

October 26, 2011

# Third Quarter 2011 Review

**Peter S. Kraus**

Chairman & Chief Executive Officer

**David A. Steyn**

Chief Operating Officer

**Edward J. Farrell**

Interim Chief Financial Officer & Controller



# Cautions Regarding Forward-Looking Statements

Certain statements provided by management in this presentation 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, competitive conditions, and current and proposed government regulations, including changes in tax regulations and rates and the manner in which the earnings of publicly-traded partnerships are taxed. AllianceBernstein cautions readers to carefully consider such factors. Further, such forward-looking statements speak only as of the date on which such statements are made; AllianceBernstein undertakes 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” and “Cautions Regarding Forward-Looking Statements” in AllianceBernstein’s Form 10-K for the year ended December 31, 2010 and subsequent Forms 10-Q. Any or all of the forward-looking statements made in this presentation, Form 10-K, Form 10-Qs, other documents AllianceBernstein files with or furnishes to the SEC, and any other public statements issued by AllianceBernstein, may turn out to be wrong. It is important to remember that other factors besides those listed in “Risk Factors” and “Cautions Regarding Forward-Looking Statements”, and those listed below, could also adversely affect AllianceBernstein’s financial condition, results of operations and business prospects.

The forward-looking statements referred to in the preceding paragraph include statements regarding:

■ **The pipeline of new institutional mandates not yet funded:** Before they are funded, institutional mandates do not represent legally binding commitments to fund and, accordingly, the possibility exists that not all mandates will be funded in the amounts and at the times currently anticipated.

■ **Our confidence that, while our challenges are likely to continue for the remainder of 2011, our diversified business model, our strong client relationships and our financial viability will endure, and that we will emerge a stronger, well-positioned firm as a result:** Changes and volatility in political, economic, capital market or industry conditions can result in changes in demand for our products and services or impact the value of our assets under management, all of which may adversely affect our results of operations. The actual performance of the capital markets and other factors beyond our control will affect our investment success for clients and asset flows. Furthermore, improved flows depend on a number of factors, including our ability to deliver consistent, competitive investment performance, which cannot be assured, conditions of financial markets, consultant recommendations, and changes in our clients’ investment preferences, risk tolerances and liquidity needs.

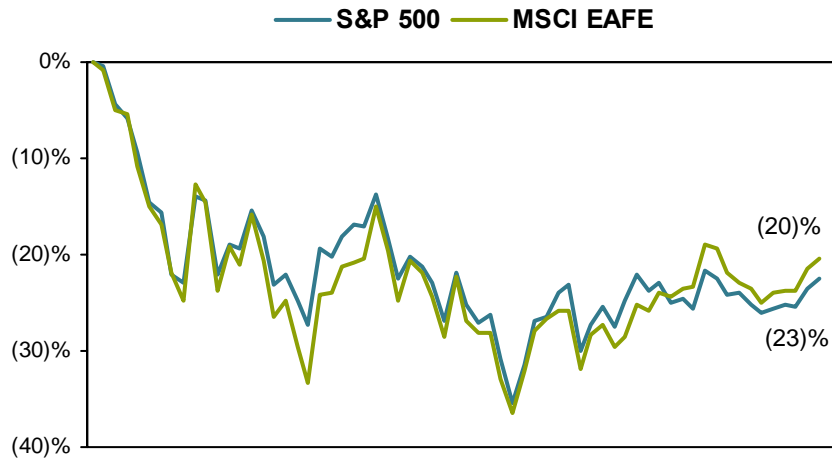
■ **The degree to which the \$89.6 million real estate charge we recorded during the third quarter of 2010 will reduce occupancy costs on existing real estate in 2011 and subsequent years:** The charge we recorded during the third quarter of 2010 and our estimates of reduced occupancy costs in future years are based on existing sub-leases, as well as our current assumptions of when we can sub-lease the remaining space and current market rental rates, which are factors largely beyond our control. If our assumptions prove to be incorrect, we may be forced to take an additional charge and/or our estimated occupancy cost reductions may be less than we currently anticipate.

■ **Our intention to continue to engage in open market purchases of Holding Units to help fund anticipated obligations under our incentive compensation award program:** The number of Holding Units needed in future periods to make incentive compensation awards is dependent upon various factors, some of which are beyond our control, including fluctuation in the price of a Holding Unit.

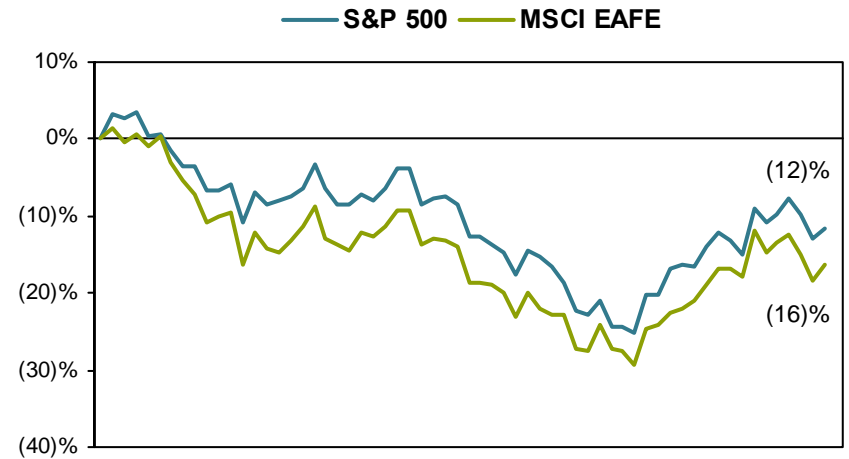
**Peter S. Kraus**  
**Chairman & Chief Executive Officer**

# Declining Markets Amid Global Economic Uncertainty

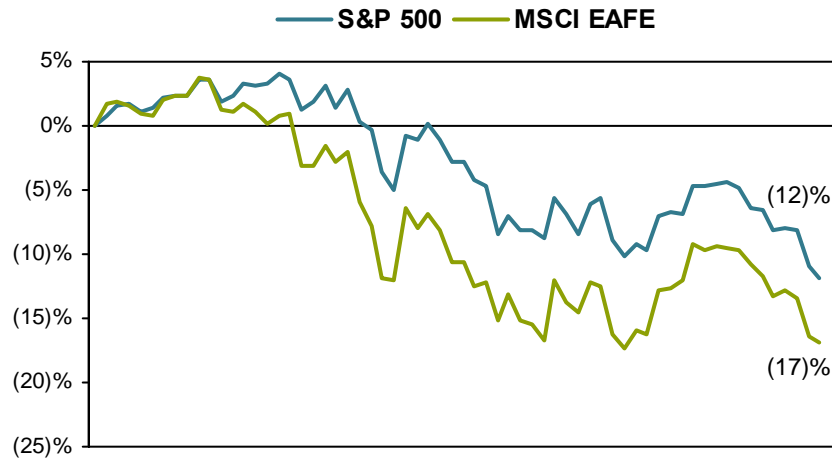
## 4Q08 – Lehman Failure



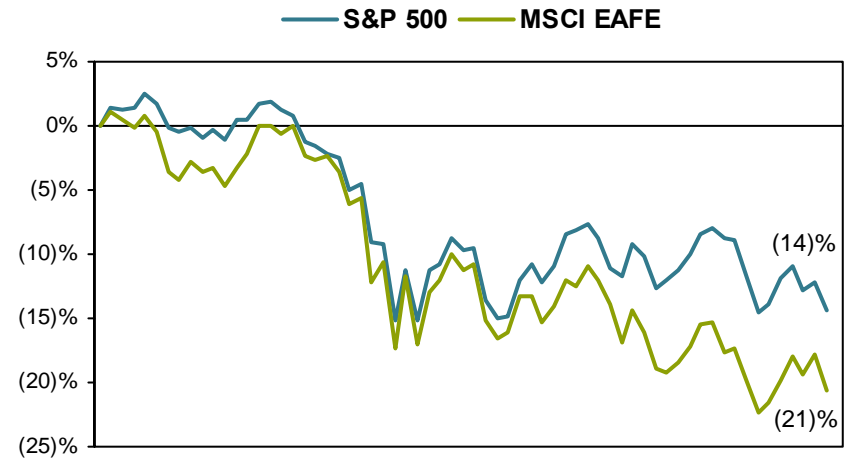
## 1Q09 – Height of Financial Crisis



## 2Q10 – Europe Debt Crisis I



## 3Q11 – Euro Crisis II and US Debt/Economy

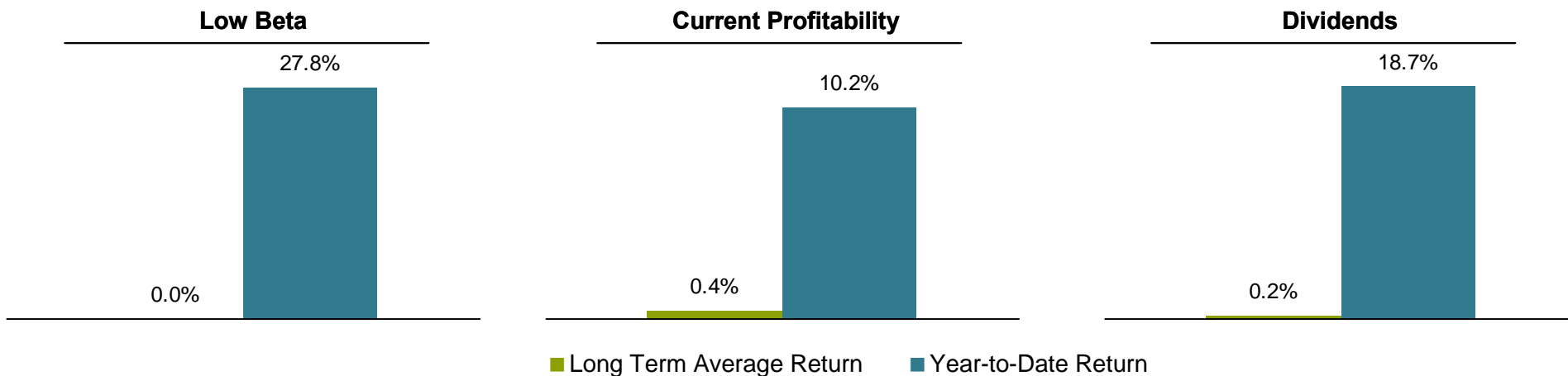


# Equities: Fundamentals Out Of Favor

## Core Investing Fundamentals: Earnings Growth Potential and Cheapness\*



## What's Working Now: Safety, Proven Earnings and Dividends\*\*



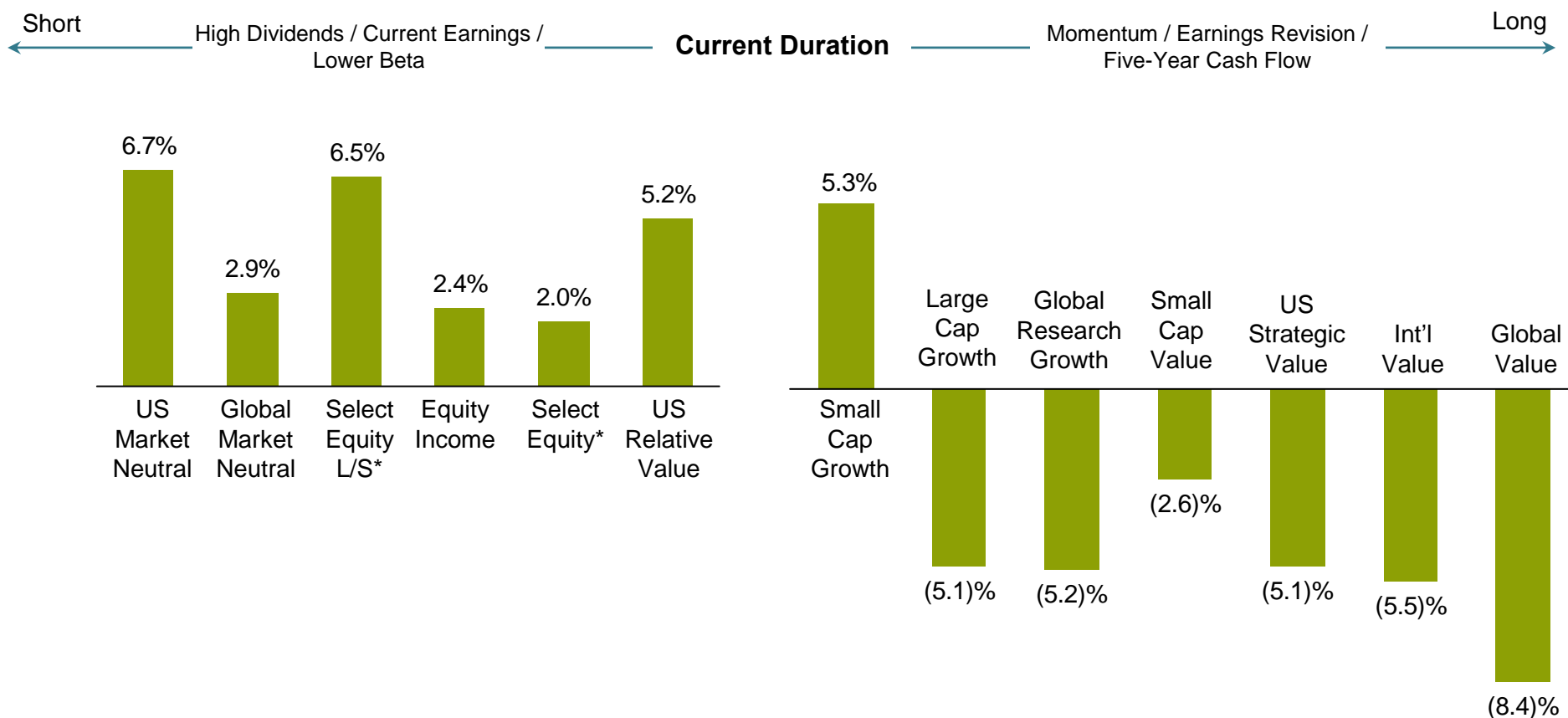
\*A broad universe of global developed-market stocks was ranked separately on the basis of three key fundamental factors (earnings growth, price to book and price to forward earnings) and divided into quintiles. The returns for the least attractive quintiles were subtracted from the returns of the most attractive quintiles. Earnings growth, P/B and P/FE are from January 1971.

