family corporations, and other entities, separately-managed accounts, hedge funds, mutual funds and other investment vehicles ("Private Wealth Services").

We manage these accounts pursuant to written investment advisory agreements, which generally are terminable at any time or upon relatively short notice by any party and may not be assigned without the client's consent. For information about our investment advisory and services fees, including performance-based fees, see "Risk Factors" in Item 1A and "Net Revenues – Investment Advisory and Services Fees" in Item 7.

Our Private Wealth Services represented approximately 17%, 16% and 16% of our AUM as of December 31, 2016, 2015 and 2014, and the fees we earned from providing these services represented approximately 23%, 23% and 22% of our net revenues for 2016, 2015 and 2014, respectively. Our AUM and revenues are as follows:

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Private Wealth Services Assets Under Management
(by Investment Service)

	December 31,			% Change	
	2016	2015	2014	2016-15	2015-14
	(in millions)				
Equity Actively Managed:					
U.S.	$23,857	$22,873	$22,842	4.3 %	0.1 %
Global & Non-US	16,851	15,595	15,125	8.1	3.1
Total	40,708	38,468	37,967	5.8	1.3
Equity Passively Managed[1]:					
U.S.	193	177	172	9.0	2.9
Global & Non-US	208	210	402	(1.0)	(47.8)
Total	401	387	574	3.6	(32.6)
Total Equity	41,109	38,855	38,541	5.8	0.8
Fixed Income Taxable:					
U.S.	6,674	6,742	7,396	(1.0)	(8.8)
Global & Non-US	3,528	3,053	2,871	15.6	6.3
Total	10,202	9,795	10,267	4.2	(4.6)
Fixed Income Tax-Exempt:					
U.S.	21,501	19,973	19,401	7.7	2.9
Global & Non-US	3	3	3	—	—
Total	21,504	19,976	19,404	7.6	2.9
Fixed Income Passively Managed[1]:					
U.S.	18	4	5	350.0	(20.0)
Global & Non-US	468	372	402	25.8	(7.5)
Total	486	376	407	29.3	(7.6)
Total Fixed Income	32,192	30,147	30,078	6.8	0.2
Other[2]:					
U.S.	2,650	2,439	1,902	8.7	28.2
Global & Non-US	4,816	5,429	4,968	(11.3)	9.3
Total	7,466	7,868	6,870	(5.1)	14.5
Total:					
U.S.	54,893	52,208	51,718	5.1	0.9
Global & Non-US	25,874	24,662	23,771	4.9	3.7
Total	$80,767	$76,870	$75,489	5.1	1.8

(1) Includes index and enhanced index services.
(2) Includes certain multi-asset solutions and services and certain alternative investments.

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Revenues From Private Wealth Services
(by Investment Service)

	Years Ended December 31,			% Change	
	2016	2015	2014	2016-15	2015-14
	(in thousands)				
Equity Actively Managed:					
U.S.	$255,902	$260,706	$250,415	(1.8)%	4.1 %
Global & Non-US	176,170	171,101	169,228	3.0	1.1
Total	432,072	431,807	419,643	0.1	2.9
Equity Passively Managed[1]:					
U.S.	422	1,229	695	(65.7)	76.8
Global & Non-US	1,053	834	1,839	26.3	(54.6)
Total	1,475	2,063	2,534	(28.5)	(18.6)
Total Equity	433,547	433,870	422,177	(0.1)	2.8
Fixed Income Taxable:					
U.S.	35,756	36,689	39,811	(2.5)	(7.8)
Global & Non-US	23,385	20,488	15,875	14.1	29.1
Total	59,141	57,177	55,686	3.4	2.7
Fixed Income Tax-Exempt:					
U.S.	111,304	106,161	102,509	4.8	3.6
Global & Non-US	31	35	27	(11.4)	29.6
Total	111,335	106,196	102,536	4.8	3.6
Fixed Income Passively Managed[1]:					
U.S.	38	11	9	245.5	22.2
Global & Non-US	3,336	4,299	3,468	(22.4)	24.0
Total	3,374	4,310	3,477	(21.7)	24.0
Total Fixed Income	173,850	167,683	161,699	3.7	3.7
Other[2]:					
U.S.	41,594	22,177	16,566	87.6	33.9
Global & Non-US	54,629	59,594	57,725	(8.3)	3.2
Total	96,223	81,771	74,291	17.7	10.1
Total Investment Advisory and Services Fees:					
U.S.	445,016	426,973	410,005	4.2	4.1
Global & Non-US	258,604	256,351	248,162	0.9	3.3
Total	703,620	683,324	658,167	3.0	3.8
Distribution Revenues	3,840	3,498	3,669	9.8	(4.7)
Shareholder Servicing Fees	4,139	3,031	2,488	36.6	21.8
Total	$711,599	$689,853	$664,324	3.2	3.8

(1) Includes index and enhanced index services.
(2) Includes certain multi-asset solutions and services and certain alternative investments.

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Bernstein Research Services

We offer high-quality fundamental research, quantitative services and brokerage-related services in equities and listed options to institutional investors, such as pension fund, hedge fund and mutual fund managers, and other institutional investors ("Bernstein Research Services"). We serve our clients, which are based in the United States and in other major markets around the world, through our trading professionals, who primarily are based in New York, London and Hong Kong, and our sell-side analysts, who provide fundamental company and industry research along with quantitative research into securities valuation and factors affecting stock-price movements.

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. These services accounted for approximately 16% of our net revenues as of each December 31, 2016, 2015 and 2014.

For information regarding trends in fee rates charged for brokerage transactions, see "Risk Factors" in Item 1A.

Our Bernstein Research Services revenues are as follows:

Revenues From Bernstein Research Services

	Years Ended December 31,			% Change	
	2016	2015	2014	2016-15	2015-14
	(in thousands)				
Bernstein Research Services	$479,875	$493,463	$482,538	(2.8)%	2.3 %

Custody

Our U.S.-based broker-dealer subsidiary acts as custodian for the majority of our Private Wealth Management AUM and some of our Institutions AUM. Other custodial arrangements are maintained by client-designated banks, trust companies, brokerage firms or custodians.

Employees

As of December 31, 2016, our firm had 3,438 full-time employees, representing a 4.5% decrease compared to the end of 2015. We consider our employee relations to be good.

Service Marks

We have registered a number of service marks with the U.S. Patent and Trademark Office and various foreign trademark offices, including the mark "AllianceBernstein". The logo set forth below and "Ahead of Tomorrow" are service marks of AB:

In January 2015, we established two new brand identities. Although the legal names of our corporate entities did not change, our company, and our Institutions and Retail businesses, now are referred to as "AB". Private Wealth Management and Bernstein Research Services now are referred to as "AB Bernstein". Also, we adopted the logo and "Ahead of Tomorrow" service marks described above.

In connection with the Bernstein Transaction, we acquired all of the rights in, and title to, the Bernstein service marks, including the mark "Bernstein".

In connection with the WPS Acquisition, we acquired all of the rights in, and title to, the WPS service marks, including the logo "WPSTEWART". See "W.P. Stewart" in this Item 1 for information regarding the WPS Acquisition.

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Regulation

Virtually all aspects of our business are subject to various federal and state laws and regulations, rules of various securities regulators and exchanges, and laws in the foreign countries in which our subsidiaries conduct business. These laws and regulations primarily are intended to protect clients and fund shareholders and generally grant supervisory agencies broad administrative powers, including the power to limit or restrict the carrying on of business for failure to comply with such laws and regulations. Possible sanctions that may be imposed on us include the suspension of individual employees, limitations on engaging in business for specific periods, the revocation of the registration as an investment adviser or broker-dealer, censures and fines.

AB, AB Holding, the General Partner and five of our subsidiaries (Sanford C. Bernstein & Co., LLC (“SCB LLC”), AllianceBernstein Global Derivatives Corporation, AB Private Credit Investors LLC, WPS and W.P. Stewart Asset Management LLC) are registered with the SEC as investment advisers under the Investment Advisers Act. Additionally, AB Holding is an NYSE-listed company and, accordingly, is subject to applicable regulations promulgated by the NYSE. Also, AB, SCB LLC and AB Custom Alternative Solutions LLC (another of our subsidiaries) are registered with the Commodity Futures Trading Commission (“CFTC”) as commodity pool operators and commodity trading advisers; SCB LLC also is registered with the CFTC as a commodities introducing broker.

Each U.S. Fund is registered with the SEC under the Investment Company Act and each Non-U.S. Fund is subject to the laws in the jurisdiction in which the fund is registered. For example, our platform of Luxembourg-based funds operates pursuant to Luxembourg laws and regulations, including Undertakings for the Collective Investment in Transferable Securities Directives, and is authorized and supervised by the Commission de Surveillance du Secteur Financier (“CSSF”), the primary regulator in Luxembourg. AllianceBernstein Investor Services, Inc., one of our subsidiaries, is registered with the SEC as a transfer and servicing agent.

SCB LLC and another of our subsidiaries, AllianceBernstein Investments, Inc., are registered with the SEC as broker-dealers, and both are members of the Financial Industry Regulatory Authority. In addition, SCB LLC is a member of the NYSE and other principal U.S. exchanges.

Many of our subsidiaries are subject to the oversight of regulatory authorities in the jurisdictions outside the United States in which they operate, including the European Securities and Markets Authority, the Financial Conduct Authority in the U.K., the CSSF in Luxembourg, the Financial Services Agency in Japan, the Securities & Futures Commission in Hong Kong, the Monetary Authority of Singapore, the Financial Services Commission in South Korea and the Financial Supervisory Commission in Taiwan. While these regulatory requirements often may be comparable to the requirements of the SEC and other U.S. regulators, they are sometimes more restrictive and may cause us to incur substantial expenditures of time and money related to our compliance efforts. For additional information relating to the regulations that impact our business, please refer to "Risk Factors" in Item 1A.

Iran Threat Reduction and Syria Human Rights Act

AB, AB Holding and their global subsidiaries had no transactions or activities requiring disclosure under the Iran Threat Reduction and Syria Human Rights Act (“Iran Act”), nor were they involved in the AXA Group matters described immediately below.

The non-U.S. based subsidiaries of AXA operate in compliance with applicable laws and regulations of the various jurisdictions in which they operate, including applicable international (United Nations and European Union) laws and regulations. While AXA Group companies based and operating outside the United States generally are not subject to U.S. law, as an international group, AXA has in place policies and standards (including the AXA Group International Sanctions Policy) that apply to all AXA Group companies worldwide and often impose requirements that go well beyond local law. For additional information regarding AXA, see "Principal Security Holders" in Item 12.

AXA has informed us that AXA Konzern AG, an AXA insurance subsidiary organized under the laws of Germany, provides car insurance to diplomats based at the Iranian embassy in Berlin, Germany. The total annual premium of these policies is approximately $13,000 and the annual net profit arising from these policies, which is difficult to calculate with precision, is estimated to be $1,950. These policies were underwritten by a broker who specializes in providing insurance coverage for diplomats. Provision of motor vehicle insurance is mandatory in Germany and cannot be cancelled until the policies expire.

In addition, AXA has informed us that AXA Insurance Ireland, an AXA insurance subsidiary, provides statutorily required car insurance under four separate policies to the Iranian embassy in Dublin, Ireland. AXA has informed us that compliance with the

Declined Cases Agreement of the Irish Government prohibits the cancellation of these policies unless another insurer is willing to assume the coverage. The total annual premium for these policies is approximately $6,094 and the annual net profit arising from these policies, which is difficult to calculate with precision, is estimated to be $914.

Also, AXA has informed us that AXA Sigorta, a subsidiary of AXA organized under the laws of Turkey, provides car insurance coverage for vehicle pools of the Iranian General Consulate and the Iranian embassy in Istanbul, Turkey. Motor liability insurance coverage is mandatory in Turkey and cannot be cancelled unilaterally. The total annual premium in respect of these policies is approximately $3,150 and the annual net profit, which is difficult to calculate with precision, is estimated to be $473.

Additionally, AXA has informed us that AXA Ukraine, an AXA insurance subsidiary, provides car insurance for the Attaché of the Embassy of Iran in Ukraine. Motor liability insurance coverage cannot be cancelled under Ukrainian law. The total annual premium in respect of this policy is approximately $1,000 and the annual net profit, which is difficult to calculate with precision, is estimated to be $150.

AXA also has informed us that AXA Ubezpieczenia, an AXA insurance subsidiary organized under the laws of Poland, provides car insurance to two diplomats based at the Iranian embassy in Warsaw, Poland. Provision of motor vehicle insurance is mandatory in Poland. The total annual premium of these policies is approximately $535 and the annual net profit arising from these policies, which is difficult to calculate with precision, is estimated to be $80.

In addition, AXA has informed us that AXA Winterthur, an AXA insurance subsidiary organized under the laws of Switzerland, provides Naftiran Intertrade, a wholly-owned subsidiary of the Iranian state-owned National Iranian Oil Company, with life, disability and accident coverage for its employees. The provision of these forms of coverage is mandatory for employees in Switzerland. The total annual premium of these policies is approximately $373,668 and the annual net profit arising from these policies, which is difficult to calculate with precision, is estimated to be $56,000.

Lastly, AXA has informed us that AXA France, an AXA insurance subsidiary, has identified a property insurance contract for Bank Sepah in Paris, France. This business commenced in July 2016 for a total annual premium of approximately $1,400 and the annual net profit arising from this policy, which is difficult to calculate with precision, is estimated to be $210. This business was cancelled in September 2016.

The aggregate annual premium for the above-referenced insurance policies is approximately $398,847, representing approximately 0.0004% of AXA's 2016 consolidated revenues, which are likely to approximate $100 billion. The related net profit, which is difficult to calculate with precision, is estimated to be $59,777, representing approximately 0.0009% of AXA's 2016 aggregate net profit.

History and Structure

We have been in the investment research and management business for 50 years. Bernstein was founded in 1967; Alliance Capital was founded in 1971 when the investment management department of Donaldson, Lufkin & Jenrette, Inc. (since November 2000, a part of Credit Suisse Group) merged with the investment advisory business of Moody's Investors Service, Inc.

In April 1988, AB Holding "went public" as a master limited partnership. AB Holding Units, which trade under the ticker symbol "AB", have been listed on the NYSE since that time.

In October 1999, AB Holding reorganized by transferring its business and assets to AB, a newly-formed operating partnership, in exchange for all of the AB Units ("Reorganization"). Since the date of the Reorganization, AB has conducted the business formerly conducted by AB Holding and AB Holding's activities have consisted of owning AB Units and engaging in related activities. Unlike AB Holding Units, AB Units do not trade publicly and are subject to significant restrictions on transfer. The General Partner is the general partner of both AB and AB Holding.

In October 2000, our two legacy firms, Alliance Capital and Bernstein, combined, bringing together Alliance Capital's expertise in growth equity and corporate fixed income investing and its family of retail mutual funds, with Bernstein's expertise in value equity investing, tax-exempt fixed income management, and its Private Wealth Management and Bernstein Research Services businesses. For additional details about this business combination, see Note 2 to AB's consolidated financial statements in Item 8.

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As of December 31, 2016, the condensed ownership structure of AB is as follows (for a more complete description of our ownership structure, see "Principal Security Holders" in Item 12):

The General Partner owns 100,000 general partnership units in AB Holding and a 1% general partnership interest in AB. Including these general partnership interests, AXA, through certain of its subsidiaries (see "Principal Security Holders" in Item 12), had an approximate 63.7% economic interest in AB as of December 31, 2016.

Competition

We compete in all aspects of our business with numerous investment management firms, mutual fund sponsors, brokerage and investment banking firms, insurance companies, banks, savings and loan associations, and other financial institutions that often provide investment products that have similar features and objectives as those we offer. Our competitors offer a wide range of financial services to the same customers that we seek to serve. Some of our competitors are larger, have a broader range of product choices and investment capabilities, conduct business in more markets, and have substantially greater resources than we do. These factors may place us at a competitive disadvantage, and we can give no assurance that our strategies and efforts to maintain and enhance our current client relationships, and create new ones, will be successful.

In addition, AXA and its subsidiaries provide financial services, some of which compete with those we offer. The AB Partnership Agreement specifically allows AXA and its subsidiaries (other than the General Partner) to compete with AB and to pursue opportunities that may be available to us. AXA, AXA Financial, AXA Equitable and certain of their respective subsidiaries have substantially greater financial resources than we do and are not obligated to provide resources to us.