\*\*A broad universe of US stocks was ranked separately on the basis of four key fundamental factors (low beta, current profitability and dividends) and divided into quintiles. The returns for the least attractive quintiles were subtracted from the returns of the most attractive quintiles. Long term data is from 1980 to September 30, 2011.

Source: AllianceBernstein

# Equities: A Market That Rewards Short Duration

## Year-to-Date Relative Returns



Benchmark:	3-Month USD LIBOR	3-Month USD LIBOR	S&P 500	S&P 500	S&P 500	Russell 1000 Value	Russell 2000 Growth	Russell 1000 Growth	MSCI World	Russell 2000 Value	Russell 1000 Value	MSCI EAFE	MSCI World
Inception:	2009	2009	1999*	2010	2005*	1994	1970	1977	1991	1990	1973	1999	1995

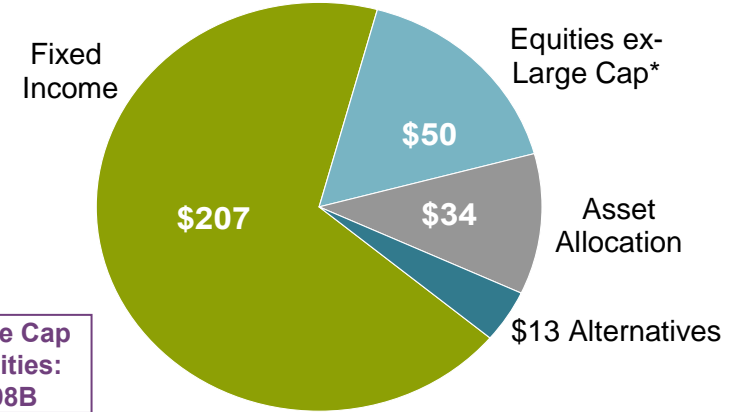
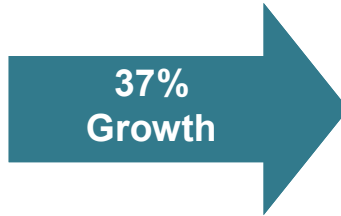
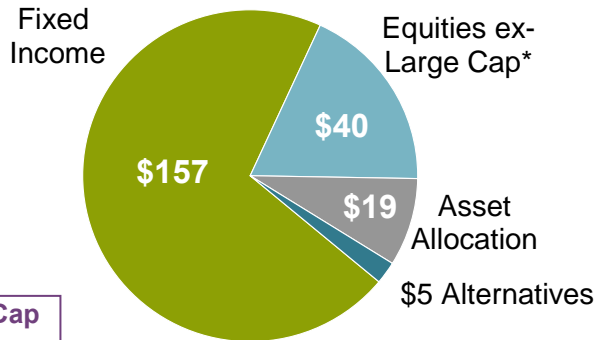
All performance data is net of fees and annualized. Source: AllianceBernstein  
 \*Acquired by AllianceBernstein on May 31, 2011.

# Evolution of Our Business

**Dec-08: \$221 Billion**  
**49% of Firm Total**

**AUM**  
 (\$ in Billions)

**Sept-11: \$304 Billion**  
**76% of Firm Total**



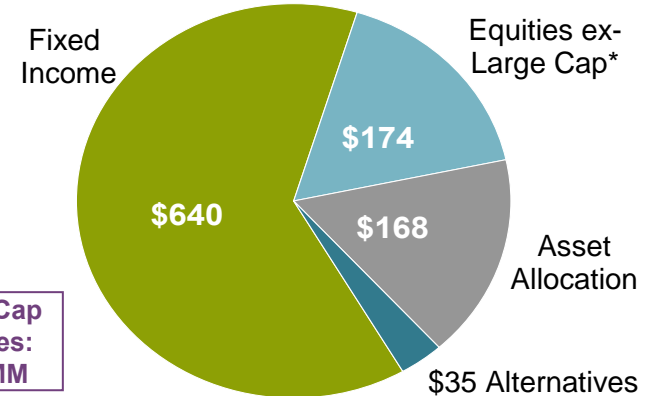
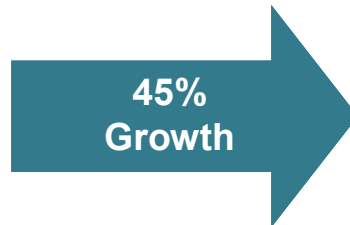
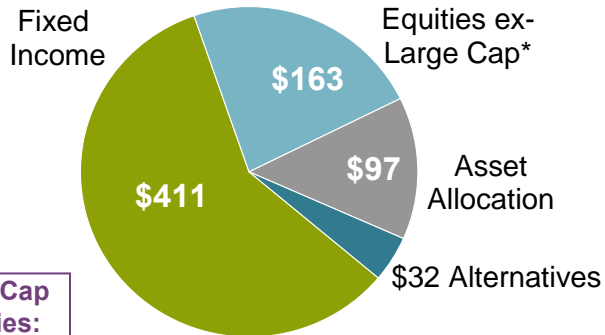
Large Cap  
Equities:  
\$228B

Large Cap  
Equities:  
\$98B

**Dec-08: \$703 Million**  
**36% of Firm Total**

**AFB**  
 (\$ in Millions)

**Sept-11: \$1.0 Billion**  
**60% of Firm Total**



Large Cap  
Equities:  
\$1.2B

Large Cap  
Equities:  
\$668MM

\*Includes Small/Mid/SMID Cap, Emerging Markets, Thematic, REITS and Index.

# Positioning AB for Long Term Success – 3Q Accomplishments

## Firmwide Initiative

Improve investment performance and restore client confidence

Diversify our business across channels, investment services and geographies

Develop innovative new products and services to meet clients' evolving needs

Achieve greater operating leverage and better financial results

## Evidence of Progress in 3Q

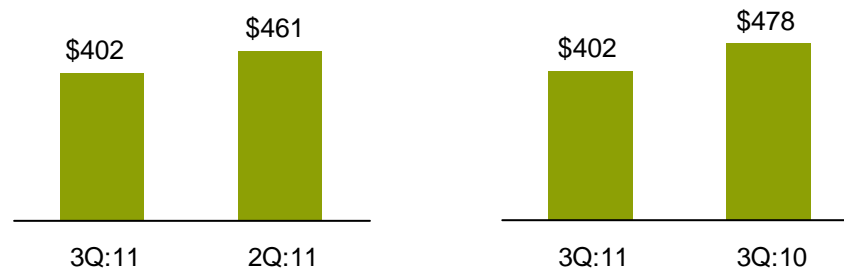
- Ongoing outperformance in Global Fixed Income, US Small and SMID Cap Growth and US Relative Value
- New Municipal Bond, Renminbi Income and Equity-Income products among top performers
- Global, Unconstrained and Intermediate Bond A shares moved up in the Morningstar 3-year percentile rankings
- Increasingly diverse Institutional pipeline, with 3Q wins in US & Global Fixed Income, Recovery Asset and Japan Equity
- Successful launch of Emerging Markets Multi-Asset Strategy in UK, European and US Institutional & PC channels; Retail underway
- Further progress in European and Asian sell-side build-out
- Continued momentum with CRS – YTD organic growth rate of 45%
- DAA particularly effective in mitigating volatility in the quarter
  - Volatility management implemented in education services in 3Q
- Roll-out of new long-only and long/short equity strategies in Institutional channel
- Ongoing progress in occupancy rationalization
  - Consolidated London office space
- Disciplined comp and non-comp expense management

**David A. Steyn**  
**Chief Operating Officer**

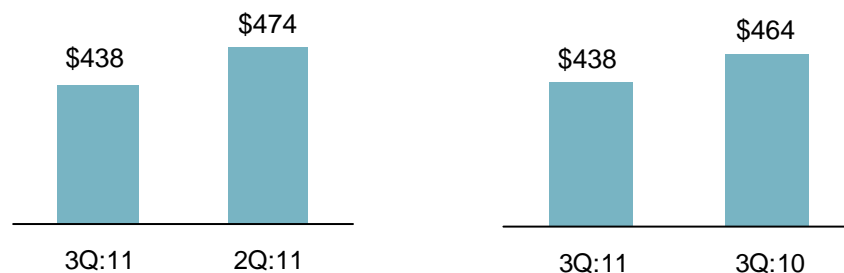
# Assets Under Management: Third Quarter 2011

In US \$ Billions

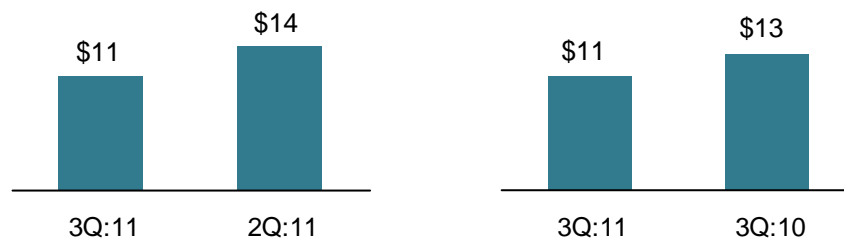
End of Period  
AUM



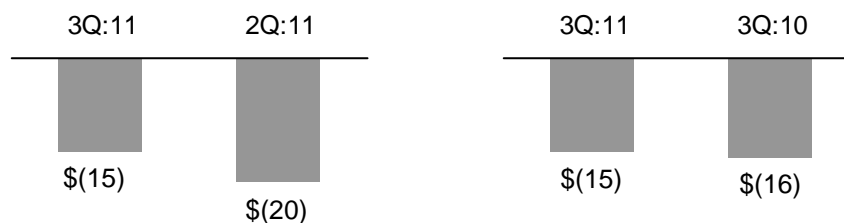
Average  
AUM



Gross  
Sales

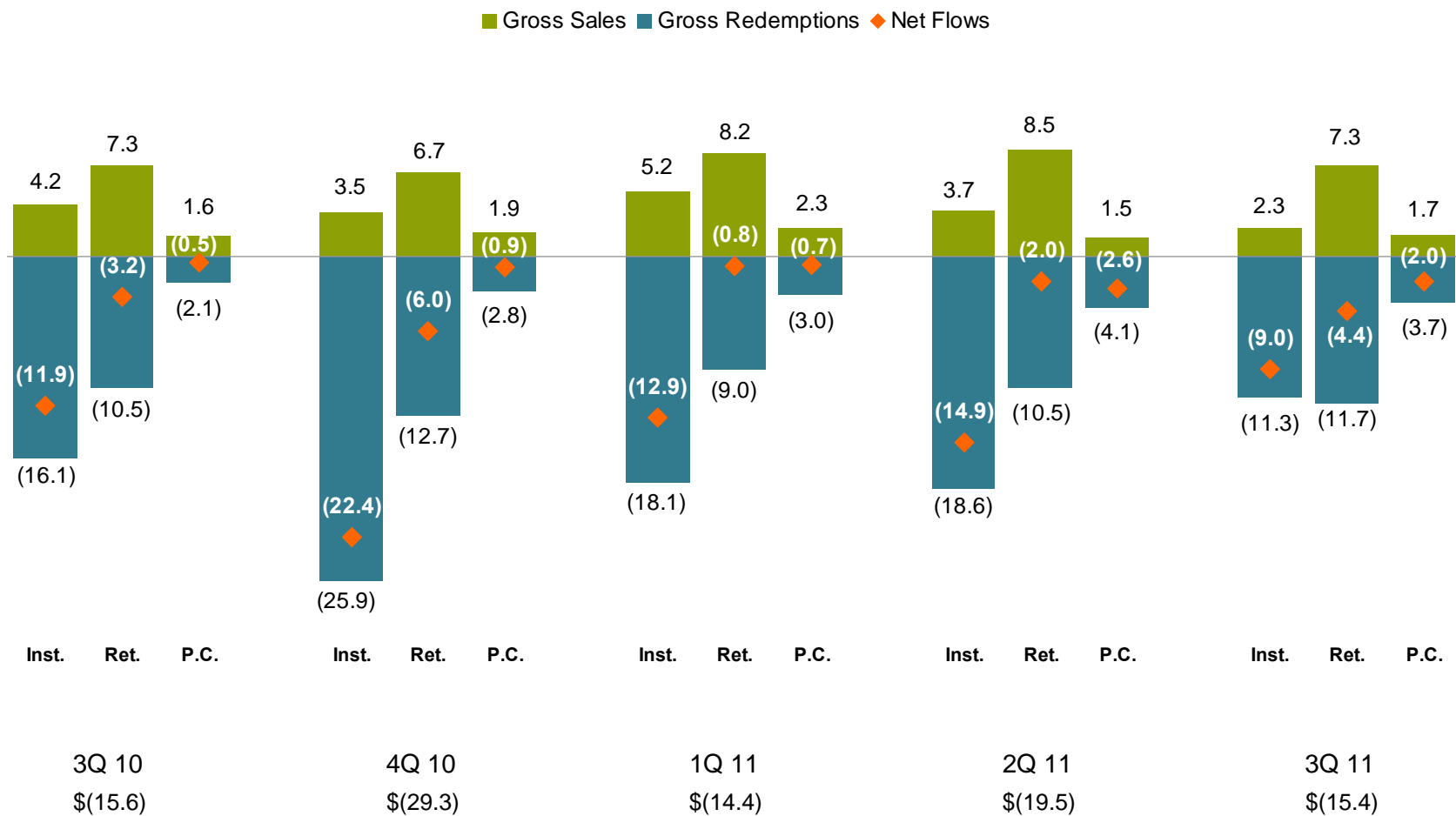


Net  
Flows



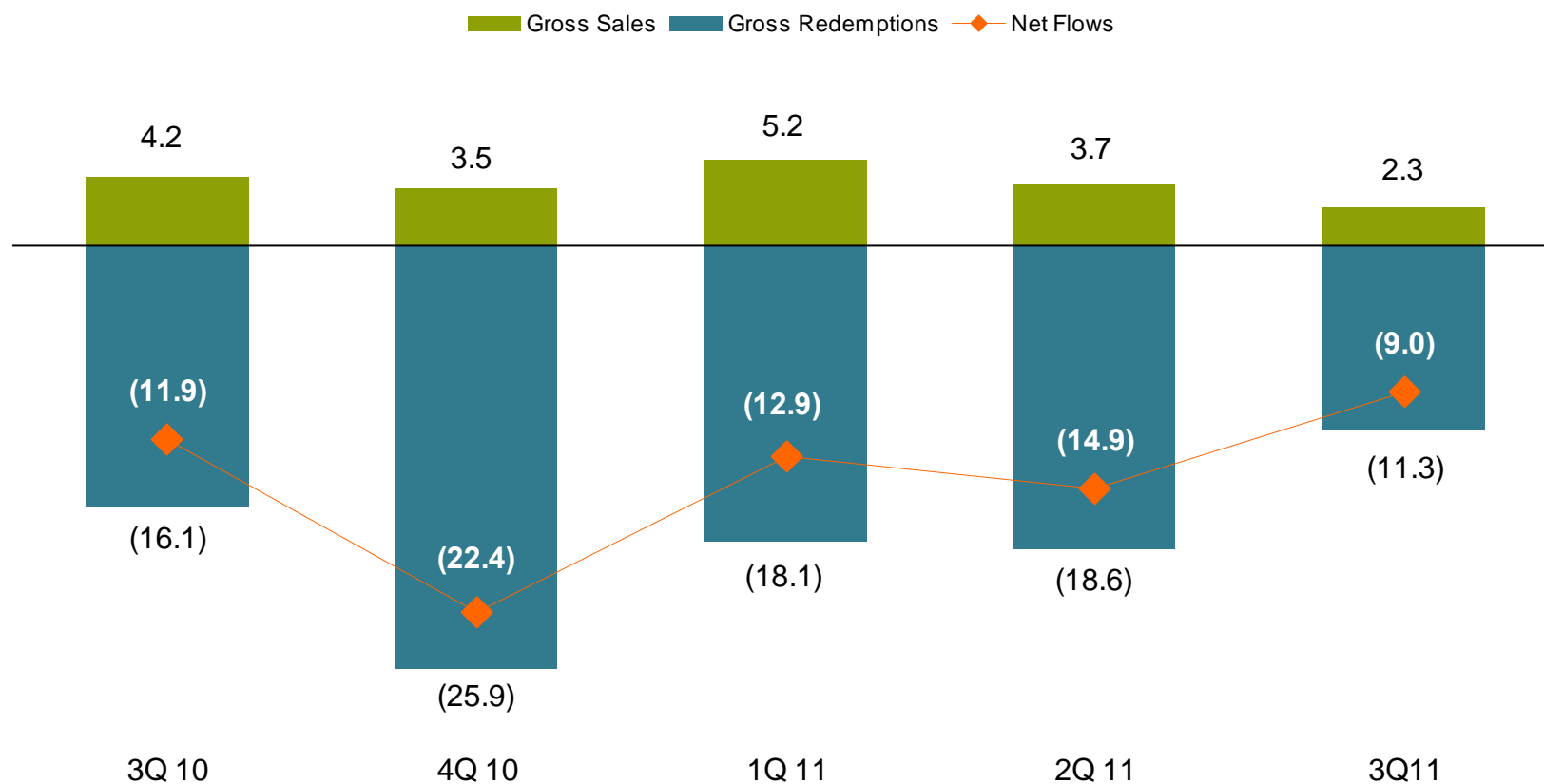
# Asset Flows by Distribution Channel: Quarterly Trend

In US \$ Billions



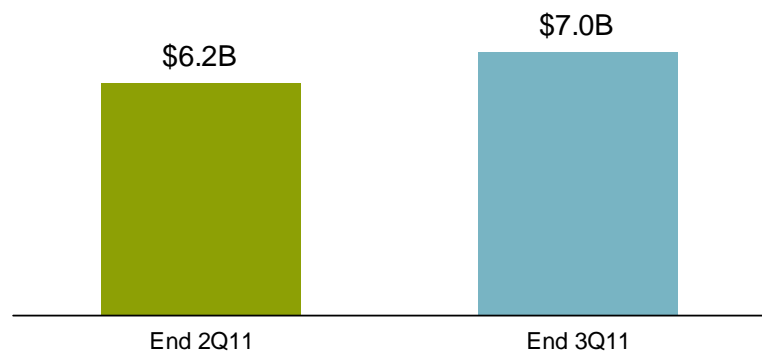
# Institutional Flows

In US \$ Billions



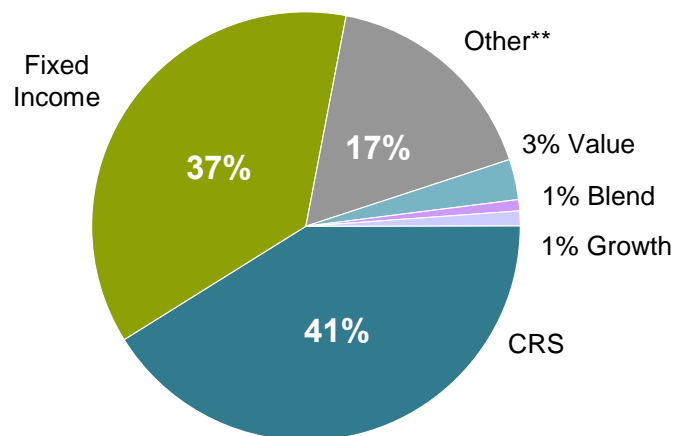
# Institutional Highlights

## Pipeline is Growing....



## Across Investment Services...

Pipeline Breakdown by Investment Service



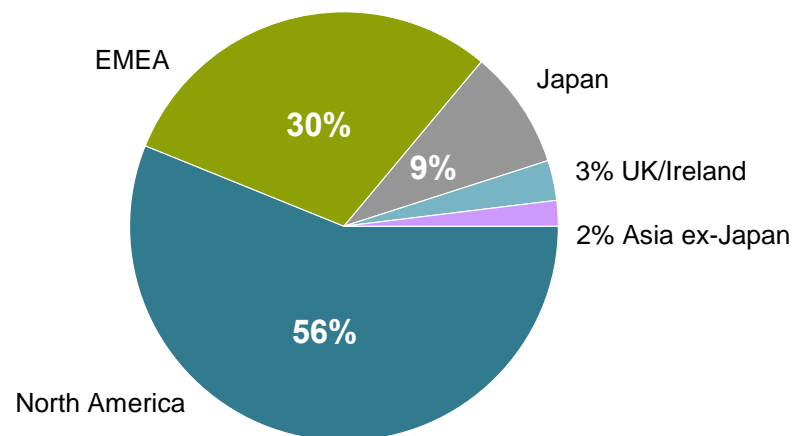
## And Diverse...

### 3Q Wins\*

- \$450MM ABRA (AB Recovery Asset)
- \$400MM US Fixed Income
- \$350MM European Fixed Income
- \$330MM Emerging Markets Fixed Income
- \$140MM Japan Strategic Value

## ...And Regions

Pipeline Breakdown by Geographic Region



Percentages rounded

\*Represents indications of potential demand as of September 30, 2011.

\*\*Other includes passive/index and alternative strategies

# Top Performing Services in Large Asset Categories

	Quartile Ranks			Relative Returns			Relative Return Benchmark
	1 Yr	3 Yr	5 Yr	1 Yr	3 Yr	5 Yr	
<b>Fixed Income</b>							
Global Plus Fixed Income	1	2	2	0.7	1.9	0.3	Barclays Capital Global Aggregate
US Core Fixed Income	2	1	3	0.0	2.0	0.3	Barclays Capital US Aggregate
Emerging Markets Debt	2	1	1	(0.8)	3.0	2.1	JPM EMBI Global
Global High Income	2	1	1	1.2	3.2	0.6	JPM EMBI Global
US High Yield	4	1	1	(0.7)	2.2	0.5	Barclays Capital US High Yield
<b>Equity</b>							
US Small Cap Value	3	2	2	0.2	6.3	4.4	Russell 2000 Value
US Small Cap Growth	1	1	1	8.0	6.4	3.8	Russell 2000 Growth
SMID Growth	1	1	1	7.2	6.9	5.4	Russell 2500 Growth
Select US Equity	1	1	1	4.6	6.2	7.1	S&P 500