To grow our business, we believe we must be able to compete effectively for AUM. Key competitive factors include:

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- our investment performance for clients;
- our commitment to place the interests of our clients first;
- the quality of our research;
- our ability to attract, motivate and retain highly skilled, and often highly specialized, personnel;
- the array of investment products we offer;
- the fees we charge;
- Morningstar/Lipper rankings for the AB Funds;
- our ability to sell our actively-managed investment services despite the fact that many investors favor passive services;
- our operational effectiveness;
- our ability to further develop and market our brand; and
- our global presence.

Competition is an important risk that our business faces and should be considered along with the other risk factors we discuss in “Risk Factors” in Item 1A.

Available Information

AB and AB Holding file or furnish annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, amendments to such reports, and other reports (and amendments thereto) required to comply with federal securities laws, including Section 16 beneficial ownership reports on Forms 3, 4 and 5, registration statements and proxy statements. We maintain an Internet site (http://www.abglobal.com) where the public can view these reports, free of charge, as soon as reasonably practicable after each report is filed with, or furnished to, the SEC. In addition, the SEC maintains an Internet site (http://www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

W.P. Stewart

On December 12, 2013, we acquired WPS, an equity investment manager that managed, as of December 12, 2013, approximately $2.1 billion in U.S., Global and Europe, Australasia (Australia and New Zealand) and Far East (“EAFE”) concentrated growth equity strategies for its clients, primarily in the U.S. and Europe. On the date of the WPS Acquisition, each of approximately 4.9 million outstanding shares of WPS common stock (other than certain specified shares, as previously disclosed in Amendment No. 2 to Form S-4 filed by AB on November 8, 2013) was converted into the right to receive $12.00 per share and one transferable contingent value right (“CVRs”) entitling the holders to an additional $4.00 per share cash payment if the Assets Under Management (as such term is defined in the Contingent Value Rights Agreement (“CVR Agreement”) dated as of December 12, 2013, a copy of which we filed as Exhibit 4.01 (“Exhibit 4.01”) to our Form 10-K for the year ended December 31, 2013) in the acquired WPS investment services had exceeded $5 billion on or before December 12, 2016, subject to measurement procedures and limitations set forth in the CVR Agreement. See the definition of AUM Milestone in the CVR Agreement filed as Exhibit 4.01. The foregoing description of the CVR Agreement does not purport to be complete and is qualified in its entirety by the full text of the CVR Agreement.

Based on AB’s periodic calculations pursuant to the CVR Agreement during the term of the CVR Agreement, AB has determined that the AUM Milestone was not achieved at any point during the term of the CVR Agreement. Accordingly, the CVR Agreement has terminated in accordance with its terms and the additional $4.00 per share cash payment will not be made.

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Item 1A. Risk Factors

Please consider this section along with the description of our business in Item 1, the competition section immediately above and AB's financial information contained in Items 6, 7 and 8. The majority of the risk factors discussed below directly affect AB. These risk factors also affect AB Holding because AB Holding's principal source of income and cash flow is attributable to its investment in AB. See also "Cautions Regarding Forward-Looking Statements" in Item 7.

Business-related Risks

Our revenues and results of operations depend on the market value and composition of our AUM, which can fluctuate significantly based on various factors, including many factors outside of our control.

We derive most of our revenues from investment advisory and services fees, which typically 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 the account and the total amount of assets we manage for a particular client. The value and composition of our AUM can be adversely affected by several factors, including:

- Market Factors. Uncertainties were prevalent during 2016, as global markets reacted to issues including Great Britain's vote to exit the European Union, increased regulatory scrutiny in the U.S. and abroad, a mixed outlook for global economic growth, foreign exchange rates and interest rates, negative fixed income performance, and the contentious U.S. election. Although U.S. markets rallied following the U.S. election and an interest rate increase, together with related commentary from the Federal Reserve, provided some clarity as to the direction of interest rates, many concerning issues remain for global investors. These factors may adversely affect our AUM and revenues. Additionally, increases in interest rates, particularly if rapid, likely will decrease the total return of many bond investments due to lower market valuations of existing bonds. These factors could have a significant adverse effect on our revenues and results of operations as AUM in our fixed income investments comprise a major component of our total AUM.

- Client Preferences. Generally, our clients may withdraw their assets at any time and on short notice. Also, changing market dynamics and investment trends, particularly with respect to sponsors of defined benefit plans choosing to invest in less risky investments and the ongoing shift to lower-fee passive services described below, may continue to reduce interest in some of the investment products we offer, and/or clients and prospects may continue to seek investment products that we may not currently offer. Loss of, or decreases in, AUM reduces our investment advisory and services fees and revenues.

- Our Investment Performance. Our ability to achieve investment returns for clients that meet or exceed investment returns for comparable asset classes and competing investment services is a key consideration when clients decide to keep their assets with us or invest additional assets, and when a prospective client is deciding whether to invest with us. Poor investment performance, both in absolute terms and/or relative to peers and stated benchmarks, may result in clients withdrawing assets and in prospective clients choosing to invest with competitors.
- Investing Trends. Our fee rates vary significantly among the various investment products and services we offer to our clients. For example, we generally earn higher fees from assets invested in our actively-managed equity services than in our actively-managed fixed income services or passive services. Also, we often earn higher fees from global and international services than we do from U.S. services (see "Net Revenues" in Item 7 for additional information regarding our fee rates). If our clients continue to invest in actively-managed fixed income services and/or passive services, which generally have lower fees, instead of actively-managed equity services, which generally have higher fees, our investment advisory and services fees and revenues will decline.
- Service Changes. We may be required to reduce our fee levels, restructure the fees we charge and/or adjust the services we offer to our clients because of, among other things, regulatory initiatives (whether industry-wide or

specifically targeted), changing technology in the asset management business (including algorithmic strategies and emerging financial technology), court decisions and competitive considerations. A reduction in fees would reduce our revenues.

A decrease in the value of our AUM, or a decrease in the amount of AUM we manage, or an adverse mix shift in our AUM, would adversely affect our investment advisory and services fees and revenues. A reduction in revenues, without a commensurate reduction in expenses, adversely affects our results of operations.

The industry-wide shift from actively-managed investment services to passive services has adversely affected our investment advisory and services fees, revenues and results of operations, and this trend may continue.
Our competitive environment has become increasingly difficult over the past decade, as active managers have, on average, consistently underperformed passive services, which invest based on market indices rather than individual security selection. This collective experience on the part of investors has obscured the strong performance of individual active managers and resulted in significant outflows from actively-managed services and corresponding significant inflows into passive services. In

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respect of U.S. mutual funds, for example, passive inflows continued to accelerate throughout 2016 and totaled an all-time high of $473 billion for the year -- the 5th consecutive record year for inflows to passive products. During that same period, U.S. actively-managed long-term funds experienced net outflows of $252 billion, a second consecutive record outflow year. In this environment, organic growth through positive net inflows is difficult to achieve for active managers, such as AB, and requires taking market share from other active managers.
The significant shift from active services to passive services adversely affects Bernstein Research Services revenues as well. Global market volumes have declined in recent years, and we expect this to continue, fueled by the steady rise in active equity outflows and passive equity inflows. Global and U.S. active equities have experienced net outflows for nine of the past 10 calendar years, and outflows have accelerated in the past three years, primarily due to the increase in passive investing. As a result, portfolio turnover has decreased and investors hold fewer shares that are actively traded by managers.
Our reputation could suffer if we are unable to deliver consistent, competitive investment performance.

Our business is based on the trust and confidence of our clients. Damage to our reputation, resulting from poor or inconsistent investment performance, among other factors, can reduce substantially our AUM and impair our ability to maintain or grow our business.

Maintaining adequate liquidity for our general business needs depends on certain factors, including operating cash flows and our access to credit on reasonable terms.

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 AUM and other factors beyond our control. Our ability to issue public or private debt on reasonable terms may be limited by adverse market conditions, our profitability, our creditworthiness as perceived by lenders and changes in government regulations, including tax rates and interest rates. Furthermore, our access to credit on reasonable terms is partially dependent on our firm’s credit ratings.

Moody’s Investors Service, Inc. ("Moody's") affirmed AB’s long-term and short-term credit ratings in 2016, while Standard & Poor's Rating Service ("S&P") downgraded AB's long-term rating from A+ to A. After the downgrade, S&P's rating (A/A1) aligns with Moody's rating (A2/P1) of AB. Both S&P and Moody's indicated a stable outlook in 2016. Future changes in our credit ratings are possible and any downgrade to our ratings is likely to increase our borrowing costs and limit our access to the capital markets. If this occurs, we may be forced to incur unanticipated costs or revise our strategic plans, which could have a material adverse effect on our financial condition, results of operations and business prospects.

Our business is dependent on investment advisory agreements with clients, and selling and distribution agreements with various financial intermediaries and consultants, which generally are subject to termination or non-renewal on short notice.

We derive most of our revenues pursuant to written investment management agreements (or other arrangements) with institutional investors, mutual funds and private wealth clients, and selling and distribution agreements with financial intermediaries that distribute AB Funds. Generally, the investment management agreements (and other arrangements), including our agreements with AXA and its subsidiaries (our largest client), are terminable at any time or upon relatively short notice by either party. The investment management agreements pursuant to which we manage the U.S. Funds must be renewed and approved by the Funds’ boards of directors annually. A significant majority of the directors are independent. Consequently, there can be no assurance that the board of directors of each fund will approve the fund’s investment management agreement each year, or will not condition its approval on revised terms that may be adverse to us. In addition, investors in AB Funds can redeem their investments without notice. Any termination of, or failure to renew, a significant number of these agreements, or a significant increase in redemption rates, could have a material adverse effect on our results of operations and business prospects.

Similarly, the selling and distribution agreements with securities firms, brokers, banks and other financial intermediaries (including our agreement with HSBC, with respect to which HSBC was responsible for approximately 12% of our open-end AB Fund sales in 2016) are terminable by either party upon notice (generally 30 days) and do not obligate the financial intermediary to sell any specific amount of fund shares. These intermediaries generally offer their clients investment products that compete with our products. In addition, certain institutional investors rely on consultants to advise them about choosing an investment adviser and some of our services may not be considered among the best choices by these consultants. As a result, investment consultants may advise their clients to move their assets invested with us to other investment advisers, which could result in significant net outflows.

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Lastly, our Private Wealth Services rely on referrals from financial planners, registered investment advisers and other professionals. We cannot be certain that we will continue to have access to, or receive referrals from, these third parties. Loss of such access or referrals could have a material adverse effect on our results of operations and business prospects.

We may be unable to continue to attract, motivate and retain key personnel, and the cost to retain key personnel could put pressure on our adjusted operating margin.

Our business depends on our ability to attract, motivate and retain highly skilled, and often highly specialized, technical, investment, managerial and executive personnel and there is no assurance that we will be able to do so.

The market for these professionals is extremely competitive and is characterized by their frequent movement among different firms. Also, they often maintain strong, personal relationships with investors in our products and other members of the business community so their departure may cause us to lose client accounts or result in fewer opportunities to win new business, either of which factors could have a material adverse effect on our results of operations and business prospects.

Additionally, a decline in revenues may limit our ability to pay our employees at competitive levels, and maintaining (or increasing) compensation without a revenue increase, in order to retain key personnel, may adversely affect our adjusted operating margin. As a result, we remain vigilant about aligning our cost structure (including headcount) with our revenue base. For additional information regarding our compensation practices, see "Compensation Discussion and Analysis" in Item 11.

Performance-based fee arrangements with our clients cause greater fluctuations in our net revenues.

We sometimes charge our clients performance-based fees, whereby 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 in absolute terms 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 the 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 7.0%, 4.2% and 0.9% of the assets we manage for institutional clients, private wealth clients and retail clients, respectively (in total, 4.5% of our AUM). If the percentage of our AUM subject to performance-based fees grows, seasonality and volatility of revenue and earnings are likely to become more significant. Our performance-based fees in 2016, 2015 and 2014 were $32.8 million, $23.7 million and $53.2 million, respectively.

An impairment of goodwill may occur.

Determining whether an impairment of the goodwill asset exists requires management to exercise a substantial amount of judgment. In addition, to the extent that securities valuations are depressed for prolonged periods of time and/or market conditions deteriorate, or if we experience significant net redemptions, our AUM, revenues, profitability and unit price will continue to be adversely affected. Although the price of an AB Holding Unit is just one factor in the calculation of fair value, if AB Holding Unit price levels decline significantly, reaching the conclusion that fair value exceeds carrying value will, over time, become more difficult. In addition, control premiums, industry earnings multiples and discount rates are impacted by economic conditions. As a result, subsequent impairment tests may occur more frequently and be based on more negative assumptions and future cash flow projections, and may result in an impairment of goodwill. An impairment may result in a material charge to our earnings. For additional information about our impairment testing, see Item 7.

We may engage in strategic transactions that could pose risks.

As part of our business strategy, we consider potential strategic transactions, including acquisitions, dispositions, mergers, consolidations, joint ventures and similar transactions, some of which may be material. These transactions, if undertaken, may involve a number of risks and present financial, managerial and operational challenges, including:

- adverse effects on our earnings if acquired intangible assets or goodwill become impaired;
- existence of unknown liabilities or contingencies that arise after closing; and
- potential disputes with counterparties.

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Acquisitions also pose the risk that any business we acquire may lose customers or employees or could underperform relative to expectations. Additionally, the loss of investment personnel poses the risk that we may lose the AUM we expected to manage, which could adversely affect our results of operations. Furthermore, strategic transactions may require us to increase our leverage or, if we issue AB Units or AB Holding Units to fund an acquisition, would dilute the holdings of our existing Unitholders.

Fluctuations in the exchange rates between the U.S. dollar and various other currencies can adversely affect our AUM, revenues and results of operations.

Although significant portions of our net revenues and expenses, as well as our AUM, presently are denominated in U.S. dollars, we have subsidiaries and clients outside of the United States with functional currencies other than the U.S. dollar. Weakening of these currencies relative to the U.S. dollar adversely affects the value in U.S. dollar terms of our revenues and our AUM denominated in these other currencies. Accordingly, fluctuations in U.S. dollar exchange rates affect our AUM, revenues and reported financial results from one period to the next.

We may not be successful in our efforts to hedge our exposure to such fluctuations, which could negatively impact our revenues and reported financial results.

Our seed capital investments are subject to market risk. While we enter into various futures, forwards, swap and option contracts to economically hedge many of these investments, we also may be exposed to market risk and credit-related losses in the event of non-performance by counterparties to these derivative instruments.

We have a seed investment program for the purpose of building track records and assisting with the marketing initiatives pertaining to our firm's new products. These seed capital investments are subject to market risk. Our risk management team oversees a seed hedging program that attempts to minimize this risk, subject to practical and cost considerations. Also, not all seed investments are deemed appropriate to hedge, and in those cases we are exposed to market risk. In addition, we may be subject to basis risk in that we cannot always hedge with precision our market exposure and, as a result, we may be subject to relative spreads between market sectors. As a result, volatility in the capital markets may cause significant changes in our period-to-period financial and operating results.

We use various derivative instruments, including futures, forwards, swap and option contracts, in conjunction with our seed hedging program. While in most cases broad market risks are hedged, our hedges are imperfect and some market risk remains. In addition, our use of derivatives results in counterparty risk (i.e., the risk that we may be exposed to credit-related losses in the event of non-performance by counterparties to these derivative instruments), regulatory risk (e.g., short selling restrictions) and cash/synthetic basis risk (i.e., the risk that the underlying positions do not move identically to the related derivative instruments).

The revenues generated by Bernstein Research Services may be adversely affected by circumstances beyond our control, including declines in brokerage transaction rates, declines in global market volumes and failure to settle our trades by significant counterparties.

Electronic, or “low-touch”, trading approaches represent a significant percentage of buy-side trading activity and typically produce transaction fees for execution-only services that are approximately one-third the price of traditional full service fee rates. As a result, blended pricing throughout our industry is lower now than it was historically, and price declines may continue. In addition, fee rates we charge and charged by other brokers for traditional brokerage services have historically experienced price pressure, and we expect these trends to continue. Also, while increases in transaction volume and market share often can offset decreases in rates, this may not continue.