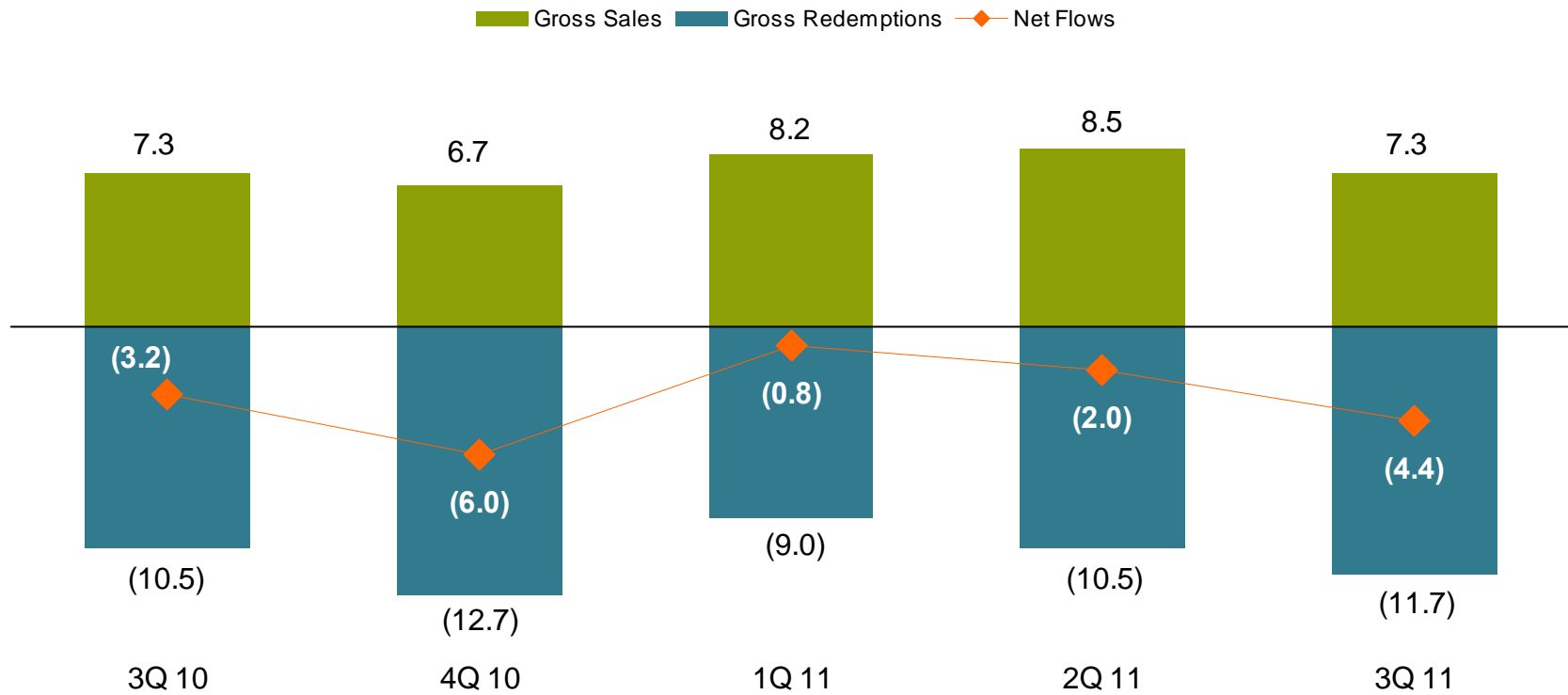
As of September 30, 2011. Relative returns are gross of fees.

Source: eVestment Alliance and AllianceBernstein

Peer Universe used for percentile ranks by eVestment: Global Agg Fixed Income (Global Plus Fixed Income); US Core Fixed Income (US Core Fixed Income); All Emerging Mkts Fixed Income (Emerging Markets Debt); Global High Yield Fixed Income (Global High Income); US High Yield (US High Yield); US Small Cap Value Equity (US Small Cap Value); US Small Cap Growth Equity (US Small Cap Growth); US SMID Cap Growth Equity (SMID Growth); US All Cap Equity (Select US Equity).

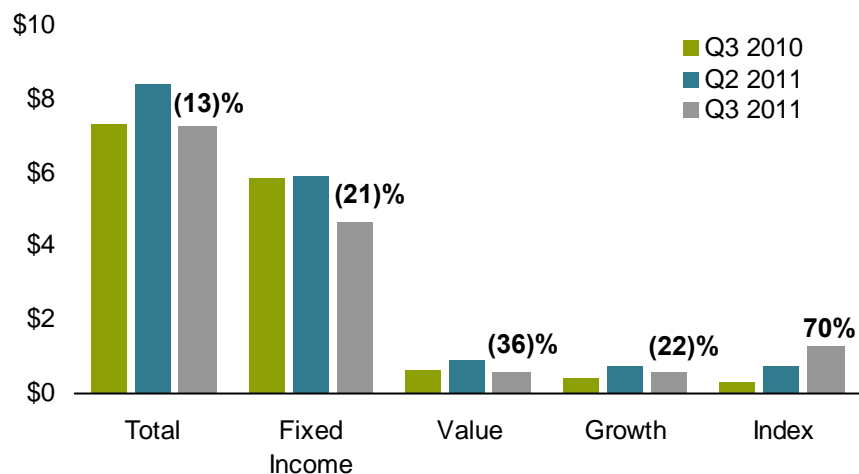
# Retail Flows

In US \$ Billions

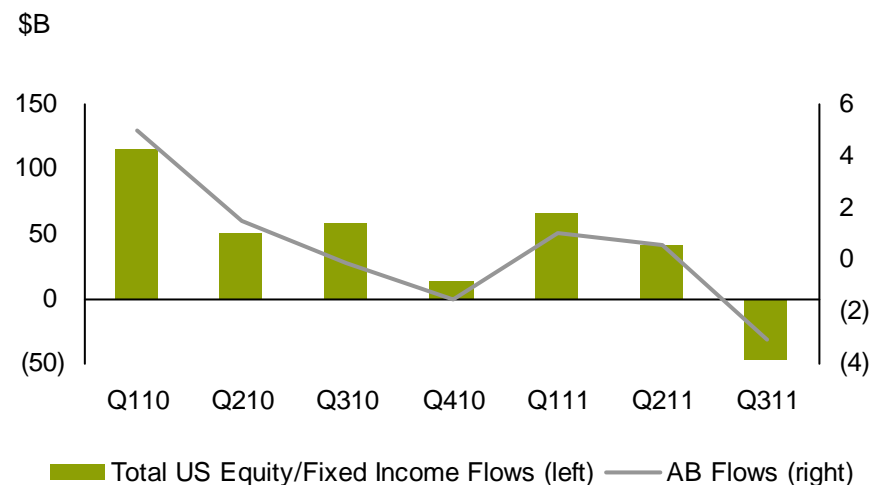


# Retail Sales Trends

## 3Q Retail Gross Sales

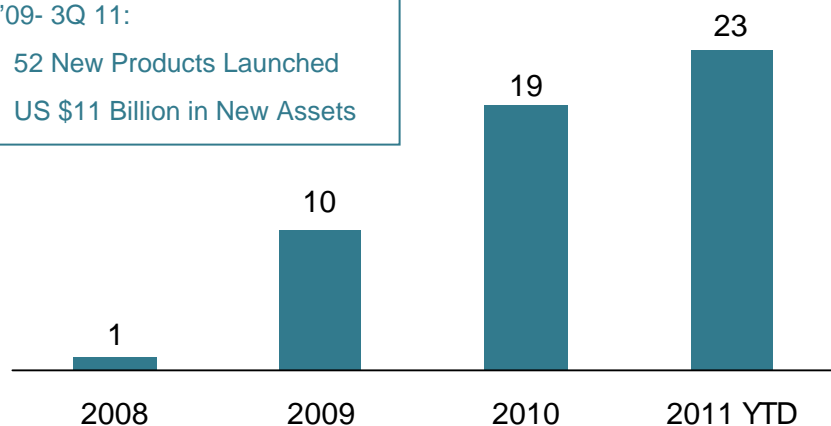


## 3Q US Mutual Fund Flows



## We Continue to Launch Innovative New Products

'09- 3Q 11:  
52 New Products Launched  
US \$11 Billion in New Assets



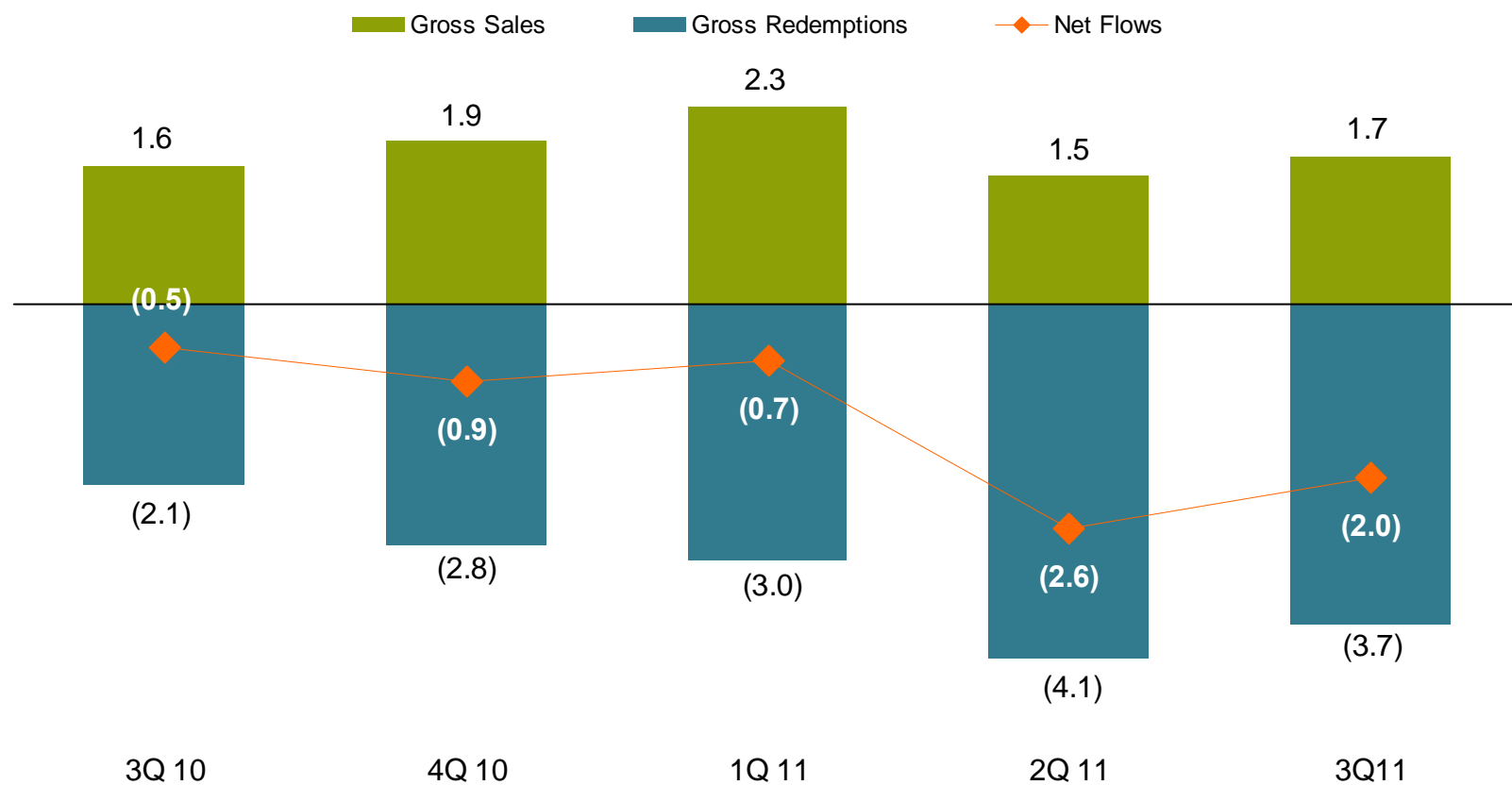
## Products That Are Performing Well Are Selling Well

Product	3Q/2Q Sales Increase	One Year Performance*
Intermediate Muni Diversified	415%	2.8%
RMB Income Plus	72%	N/A
Muni Income National	71%	3.9%
Intermediate Muni NY	69%	2.5%
American Income	42%	2.5%
Equity Income	32%	2.3%