In addition, the failure or inability of any of our broker-dealer's significant counterparties to perform could expose us to substantial expenditures and adversely affect our revenues. For example, SCB LLC, as a member of clearing and settlement exchanges, would be required to settle open trades of any non-performing counterparty. This exposes us to the mark-to-market adjustment on the trades between trade date and settlement date, which could be significant, especially during periods of severe market volatility. Lastly, our ability to access liquidity in such situations may be limited by what our funding relationships are able to offer us at such times.

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The individuals, third-party vendors or issuers on whom we rely to perform services for us or our clients may be unable or unwilling to honor their contractual obligations to us.

We rely on various counterparties and other third-party vendors to augment our existing investment, operational, financial and technological capabilities, but the use of a third-party vendor does not diminish AB's responsibility to ensure that client and regulatory obligations are met. Default rates, credit downgrades and disputes with counterparties as to the valuation of collateral increase significantly in times of market stress. Disruptions in the financial markets and other economic challenges may cause our counterparties and other third-party vendors to experience significant cash flow problems or even render them insolvent, which may expose us to significant costs and impair our ability to conduct business.

Weaknesses or failures within a third-party vendor's internal processes or systems, or inadequate business continuity plans, can materially disrupt our business operations. Also, third-party vendors may lack the necessary infrastructure or resources to effectively safeguard our confidential data. If we are unable to effectively manage the risks associated with such third-party relationships, we may suffer fines, disciplinary action and reputational damage.

We may not accurately value the securities we hold on behalf of our clients or our company investments.

In accordance with applicable regulatory requirements, contractual obligations or client direction, we employ procedures for the pricing and valuation of securities and other positions held in client accounts or for company investments. We have established a Valuation Committee, composed of senior officers and employees, which oversees pricing controls and valuation processes. If market quotations for a security are not readily available, the Valuation Committee determines a fair value for the security.

Extraordinary volatility in financial markets, significant liquidity constraints or our failure to adequately consider one or more factors when determining the fair value of a security based on information with limited market observability could result in our failing to properly value securities we hold for our clients or investments accounted for on our balance sheet. Improper valuation likely would result in our basing fee calculations on inaccurate AUM figures, our striking incorrect net asset values for company-sponsored mutual funds or hedge funds or, in the case of company investments, our inaccurately calculating and reporting our financial condition and operating results. Although the overall percentage of our AUM that we fair value based on information with limited market observability is not significant, inaccurate fair value determinations can harm our clients, create regulatory issues and damage our reputation.

We may not have sufficient information to confirm or review the accuracy of valuations provided to us by underlying external managers for the funds in which certain of our alternative investment products invest.

Certain of our alternative investment services invest in funds managed by external managers (“External Managers”) rather than investing directly in securities and other instruments. As a result, our abilities will be limited with regard to (i) monitoring such investments, (ii) regularly obtaining complete, accurate and current information with respect to such investments and (iii) exercising control over such investments. Accordingly, we may not have sufficient information to confirm or review the accuracy of valuations provided to us by External Managers. In addition, we will be required to rely on External Managers’ compliance with any applicable investment guidelines and restrictions. Any failure of an External Manager to operate within such guidelines or to provide accurate information with respect to the investment could subject our alternative investment products to losses and cause damage to our reputation.

The quantitative models we use in certain of our investment services may contain errors, resulting in imprecise risk assessments and unintended output.

We use quantitative models in a variety of our investment services, generally in combination with fundamental research. These models are developed by senior quantitative professionals and typically are implemented by IT professionals. Our Model Risk Oversight Committee oversees the model governance framework and associated model review activities, which are then executed by our Model Risk Team. However, due to the complexity and large data dependency of such models, it is possible that errors in the models could exist and our controls could fail to detect such errors. Failure to detect errors could result in client losses and reputational damage.

We may not always successfully manage actual and potential conflicts of interest that arise in our business.

Increasingly, we must manage actual and potential conflicts of interest, including situations where our services to a particular client conflict, or are perceived to conflict, with the interests of another client. Failure to adequately address potential conflicts of interest could adversely affect our reputation, results of operations and business prospects.

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We have procedures and controls that are designed to identify and mitigate conflicts of interest, including those designed to prevent the improper sharing of information. However, appropriately managing conflicts of interest is complex. Our reputation could be damaged and the willingness of clients to enter into transactions in which such a conflict might arise may be affected if we fail, or appear to fail, to deal appropriately with actual or perceived conflicts of interest. In addition, potential or perceived conflicts could give rise to litigation or regulatory enforcement actions.

Unpredictable events, including natural disaster, dangerous weather conditions, technology failure, terrorist attack and political unrest, may adversely affect our ability to conduct business.

War, terrorist attack, political unrest, power failure, climate change, natural disaster and rapid spread of infectious diseases could interrupt our operations by:

- causing disruptions in global economic conditions, thereby decreasing investor confidence and making investment products generally less attractive;
- inflicting loss of life;
- triggering large-scale technology failures or delays; and
- requiring substantial capital expenditures and operating expenses to remediate damage and restore operations.

Despite the contingency plans and facilities we have in place, including system security measures, information back-up and disaster recovery processes, our ability to conduct business may be adversely affected by a disruption in the infrastructure that supports our operations and the communities in which they are located. This may include a disruption involving electrical, communications, transportation or other services we may use or third parties with which we conduct business. If a disruption occurs in one location and our employees in that location are unable to occupy our offices or communicate with or travel to other locations, our ability to conduct business with and on behalf of our clients may suffer, and we may not be able to successfully implement contingency plans that depend on communication or travel. Furthermore, unauthorized access to our systems as a result of a security breach, the failure of our systems, or the loss of data could give rise to legal proceedings or regulatory penalties under laws protecting the privacy of personal information, disrupt operations, and damage our reputation.

Our operations require experienced, professional staff. Loss of a substantial number of such persons or an inability to provide properly equipped places for them to work may, by disrupting our operations, adversely affect our financial condition, results of operations and business prospects. In addition, our property and business interruption insurance may not be adequate to compensate us for all losses, failures or breaches that may occur.

Technology failures and disruptions, including failures to properly safeguard confidential information, can significantly constrain our operations and result in significant time and expense to remediate, which could result in a material adverse effect on our results of operations and business prospects.

We are highly dependent on software and related technologies throughout our business, including both proprietary systems and those provided by third-party vendors. We use our technology to, among other things, obtain securities pricing information, process client transactions, store and maintain data, and provide reports and other services to our clients. Despite our protective measures, including measures designed to effectively secure information through system security technology and established and tested business continuity plans, we may still experience system delays and interruptions as a result of natural disasters, hardware failures, software defects, power outages, acts of war and third-party failures. We cannot predict with certainty all of the adverse effects that could result from our failure, or the failure of a third party, to efficiently address and resolve these delays and interruptions. These adverse effects could include the inability to perform critical business functions or failure to comply with financial reporting and other regulatory requirements, which could lead to loss of client confidence, reputational damage, exposure to disciplinary action and liability to our clients.

Many of the software applications that we use in our business are licensed from, and supported, upgraded and maintained by, third-party vendors. A suspension or termination of certain of these licenses or the related support, upgrades and maintenance could cause temporary system delays or interruption. Additionally, technology rapidly evolves and we cannot guarantee that our competitors may not implement more advanced technology platforms for their products and services, which may place us at a competitive disadvantage and adversely affect our results of operations and business prospects.

Also, we could be subject to losses if we fail to properly safeguard sensitive and confidential information. As part of our normal operations, we maintain and transmit confidential information about our clients as well as proprietary information relating to our business operations. Although we take protective measures, our systems still could be vulnerable to cyber attack or other

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forms of unauthorized access (including computer viruses) that have a security impact, such as an authorized employee or vendor inadvertently or intentionally causing us to release confidential or proprietary information. Such disclosure could, among other things, allow competitors access to our proprietary business information and require significant time and expense to investigate and remediate the breach. Moreover, loss of confidential client information could harm our reputation and subject us to liability under laws that protect confidential personal data, resulting in increased costs or loss of revenues.

Any significant security breach of our information and cyber security infrastructure may significantly harm our operations and reputation.
It is critical that we ensure the continuity and effectiveness of our information and cyber security infrastructure, policies, procedures and capabilities to protect our computer and telecommunications systems and the data that reside on or are transmitted through them and contracted third-party systems. Although we take protective measures, including measures to effectively secure information through system security technology, our technology systems may still be vulnerable to unauthorized access, computer viruses or other events that have a security impact, such as an external attack by one or more cyber criminals (including phishing attacks attempting to obtain confidential information and ransomware attacks attempting to block access to a computer system until a sum of money is paid), which could materially harm our operations and reputation. Additionally, while we take precautions to password protect and encrypt our laptops and sensitive information on our other mobile electronic devices, if such devices are stolen, misplaced or left unattended, they may become vulnerable to hacking or other unauthorized use, creating a possible security risk and resulting in potentially costly actions by us.
Our own operational failures or those of third parties on which we rely, including failures arising out of human error, could disrupt our business, damage our reputation and reduce our revenues.

Weaknesses or failures in our internal processes or systems could lead to disruption of our operations, liability to clients, exposure to disciplinary action or harm to our reputation. Our business is highly dependent on our ability to process, on a daily basis, large numbers of transactions, many of which are highly complex, across numerous and diverse markets. These transactions generally must comply with client investment guidelines, as well as stringent legal and regulatory standards.

Our obligations to clients require us to exercise skill, care and prudence in performing our services. Despite our employees being highly trained and skilled, the large number of transactions we process makes it highly likely that errors will occasionally occur. If we make a mistake in performing our services that causes financial harm to a client, we have a duty to act promptly to put the client in the position the client would have been in had we not made the error. The occurrence of mistakes, particularly significant ones, can have a material adverse effect on our reputation, results of operations and business prospects.

Our insurance policies may be insufficient to protect us against large losses.

We can make no assurance that a claim or claims will be covered by our insurance policies or, if covered, will not exceed the limits of available insurance coverage, or that our insurers will remain solvent and meet their obligations.

Our business is subject to pervasive, complex and continuously evolving global regulation, compliance with which involves substantial expenditures of time and money, and violation of which may result in material adverse consequences.

Virtually all aspects of our business are subject to federal and state laws and regulations, rules of securities regulators and exchanges, and laws and regulations in the foreign jurisdictions in which our subsidiaries conduct business. If we violate these laws or regulations, we could be subject to civil liability, criminal liability or sanction, including restriction or revocation of our and our subsidiaries' professional licenses or registrations, revocation of the licenses of our employees, censures, fines, or temporary suspension or permanent bar from conducting business. Any such liability or sanction could have a material adverse effect on our financial condition, results of operations and business prospects. A regulatory proceeding, even if it does not result in a finding of wrongdoing or sanction, could require substantial expenditures of time and money and could potentially damage our reputation.

In recent years, global regulators have substantially increased their oversight of financial services. Some of the newly-adopted and proposed regulations are focused on investment management services. Others, while more broadly focused, nonetheless impact our business. Moreover, the adoption of new laws, regulations or standards and changes in the interpretation or enforcement of existing laws, regulations or standards have directly affected, and will continue to affect, our business, including making our efforts to comply more expensive and time-consuming.

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For example, the Financial Supervisory Commission in Taiwan ("FSC") implemented, as of January 1, 2015, new limits on the degree to which local investors can own an offshore investment product. While certain exemptions have been available to us, should we not continue to qualify, the FSC's rules could force some of our local resident investors to redeem their investments in our funds sold in Taiwan (and/or prevent further sales of those funds in Taiwan), some of which funds have local ownership levels substantially above the FSC limits. This could lead to significant declines in our investment advisory and services fees and revenues earned from these funds.

In addition, currently pending regulations in the U.S. and Europe could pose significant challenges to AB, including a regulation issued by the U.S. Department of Labor ("DOL"), which currently is scheduled to apply to our business in April 2017. If the DOL's fiduciary rule goes into effect, it will impose a heightened fiduciary standard on financial advisors who provide investment advice pertaining to retirement assets, including roll-overs of 401(k) balances and investments in individual retirement accounts. Implementation of the DOL's rule may impact how we compensate our financial advisors and the financial intermediaries that sell our investment funds, as well as increase the cost and complexity of our compliance efforts.

In Europe, the second installment of the Markets in Financial Instruments Directive II ("MiFID II"), enactment of which has been delayed until January 1, 2018, makes significant modifications to the manner in which European broker-dealers can be compensated for research. These modifications are recognized in the industry as having the potential to significantly decrease the overall research spend by European buy-side firms. Consequently, our U.K.-based broker-dealer is considering new charging mechanisms for its research in order to minimize this impact as part of its broader MiFID II implementation program.

Also, MiFID II will permit buy-side firms to purchase research through the use of client-funded research payment accounts and the language of the Delegated Act under MiFID II appears to permit the funding of these accounts in a manner that would permit the continued use of traditional commission sharing agreements, which would significantly reduce the financial impact on buy-side and sell-side firms of the MiFID II prohibition on inducements. However, significant operational changes will be required to implement the rule. The ultimate impact of MiFID II on payments for research currently is uncertain.

Lastly, it also is uncertain how regulatory trends will evolve under the current U.S. President's administration and after national elections are held in certain nations abroad during 2017, including France and Germany. In June 2016, a narrow majority of voters in a U.K. referendum voted to exit the European Union ("Brexit"), but it remains unclear exactly how the U.K.'s status in relation to the European Union ("EU") will change when it ultimately leaves. Ongoing changes in the EU's regulatory framework applicable to our business, including Brexit and any other changes in the composition of the EU's member states, may add further complexity to our global risks and operations.

We are involved in various legal proceedings and regulatory matters and may be involved in such proceedings in the future, any one or combination of which could have a material adverse effect on our reputation, financial condition, results of operations and business prospects.

We may be involved in various matters, including regulatory inquiries, administrative proceedings and litigation, some of which allege significant damages, and we may be involved in additional matters in the future. Litigation is subject to significant uncertainties, particularly when plaintiffs allege substantial or indeterminate damages, the litigation is in its early stages, or when the litigation is highly complex or broad in scope.

The financial services industry is intensely competitive.

We compete on the basis of a number of factors, including our investment performance for our clients, our array of investment services, innovation, reputation and price. By having a global presence, we often face competitors with more experience and more established relationships with clients, regulators and industry participants in the relevant market, which could adversely affect our ability to expand. Furthermore, if we are unable to maintain and/or continue to improve our investment performance, our client flows may be adversely affected, which may make it more difficult for us to compete effectively.

Also, increased competition could reduce the demand for our products and services, which could have a material adverse effect on our financial condition, results of operations and business prospects. For additional information regarding competitive factors, see “Competition” in Item 1.

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Structure-related Risks

The partnership structure of AB Holding and AB limits Unitholders' abilities to influence the management and operation of AB's business and is highly likely to prevent a change in control of AB Holding and AB.

The General Partner, as general partner of both AB Holding and AB, generally has the exclusive right and full authority and responsibility to manage, conduct, control and operate their respective businesses, except as otherwise expressly stated in their respective Amended and Restated Agreements of Limited Partnership. AB Holding and AB Unitholders have more limited voting rights on matters affecting AB than do holders of common stock in a corporation. Both Amended and Restated Agreements of Limited Partnership provide that Unitholders do not have any right to vote for directors of the General Partner and that Unitholders only can vote on certain extraordinary matters (including removal of the General Partner under certain extraordinary circumstances). Additionally, the AB Partnership Agreement includes significant restrictions on the transfer of AB Units and provisions that have the practical effect of preventing the removal of the General Partner, which provisions are highly likely to prevent a change in control of AB's management.

AB Units are illiquid and subject to significant transfer restrictions.

There is no public trading market for AB Units and we do not anticipate that a public trading market will develop. The AB Partnership Agreement restricts our ability to participate in a public trading market or anything substantially equivalent to one by providing that any transfer that may cause AB to be classified as a "publicly traded partnership" ("PTP") as defined in Section 7704 of the Internal Revenue Code of 1986, as amended ("Code"), shall be deemed void and shall not be recognized by AB. In addition, AB Units are subject to significant restrictions on transfer, such as obtaining the written consent of AXA Equitable and the General Partner pursuant to the AB Partnership Agreement. Generally, neither AXA Equitable nor the General Partner will permit any transfer that it believes would create a risk that AB would be treated as a corporation for tax purposes. AXA Equitable and the General Partner have implemented a transfer program that requires a seller to locate a purchaser and imposes annual volume restrictions on transfers. You may request a copy of the transfer program from our Corporate Secretary (corporate_secretary@abglobal.com). Also, we have filed the transfer program as Exhibit 10.08 to this Form 10-K.