\*One year absolute performance as of September 30, 2011

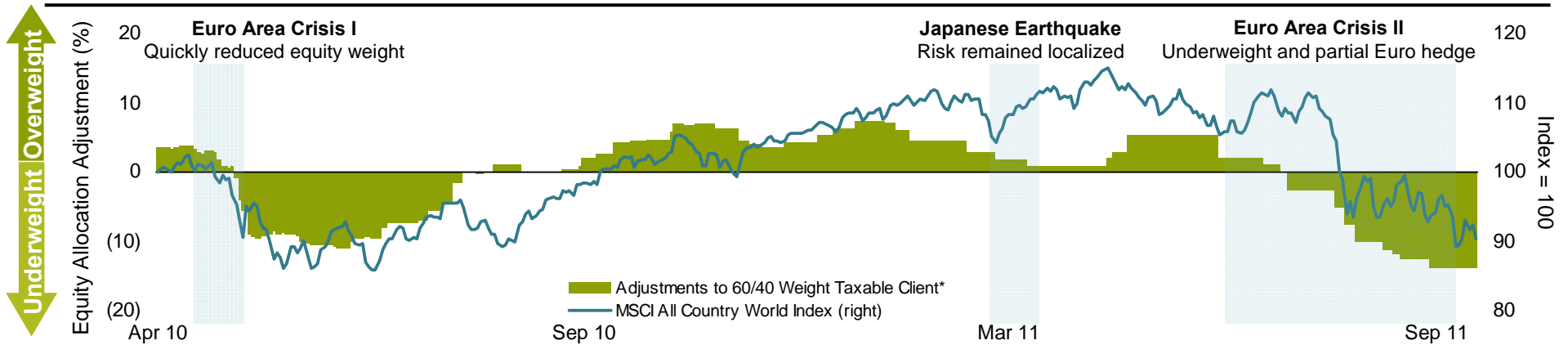
# Private Client Flows

In US \$ Billions



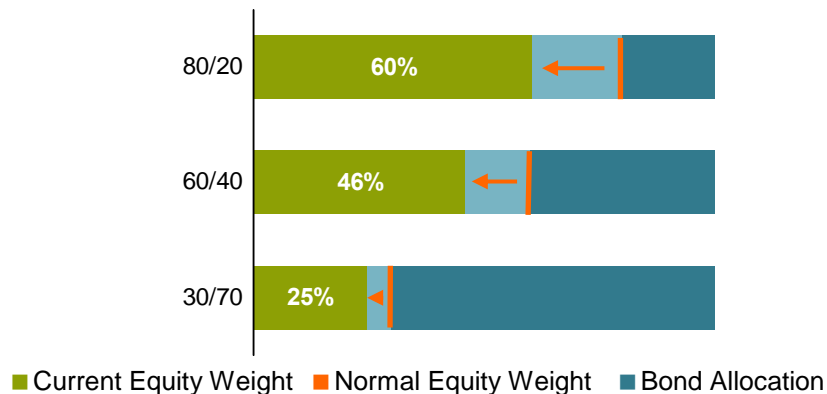
# DAA: Smoothing the Ride for Private Clients

## With DAA We Continuously Adapt to Rapidly Changing Markets



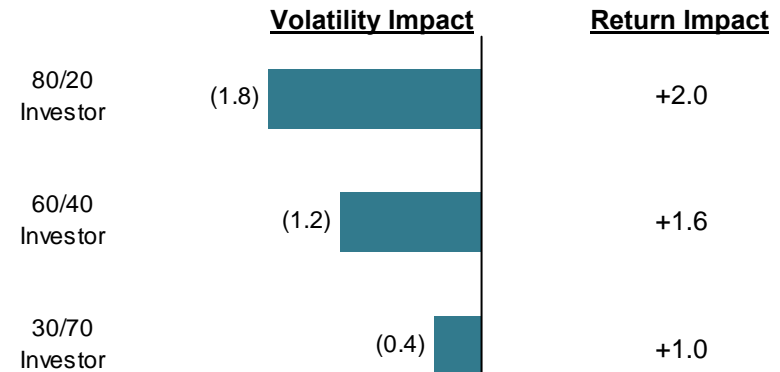
## Adjusting Equity Allocations...

### Allocation Adjustment Across Client Spectrum



## ...to Reduce Volatility Without Sacrificing Returns

### DAA Impact on Taxable Client Accounts: Inception through 9/30/11\* (% pts)



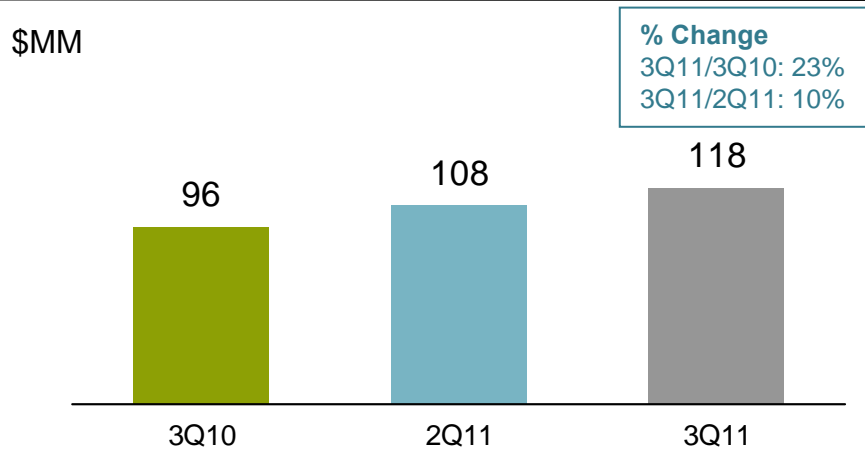
\*US Private Client construction: For a 60/40 Weight Taxable Client, equity refers to 70% US equity (MSCI USA) and 30% international equity (25% MSCI EAFE, 5% MSCI EM). DAA impact compares an account with DAA to an account without DAA.

\*\*Inception date April 1, 2010

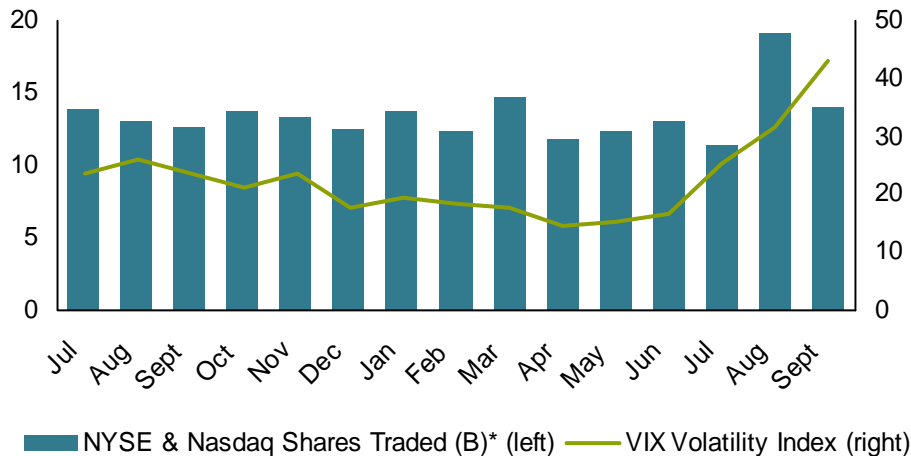
Source: Morgan Stanley Capital International (MSCI) and AllianceBernstein. As of September 30, 2011.

# Bernstein Research Services

## Increase in Revenues...



## ...Driven by Spike in Volume and Volatility



\*Composite trading volumes. Source: ThomsonOne.

## 3Q Accomplishments

### United States

- Strong recognition in annual *Institutional Investor* All-America survey
  - Bernstein again Top 10 ranked
  - Analysts voted #1 in nine different sectors

### Europe

- Growing European profile
  - Record attendance at 5<sup>th</sup> annual September conference
  - Attendance has tripled in five years

### Asia

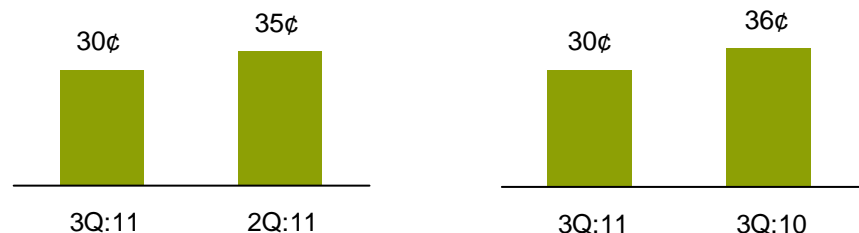
- Meeting goal of 50 local staff by year-end 2011
- Six publishing analysts; 12 expected by year-end 2012



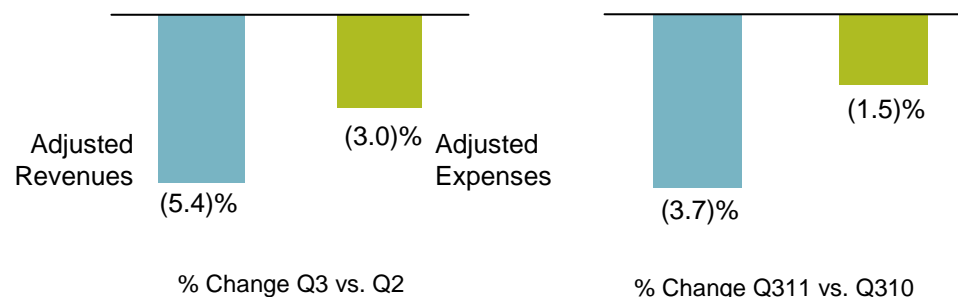
**Edward J. Farrell**  
**Interim Chief Financial Officer & Controller**

# Financial Highlights: Third Quarter 2011

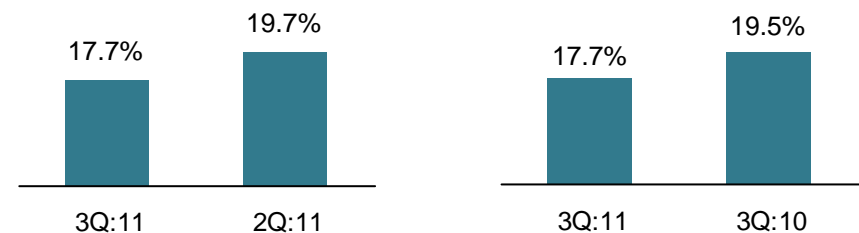
## Adjusted EPU



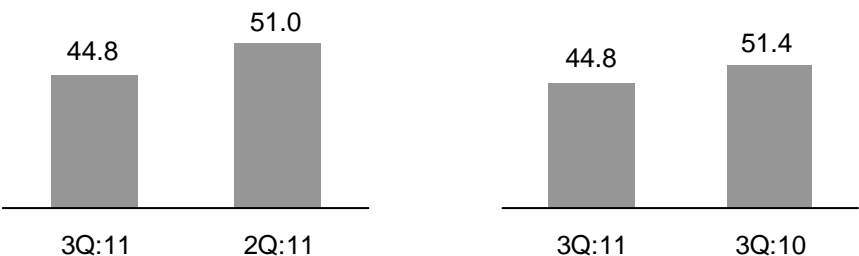
## Adjusted Revenue/Expense Trends



## Adjusted Operating Margins



## Share Repurchases (\$ Millions)



Please refer to pages 44-46 for additional information on the reconciliation of GAAP financial results to adjusted financial results

## Third Quarter 2011 Income Statement

- Prior year quarter included \$90 million real estate charge in GAAP earnings
- Current quarter includes \$7 million real estate charge in GAAP earnings, related to the consolidation of London office space
- Adjusted EPU of 30 cents, as lower advisory fees and larger investment losses impacted current quarter revenues

In US Dollar Millions (except EPU)	3Q 2011	2Q 2011	% Δ	3Q 2010	% Δ
Net Revenues	\$ 642	\$ 728	(12%)	\$ 758	(15%)
Operating Expenses	564	612	(8%)	700	(19%)
Operating Income	78	116	(33%)	58	35%
Net Income Attributable to AB Unitholders	91	114	(20%)	52	77%
<b>AB Holding GAAP Diluted Net Income per Unit</b>	<b>\$0.26</b>	<b>\$0.34</b>	<b>(24%)</b>	<b>\$0.12</b>	<b>117%</b>
<b>AB Holding Adjusted Diluted Net Income Per Unit</b>	<b>\$0.30</b>	<b>\$0.35</b>	<b>(14%)</b>	<b>\$0.36</b>	<b>(17%)</b>

Please refer to pages 44-46 for additional information on the reconciliation of GAAP financial results to adjusted financial results. Percentages are calculated using expenses rounded to the nearest thousand.

# Third Quarter 2011 Revenues

- Bernstein Research improved versus both prior periods, due to increased market volumes
- Greater current quarter deferred compensation and seed investment losses versus prior quarter losses and prior year quarter gains

<b>Revenues</b> (in US dollar millions)	<b>3Q 2011</b>	<b>2Q 2011</b>	<b>% Δ</b>	<b>3Q 2010</b>	<b>% Δ</b>
Base Fees	\$ 469	\$ 505	(7%)	\$ 498	(6%)
Performance Fees	1	4	(84%)	6	(89%)
Bernstein Research	118	108	10%	96	23%
Distribution	88	92	(5%)	85	3%
Investment Gains (Losses)	(66)	(14)	388%	41	n/m
Other Revenues	32	33	(5%)	32	0%
<b>GAAP Net Revenues</b>	<b>642</b>	<b>728</b>	<b>(12%)</b>	<b>758</b>	<b>(15%)</b>
Investment (Gains) Losses <sup>(1)</sup>	55	7	649%	(39)	n/m
Distribution and Servicing Costs	(95)	(98)	(4%)	(94)	1%
<b>Adjusted Net Revenues</b>	<b>\$ 602</b>	<b>\$ 637</b>	<b>(5%)</b>	<b>\$ 625</b>	<b>(4%)</b>

<sup>(1)</sup> Includes investment (gains) losses and dividends and interest on deferred compensation-related investments and 90% of the investment (gains) losses of our consolidated venture capital fund attributable to non-controlling interests

Please refer to pages 44-46 for additional information on the reconciliation of GAAP financial results to adjusted financial results.