Changes in the partnership structure of AB Holding and AB and/or changes in the tax law governing partnerships would have significant tax ramifications.

AB Holding, having elected under Section 7704(g) of the Code to be subject to a 3.5% federal tax on partnership gross income from the active conduct of a trade or business, is a "grandfathered" PTP for federal income tax purposes. AB Holding is also subject to the 4.0% New York City unincorporated business tax ("UBT"), net of credits for UBT paid by AB. In order to preserve AB Holding's status as a "grandfathered" PTP for federal income tax purposes, management ensures that AB Holding does not directly or indirectly (through AB) enter into a substantial new line of business. A "new line of business" includes any business that is not closely related to AB's historical business of providing research and diversified investment management and related services to its clients. A new line of business is "substantial" when a partnership derives more than 15% of its gross income from, or uses more than 15% of its total assets in, the new line of business.

AB is a private partnership for federal income tax purposes and, accordingly, is not subject to federal and state corporate income taxes. However, AB is subject to the 4.0% UBT. Domestic corporate subsidiaries of AB, which are subject to federal, state and local income taxes, generally are included in the filing of a consolidated federal income tax return with separate state and local income tax returns being filed. Foreign corporate subsidiaries generally are subject to taxes in the foreign jurisdiction where they are located. If our business increasingly operates in countries other than the U.S., AB's effective tax rate will increase over time because our international subsidiaries are subject to corporate taxes in the jurisdictions where they are located.

In order to preserve AB's status as a private partnership for federal income tax purposes, AB Units must not be considered publicly traded. If such units were to be considered readily tradable, AB would be subject to federal and state corporate income tax on its net income. Furthermore, as noted above, should AB enter into a substantial new line of business, AB Holding, by virtue of its ownership of AB, would lose its status as a grandfathered PTP and would become subject to corporate income tax as set forth above. For information about the significant restrictions on transfer of AB Units, see the risk factor immediately above.

In addition, recent decisions by members of Congress and their staffs regarding the need for fundamental tax reform and possible tax law changes to raise additional revenue have included suggestions that all large partnerships (which would include both AB and AB Holding) should be taxed as corporations and that a process should be implemented to address repatriating the

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non-U.S. earnings of U.S. companies. We cannot predict whether, or in what form, tax legislation will be proposed in the future and are unable to determine what effect any new legislation might have on us. If our subsidiaries' non-U.S. earnings are repatriated to the U.S. at unfavorable tax rates, our tax liability may increase substantially. Furthermore, if AB Holding and AB were to lose their federal tax status as partnerships, they would be subject to corporate income tax, which would reduce materially their net income and quarterly distributions to Unitholders.

If, pursuant to the Bipartisan Budget Act of 2015 ("2015 Act"), any audit by the Internal Revenue Service ("IRS") of our income tax returns for any fiscal year beginning after December 31, 2017 results in any adjustments, the IRS may collect any resulting taxes, including any applicable penalties and interest, directly from us, in which case our net income and the cash available for quarterly Unitholder distributions may be substantially reduced.

Although the IRS, under current law, generally determines tax adjustments at the partnership level when it audits the income tax return of a partnership, the IRS is required to collect any additional taxes, interest and penalties from the partnership's individual partners. The 2015 Act modifies this procedure for fiscal years beginning after December 31, 2017.

Generally, we will have the ability to collect tax liability from our Unitholders in accordance with their percentage interests during the year under audit, but there can be no assurance that we will elect to do so or be able to do so under all circumstances. If we do not collect such tax liability from our Unitholders in accordance with their percentage interests in the tax year under audit, our net income and the available cash for quarterly distributions to current Unitholders may be substantially reduced. Accordingly, our current Unitholders may bear some or all of the tax liability resulting from such audit adjustment, even if such Unitholders did not own Units during the tax year under audit.

Further guidance from the IRS is expected, which may significantly impact the application of these rules.

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Item 1B. Unresolved Staff Comments

Neither AB nor AB Holding has unresolved comments from the staff of the SEC to report.

Item 2. Properties

Our principal executive offices located at 1345 Avenue of the Americas, New York, New York are occupied pursuant to a lease expiring in 2024. At this location, we currently lease 992,043 square feet of space, within which we currently occupy approximately 600,060 square feet of space and have sub-let approximately 391,983 square feet of space. We also lease space at two other locations in New York City; we acquired one of these leases in connection with the WPS Acquisition.

In addition, we lease approximately 263,083 square feet of space at One North Lexington, White Plains, New York under a lease expiring in 2021 with options to extend to 2031. At this location, we currently occupy approximately 69,013 square feet of space and have sub-let (or are seeking to sub-let) approximately 194,070 square feet of space.

We also lease 92,067 square feet of space in San Antonio, Texas under a lease expiring in 2019 with options to extend to 2029. At this location, we currently occupy approximately 59,004 square feet of space and have sub-let approximately 33,063 square feet of space.

In addition, we lease space in 19 other cities in the United States.

Our subsidiaries lease space in 27 cities outside the United States, the most significant of which are in London, England, under a lease expiring in 2022, and in Tokyo, Japan, under a lease expiring in 2018. In London, we currently lease 65,488 square feet of space, within which we currently occupy approximately 54,746 square feet of space and have sub-let approximately 10,742 square feet of space. In Tokyo, we currently lease and occupy approximately 34,615 square feet of space.

Item 3. 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.

During the first quarter of 2012, we received a legal letter of claim ("Letter of Claim") sent on behalf of Philips Pension Trustees Limited and Philips Electronics U.K. Limited ("Philips"), a former pension fund client, alleging that AllianceBernstein Limited (one of our subsidiaries organized in the U.K.) was negligent and failed to meet certain applicable standards of care with respect to the initial investment in, and management of, a £500 million portfolio of U.S. mortgage-backed securities. Philips alleged damages ranging between $177 million and $234 million, plus compound interest on an alleged $125 million of realized losses in the portfolio. On January 2, 2014, Philips filed a claim form in the High Court of Justice in London, England, which formally commenced litigation with respect to the allegations in the Letter of Claim.

By agreement dated November 28, 2016, the terms of which are confidential, this matter was settled. Our contribution to the settlement amount was paid by our relevant insurance carriers.

In addition to the matter discussed immediately above, we may be involved in various other matters, including regulatory inquiries, administrative proceedings and litigation, some of which may allege significant damages.

In management's opinion, an adequate accrual has been made as of December 31, 2016 to provide for any probable losses regarding any litigation matters for which we can reasonably estimate an amount of loss. It is reasonably possible that we could incur additional losses pertaining to these matters, but currently we cannot estimate any such additional losses.

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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 an 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 operation, financial condition or liquidity in any future reporting period.

Item 4. Mine Safety Disclosures

Not applicable.

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PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market for AB Holding Units and AB Units; Cash Distributions

AB Holding Units are listed on the NYSE and trade publicly under the ticker symbol "AB". There is no established public trading market for AB Units, which are subject to significant restrictions on transfer. For information about these transfer restrictions, see "Structure-related Risks" in Item 1A.

AB Holding's principal source of income and cash flow is attributable to its limited partnership interests in AB.

Each of AB Holding and AB distributes on a quarterly basis all of its Available Cash Flow, as defined in the AB Holding Partnership Agreement and the AB Partnership Agreement, respectively, to its Unitholders and the General Partner. For additional information concerning distribution of Available Cash Flow by AB Holding, see Note 2 to AB Holding's financial statements in Item 8. For additional information concerning distribution of Available Cash Flow by AB, see Note 2 to AB's consolidated financial statements in Item 8.

The distributions of Available Cash Flow made by AB and AB Holding during 2016 and 2015 and the high and low sale prices of AB Holding Units reflected on the NYSE composite transaction tape during 2016 and 2015 are as follows:

	Quarters Ended 2016				
	December 31	September 30	June 30	March 31	Total
Cash distributions per AB Unit(1)	$0.73	$ 0.51	$0.46	$0.45	$2.15
Cash distributions per AB Holding Unit(1)	$0.67	$ 0.45	$0.40	$0.40	$1.92
AB Holding Unit prices:					
High	$24.10	$ 24.69	$24.65	$23.98	
Low	$20.75	$ 21.29	$21.49	$16.11	
	Quarters Ended 2015				
	December 31	September 30	June 30	March 31	Total
Cash distributions per AB Unit(1)	$0.56	$ 0.50	$0.54	$0.51	$2.11
Cash distributions per AB Holding Unit(1)	$0.50	$ 0.43	$0.48	$0.45	$1.86
AB Holding Unit prices:					
High	$27.70	$ 30.07	$32.74	$31.00	
Low	$21.23	$ 22.00	$28.79	$24.04	

(1) Declared and paid during the following quarter.

On December 31, 2016, the closing price of an AB Holding Unit on the NYSE was $23.45 per Unit and there were 911 AB Holding Unitholders of record for approximately 76,000 beneficial owners. On December 31, 2016, there were 394 AB Unitholders of record, and we do not believe there are substantial additional beneficial owners.

Recent Sales of Unregistered Securities; Use of Proceeds from Registered Securities

We did not engage in any unregistered sales of our securities during the years ended December 31, 2016, 2015 and 2014.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Each quarter since the third quarter of 2011, AB has implemented plans to repurchase AB Holding Units pursuant to Rule 10b5-1 under the Exchange Act. The plan adopted during the fourth quarter of 2016 expired at the close of business on February 10, 2017. AB may adopt additional Rule 10b5-1 plans in the future to engage in open-market purchases of AB

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Holding Units to help fund anticipated obligations under the firm's incentive compensation award program and for other corporate purposes. For additional information about Rule 10b5-1 plans, see "Units Outstanding" in Item 7.

AB Holding Units bought by us or one of our affiliates during the fourth quarter of 2016 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
10/1/16-10/31/16(1)(2)	520,702	$ 22.14	—	—
11/1/16-11/30/16(2)	737,700	22.49	—	—
12/1/16-12/31/16(1)(2)	3,451,884	22.95	—	—
Total	4,710,286	$ 22.79	—	—

(1) During the fourth quarter of 2016, we purchased 2,548,730 AB Holding Units from employees to allow them to fulfill statutory withholding tax requirements at the time of distribution of long-term incentive compensation awards.

(2) During the fourth quarter of 2016, we purchased 2,161,556 AB Holding Units on the open market pursuant to a Rule 10b5-1 plan to help fund anticipated obligations under our incentive compensation award program.

AB Units bought by us or one of our affiliates during the fourth quarter of 2016 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
10/1/16-10/31/16	—	$ —	—	—
11/1/16-11/30/16	—	—	—	—

12/1/16-12/31/16[1]	660	23.15	—	—
Total	660	$ 23.15	—	—

(1) During December 2016, we purchased 660 AB Units in private transactions.

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Item 6. Selected Financial Data

AllianceBernstein Holding L.P.

	Years Ended December 31,				
	2016	2015[1]	2014[1]	2013[1]	2012[1]
	(in thousands, except per unit amounts)				
INCOME STATEMENT DATA:					
Equity in net income (loss) attributable to AB Unitholders	$239,389	$210,084	$200,931	$184,778	$67,565
Income taxes	22,803	24,320	22,463	20,410	19,722
Net income (loss)	$216,586	$185,764	$178,468	$164,368	$47,843
Basic net income (loss) per unit	$2.24	$1.87	$1.84	$1.70	$0.47
Diluted net income (loss) per unit	$2.23	$1.86	$1.84	$1.70	$0.47
CASH DISTRIBUTIONS PER UNIT[2]	$1.92	$1.86	$1.86	$1.79	$1.23
BALANCE SHEET DATA AT PERIOD END:					
Total assets	$1,540,508	$1,576,120	$1,616,461	$1,524,569	$1,558,542
Partners' capital	$1,539,889	$1,575,846	$1,616,079	$1,523,793	$1,552,131

(1) Certain prior-year amounts have been revised; see Note 2 to AB Holding's financial statements in Item 8 for a discussion of the revision.

(2) AB Holding is required to distribute all of its Available Cash Flow, as defined in the AB Holding Partnership Agreement, to its Unitholders; 2016, 2015, 2014 and 2013 distributions reflect the impact of AB's non-GAAP adjustments. As of the third quarter of 2012, available cash flow is the adjusted diluted net income per unit for the quarter multiplied by the number of units outstanding at the end of the quarter.

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AllianceBernstein L.P.

Selected Consolidated Financial Data

	Years Ended December 31,				
	2016	2015[(1)]	2014[(1)]	2013[(1)]	2012[(1)]
	(in thousands, except per unit amounts and unless otherwise indicated)				
INCOME STATEMENT DATA:					
Revenues:					
Investment advisory and services fees	$1,993,471	$1,973,837	$1,958,250	$1,849,105	$1,764,475
Bernstein research services	479,875	493,463	482,538	445,083	413,707
Distribution revenues	384,405	427,156	444,970	465,424	409,488
Dividend and interest income	36,702	24,872	22,322	19,962	21,286
Investment gains (losses)	93,353	3,551	(9,076)	33,339	29,202
Other revenues	110,096	101,169	108,788	105,058	101,801
Total revenues	3,037,902	3,024,048	3,007,792	2,917,971	2,739,959
Less: interest expense	9,123	3,321	2,426	2,924	3,222
Net revenues	3,028,779	3,020,727	3,005,366	2,915,047	2,736,737
Expenses:					
Employee compensation and benefits:					
Employee compensation and benefits	1,229,721	1,267,926	1,265,664	1,212,011	1,168,645
Promotion and servicing:					
Distribution-related payments	371,607	393,033	413,054	426,824	370,865
Amortization of deferred sales commissions	41,066	49,145	41,508	41,279	40,262
Trade execution, marketing, T&E and other	208,538	223,415	224,576	204,568	198,416
General and administrative:					
General and administrative	426,147	431,635	426,960	423,043	507,682
Real estate charges	17,704	998	52	28,424	223,038
Contingent payment arrangements	(20,245)	(5,441)	(2,782)	(10,174)	682
Interest on borrowings	4,765	3,119	2,797	2,962	3,429
Amortization of intangible assets	26,311	25,798	24,916	21,859	21,353
Total expenses	2,305,614	2,389,628	2,396,745	2,350,796	2,534,372
Operating income	723,165	631,099	608,621	564,251	202,365
Income taxes	28,319	44,797	44,304	40,113	22,407
Net income	694,846	586,302	564,317	524,138	179,958
Net income (loss) of consolidated entities attributable to non-controlling interests	21,488	6,375	456	9,746	(315)
Net income attributable to AB Unitholders	$673,358	$579,927	$563,861	$514,392	$180,273
Basic net income per AB Unit	$2.48	$2.11	$2.07	$1.88	$0.64
Diluted net income per AB Unit	$2.47	$2.10	$2.07	$1.87	$0.64
Operating margin[(2)]	23.2%	20.7%	20.2%	19.0%	7.4%
CASH DISTRIBUTIONS PER AB UNIT[(3)]	$2.15	$2.11	$2.08	$1.97	$1.36
BALANCE SHEET DATA AT PERIOD END:					

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Total assets	$8,740,448	$7,433,721	$7,375,621	$7,383,899	$8,112,458
Debt	$512,970	$581,700	$486,156	$266,445	$320,571
Total capital	$4,068,189	$4,017,221	$4,084,840	$4,045,227	$3,782,054
ASSETS UNDER MANAGEMENT AT PERIOD END (in millions)	$480,201	$467,440	$474,027	$450,411	$430,017

(1) Certain prior-year amounts have been revised; see Note 2 to AB's financial statements in Item 8 for a discussion of the revision.

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

(3) AB is required to distribute all of its Available Cash Flow, as defined in the AB Partnership Agreement, to its Unitholders and the General Partner. As of the third quarter of 2012, available cash flow is the adjusted diluted net income per unit for the quarter multiplied by the number of units outstanding at the end of the quarter.

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Percentage change figures are calculated using assets under management rounded to the nearest million and financial statement amounts rounded to the nearest thousand.

Executive Overview

Our total assets under management ("AUM") as of December 31, 2016 were $480.2 billion, up $12.8 billion, or 2.7%, during 2016. The increase was driven by market appreciation of $23.1 billion, offset by net outflows of $9.8 billion (Institutional outflows of $5.4 billion and Retail outflows of $4.8 billion, offset by Private Wealth Management inflows of $0.4 billion).

Institutional AUM increased $3.1 billion, or 1.3%, to $239.3 billion during 2016, primarily due to market appreciation of $9.0 billion, offset by net outflows of $5.4 billion. Gross sales decreased $9.1 billion, or 29.8%, from $30.7 billion in 2015 to $21.6 billion in 2016. Redemptions and terminations decreased $0.7 billion, or 4.1%, from $16.4 billion in 2015 to $15.7 billion in 2016.

Retail AUM increased $5.8 billion, or 3.8%, to $160.2 billion during 2016, primarily due to market appreciation of $10.5 billion, offset by net outflows of $4.8 billion. Gross sales increased $5.4 billion, or 15.1%, from $35.8 billion in 2015 to $41.2 billion in 2016. Redemptions and terminations increased $4.8 billion, or 13.3%, from $36.0 billion in 2015 to $40.8 billion in 2016.

Private Wealth Management AUM increased $3.9 billion, or 5.1%, to $80.7 billion during 2016, primarily due to market appreciation of $3.6 billion and net inflows of $0.4 billion. Gross sales increased $1.3 billion, or 14.0%, from $8.9 billion in 2015 to $10.2 billion in 2016. Redemptions and terminations increased $0.3 billion, or 3.9%, from $9.0 billion in 2015 to $9.3 billion in 2016.

Bernstein Research Services revenue decreased $13.6 million, or 2.8%, in 2016. The decrease primarily was the result of lower market values and volumes in Europe and Asia and the discontinuation of our Equity Capital Market services.

Our 2016 revenues of $3.0 billion were flat compared to the prior year as a result of an $89.8 million increase in investment gains, an $8.9 million increase in other revenues, a $9.0 million increase in performance-based fees and a $6.0 million increase in net dividend and interest income, offset by a $49.4 million decrease in base advisory fees, a $42.8 million decrease in distribution revenues and a $13.6 million decrease in Bernstein Research Services revenue.

Our operating expenses of $2.3 billion decreased $84.0 million, or 3.5%, compared to the prior year primarily due to a $44.4 million decrease in promotion and servicing expenses, a $38.2 decrease in employee compensation and benefits expenses, a $14.8 million increase in change in estimates for contingent payment arrangements and a $5.5 million decrease in other general and administrative expenses, partially offset by higher real estate charges of $16.7 million.

Our operating income increased $92.1 million, or 14.6%, to $723.2 million from $631.1 million in 2015 and our operating margin increased from 20.7% in 2015 to 23.2% in 2016.

Market Environment

Uncertainties were prevalent during 2016, as global markets reacted to issues that included Great Britain's vote to exit the European Union, increased regulatory scrutiny in the U.S. and abroad, a mixed outlook for global economic growth, foreign exchange rates and interest rates, negative fixed income performance, and the contentious U.S. Presidential election process. Although U.S. markets rallied following the outcome of the U.S. election and a fourth-quarter U.S. interest rate increase, and related commentary from the Federal Reserve, provided some clarity as to the direction of rates, many issues remain a concern for global investors. Also, active managers continue to struggle to outperform relative to passive, where asset growth and popularity remain undeterred.

AB Holding

AB Holding’s principal source of income and cash flow is attributable to its investment in AB Units. The AB Holding 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.

Results of Operations

	Years Ended December 31,			% Change	
	2016	2015[1]	2014[1]	2016-15	2015-14
	(in thousands, except per unit amounts)				
Net income attributable to AB Unitholders	$673,358	$579,927	$563,861	16.1 %	2.8 %
Weighted average equity ownership interest	35.6 %	36.2 %	35.6 %		
Equity in net income attributable to AB Unitholders	$239,389	$210,084	$200,931	13.9	4.6
Income taxes	22,803	24,320	22,463	(6.2)	8.3
Net income of AB Holding	$216,586	$185,764	$178,468	16.6	4.1
Diluted net income per AB Holding Unit	$2.23	$1.86	$1.84	19.9	1.1
Distributions per AB Holding Unit [1]	$1.92	$1.86	$1.86	3.2	—

(1) Certain prior-year amounts have been revised; see Note 2 to AB Holding's financial statements in Item 8 for a discussion of the revision.
(2) Distributions reflect the impact of AB’s non-GAAP adjustments.

During the third quarter of 2016, AB identified an error that had been impacting the calculation of its tax provision since 2010. As a result of this error, which impacted our equity in net income attributable to AB Unitholders, management revised previously issued AB and AB Holding financial statements. See Note 2 to AB Holding's financial statements in Item 8 for further discussion.

AB Holding had net income of $216.6 million in 2016 as compared to $185.8 million in 2015. The increase reflects higher net income attributable to AB Unitholders, offset by a lower weighted average equity ownership percentage. AB Holding had net income of $185.8 million in 2015 as compared to $178.5 million in 2014. The increase reflected higher net income attributable to AB Unitholders and 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 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 9.5% in 2016, 11.6% in 2015 and 11.2% in 2014. See Note 6 to AB Holding’s financial statements in Item 8 for a further description.

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 consolidation 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 the 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 "Management Operating Metrics" in this Item 7.

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

	Years Ended December 31,		
	2016	2015	2014
	(in thousands, except per unit amounts)		
AB non-GAAP adjustments, before taxes	$(77,275)	$(6,083)	$(665)
Income tax benefit on non-GAAP adjustments	5,332	432	610
Income tax credit on AB's income tax provision	(21,572)	—	—
AB non-GAAP adjustments, after taxes	(93,515)	(5,651)	(55)
AB Holding's weighted average equity ownership interest in AB	35.6%	36.2%	35.6%
Impact on AB Holding's net income of AB non-GAAP adjustments	$(33,246)	$(2,047)	$(19)
Net income - diluted, GAAP basis	$217,464	$187,147	$179,986
Impact on AB Holding's net income of AB non-GAAP adjustments	(33,246)	(2,047)	(19)
Adjusted net income - diluted	$184,218	$185,100	$179,967
Diluted net income per AB Holding Unit, GAAP basis	$2.23	$1.86	$1.84
Impact of AB non-GAAP adjustments	(0.34)	(0.02)	—
Adjusted diluted net income per AB Holding Unit	$1.89	$1.84	$1.84

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. The income tax credit on AB's income tax provision reflects a fourth quarter 2016 change in estimate made by AB to its income tax liability relating to the third quarter 2016 revision to income taxes ($13.3 million) and a reversal of a deferred tax liability relating to foreign translation adjustments ($8.2 million).

Proposed Tax Legislation

For a discussion of proposed tax legislation, see "Risk Factors - Structure-related Risks" in Item 1A.

Capital Resources and Liquidity

During the year ended December 31, 2016, net cash provided by operating activities was $169.5 million, compared to $192.8 million during the corresponding 2015 period. The decrease primarily resulted from lower cash distributions received from AB of $25.1 million. During the year ended December 31, 2015, net cash provided by operating activities was $192.8 million, compared to $180.9 million during the corresponding 2014 period. The increase primarily resulted from higher cash distributions received from AB of $13.1 million.

During the years ended December 31, 2016, 2015 and 2014, net cash used in investing activities was $6.1 million, $9.2 million and $19.0 million, respectively, reflecting investments in AB with proceeds from exercises of compensatory options to buy AB Holding Units.

During the year ended December 31, 2016, net cash used in financing activities was $163.4 million, compared to $183.6 million during the corresponding 2015 period. The decrease was due to lower cash distributions to Unitholders of $22.6 million, offset by lower proceeds from exercises of compensatory options to buy AB Holding Units of $3.1 million. During the year ended December 31, 2015, net cash used in financing activities was $183.6 million, compared to $162.0 million during the corresponding 2014 period. The increase was due to lower proceeds from exercises of compensatory options to buy AB Holding Units of $9.7 million and higher cash distributions to Unitholders of $9.6 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.

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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 of the non-GAAP adjustments that are made for adjusted net income should not be made with respect to the Available Cash Flow calculation. See Note 2 to AB Holding's financial statements in Item 8 for a description of Available Cash Flow.

Commitments and Contingencies

For a discussion of commitments and contingencies, see Note 7 to AB Holding's financial statements in Item 8.

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AB

Assets Under Management

Assets under management by distribution channel are as follows:

	As of December 31,			% Change	
	2016	2015	2014	2016-15	2015-14
	(in billions)				
Institutions	$239.3	$236.2	$237.0	1.3%	(0.4)%
Retail	160.2	154.4	161.5	3.8	(4.4)
Private Wealth Management	80.7	76.8	75.5	5.1	1.8
Total	$480.2	$467.4	$474.0	2.7	(1.4)

Assets under management by investment service are as follows:

	As of December 31,			% Change	
	2016	2015	2014	2016-15	2015-14
	(in billions)				
Equity					
Actively Managed	$111.9	$110.6	$112.5	1.2 %	(1.7)%
Passively Managed (1)	48.1	46.4	50.4	3.6	(8.1)
Total Equity	160.0	157.0	162.9	1.9	(3.7)
Fixed Income					
Actively Managed					
Taxable	220.9	207.4	219.4	6.5	(5.4)
Tax-exempt	36.9	33.5	31.6	10.2	5.9
	257.8	240.9	251.0	7.0	(4.0)
Passively Managed (1)	11.1	10.0	10.1	11.1	(1.0)
Total Fixed Income	268.9	250.9	261.1	7.2	(3.9)
Other (2)	51.3	59.5	50.0	(13.7)	19.1
Total	$480.2	$467.4	$474.0	2.7	(1.4)

(1) Includes index and enhanced index services.

(2) Includes certain multi-asset solutions and services and certain alternative investments.

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Changes in assets under management during 2016 and 2015 are as follows:

	Distribution Channel			
	Institutions	Retail	Private Wealth Management	Total
	(in billions)			
Balance as of December 31, 2015	$236.2	$154.4	$ 76.8	$467.4
Long-term flows:				
Sales/new accounts	21.6	41.2	10.2	73.0
Redemptions/terminations	(15.7)	(40.8)	(9.3)	(65.8)
Cash flow/unreinvested dividends	(11.3)	(5.2)	(0.5)	(17.0)
Net long-term (outflows) inflows	(5.4)	(4.8)	0.4	(9.8)
Transfers	—	0.1	(0.1)	—
Acquisition	2.5	—	—	2.5
AUM adjustment(3)	(3.0)	—	—	(3.0)
Market appreciation	9.0	10.5	3.6	23.1
Net change	3.1	5.8	3.9	12.8
Balance as of December 31, 2016	$239.3	$160.2	$ 80.7	$480.2
Balance as of December 31, 2014	$237.0	$161.5	$ 75.5	$474.0
Long-term flows:				
Sales/new accounts	30.7	35.8	8.9	75.4
Redemptions/terminations	(16.4)	(36.0)	(9.0)	(61.4)
Cash flow/unreinvested dividends	(7.4)	(3.3)	(0.1)	(10.8)
Net long-term inflows (outflows)	6.9	(3.5)	(0.2)	3.2
Transfers	(0.3)	(0.1)	0.4	—
AUM adjustment(4)	0.1	(0.3)	0.2	—
Market (depreciation) appreciation	(7.5)	(3.2)	0.9	(9.8)
Net change	(0.8)	(7.1)	1.3	(6.6)
Balance as of December 31, 2015	$236.2	$154.4	$ 76.8	$467.4

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	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]	Other[2]	Total
	(in billions)						
Balance as of December 31, 2015	$110.6	$ 46.4	$207.4	$33.5	$ 10.0	$59.5	$467.4
Long-term flows:							
Sales/new accounts	14.4	0.5	45.8	8.5	0.2	3.6	73.0
Redemptions/terminations	(19.3)	(1.0)	(31.0)	(5.0)	(0.6)	(8.9)	(65.8)
Cash flow/unreinvested dividends	(2.7)	(2.0)	(9.1)	(0.2)	1.1	(4.1)	(17.0)
Net long-term (outflows) inflows	(7.6)	(2.5)	5.7	3.3	0.7	(9.4)	(9.8)
Acquisition	—	—	—	—	—	2.5	2.5
AUM adjustment[3]	—	—	—	—	—	(3.0)	(3.0)
Market appreciation	8.9	4.2	7.8	0.1	0.4	1.7	23.1
Net change	1.3	1.7	13.5	3.4	1.1	(8.2)	12.8
Balance as of December 31, 2016	$111.9	$ 48.1	$220.9	$36.9	$ 11.1	$51.3	$480.2
Balance as of December 31, 2014	$112.5	$ 50.4	$219.4	$31.6	$ 10.1	$50.0	$474.0
Long-term flows:							
Sales/new accounts	18.6	0.9	36.2	5.6	0.6	13.5	75.4
Redemptions/terminations	(17.2)	(1.5)	(34.6)	(4.4)	(0.5)	(3.2)	(61.4)
Cash flow/unreinvested dividends	(3.7)	(2.5)	(4.6)	(0.1)	(0.1)	0.2	(10.8)
Net long-term (outflows) inflows	(2.3)	(3.1)	(3.0)	1.1	—	10.5	3.2
AUM adjustment[4]	0.1	—	—	(0.1)	—	—	—
Market appreciation (depreciation)	0.3	(0.9)	(9.0)	0.9	(0.1)	(1.0)	(9.8)
Net change	(1.9)	(4.0)	(12.0)	1.9	(0.1)	9.5	(6.6)
Balance as of December 31, 2015	$110.6	$ 46.4	$207.4	$33.5	$ 10.0	$59.5	$467.4

(1) Includes index and enhanced index services.
(2) Includes certain multi-asset solutions and services and certain alternative investments.
(3) During the second quarter of 2016, we removed $3.0 billion of Customized Retirement Solutions assets from AUM as our asset management services transitioned to consulting services. In addition, we previously made minor adjustments to reported AUM for reporting methodology changes that do not represent inflows or outflows.
(4) Represents adjustments to reported AUM for reporting methodology changes that do not represent inflows or outflows.

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

	Years Ended December 31,			% Change	
	2016	2015	2014	2016-15	2015-14
	(in billions)				
Distribution Channel:					
Institutions	$243.4	$242.9	$234.3	0.2 %	3.6 %
Retail	157.7	160.6	159.6	(1.8)	0.6
Private Wealth Management	78.9	77.2	73.6	2.2	4.9
Total	$480.0	$480.7	$467.5	(0.1)	2.8
Investment Service:					
Equity Actively Managed	$109.4	$113.2	$111.2	(3.3)	1.7
Equity Passively Managed(1)	46.5	49.3	49.6	(5.7)	(0.6)
Fixed Income Actively Managed – Taxable	221.5	217.7	219.5	1.8	(0.8)
Fixed Income Actively Managed – Tax-exempt	36.3	32.6	30.4	11.1	7.2
Fixed Income Passively Managed(1)	11.0	10.1	9.7	8.4	4.1
Other(2)	55.3	57.8	47.1	(4.3)	22.7
Total	$480.0	$480.7	$467.5	(0.1)	2.8

(1) Includes index and enhanced index services.
(2) Includes certain multi-asset solutions and services and certain alternative investments.

During 2016, our Institutional channel average AUM of $243.4 billion increased $0.5 billion, or 0.2%, compared to 2015, primarily due to our Institutional AUM increasing $3.1 billion, or 1.3%, to $239.3 billion over the last twelve months. The $3.1 billion increase in AUM primarily resulted from market appreciation of $9.0 billion, offset by net outflows of $5.4 billion. During 2015, our Institutional channel average AUM of $242.9 billion increased $8.6 billion, or 3.6%, compared to 2014; however, our Institutional AUM decreased $0.8 billion, or 0.4%, to $236.2 billion for the year ended December 31, 2015. The $0.8 billion decrease in AUM for 2015 primarily resulted from market depreciation of $7.5 billion, which was concentrated in the third quarter of 2015, offset by net inflows of $6.9 billion, consisting of inflows of $9.7 billion in other and $1.7 billion in fixed income, offset by outflows of $4.5 billion in equity services.