Percentages are calculated using revenues and expenses rounded to the nearest thousand.

## Third Quarter 2011 Operating Expenses

- Incentive compensation declined versus both prior periods, due primarily to lower MTM vesting on prior years' deferred compensation awards and lower revenues for compensation calculation
- Promotion & Servicing sequential decrease due to lower T&E costs; increase versus the prior year period attributed to higher trade execution costs
- Insurance proceeds related to market timing settlement

Operating Expenses (in US dollar millions)	3Q 2011	2Q 2011	% Δ	3Q 2010	% Δ
Compensation & Benefits					
Base Compensation	\$ 123	\$ 117	5%	\$ 110	12%
Incentive Compensation	77	122	(37%)	151	(49%)
Commissions, Fringes & Other	84	88	(4%)	82	1%
<b>Total Compensation &amp; Benefits</b>	<b>284</b>	<b>327</b>	<b>(13%)</b>	<b>343</b>	<b>(17%)</b>
Promotion & Servicing	138	148	(7%)	131	5%
General & Administrative	129	132	(2%)	130	(1%)
Real Estate Charge	7	-	n/m	90	(92%)
Other	6	5	2%	6	4%
<b>Total GAAP Operating Expenses</b>	<b>564</b>	<b>612</b>	<b>(8%)</b>	<b>700</b>	<b>(19%)</b>
Deferred Compensation Expenses <sup>(1)</sup>	22	(3)	n/m	(14)	n/m
Distribution-Related Expenses	(95)	(98)	(3%)	(94)	1%
Real Estate Sub-Lease Charges	(7)	-	n/m	(90)	(92%)
Insurance proceeds	11	-	n/m	-	n/m
Non- Controlling Interest excluding Venture Fund	-	-	-	1	(100%)
<b>Total Adjusted Operating Expenses</b>	<b>\$ 495</b>	<b>\$ 511</b>	<b>(3%)</b>	<b>\$ 503</b>	<b>(2%)</b>

<sup>(1)</sup> Please refer to page 40 for additional information on the deferred compensation net P&L trends  
Percentages are calculated using expenses rounded to the nearest thousand

## Third Quarter 2011 GAAP to Adjusted Reconciliation

- GAAP Operating Income declined 33% sequentially but increased 35% versus the prior year
- Adjusted Operating Margin declined versus both prior periods
- GAAP Operating Margin improved versus the prior year period and declined versus the prior quarter

	3Q 2011	2Q 2011	% Δ	3Q 2010	% Δ
<b>AllianceBernstein L.P.</b>					
<b>GAAP Operating Income</b>	<b>\$ 78</b>	<b>\$ 116</b>	<b>(33%)</b>	<b>\$ 58</b>	<b>35%</b>
Net P&L impact of MTM of Deferred Compensation <sup>(1)</sup>	14	3	346%	(23)	n/m
Real Estate Charges	7	-	n/m	90	(92%)
Insurance proceeds	(11)	-	n/m	-	n/m
Net Loss (Income) of Consolidated Entities Attributable to Non-Controlling Interests	19	7	173%	(3)	n/m
<b>Adjusted Operating Income</b>	<b>\$ 107</b>	<b>\$ 126</b>	<b>(15%)</b>	<b>\$ 122</b>	<b>(13%)</b>
<b>GAAP Operating Margin</b> (including non-controlling interests)	<b>15.0%</b>	<b>16.8%</b>		<b>7.2%</b>	
<b>Adjusted Operating Margin</b>	<b>17.7%</b>	<b>19.7%</b>		<b>19.5%</b>	

<sup>(1)</sup> Net impact of investment (gains) losses and employee compensation related to the mark-to-market of deferred compensation balances

Please refer to pages 44-46 for additional information on the reconciliation of GAAP financial results to adjusted financial results

Percentages are calculated using revenues and expenses rounded to the nearest thousand

# Q & A

# APPENDIX

# Institutional Value Equity: Relative Performance

## Institutional Equity Composites vs. Benchmarks

Service	Periods Ended Sept 30, 2011					Benchmark
	3Q 2011	One Year	Three Years	Five Years	Ten Years	
US Diversified Value	(1.6)	(2.1)	(1.1)	(2.7)	(1.2)	Russell 1000 Value
US Strategic Value	(6.1)	(7.8)	(4.6)	(6.3)	(1.6)	S&P 500
US Strategic Value	(3.8)	(4.8)	(1.9)	(4.0)	(2.1)	Russell 1000 Value
International Value	(3.2)	(6.0)	(5.1)	(4.6)	0.2	MSCI EAFE (Cap, UH, net)
International Strategic Value	(3.8)	(7.6)	(6.2)	(5.9)	0.5	MSCI EAFE (Cap, UH, net)
Global Value	(5.8)	(9.0)	(5.6)	(6.2)	(0.6)	MSCI World (Cap, UH, net)
Global Strategic Value	(6.6)	(9.9)	(6.5)	(7.5)	(0.6)	MSCI World (Cap, UH, net)
Emerging Markets Value	(1.9)	(4.4)	(1.5)	(2.3)	1.1	MSCI EM (Cap, UH, net)

Performance is preliminary.

\*Prior to 2001, MSCI EM gross dividends reinvested was used.

As of September 30, 2011

Investment performance of composites is presented after investment management fees. Periods of more than one year are annualized.

The information in this table is provided solely for use in connection with this presentation and is not directed toward existing or potential investment advisory clients of AllianceBernstein.

# Institutional Growth Equity: Relative Performance

## Institutional Equity Composites vs. Benchmarks

Service	Periods Ended Sept 30, 2011					Benchmark
	3Q 2011	One Year	Three Years	Five Years	Ten Years	
Global Research Growth	(2.3)	(5.6)	(4.8)	(4.9)	(2.0)	MSCI World (Cap, UH, net)
US Large Cap Growth	(2.5)	(4.0)	(3.4)	(2.7)	(1.9)	Russell 1000 Growth
Int'l Research Growth All Country	(2.1)	(3.7)	(3.2)	(1.3)	N/A	MSCI ACWI ex US (Cap, UH, net)
US Thematic Research	(9.9)	(9.3)	(0.3)	(1.1)	0.4	S&P 500 Index
US Small Cap Growth	1.3	6.9	5.3	2.9	1.3	Russell 2000 Growth
Global Large Cap Growth	CLOSED ON 08/31/2011					MSCI World (Cap, UH, net)
Int'l Large Cap Growth	(1.4)	(9.0)	(5.8)	(3.8)	(2.3)	MSCI EAFE (Cap, UH, net)
Emerging Markets Growth	(2.7)	(4.5)	(4.3)	(3.5)	(0.8)	MSCI EM (Cap, UH, net)

Performance is preliminary.

\*Prior to 2001, MSCI EM gross dividends reinvested was used.

As of September 30, 2011

Investment performance of composites is presented after investment management fees. Periods of more than one year are annualized.

The information in this table is provided solely for use in connection with this presentation and is not directed toward existing or potential investment advisory clients of AllianceBernstein.

# Institutional Blend Strategies: Relative Performance

## Institutional Blend Strategies Equity Composites vs. Benchmarks

Service	Periods Ended Sept 30, 2011					Benchmark
	3Q 2011	One Year	Three Years	Five Years	Ten Years	
Global Blend Strategies	(3.6)	(7.0)	(5.0)	(5.5)	N/A	MSCI World (Cap, UH, net)
International Blend Strategies	(1.4)	(6.4)	(4.5)	(3.8)	N/A	MSCI EAFE (Cap, UH, net)
US Blend Strategies	(3.7)	(4.2)	(2.1)	(3.1)	N/A	S&P 500
Emerging Markets Blend Strategies	(2.5)	(4.7)	(2.9)	(3.0)	N/A	MSCI EM (Cap, UH, net)

Performance is preliminary.

As of September 30, 2011

Investment performance of composites is presented after investment management fees. Periods of more than one year are annualized.

The information in this table is provided solely for use in connection with this presentation and is not directed toward existing or potential investment advisory clients of AllianceBernstein.

# Institutional Fixed Income: Relative Performance

## Institutional Fixed Income Composites vs. Benchmarks\*

Service	Periods Ended Sept 30, 2011					Benchmark
	3Q 2011	One Year	Three Years	Five Years	Ten Years	
Corporate Bonds	0.2	0.5	1.3	0.5	0.3	Barclays Capital US Credit Index
Strategic Core Plus	(0.9)	0.1	2.8	0.5	0.8	Barclays Capital US Aggregate Index
Global Plus	(0.1)	0.4	1.6	0.0	0.3	Barclays Global Aggregate Bond Index (Unhedged)
Global Fixed Income	0.1	1.0	1.8	1.3	0.8	CitiGroup WGBI - Unhedged
Emerging Markets Debt	(1.8)	(1.2)	2.6	1.5	3.0	JPM EMBI Global
Low Duration	(0.4)	0.4	1.7	(1.1)	(0.4)	BofA Merrill Lynch U.S. Treasury (1-3 Years)

Performance is preliminary.

As of September 30, 2011

Investment performance of composites is presented after investment management fees. Periods of more than one year are annualized.

\*The benchmarks listed are the current benchmarks for the investments service—certain benchmarks have evolved over time and therefore are time blended.

The information in this table is provided solely for use in connection with this presentation and is not directed toward existing or potential investment advisory clients of AllianceBernstein.

# Private Client: Absolute Performance

Service	Periods Ended Sept 30, 2011				
	3Q 2011	One Year	Three Years	Five Years	Ten Years
Fully Diversified Simulation*	(9.8)	(2.0)	1.5	(1.1)	3.9
S&P 500	(13.9)	1.1	1.2	(1.2)	2.8
MSCI World Index - Net	(16.6)	(4.3)	(0.1)	(2.2)	3.7
Lipper Short/Int Blended Muni Fund Avg	1.8	2.5	5.0	3.5	3.4

Performance is preliminary.

As of September 30, 2011

Investment performance of composites is presented after investment management fees. Periods of more than one year are annualized.

\*The Fully Diversified 60% stocks/40% bonds (simulation) is meant to be illustrative of the value generated by the "total solution" approach AllianceBernstein encourages for most clients: a diversified allocation across investment portfolios of varying types aimed at optimizing return and volatility over time. The Bernstein Fully Diversified Portfolio is composed of specific proportions of each of the products that follow, which were included in the simulation as of the following dates: Strategic Value—January 1, 1983; Strategic Growth—January 1, 1983 (ACM Large Cap Growth used as a proxy for Strategic Growth through January 1, 2001; Strategic Growth used thereafter); Intermediate Municipal Bond Composite—January 1, 1983; Bernstein Tax-Managed International Fund—July 1, 1992; Emerging Markets Fund—January 1, 1996; AllianceBernstein Institutional REIT Fund—July 1, 2001 (The AllianceBernstein Institutional REIT Fund was removed from the simulation on December 31, 2008) DAA Overlay – April 1, 2010. The portfolio was rebalanced quarterly through December 31, 2005; monthly thereafter. Simulated performance results have certain inherent limitations. The results may not reflect the impact that certain material economic and market factors might have had on actual decision making if they were reflective of a managed account. No representation is being made that any account will, or is likely to, achieve profits or losses similar to those described herein.

Source: Standard and Poor's, Morgan Stanley, Lipper and AllianceBernstein

# Retail Value Equity: Relative Performance

## Retail Mutual Funds vs. Lipper Averages

Service	Periods Ended September 30, 2011					Lipper Average
	3Q 2011	One Year	Three Years	Five Years	Ten Years	
International Value	(2.9)	(5.4)	(4.5)	(4.9)	(0.1)	International Large Cap Value
Growth & Income	0.4	3.6	0.6	(1.3)	(0.8)	Large Cap Value
U.S. Small/Mid Cap Value	(1.3)	(2.6)	1.8	2.3	1.0	Small Cap Value
U.S. Value	(1.1)	(1.2)	(2.4)	(3.8)	(1.6)	Large Cap Value
Global Value	(5.3)	(6.4)	(4.4)	(5.0)	(2.2)	Global Large Cap Value

NOTE: The information in this table is provided solely for use in connection with this presentation, and is not directed toward existing or potential investment advisory clients of AllianceBernstein. Investment performance of mutual funds is presented after investment management fees.