During 2016, our Retail channel average AUM of $157.7 billion decreased $2.9 billion, or 1.8%, compared to 2015; however, our Retail channel AUM increased $5.8 billion, or 3.8%, to $160.2 billion over the last twelve months. The $5.8 billion increase in AUM for 2016 primarily resulted from market appreciation of $10.5 billion, offset by net outflows of $4.8 billion. During 2015, our Retail channel average AUM of $160.6 billion increased $1.0 billion, or 0.6%, compared to 2014; however, our Retail channel AUM decreased $7.1 billion, or 4.4%, to $154.4 billion for the year ended December 31, 2015. The $7.1 billion decrease in AUM for 2015 primarily resulted from net outflows of $3.5 billion (primarily in fixed income) and market depreciation of $3.2 billion (market depreciation during the third quarter of 2015 was $8.6 billion).

During 2016, our Private Wealth Management channel average AUM of $78.9 billion increased $1.7 billion, or 2.2%, compared to 2015, primarily due to our Private Wealth Management AUM increasing $3.9 billion, or 5.1%, to $80.7 billion over the last twelve months. The $3.9 billion increase in AUM for 2016 primarily resulted from market appreciation of $3.6 billion and net inflows of $0.4 billion. During 2015, our Private Wealth Management channel average AUM of $77.2 billion increased $3.6 billion, or 4.9%, compared to 2014, primarily as a result of our Private Wealth Management AUM increasing $1.3 billion, or 1.8%, to $76.8 billion for the year ended December 31, 2015. The $1.3 billion increase in AUM for 2015 primarily resulted from $0.9 billion in market appreciation (although $3.2 billion of market depreciation occurred in the third quarter of 2015), offset by net outflows of $0.2 billion.

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Absolute investment composite returns, gross of fees, and relative performance as of December 31, 2016 compared to benchmarks for certain representative Institutional equity and fixed income services are as follows:

	1-Year	3-Year	5-Year
Global High Income - Hedged (fixed income)			
Absolute return	16.2 %	5.1 %	8.1 %
Relative return (vs. Bloomberg Barclays Global High Yield Index - Hedged)	0.6	(0.5)	(0.2)
Global Fixed Income - Hedged (fixed income)			
Absolute return	3.1	4.4	3.6
Relative return (vs. JPM GLBL BD)	(0.6)	(0.1)	0.2
Global Plus - Hedged (fixed income)			
Absolute return	5.9	4.9	4.4
Relative return (vs. Bloomberg Barclays Global Aggregate Index)	2.0	0.8	0.8
Intermediate Municipal Bonds (fixed income)			
Absolute return	0.3	2.5	2.1
Relative return (vs. Lipper Short/Int. Blended Muni Fund Avg)	0.4	0.8	0.6
U.S. Strategic Core Plus (fixed income)			
Absolute return	4.7	4.2	3.4
Relative return (vs. Bloomberg Barclays U.S. Aggregate Index)	2.0	1.2	1.1
Emerging Market Debt (fixed income)			
Absolute return	13.9	5.5	5.9
Relative return (vs. JPM EMBI Global/JPM EMBI)	3.7	—	0.5
Emerging Markets Value			
Absolute return	15.5	(0.6)	1.3
Relative return (vs. MSCI EM Index)	4.3	2.0	—
Global Strategic Value			
Absolute return	9.4	4.3	11.7
Relative return (vs. MSCI ACWI Index)	1.5	1.1	2.4
U.S. Small & Mid Cap Value			
Absolute return	26.0	9.7	17.1
Relative return (vs. Russell 2500 Value Index)	0.8	1.5	2.1
U.S. Strategic Value			
Absolute return	12.2	5.7	13.8
Relative return (vs. Russell 1000 Value Index)	(5.2)	(2.9)	(1.0)
U.S. Small Cap Growth			
Absolute return	7.7	2.3	12.8
Relative return (vs. Russell 2000 Growth Index)	(3.6)	(2.7)	(1.0)
U.S. Large Cap Growth			
Absolute return	3.7	10.1	16.7
Relative return (vs. Russell 1000 Growth Index)	(3.4)	1.5	2.2
U.S. Small & Mid Cap Growth			
Absolute return	5.6	3.2	12.2
Relative return (vs. Russell 2500 Growth Index)	(4.1)	(2.3)	(1.7)
Concentrated U.S. Growth			
Absolute return	7.0	7.6	15.5
Relative return (vs. S&P 500 Index)	(5.0)	(1.3)	0.9

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Select U.S. Equity			
Absolute return	10.2	8.7	14.8
Relative return (vs. S&P 500 Index)	(1.7)	(0.1)	0.1
Strategic Equities (inception June 30, 2012)			
Absolute return	10.0	8.9	N/A
Relative return (vs. Russell 3000 Index)	(2.7)	0.5	N/A
Global Core Equity (inception June 30, 2011)			
Absolute return	8.9	3.0	12.4
Relative return (vs. MSCI ACWI Index)	1.0	(0.2)	3.0

Consolidated Results of Operations

	Years Ended December 31,			% Change	
	2016	2015	2014	2016-15	2015-14
	(in thousands, except per unit amounts)				
Net revenues	$3,028,779	$3,020,727	$3,005,366	0.3 %	0.5 %
Expenses	2,305,614	2,389,628	2,396,745	(3.5)	(0.3)
Operating income	723,165	631,099	608,621	14.6	3.7
Income taxes	28,319	44,797	44,304	(36.8)	1.1
Net income	694,846	586,302	564,317	18.5	3.9
Net income of consolidated entities attributable to non-controlling interests	21,488	6,375	456	237.1	1,298.0
Net income attributable to AB Unitholders	$673,358	$579,927	$563,861	16.1	2.8
Diluted net income per AB Unit	$2.47	$2.10	$2.07	17.6	1.4
Distributions per AB Unit	$2.15	$2.11	$2.08	1.9	1.4
Operating margin[1]	23.2 %	20.7 %	20.2 %		

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

Net income attributable to AB Unitholders for the year ended December 31, 2016 increased $93.4 million from the year ended December 31, 2015. The increase is primarily due to (in millions):

Higher investment gains	$89.8
Lower employee compensation and benefits	38.2
Lower income taxes	16.5
Lower other promotion and servicing expenses	14.9
Lower estimates for contingent payment arrangements	14.8
Higher performance-based fees	9.0
Lower other general and administrative expenses	5.5
Lower base advisory fees	(49.4)
Higher real estate charges	(16.7)
Higher net income of consolidated entities attributable to non-controlling interests	(15.1)
Lower Bernstein Research Services revenue	(13.6)
Other	(0.5)
	$93.4

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Net income attributable to AB Unitholders for the year ended December 31, 2015 increased $16.1 million from the year ended December 31, 2014. The increase was primarily due to (in millions):

Higher base advisory fees	$45.1
2015 investment gains compared to 2014 investment losses	12.6
Higher Bernstein Research Services revenues	10.9
Lower performance-based fees	(29.5)
Lower other revenues	(7.6)
Higher net income of consolidated entities attributable to non-controlling interests	(5.9)
Higher general and administrative expenses	(5.6)
Other	(3.9)
	$16.1

Revision

During the third quarter of 2016, management determined that the frequency with which we settled our U.S. inter-company payable balances with foreign subsidiaries over the past several years created deemed dividends under Section 956 of the U.S. Internal Revenue Code of 1986, as amended ("Section 956"). In the past, we funded our foreign subsidiaries as they required cash for their operations rather than pre-fund them each quarter, thereby reducing the inter-company balance to zero on a quarterly basis, as required by Section 956. As a result, we have been understating our income tax provision and income tax liability since 2010. In regard to our revision of previously issued financial statements, we recorded a cumulative adjustment to our January 1, 2012 partners' capital account and revised our consolidated statements of financial condition and consolidated statements of income from 2012 through the second quarter of 2016. See Note 2 to our consolidated financial statements contained in Item 8 for further discussion.

Real Estate Charges

During 2010, we performed a comprehensive review of our real estate requirements in New York in connection with our workforce reductions, which commenced in 2008. As a result, during 2010 we decided to sub-lease over 380,000 square feet in New York (all of this space has been sublet) and consolidate our New York-based employees into two office locations from three. During the third quarter of 2012, in an effort to further reduce our global real estate footprint, we completed a comprehensive review of our worldwide office locations and began implementing a global space consolidation plan. As a result, we decided to sub-lease approximately 510,000 square feet of office space (all of this space has been sublet), more than 70% of which is New York office space (in addition to the 380,000 square feet space reduction in 2010), with the remainder consisting of office space in England, Australia and various U.S. locations.

During 2014, we recorded pre-tax real estate charges of $0.1 million, comprising $5.5 million for the write-off of leasehold improvements, furniture and equipment, offset by $4.7 million from a change in estimates related to previously recorded real estate charges and $0.7 million in credits related to other items.

During 2015, we recorded pre-tax real estate charges of $1.0 million, resulting from a change in estimates related to previously recorded real estate charges.

During 2016, we recorded pre-tax real estate charges of $17.7 million, resulting from new charges of $22.8 million relating to the further consolidation of office space at our New York offices, offset by changes in estimates related to previously recorded real estate charges of $5.1 million, which reflects the shortening of the lease term of our corporate headquarters from 2029 to 2024.

Units Outstanding

Each quarter, we consider whether to implement a plan to repurchase AB Holding Units pursuant to Rule 10b5-1 under the Securities Exchange Act of 1934, as amended (“Exchange Act”). A Rule 10b5-1 plan 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 in accordance with the terms of 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. The plan adopted during the fourth quarter of 2016 expired at the close of business on February 10, 2017. We may adopt

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additional Rule 10b5-1 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 non-GAAP adjustments that are made for adjusted net income should not be made with respect to the Available Cash Flow calculation. See Note 2 to our consolidated financial statements contained in Item 8 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, real estate consolidation charges 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.

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	Years Ended December 31, 2016	2015	2014
	(in thousands)		
Net revenues, US GAAP basis	$3,028,779	$3,020,727	$3,005,366
Exclude:			
Long-term incentive compensation-related investment losses (gains)	(1,175)	1,903	(2,184)
Long-term incentive compensation-related dividends and interest	(1,647)	(1,938)	(3,083)
90% of consolidated venture capital fund investment (gains)	(11,575)	(7,117)	(1,165)
Distribution-related payments	(371,607)	(393,033)	(413,054)
Amortization of deferred sales commissions	(41,066)	(49,145)	(41,508)
Pass-through fees and expenses	(43,808)	(47,479)	(38,852)
Gain on sale of investment carried at cost	(75,273)	—	—
Impact of consolidated VIEs	(13,314)	—	—
Adjusted net revenues	$2,469,314	$2,523,918	$2,505,520
Operating income, US GAAP basis	$723,165	$631,099	$608,621
Exclude:			
Long-term incentive compensation-related items	720	131	210
Gain on sale of investment carried at cost	(75,273)	—	—
Real estate charges	17,704	998	52
Acquisition-related expenses	1,057	—	3,448
Contingent payment arrangements	(21,483)	(7,212)	(4,375)
Sub-total of non-GAAP adjustments	(77,275)	(6,083)	(665)
Less: Net income of consolidated entities attributable to non-controlling interests	21,488	6,375	456
Adjusted operating income	$624,402	$618,641	$607,500
Adjusted operating margin	25.3 %	24.5 %	24.2 %

Adjusted operating income for the year ended December 31, 2016 increased $5.8 million, or 0.9%, from the year ended December 31, 2015, primarily due to lower employee compensation expense (excluding the impact of long-term incentive compensation-related items) of $42.1 million, lower promotion and servicing expenses of $14.1 million, higher performance-based fees of $9.1 million and lower general and administrative expenses of $6.9 million, offset by lower investment advisory base fees of $46.4 million, lower Bernstein Research Services revenue of $13.6 million and higher net distribution expenses of $13.1 million. Adjusted operating income for the year ended December 31, 2015 increased $11.1 million, or 1.8%, from the year ended December 31, 2014, primarily due to higher investment advisory base fees of $36.5 million, higher Bernstein Research Services revenue of $10.9 million and lower investment losses of $10.8 million, offset by lower performance-based fees of $29.5 million, higher employee compensation expense (excluding the impact of long-term incentive compensation-related items) of $10.3 million and lower other revenues of $7.6 million.

Adjusted Net Revenues

Adjusted net revenues exclude investment gains and losses and dividends and interest on employee long-term incentive compensation-related investments. In addition, adjusted net revenues offset distribution-related payments to third parties as well as amortization of deferred sales commissions against distribution revenues. We believe offsetting net revenues by distribution-related payments 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 who perform functions on behalf of our sponsored mutual funds and/or shareholders of these funds. We offset amortization of deferred sales commissions against net revenues because such costs, over time, essentially offset our distribution revenues. We also exclude additional pass-through expenses we incur (primarily through our transfer agency) that are reimbursed and recorded as fees in revenues. These fees do not affect operating income, but they do affect our operating margin. As such, we exclude these fees from adjusted net revenues.

In addition, in 2015 we excluded 90% of the investment gains and losses of our consolidated venture capital fund attributable to non-controlling interests. Effective January 1, 2016, as a result of adopting a new accounting standard (see Note 2 to the consolidated financial statements contained in Item 8), we account for our consolidated venture capital fund in the same manner as our other consolidated VIEs. We adjust for the revenue impact of consolidating VIEs by eliminating the consolidated VIEs' revenues and including AB's fees from such VIEs and AB's investment gains and losses on its investments in such VIEs that were eliminated in consolidation. Lastly, in the first quarter of 2016 we excluded a realized gain of $75.3 million resulting from the liquidation of an investment in Jasper Wireless Technologies, Inc. ("Jasper"), which was acquired by Cisco Systems, Inc., because it was not part of our core operating results.

Adjusted Operating Income

Adjusted operating income represents operating income on a US GAAP basis excluding (1) 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, (2) the gain on the sale of our investment in Jasper, (3) real estate charges, (4) acquisition-related expenses, (5) the net income or loss of consolidated entities attributable to non-controlling interests, (6) adjustments to contingent payment arrangements, and (7) the impact of consolidated VIEs in 2016.

Prior to 2009, a significant portion of employee compensation was in the form of employee 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 is recorded within investment gains and losses on the income statement and also impacts compensation expense. 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.

A realized gain on the liquidation of our Jasper investment has been excluded due to its non-recurring nature and because it is not part of our core operating results.

Real estate charges 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 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.

The recording of changes in estimates of the contingent consideration payable with respect to contingent payment arrangements associated with our acquisitions are not considered part of our core operating results and, accordingly, have been excluded.

In regard to 2015 adjusted operating income, most of the net income or loss of consolidated entities attributable to non-controlling interests relates to the 90% limited partner interests held by third parties in our consolidated venture capital fund. We own a 10% limited partner interest in the fund. US GAAP requires us to consolidate the financial results of the fund because we are the general partner and are deemed to have a controlling interest. However, recognizing 100% of the gains or losses in operating income while only retaining 10% is not reflective of our underlying financial results at the operating income level. As a result, we exclude the 90% limited partner interests we do not own from our adjusted operating income. Effective January 1, 2016, our consolidated venture capital fund is included with other consolidated VIEs. Similarly, net income of joint ventures attributable to non-controlling interests, although not significant, is excluded because it does not reflect the economic interest attributable to AB.

Relating to 2016 adjusted operating income, we adjusted for the operating income impact of consolidating certain VIEs (as a result of the adoption of a new accounting standard; see Note 2 to our consolidated financial statements contained in Item 8) by eliminating the consolidated VIEs' 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 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.

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Net Revenues

The components of net revenues are as follows:

	Years Ended December 31,			% Change	
	2016	2015	2014	2016-15	2015-14
	(in thousands)				
Investment advisory and services fees:					
Institutions:					
Base fees	$403,503	$421,964	$410,139	(4.4)%	2.9 %
Performance-based fees	17,394	12,496	22,967	39.2	(45.6)
	420,897	434,460	433,106	(3.1)	0.3
Retail:					
Base fees	805,621	847,246	846,418	(4.9)	0.1
Performance-based fees	3,333	8,807	20,559	(62.2)	(57.2)
	808,954	856,053	866,977	(5.5)	(1.3)
Private Wealth Management:					
Base fees	691,595	680,881	648,457	1.6	5.0
Performance-based fees	12,025	2,443	9,710	392.2	(74.8)
	703,620	683,324	658,167	3.0	3.8
Total:					
Base fees	1,900,719	1,950,091	1,905,014	(2.5)	2.4
Performance-based fees	32,752	23,746	53,236	37.9	(55.4)
	1,933,471	1,973,837	1,958,250	(2.0)	0.8
Bernstein Research Services	479,875	493,463	482,538	(2.8)	2.3
Distribution revenues	384,405	427,156	444,970	(10.0)	(4.0)
Dividend and interest income	36,702	24,872	22,322	47.6	11.4
Investment gains (losses)	93,353	3,551	(9,076)	n/m	n/m
Other revenues	110,096	101,169	108,788	8.8	(7.0)
Total revenues	3,037,902	3,024,048	3,007,792	0.5	0.5
Less: Interest expense	9,123	3,321	2,426	174.7	36.9
Net revenues	$3,028,779	$3,020,727	$3,005,366	0.3	0.5

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 50 to 110 basis points for actively-managed equity services, 15 to 60 basis points for actively-managed fixed income services and 5 to 20 basis points for passively-managed services. Average basis points realized for other services range from 5 basis points for certain Institutional asset allocation services to over 100 basis points for certain Retail and Private Wealth Management alternative services. The ranges discussed in this paragraph include all-inclusive fee arrangements (covering investment management, trade execution and other services) for our Private Wealth Management clients.