Source: AllianceBernstein and Lipper. Mutual fund and Lipper performance data through September 30, 2011.

# Retail Growth Equity: Relative Performance

## Retail Mutual Funds vs. Lipper Averages

Service	Periods Ended September 30, 2011					Lipper Average
	3Q 2011	One Year	Three Years	Five Years	Ten Years	
Global Growth	1.4	(2.1)	(3.9)	(4.6)	N/A	Global Large-Cap Growth
Global Thematic Growth	(6.1)	(7.4)	(0.7)	0.1	(1.1)	Global Multi-Cap Growth
International Growth	(2.7)	(5.3)	(3.1)	(1.7)	1.2	International Multi-Cap Growth
U.S. Large Cap Growth <sup>(1)</sup>	(0.9)	1.7	5.4	2.1	(0.5)	Large-Cap Growth
Emerging Markets	(3.1)	(3.7)	(1.1)	(1.3)	1.5	Equity Emerging Mkts Global
U.S. Growth <sup>(1)</sup>	0.1	0.3	0.1	(1.6)	0.1	Large-Cap Growth
U.S. Small/Mid Cap Growth	(0.1)	7.1	4.9	1.1	1.4	Mid Cap Growth

(1) Performance figures other than 3Q11 and One Year positively affected by class action settlement proceeds

NOTE: The information in this table is provided solely for use in connection with this presentation, and is not directed toward existing or potential investment advisory clients of AllianceBernstein. Investment performance of mutual funds is presented after investment management fees

Source: AllianceBernstein and Lipper. Mutual Fund and Lipper performance data through September 30, 2011.

# Retail Fixed Income: Relative Performance

## Retail Fixed Income Funds vs. Lipper Averages

Service	3Q 2011	Periods Ended September 30, 2011				Lipper Average
		One Year	Three Years	Five Years	Ten Years	
Global High Yield Portfolio	3.8	1.1	3.6	1.8	1.8	Bond Global High Yield
American Income Portfolio	(2.3)	(0.7)	4.0	1.2	2.7	Bond USD
Global Bond	1.7	0.8	1.9	1.7	1.3	Global Income
High Income	(0.7)	(1.3)	4.9	4.0	6.5	High Current Yield

NOTE: The information in this table is provided solely for use in connection with this presentation, and is not directed toward existing or potential investment advisory clients of AllianceBernstein. Investment performance of mutual funds is presented after investment management fees. Source: AllianceBernstein and Lipper. Mutual Fund and Lipper performance data through September 30, 2011.

# Wealth Strategies: Relative Performance

## Retail Mutual Funds vs. Lipper Averages

Service	3Q 2011	Periods Ended September 30, 2011				Lipper Average
		One Year	Three Years	Five Years	Ten Years	
Conservative Wealth	(0.4)	(1.4)	(1.1)	(0.8)	N/A	Mixed-Asset Target Alloc Conserv
Balanced Wealth	(2.9)	(3.0)	(0.6)	(1.3)	N/A	Mixed-Asset Target Alloc Moderate
Wealth Appreciation	(2.2)	(2.5)	(2.7)	(1.4)	N/A	Global Multi-Cap Core

NOTE: The information in this table is provided solely for use in connection with this presentation, and is not directed toward existing or potential investment advisory clients of AllianceBernstein. Investment performance of mutual funds is presented after investment management fees.

Source: AllianceBernstein and Lipper. Mutual Fund and Lipper performance data through September 30, 2011.

# Three Months Ended 9/30/11: AUM Roll-Forward by Distribution Channel

In US \$ Billions

Client Domicile:	Institutions			Retail			Private Client			Total		
	US	Non-US	Total	US	Non-US	Total	US	Non-US	Total	US	Non-US	Total
<b>Beginning of Period</b>	<b>\$141.5</b>	<b>\$113.0</b>	<b>\$254.5</b>	<b>\$82.2</b>	<b>\$47.2</b>	<b>\$129.4</b>	<b>\$75.4</b>	<b>\$1.7</b>	<b>\$77.1</b>	<b>\$299.1</b>	<b>\$161.9</b>	<b>\$461.0</b>
Sales/New Accounts	1.0	1.3	2.3	2.9	4.4	7.3	1.7	-	1.7	5.6	5.7	11.3
Redemptions/Terminations	(7.1)	(3.4)	(10.5)	(3.5)	(5.9)	(9.4)	(3.1)	-	(3.1)	(13.7)	(9.3)	(23.0)
Net Cash Flows	(0.5)	(0.3)	(0.8)	(1.2)	(1.1)	(2.3)	(0.6)	-	(0.6)	(2.3)	(1.4)	(3.7)
<b>Net Flows</b>	<b>(6.6)</b>	<b>(2.4)</b>	<b>(9.0)</b>	<b>(1.8)</b>	<b>(2.6)</b>	<b>(4.4)</b>	<b>(2.0)</b>	<b>-</b>	<b>(2.0)</b>	<b>(10.4)</b>	<b>(5.0)</b>	<b>(15.4)</b>
Transfers	0.1	-	0.1	-	-	-	(0.1)	-	(0.1)	-	-	-
<b>Investment Performance</b>	<b>(11.4)</b>	<b>(10.1)</b>	<b>(21.5)</b>	<b>(10.4)</b>	<b>(4.8)</b>	<b>(15.2)</b>	<b>(6.7)</b>	<b>(0.2)</b>	<b>(6.9)</b>	<b>(28.5)</b>	<b>(15.1)</b>	<b>(43.6)</b>
<b>End of Period</b>	<b>\$123.6</b>	<b>\$100.5</b>	<b>\$224.1</b>	<b>\$70.0</b>	<b>\$39.8</b>	<b>\$109.8</b>	<b>\$66.6</b>	<b>\$1.5</b>	<b>\$68.1</b>	<b>\$260.2</b>	<b>\$141.8</b>	<b>\$402.0</b>

# Three Months Ended 9/30/11: AUM Roll-Forward by Investment Service

In US \$ Billions

Client Domicile:	Value Equity			Growth Equity			Fixed Income			Other <sup>(1)</sup>			Total		
	US	Non-US	Total	US	Non-US	Total	US	Non-US	Total	US	Non-US	Total	US	Non-US	Total
<b>Beginning of Period</b>	<b>\$77.7</b>	<b>\$43.7</b>	<b>\$121.4</b>	<b>\$47.1</b>	<b>\$15.5</b>	<b>\$62.6</b>	<b>\$117.2</b>	<b>\$98.6</b>	<b>\$215.8</b>	<b>\$57.1</b>	<b>\$4.1</b>	<b>\$61.2</b>	<b>\$299.1</b>	<b>\$161.9</b>	<b>\$461.0</b>
Sales/New Accounts	0.9	0.4	1.3	0.7	0.3	1.0	2.3	4.5	6.8	1.7	0.5	2.2	5.6	5.7	11.3
Redemptions/Terminations	(6.6)	(2.6)	(9.2)	(4.2)	(1.6)	(5.8)	(2.6)	(5.0)	(7.6)	(0.3)	(0.1)	(0.4)	(13.7)	(9.3)	(23.0)
Net Cash Flows	(0.9)	(1.7)	(2.6)	(1.3)	(0.5)	(1.8)	(0.2)	0.4	0.2	0.1	0.4	0.5	(2.3)	(1.4)	(3.7)
<b>Net Flows</b>	<b>(6.6)</b>	<b>(3.9)</b>	<b>(10.5)</b>	<b>(4.8)</b>	<b>(1.8)</b>	<b>(6.6)</b>	<b>(0.5)</b>	<b>(0.1)</b>	<b>(0.6)</b>	<b>1.5</b>	<b>0.8</b>	<b>2.3</b>	<b>(10.4)</b>	<b>(5.0)</b>	<b>(15.4)</b>
<b>Investment Performance</b>	<b>(15.2)</b>	<b>(8.7)</b>	<b>(23.9)</b>	<b>(8.3)</b>	<b>(2.9)</b>	<b>(11.2)</b>	<b>1.6</b>	<b>(3.3)</b>	<b>(1.7)</b>	<b>(6.6)</b>	<b>(0.2)</b>	<b>(6.8)</b>	<b>(28.5)</b>	<b>(15.1)</b>	<b>(43.6)</b>
<b>End of Period<sup>(2)</sup></b>	<b>\$55.9</b>	<b>\$31.1</b>	<b>\$87.0</b>	<b>\$34.0</b>	<b>\$10.8</b>	<b>\$44.8</b>	<b>\$118.3</b>	<b>\$95.2</b>	<b>\$213.5</b>	<b>\$52.0</b>	<b>\$4.7</b>	<b>\$56.7</b>	<b>\$260.2</b>	<b>\$141.8</b>	<b>\$402.0</b>

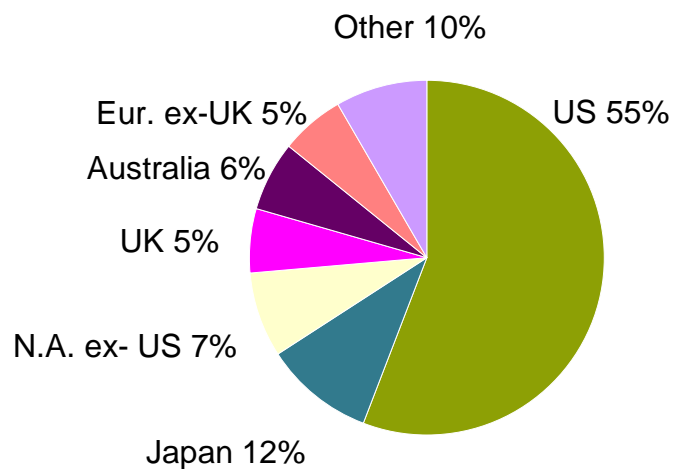
(1) Includes index, structured, asset allocation services and certain other alternative investments.

(2) Approximately \$46 billion in Blend Strategies AUM are reported in their respective services.

# AUM by Region

As of September 30, 2011

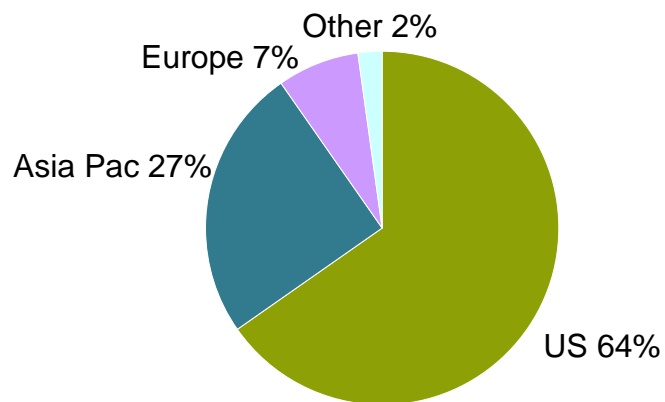
## Institutions



US \$ Billions

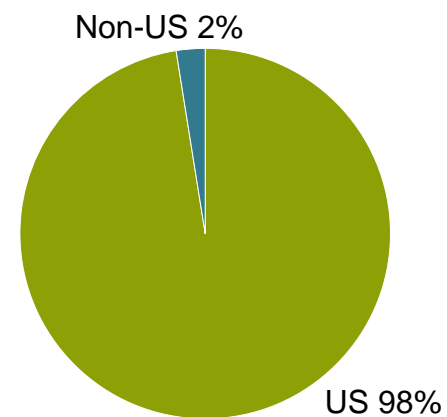
**\$224.1**

## Retail



**\$109.8**

## Private Client



**\$68.1**

# Third Quarter 2011 Advisory Fees

In US Dollars

	3Q 2011	2Q 2011	% Δ	3Q 2010	% Δ
<b>Ending AUM (\$ Billions)</b>	<b>\$402</b>	<b>\$461</b>	<b>(13%)</b>	<b>\$478</b>	<b>(16%)</b>
<b>Average AUM (\$ Billions)</b>	<b>\$438</b>	<b>\$474</b>	<b>(8%)</b>	<b>\$464</b>	<b>(6%)</b>
<b>By Fee Type (\$ Millions):</b>					
Base Fees	\$469	\$505	(7%)	\$498	(6%)
Performance Fees	1	4	(84%)	6	(89%)
<b>Total</b>	<b>\$470</b>	<b>\$509</b>	<b>(8%)</b>	<b>\$504</b>	<b>(7%)</b>
<b>Base Fees By Channel (\$ Millions):</b>					
Institutions	\$143	\$162	(12%)	\$181	(21%)
Retail	163	171	(5%)	161	2%
Private Client	163	172	(5%)	156	5%
<b>Total</b>	<b>\$469</b>	<b>\$505</b>	<b>(7%)</b>	<b>\$498</b>	<b>(6%)</b>