We calculate AUM using established market-based valuation methods and fair valuation (non-observable market) methods. Market-based 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; mid prices from recognized pricing vendors and brokers for credit default swaps; and quoted bids or spreads from pricing vendors and brokers for other derivative products. Fair valuation methods include: discounted cash flow models, evaluation of assets

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versus liabilities or any other methodology that is validated and approved by our Valuation Committee (see paragraph immediately below for more information regarding our Valuation Committee). Fair valuation methods are used only where AUM cannot be valued using market-based valuation methods, such as in the case of private equity or illiquid securities.

The Valuation Committee, which is composed 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 7.0%, 4.2% and 0.9% of the assets we manage for institutional clients, private wealth clients and retail clients, respectively (in total, 4.5% of our AUM).

During 2016, as general partner of AllianceBernstein U.S. Real Estate L.P. (“Real Estate Fund”), we received a carried interest distribution of $48.7 million. In accordance with our revenue recognition policies, we did not recognize this carried interest distribution as performance fee revenues, instead recording a deferred revenue liability, because the distribution is subject to claw-back provisions. We will recognize the distribution as revenues when the potential claw-back obligation is mathematically remote, which may not occur until at or near termination of the Real Estate Fund. In addition, we have revenue-sharing arrangements whereby certain employees are entitled to a share of carried interest proceeds distributed by certain funds, including the Real Estate Fund. As such, we distributed $24.0 million of these carried interest proceeds to certain Real Estate Fund employees. We have recorded this payment, which, like our carried interest distribution, is subject to claw-back provisions, as an advance to employees and will recognize it as compensation expense in the period in which the applicable revenue is recognized.

Our investment advisory and services fees decreased by $40.4 million, or 2.0%, in 2016, primarily due to a $49.4 million, or 2.5%, decrease in base fees, which primarily resulted from the impact of a shift in product mix from active equity products into active fixed income products that generally have lower fees. However, our performance-based fees increased $9.0 million from the prior year. Our investment advisory and services fees increased $15.6 million, or 0.8%, in 2015, primarily due to a $45.1 million, or 2.4%, increase in base fees, which primarily resulted from a 2.8% increase in average AUM. The increase in base fees was partially offset by a $29.5 million, or 55.4%, decrease in performance-based fees. The decrease in performance-based fees primarily resulted from major equity market declines during 2015.

Institutional investment advisory and services fees decreased $13.6 million, or 3.1%, in 2016, primarily due to an $18.5 million, or 4.4%, decrease in base fees. The decrease in base fees resulted from a shift in product mix from active equities into active fixed income products that generally have lower fees. However, performance-based fees increased $4.9 million from the prior year. Institutional investment advisory and services fees increased $1.4 million, or 0.3%, in 2015, primarily due to an $11.8 million, or 2.9%, increase in base fees, which primarily resulted from a 3.6% increase in average AUM. The increase in base fees was partially offset by a $10.4 million, or 45.6%, decrease in performance-based fees.

Retail investment advisory and services fees decreased $47.1 million, or 5.5%, in 2016, primarily due to a $41.6 million, or 4.9%, decrease in base fees. The decrease in base fees was due to a decrease in average AUM of 1.8% and the impact of a shift in product mix from non-U.S. global fixed income mutual funds, non-U.S. global equity mutual funds and other products to U.S. tax-exempt mutual funds, which generally have lower fees. Additionally, performance-based fees decreased $5.5 million from the prior year. Retail investment advisory and services fees decreased $10.9 million, or 1.3%, in 2015, primarily due to an $11.7 million, or 57.2%, decrease in performance based fees, offset by a $0.8 million, or 0.1%, increase in base fees. Retail average AUM increased 0.6% in 2015.

Private Wealth Management investment advisory and services fees increased $20.3 million, or 3.0%, in 2016, due to an increase in base fees of $10.7 million, or 1.6%, resulting from a 2.2% increase in average AUM and a $9.6 million increase in performance-based fees. Private Wealth Management investment advisory and services fees increased $25.2 million, or 3.8%, in 2015, primarily due to a $32.4 million, or 5.0%, increase in base fees, which primarily resulted from an increase in average billable AUM of 4.7%. The increase in base fees was partially offset by a $7.2 million decrease in performance-based fees.

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Bernstein Research Services

Bernstein Research Services revenue consists principally of equity commissions received for providing equity research and brokerage-related services to institutional investors.

Revenues from Bernstein Research Services decreased $13.6 million, or 2.8%, in 2016, as a result of lower market values and volumes in Europe and Asia and the discontinuation of our Equity Capital Market services. Revenue from Bernstein Research Services increased $10.9 million, or 2.3%, in 2015. The increase was the result of growth in the U.S. and Asia, partially offset by a combination of pricing pressure in Europe and weakness in European currencies compared to the U.S. dollar.

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 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 decreased $42.8 million, or 10.0%, in 2016, while the corresponding average AUM of these mutual funds decreased 8.0%. Distribution revenues decreased $17.8 million, or 4.0%, in 2015, while the corresponding average AUM of these mutual funds decreased 2.8%.

Dividend and Interest Income and Interest Expense

Dividend and interest income consists primarily of investment income and interest earned on customer margin balances and U.S. Treasury Bills. Interest expense principally reflects interest accrued on cash balances in customers' brokerage accounts. Dividend and interest income, net of interest expense, increased $6.0 million and $1.7 million, respectively, in 2016 and 2015. The increase in 2016 was primarily due to higher mutual fund dividends of $3.4 million and higher broker-dealer interest income (net of interest expense) of $2.1 million.

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) investments owned by our consolidated venture capital fund, (iii) U.S. Treasury Bills, (iv) market-making in exchange-traded options and equities, (v) seed capital investments, (vi) derivatives and (vii) investments in our consolidated VIEs. Effective January 1, 2016, upon adoption of a new accounting standard (see Note 2 to the consolidated financial statements contained in Item 8), our consolidated private equity fund investments are included with investments in consolidated VIEs. Investment gains (losses) also include realized gains or losses on the sale of seed capital investments classified as available-for-sale securities and equity in earnings of proprietary investments in limited partnership hedge funds that we sponsor and manage.

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Investment gains (losses) are as follows:

	Years Ended December 31,		
	2016	2015	2014
	(in thousands)		
Long-term incentive compensation-related investments			
Realized gains (losses)	$1,463	$3,687	$3,089
Unrealized gains (losses)	(288)	(5,589)	(905)
Consolidated private equity fund investments			
Realized gains (losses)			
Non-public investments	—	1,983	—
Public securities	—	(5,500)	7,052
Unrealized gains (losses)			
Non-public investments	—	1,396	5,065
Public securities	—	10,028	(10,822)
Investments held by consolidated VIEs			
Realized gains (losses)	(8,482)	—	—
Unrealized gains (losses)	31,040	—	—
Seed capital investments			
Realized gains (losses)			
Seed capital	67,778	23,007	22,336
Derivatives	(15,207)	11,448	(18,662)
Unrealized gains (losses)			
Seed capital	22,373	(34,830)	(7,421)
Derivatives	(311)	3,724	(615)
Brokerage-related investments			
Realized gains (losses)	(5,057)	(5,653)	(9,728)
Unrealized gains (losses)	44	(150)	1,535
	$93,353	$3,551	$(9,076)

During the first quarter of 2016, we sold our investment in Jasper, a company in which we owned a 7.6% equity interest. We expect to receive a total of $85.5 million in cash, subject to final transaction costs and working capital adjustments. During March 2016, the transaction closed and we received $74.8 million in cash, recorded a $10.7 million receivable for the balance retained in escrow for 18 months and recorded an investment gain of $75.3 million.

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 AXA and its subsidiaries, and other miscellaneous revenues. Other revenues increased $8.9 million, or 8.8%, in 2016, primarily due to the recording of other revenues related to our consolidated VIEs in the current year, offset by lower shareholder servicing fees. Other revenues decreased $7.6 million, or 7.0%, in 2015 primarily due to lower shareholder servicing fees and mutual fund reimbursements.

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Expenses

The components of expenses are as follows:

	Years Ended December 31,			% Change	
	2016	2015	2014	2016-15	2015-14
	(in thousands)				
Employee compensation and benefits	$1,229,721	$1,267,926	$1,265,664	(3.0)%	0.2 %
Promotion and servicing:					
Distribution-related payments	371,607	393,033	413,054	(5.5)	(4.8)
Amortization of deferred sales commissions	41,066	49,145	41,508	(16.4)	18.4
Trade execution, marketing, T&E and other	208,538	223,415	224,576	(6.7)	(0.5)
	621,211	665,593	679,138	(6.7)	(2.0)
General and administrative:					
General and administrative	426,147	431,635	426,960	(1.3)	1.1
Real estate charges	17,704	998	52	n/m	n/m
	443,851	432,633	427,012	2.6	1.3
Contingent payment arrangements	(20,245)	(5,441)	(2,782)	272.1	95.6
Interest	4,765	3,119	2,797	52.8	11.5
Amortization of intangible assets	26,311	25,798	24,916	2.0	3.5
Total	$2,305,614	$2,389,628	$2,396,745	(3.5)	(0.3)

Employee Compensation and Benefits

Employee compensation and benefits consist 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 40.6%, 42.0% and 42.1% for the years ended December 31, 2016, 2015 and 2014, 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 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 net revenues presented as a non-GAAP measure (discussed earlier in this Item 7). 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 were 1.1%, 1.3% and 1.2% of adjusted net revenues for 2016, 2015 and 2014, respectively), and excludes the impact of mark-to-market vesting expense, as well as dividends and interest expense, associated with employee long-term incentive compensation-related investments. Senior management, with the approval of the Compensation Committee, has established as an objective that adjusted employee compensation and benefits expense generally should not exceed 50% of our adjusted net revenues, except in unexpected or unusual circumstances. Our ratios of adjusted compensation expense as a percentage of adjusted net revenues were 48.5%, 48.9% and 49.1%, respectively, for the years ended December 31, 2016, 2015 and 2014.

In 2016, employee compensation and benefits expense decreased $38.2 million, or 3.0%, primarily due to lower incentive compensation of $33.6 million, lower fringes/other of $8.0 million and lower commissions of $6.4 million, partially offset by higher base compensation of $9.8 million reflecting higher severance costs. In 2015, employee compensation and benefits expense increased $2.3 million, or 0.2%, primarily due to higher base compensation of $16.3 million and fringes/other of $6.0 million, offset by lower commissions of $14.0 million and incentive compensation of $6.0 million.

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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 travel and entertainment, advertising and promotional materials.

Promotion and servicing expenses decreased $44.4 million, or 6.7%, in 2016. The decrease primarily was due to lower distribution-related payments of $21.4 million, lower amortization of deferred sales commissions of $8.1 million, lower travel and entertainment expenses of $6.3 million, lower marketing expenses of $5.1 million and lower transfer fees of $4.8 million. Promotion and servicing expenses decreased $13.5 million, or 2.0%, in 2015. The decrease primarily was the result of lower distribution-related payments of $20.0 million, lower marketing expenses of $3.2 million and lower travel and entertainment expenses of $1.6 million, offset by higher amortization of deferred sales commissions of $7.6 million and higher trade execution and clearing costs of $3.7 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 14.7% (14.1% excluding real estate charges), 14.3% and 14.2% for the years ended December 31, 2016, 2015 and 2014, respectively. General and administrative expenses increased $11.2 million, or 2.6%, in 2016, primarily due higher real estate charges of $16.7 million, offset by lower professional fees of $6.3 million. General and administrative expenses increased $5.6 million, or 1.3%, in 2015, primarily due to higher portfolio services expenses of $8.5 million and higher technology expenses of $3.6 million, offset by lower office-related expenses of $3.1 million and lower impact of foreign exchange rates of $2.7 million (the result of current year gains compared to prior year losses).

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 relating to these liabilities. The credit to operating expenses of $20.2 million in 2016 reflects changes in estimates of contingent consideration payable of $21.5 million relating to our 2013 and 2010 acquisitions, offset by the accretion expense of $1.3 million. The credit to operating expenses of $5.4 million in 2015 reflects changes in estimate of the contingent consideration payable relating to our 2014 and 2010 acquisitions of $7.2 million recorded in the fourth quarter of 2015, offset by the accretion expense of $1.8 million. The credit to operating expenses of $2.8 million in 2014 reflects the change in estimate of the contingent consideration payable relating to a 2010 acquisition of $4.4 million recorded in the fourth quarter of 2014, offset by the accretion expense of $1.6 million.

Income Taxes

AB, a private limited partnership, is not subject to federal or state corporate income taxes, but 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 decreased $16.5 million, or 36.8%, in 2016 compared to 2015 primarily due to a lower effective tax rate in the current year of 3.9% compared to 7.1% in 2015, offset by higher pre-tax income. The significant decrease in our effective tax rate was driven by a fourth quarter 2016 change in estimate made to our income tax liability relating to the third quarter 2016 revision to income taxes ($13.3 million) and a reversal of a deferred tax liability relating to foreign translation adjustments ($8.2 million).

Income tax expense increased $0.5 million, or 1.1%, in 2015 compared to 2014 primarily due to higher pre-tax income, partially offset by a lower effective tax rate in 2015 of 7.1% compared to 7.3% in 2014. The tax rate declined primarily because we generated a greater portion of our income in jurisdictions with lower tax rates.

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 VIEs. In 2016, we had $21.5 million of net income of consolidated entities attributable to non-controlling interests, primarily due to $20.0 million of gains on investments held by our consolidated VIEs. In 2015, we had $6.4 million of net income of consolidated entities attributable to non-controlling interests, primarily due to a $7.9 million net investment gain attributable to our consolidated venture capital fund (of which 90% belongs to non-controlling interests) and management fees of $1.2 million.

Capital Resources and Liquidity

During 2016, net cash provided by operating activities was $1.5 billion, compared to $667.2 million during 2015. The change primarily was due to a significant increase in broker-dealer related payables, net of receivables and segregated U.S. Treasury Bills activity of $403.9 million, the impact of the consolidation of VIEs of $270.3 million and higher seed capital net redemptions, offset by higher net broker-dealer purchases of $104.6 million. During 2015, net cash provided by operating activities was $667.2 million, compared to $630.1 million during 2014. The change primarily was due to lower deferred sales commissions paid of $59.3 million, lower seed capital purchases, offset by lower net broker-dealer redemptions of $54.5 million, a decrease in fees receivable of $40.7 million and higher cash provided by net income of $37.7 million, partially offset by a larger increase in broker-dealer related receivables (net of payables and segregated U.S. Treasury Bills activity) of $160.9 million.

During 2016, net cash used in investing activities was $59.4 million, compared to $26.1 million during 2015. The increase primarily resulted from $20.5 million used to purchase a business and higher purchases of furniture, equipment and leasehold improvements of $6.5 million. During 2015, net cash used in investing activities was $26.1 million, compared to $86.2 million during 2014. The decrease primarily resulted from $60.6 million used to purchase a business during 2014.

During 2016, net cash used in financing activities was $1.1 billion, compared to $644.7 million during 2015. The change reflects the repayments of commercial paper in 2016 as compared to issuances of commercial paper in 2015 (impact of $165.9 million), decrease in overdrafts payable of $164.1 million, redemptions of non-controlling interests in consolidated VIEs of $137.4 million and higher repurchases of AB Holding Units of $22.4 million, offset by lower distributions to the General Partner and Unitholders of $60.3 million as a result of lower earnings (distributions on earnings are paid one quarter in arrears). During 2015, net cash used in financing activities was $644.7 million, compared to $478.2 million during 2014. The change reflects lower net issuances of commercial paper of $126.0 million, higher repurchases of AB Holding Units of $123.3 million, higher distributions to the General Partner and Unitholders of $25.5 million as a result of higher earnings (distributions on earnings are paid one quarter in arrears) and lower proceeds from the exercise of options to buy AB Holding Units of $9.7 million, offset by an increase in overdrafts payable of $118.5 million.

As of December 31, 2016, AB had $657.0 million of cash and cash equivalents (excluding cash and cash equivalents of consolidated VIEs), all of which is available for liquidity, but consist primarily of cash on deposit for our broker-dealers to comply with various customer clearing activities and cash held by foreign subsidiaries for which a permanent investment election for U.S. tax purposes is taken. If the cash held at our foreign subsidiaries of $399.6 million, which includes cash on deposit for our foreign broker-dealers, is repatriated to the U.S., we would be required to accrue and pay U.S. income taxes on these funds, based on the unremitted amount. Thru December 31, 2016, we intended to permanently reinvest our historical and 2016 earnings outside the U.S. Effective January 1, 2017, however, we intend to repatriate future earnings outside the U.S., as a result of which we expect our effective tax rate to increase.

Debt and Credit Facilities

As of December 31, 2016 and 2015, AB had $513.0 million and $581.7 million, respectively, in commercial paper outstanding with weighted average interest rates of approximately 0.9% and 0.5%, respectively. 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 2016 and 2015 were $422.9 million and $387.9 million, respectively, with weighted average interest rates of approximately 0.6% and 0.3%, respectively.

AB has a $1.0 billion committed, unsecured senior revolving credit facility (the “Credit Facility”) with a group of commercial banks and other lenders, which matures on October 22, 2019. The Credit Facility provides for possible increases in the principal amount by up to an aggregate incremental amount of $250.0 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 $1.0 billion 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 December 31, 2016, 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

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payable under the Credit Facility would automatically become immediately due and payable, and the lender's commitments would automatically 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 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 indexes: London Interbank Offered Rate; a floating base rate; or the Federal Funds rate.

As of December 31, 2016 and 2015, we had no amounts outstanding under the Credit Facility. During 2016 and 2015, we did not draw upon the Credit Facility.

On December 1, 2016, AB entered into a $200.0 million, unsecured 364-day senior revolving credit facility (the "Revolver") with a leading international bank and the other lending institutions that may be party thereto. The Revolver is available for AB's and SCB LLC's business purposes, including the provision of additional liquidity to meet funding requirements primarily related to SCB LLC's operations. Both AB and SCB LLC can draw directly under the Revolver and management expects to draw on the Revolver from time to time. AB has agreed to guarantee the obligations of SCB LLC under the Revolver. The Revolver contains affirmative, negative and financial covenants which are identical to those of the Credit Facility. As of December 31, 2016, we had no amounts outstanding under the Revolver and the average daily borrowings for 2016 were $7.3 million, with a weighted average interest rate of 1.6%.

In addition, SCB LLC has four uncommitted lines of credit with four financial institutions. Three of these lines of credit permit us to borrow up to an aggregate of approximately $225.0 million, with AB named as an additional borrower, while one line has no stated limit. As of December 31, 2016 and 2015, SCB LLC had no bank loans outstanding. Average daily borrowings of bank loans during 2016 and 2015 were $4.4 million and $3.9 million, respectively, with weighted average interest rates of approximately 1.1% and 1.2%, respectively.

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 "Risk Factors" in Item 1A and "Cautions Regarding Forward-Looking Statements" in this Item 7 for a discussion of credit markets and our ability to renew our credit facilities at expiration.

Off-Balance Sheet Arrangements and Aggregate Contractual Obligations

Guarantees

Under various circumstances, AB guarantees the obligations of its consolidated subsidiaries.

AB maintains guarantees in connection with the Credit Facility and Revolver. If SCB LLC is unable to meet its obligations, AB will pay the obligations when due or on demand. In addition, AB maintains guarantees totaling $425 million for SCB LLC's four uncommitted lines of credit.

AB maintains a guarantee with a commercial bank, under which we guarantee the obligations in the ordinary course of business of each of SCB LLC, our U.K.-based broker-dealer and our Cayman subsidiary. We also maintain three additional guarantees with other commercial banks under which we guarantee approximately $366 million of obligations for our U.K.-based broker-dealer. In the event that any of these three entities is unable to meet its obligations, AB will pay the obligations when due or on demand.

We also have two smaller guarantees with a commercial bank totaling approximately $2.0 million, under which we guarantee certain obligations in the ordinary course of business of one of our foreign subsidiaries.

We have not been required to perform under any of the above agreements and currently have no liability in connection with these agreements.

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Aggregate Contractual Obligations

Our contractual obligations as of December 31, 2016 are as follows:

	Payments Due by Period				
	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
	(in millions)				
Commercial paper	$513.0	$513.0	$—	$—	$—
Operating leases, net of sublease commitments	641.5	95.0	170.4	151.9	224.2
Funding commitments	32.0	11.4	13.8	2.4	4.4
Accrued compensation and benefits	225.6	136.7	49.3	13.4	26.2
Unrecognized tax benefits	12.6	5.2	4.6	—	2.8
Total	$1,424.7	$761.3	$238.1	$167.7	$257.6

During 2009, we entered into a subscription agreement, under which we committed to invest up to $35.0 million, as amended in 2011, in a venture capital fund over a six-year period. As of December 31, 2016, we had funded $33.5 million of this commitment.

During 2010, as general partner of AllianceBernstein U.S. Real Estate L.P. ("Real Estate Fund"), we committed to invest $25.0 million in the Real Estate Fund. As of December 31, 2016, we had funded $20.5 million of this commitment. During 2014, as general partner of AllianceBernstein U.S. Real Estate II L.P. ("Real Estate Fund II"), we committed to invest $28.0 million, as amended in 2015, in the Real Estate Fund II. As of December 31, 2016, we had funded $3.8 million of this commitment.

During 2012, we entered into an investment agreement under which we committed to invest up to $8.0 million in an oil and gas fund over a three-year period. As of December 31, 2016, we had funded $6.2 million of this commitment.

Accrued compensation and benefits amounts in the table above exclude our accrued pension obligation. Offsetting our accrued compensation obligations are long-term incentive compensation-related investments and money market investments we funded totaling $74.4 million, which are included in our consolidated statement of financial condition.

Any amounts reflected on the consolidated statement of financial condition as payables (to broker-dealers, brokerage clients and company-sponsored mutual funds) and accounts payable and accrued expenses are excluded from the table above.

We expect to make contributions to our qualified profit sharing plan of approximately $14 million in each of the next four years. We currently estimate that we will contribute $4.0 million to the Retirement Plan during 2017.

Contingencies

See Note 13 to our consolidated financial statements in Item 8 for a discussion of our commitments and contingencies.

Critical Accounting Estimates

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

Management believes that the critical accounting policies and estimates discussed below involve significant management judgment due to the sensitivity of the methods and assumptions used.

Goodwill

As of December 31, 2016, we had goodwill of $3.1 billion on the consolidated statement of financial condition. We have determined that AB has only one reporting segment and reporting unit. We test our goodwill annually, as of September 30, for impairment. As of September 30, 2016, the impairment test indicated that goodwill was not impaired. The carrying value of goodwill is also reviewed if facts and circumstances occur that suggest possible impairment, such as significant declines in AUM, revenues, earnings or the price of an AB Holding Unit.

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On an annual basis, or when circumstances warrant, we perform step one of our two-step goodwill impairment test. The first step of the goodwill impairment test is used to identify potential impairment by comparing the fair value of AB, the reporting unit, with its carrying value, including goodwill. If the fair value of the reporting unit exceeds its carrying value, goodwill is not considered to be impaired and the second step of the impairment test is not performed. However, if the carrying value of the reporting unit exceeds its fair value, the second step of the goodwill impairment test is performed to measure the amount of impairment loss, if any. The second step compares the implied fair value of the reporting unit to the aggregated fair values of its individual assets and liabilities to determine the amount of impairment, if any.

AB estimates its fair value under both the market approach and income approach. Under the market approach, the fair value of the reporting unit is based on its unadjusted market valuation (AB Units outstanding multiplied by the price of an AB Holding Unit) and adjusted market valuations assuming a control premium and earnings multiples. The price of a publicly-traded AB Holding Unit serves as a reasonable starting point for valuing an AB Unit because each represents the same fractional interest in our underlying business. Our market approach analysis also includes control premiums, which are based on an analysis of control premiums for relevant recent acquisitions, and comparable industry earnings multiples applied to our earnings forecast. Under the income approach, the fair value of the reporting unit is based on the present value of estimated future cash flows. Determining estimated fair value using a discounted cash flow valuation technique consists of applying business growth rate assumptions over the estimated life of the goodwill asset and then discounting the resulting expected cash flows using an estimated weighted average cost of capital of market participants to arrive at a present value amount that approximates fair value.

Real Estate Charges

During 2010 and 2012, we performed comprehensive reviews of our office real estate requirements and determined to consolidate office space and sublease the excess office space. As a result, we recorded real estate charges that reflect the net present value of the difference between the amount of our on-going contractual lease obligations for the vacated floors and our estimate of current market rental rates for such floors. The charges we recorded were based on current assumptions at the time of the charges regarding sublease marketing periods, costs to prepare the properties to market, market rental rates, broker commissions and subtenant allowances/incentives, all of which are factors largely beyond our control. If our assumptions prove to be incorrect, we may need to record additional charges or reduce previously recorded charges. We review the assumptions and estimates we used in recording these charges on a quarterly basis.

Loss Contingencies

Management continuously reviews with legal counsel the status of regulatory matters and pending or threatened litigation. We evaluate the likelihood that a loss contingency exists and record a loss contingency if it is both probable and reasonably estimable as of the date of the financial statements. See Note 13 to our consolidated financial statements in Item 8.

Accounting Pronouncements

See Note 2 to our consolidated financial statements in Item 8.

Cautions Regarding Forward-Looking Statements

Certain statements provided by management in this report 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 Item 1A. Any or all of the forward-looking statements that we make in this Form 10-K, 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:

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- 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 certain 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 pending or future 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 generally should not exceed 50% of our adjusted net revenues: 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.
- Our expectation that, as a result of repatriating future non-U.S. earnings, effective January 1, 2017, our effective tax rate will increase: Our effective tax rate fluctuates based on the mix of our earnings across our tax filing group, which includes our U.S. partnership, our U.S. corporate subsidiaries and our corporate subsidiaries operating in various non-U.S. jurisdictions, and the difference between the tax rates in the U.S. and the other jurisdictions where we conduct business.

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Item 7A. Quantitative and Qualitative Disclosures about Market Risk

AB Holding

Market Risk, Risk Management and Derivative Financial Instruments

AB Holding's sole investment is AB Units. AB Holding did not own, nor was it a party to, any derivative financial instruments during the years ended December 31, 2016, 2015 and 2014.

AB

Market Risk, Risk Management and Derivative Financial Instruments

Our investments consist of trading, available-for-sale investments and other investments. Trading and available-for-sale investments include U.S. Treasury Bills, mutual funds, exchange-traded options and various separately-managed portfolios consisting of equity and fixed income securities. Trading investments are purchased for short-term investment, principally to fund liabilities related to long-term incentive compensation plans and to seed new investment services. Although available-for-sale investments are purchased for long-term investment, the portfolio strategy considers them available-for-sale from time to time due to changes in market interest rates, equity prices and other relevant factors. Other investments include investments in hedge funds we sponsor, our consolidated venture capital fund and other private equity investment vehicles.

We enter into various futures, forwards, swaps and options primarily to economically hedge our seed capital investments. We do not hold any derivatives designated in a formal hedge relationship under ASC 815-10, Derivatives and Hedging. See Note 7 to our consolidated financial statements in Item 8.

Trading and Non-Trading Market Risk Sensitive Instruments

Investments with Interest Rate Risk—Fair Value

The table below provides our potential exposure with respect to our fixed income investments, measured in terms of fair value, to an immediate 100 basis point increase in interest rates at all maturities from the levels prevailing as of December 31, 2016 and 2015. Such a fluctuation in interest rates is a hypothetical rate scenario used to calibrate potential risk and does not represent our view of future market movements. While these fair value measurements provide a representation of interest rate sensitivity of our investments in fixed income mutual funds and fixed income hedge funds, they are based on our exposures at a particular point in time and may not be representative of future market results. These exposures will change as a result of ongoing changes in investments in response to our assessment of changing market conditions and available investment opportunities:

	As of December 31,			
	2016		2015	
	Fair Value	Effect of +100 Basis Point Change	Fair Value	Effect of +100 Basis Point Change
	(in thousands)			
Fixed Income Investments:				
Trading	$120,529	$(7,846)	$207,730	$(11,446)
Available-for-sale	22	(1)	183	(10)

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Investments with Equity Price Risk—Fair Value

Our investments also include investments in equity securities, mutual funds and hedge funds. The following table provides our potential exposure with respect to our equity investments, measured in terms of fair value, to an immediate 10% drop in equity prices from those prevailing as of December 31, 2016 and 2015. A 10% decrease in equity prices is a hypothetical scenario used to calibrate potential risk and does not represent our view of future market movements. While these fair value measurements provide a representation of equity price sensitivity of our investments in equity securities, mutual funds and hedge funds, they are based on our exposures at a particular point in time and may not be representative of future market results. These exposures will change as a result of ongoing portfolio activities in response to our assessment of changing market conditions and available investment opportunities:

	As of December 31,			
	2016		2015	
	Fair Value	Effect of -10% Equity Price Change	Fair Value	Effect of -10% Equity Price Change
	(in thousands)			
Equity Investments:				
Trading	$180,330	$(18,033)	$332,178	$(33,218)
Available-for-sale and other investments	163,450	(16,345)	129,709	(12,971)

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Item 8. Financial Statements and Supplementary Data

Report of Independent Registered Public Accounting Firm

To the General Partner and Unitholders of
AllianceBernstein Holding L.P.:

In our opinion, the accompanying statements of financial condition and the related statements of income, comprehensive income, changes in partners’ capital and cash flows present fairly, in all material respects, the financial position of AllianceBernstein Holding L.P. (“AB Holding”) at December 31, 2016 and 2015, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2016 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on these financial statements, and on AB Holding's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP
New York, New York

February 14, 2017

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AllianceBernstein Holding L.P.

Statements of Financial Condition

	December 31, 2016	2015
	(in thousands, except unit amounts)	
ASSETS		
Investment in AB	$1,540,508	$1,576,120
Other assets	—	—
Total assets	$1,540,508	$1,576,120
LIABILITIES AND PARTNERS' CAPITAL		
Liabilities:		
Other liabilities	$619	$274
Total liabilities	619	274
Commitments and contingencies (See Note 7)		
Partners' capital:		
General Partner: 100,000 general partnership units issued and outstanding	1,405	1,357
Limited partners: 96,552,190 and 99,944,485 limited partnership units issued and outstanding	1,592,240	1,619,841
AB Holding Units held by AB to fund long-term incentive compensation plans	(11,731)	(10,669)
Accumulated other comprehensive loss	(42,025)	(34,683)
Total partners' capital	1,539,889	1,575,846
Total liabilities and partners' capital	$1,540,508	$1,576,120

See Accompanying Notes to Financial Statements.

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AllianceBernstein Holding L.P.

Statements of Income

	Years Ended December 31,		
	2016	2015	2014
	(in thousands, except per unit amounts)		
Equity in net income attributable to AB Unitholders	$239,389	$210,084	$200,931
Income taxes	22,803	24,320	22,463
Net income	$216,586	$185,764	$178,468
Net income per unit:			
Basic	$2.24	$1.87	$1.84
Diluted	$2.23	$1.86	$1.84

See Accompanying Notes to Financial Statements.

AllianceBernstein Holding L.P.

Statements of Comprehensive Income

	Years Ended December 31,		
	2016	2015	2014
	(in thousands)		
Net income	$216,586	$185,764	$178,468
Other comprehensive income (loss):			
Foreign currency translation adjustments, before reclassification and tax	(6,697)		