(1) Previously reported assets under management for September 30, 2010 have been adjusted by removing from our Institutional AUM an affiliated account for which we serve in an advisory capacity and do not have discretionary trading authority. Percentages are calculated using AUM rounded to the nearest million and revenues to the nearest thousand

## Six-Quarter Deferred Compensation Net P&L Trend

In US \$ Millions

	2Q 2010	3Q 2010	4Q 2010	1Q 2011	2Q 2011	3Q 2011
<b>Revenues</b>						
Investment Gains (Losses)	(\$37)	\$36	\$17	\$10	(\$2)	(\$38)
Dividends	-	1	4	-	1	1
<b>Total Revenues</b>	<b>(\$37)</b>	<b>\$37</b>	<b>\$21</b>	<b>\$10</b>	<b>(\$1)</b>	<b>(\$37)</b>
<b>Expenses</b>						
Amortization of Original Awards	\$31	\$27	\$31	\$19	\$18	\$17
Amortization of MTM - Prior Periods	(3)	(5)	(2)	2	2	1
Amortization of MTM - Current Quarter	(16)	19	9	5	(1)	(25)
<i>% of Investment Gains (Losses)</i>	43%	53%	53%	50%	50%	66%
Dividends	-	1	4	-	-	1
<b>Sub-Total of Mutual Fund Expenses</b>	<b>12</b>	<b>42</b>	<b>42</b>	<b>26</b>	<b>19</b>	<b>(6)</b>
Amortization of AB Units	24	23	34	40	38	39
Other	3	3	1	3	3	3
<b>Total Expenses</b>	<b>\$39</b>	<b>\$68</b>	<b>\$77</b>	<b>\$69</b>	<b>\$60</b>	<b>\$36</b>
<b>Net MTM Impact - Gain (Loss)</b>	<b>(\$18)</b>	<b>\$22</b>	<b>\$10</b>	<b>\$3</b>	<b>(\$3)</b>	<b>(\$14)</b>

# Consolidated Balance Sheet

In US \$ Millions

Assets	Sept 30, 2011	Dec 31, 2010
Cash and cash equivalents	\$ 519	\$ 650
Cash and securities, segregated	1,194	1,110
Receivables, net	1,384	1,389
Investments:		
Deferred compensation - related	216	299
Other	633	458
Goodwill	2,945	2,939
Intangible assets, net	195	206
Deferred sales commissions, net	63	76
Other (incl. furniture & equipment, net)	433	452
<b>Total Assets</b>	<b>\$ 7,582</b>	<b>\$ 7,579</b>
<b>Liabilities and Capital</b>		
Liabilities:		
Payables	\$ 2,172	\$ 2,099
Accounts payable and accrued expenses	426	423
Accrued compensation and benefits	443	339
Debt	168	225
<b>Total Liabilities</b>	<b>3,209</b>	<b>3,086</b>
Partners' capital attributable to AllianceBernstein Unitholders	4,316	4,369
Non-controlling interests in consolidated entities	57	124
<b>Total Capital</b>	<b>4,373</b>	<b>4,493</b>
<b>Total Liabilities and Capital</b>	<b>\$ 7,582</b>	<b>\$ 7,579</b>

# Consolidated Statement of Cash Flows

In US \$ Millions

	Nine Months Ended	
	Sept 30, 2011	Sept 30, 2010
Net Income	\$ 308	\$ 283
Non-cash items:		
Amortization of deferred sales commissions	29	36
Amortization of non-cash deferred compensation	125	86
Depreciation and other amortization	63	62
Unrealized losses (gains) on deferred compensation-related investments	23	(25)
Unrealized loss on consolidated venture capital fund	36	27
Real estate asset write-off charges	5	26
Other	26	(4)
Changes in assets and liabilities	(105)	201
<b>Net cash provided by operating activities</b>	<b>510</b>	<b>692</b>
Proceeds (purchases) of investments, net	3	2
Additions to furniture, equipment and leaseholds, net	(25)	(10)
Purchase of businesses	(27)	-
<b>Net cash used in investing activities</b>	<b>(49)</b>	<b>(8)</b>
Repayment of commercial paper	(65)	(150)
Proceeds from bank loans, net	8	10
(Decrease) increase in overdrafts payable	(1)	33
Distributions to General Partner and Unitholders	(385)	(448)
Purchases of Holding Units to fund deferred compensation awards, net	(146)	(137)
Purchase of AllianceBernstein L.P. Units	(5)	-
Other	2	6
<b>Net cash used in financing activities</b>	<b>(592)</b>	<b>(686)</b>
Effect of exchange rate changes on cash and cash equivalents	-	4
Net (decrease) increase in cash and cash equivalents	(131)	2
Cash and cash equivalents at the beginning of period	650	614
<b>Cash and cash equivalents at the end of period</b>	<b>\$ 519</b>	<b>\$ 616</b>

# AllianceBernstein Holding Financial Results

In US \$ Millions (excluding per unit amounts)

	3Q 2011	2Q 2011	% Δ	3Q 2010	% Δ
<b>AllianceBernstein</b>					
Net Income Attributable to AllianceBernstein	\$91	\$114	(20%)	\$52	77%
Weighted Average Equity Ownership Interest	37.5%	37.4%		36.7%	
<b>AllianceBernstein Holding</b>					
Equity in Net Income Attributable to AllianceBernstein	\$34	\$43	(20%)	\$19	80%
Income Taxes	7	7	(2%)	7	6%
<b>Net Income</b>	<b>\$27</b>	<b>\$36</b>	<b>(24%)</b>	<b>\$12</b>	<b>121%</b>
<b>Diluted Net Income Per Unit, GAAP basis</b>	<b>\$0.26</b>	<b>\$0.34</b>	<b>(24%)</b>	<b>\$0.12</b>	<b>117%</b>
<b>Distributions Per Unit</b>	<b>\$0.26</b>	<b>\$0.34</b>	<b>(24%)</b>	<b>\$0.12</b>	<b>117%</b>
<b>Adjusted Diluted Net Income Per Unit</b>	<b>\$0.30</b>	<b>\$0.35</b>	<b>(14%)</b>	<b>\$0.36</b>	<b>(17%)</b>

Please refer to pages 44-46 for additional information on the reconciliation of GAAP financial results to adjusted financial results  
Percentages are calculated using income, earnings and expenses rounded to the nearest thousand

# AllianceBernstein Adjusted Earnings Reconciliation

\$ thousands	Three Months Ended					
	9/30/11	6/30/11	3/31/11	12/31/10	9/30/10	6/30/10
<b>Net Revenues, GAAP basis</b>	<b>\$ 641,529</b>	<b>\$ 727,994</b>	<b>\$ 755,390</b>	<b>\$ 777,561</b>	<b>\$ 757,567</b>	<b>\$ 688,343</b>
<b>Exclude:</b>						
Deferred compensation-related investment losses (gains)	37,840	1,588	(9,740)	(16,677)	(36,013)	36,797
Deferred compensation-related dividends and interest	(982)	(524)	(632)	(3,963)	(830)	(920)
90% of consolidated venture capital fund investment losses (gains)	18,306	6,302	8,054	(7,570)	(2,056)	9,304
Distribution-related payments	(76,323)	(78,557)	(74,756)	(76,411)	(72,501)	(71,015)
Amortization of deferred sales commissions	(9,186)	(9,871)	(10,326)	(11,349)	(11,780)	(12,147)
Pass-through fees & expenses	(8,894)	(9,987)	(8,624)	(9,762)	(8,933)	(7,274)
<b>Adjusted Net Revenues</b>	<b>\$ 602,290</b>	<b>\$ 636,945</b>	<b>\$ 659,366</b>	<b>\$ 651,829</b>	<b>\$ 625,454</b>	<b>\$ 643,088</b>
<b>Operating Income, GAAP basis</b>	<b>\$ 77,716</b>	<b>\$ 115,626</b>	<b>\$ 138,435</b>	<b>\$ 153,751</b>	<b>\$ 57,480</b>	<b>\$ 107,649</b>
<b>Exclude:</b>						
Deferred compensation-related investment losses (gains)	37,840	1,588	(9,740)	(16,677)	(36,013)	36,797
Deferred compensation-related dividends and interest	(982)	(524)	(632)	(3,963)	(830)	(920)
Deferred compensation-related mark-to-market vesting (credit) expense	(24,302)	908	6,894	7,358	14,158	(19,082)
Deferred compensation-related dividends and interest expense	1,572	1,196	1,480	6,317	731	810
Net impact of deferred compensation-related investments	14,128	3,168	(1,998)	(6,965)	(21,954)	17,605
Real estate charges	6,905	18	18	116	89,598	-
Insurance proceeds	(10,691)	-	-	-	-	-
Non-GAAP adjustments - subtotal	10,342	3,186	(1,980)	(6,849)	67,644	17,605
Net loss (income) of consolidated entities attributable to non-controlling interests	18,445	6,756	8,046	(7,873)	(2,919)	9,339
<b>Adjusted Operating Income</b>	<b>\$ 106,503</b>	<b>\$ 125,568</b>	<b>\$ 144,501</b>	<b>\$ 139,029</b>	<b>\$ 122,205</b>	<b>\$ 134,593</b>
<b>Operating Margin, GAAP basis excl. non-controlling interests</b>	<b>15.0%</b>	<b>16.8%</b>	<b>19.4%</b>	<b>18.8%</b>	<b>7.2%</b>	<b>17.0%</b>
<b>Adjusted Operating Margin</b>	<b>17.7%</b>	<b>19.7%</b>	<b>21.9%</b>	<b>21.3%</b>	<b>19.5%</b>	<b>20.9%</b>

# AllianceBernstein Holding Adjusted Earnings Reconciliation

\$ thousands except per unit amounts	Three Months Ended					
	9/30/11	6/30/11	3/31/11	12/31/10	9/30/10	6/30/10
<b>Diluted Net Income, GAAP basis</b>	\$ 27,003	\$ 35,653	\$ 43,923	\$ 43,289	\$ 12,384	\$ 32,256
Impact on net income of AllianceBernstein L.P. non-GAAP adjustments	3,773	1,162	(722)	(2,451)	24,190	6,290
<b>Adjusted Diluted Net Income</b>	<b>\$ 30,776</b>	<b>\$ 36,815</b>	<b>\$ 43,201</b>	<b>\$ 40,838</b>	<b>\$ 36,574</b>	<b>\$ 38,546</b>
<b>Diluted Net Income per Unit, GAAP basis</b>	\$ 0.26	\$ 0.34	\$ 0.42	\$ 0.42	\$ 0.12	\$ 0.31
Impact of AllianceBernstein L.P. non-GAAP adjustments	0.04	0.01	(0.01)	(0.02)	0.24	0.06
<b>Adjusted Diluted Net Income per Unit</b>	<b>\$ 0.30</b>	<b>\$ 0.35</b>	<b>\$ 0.41</b>	<b>\$ 0.40</b>	<b>\$ 0.36</b>	<b>\$ 0.37</b>

# AllianceBernstein Adjusted Financial Results Reconciliation

## AllianceBernstein L.P.

Notes to Condensed Consolidated Statements of Income and Supplemental Information  
(Unaudited)

### Adjusted Net Revenues

Adjusted net revenues exclude investment gains and losses and dividends and interest on deferred compensation-related investments, and 90% of the investment gains and losses of our consolidated venture capital fund attributable to non-controlling interests. 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 the offset of distribution-related payments from net revenues 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. Amortization of deferred sales commissions is offset against net revenues because such costs, over time, essentially offset distribution revenues earned by the company. We incur additional pass-through expenses (primarily through our transfer agency) that are reimbursed and recorded as fees in revenues. These fees have no impact on operating income but they do have an impact on our operating margin. As such, we exclude these fees from adjusted net revenues.

### Adjusted Operating Income

Adjusted operating income represents operating income on a GAAP basis (1) excluding the impact on net revenues and compensation expense of the mark-to-market gains and losses (as well as the dividends and interest) associated with employee deferred compensation-related investments, (2) excluding real estate charges, (3) insurance proceeds and (4) excluding the net loss or income of consolidated entities attributable to non-controlling interests.

(1) Prior to 2009, a large proportion of employee compensation was in the form of deferred awards that were notionally invested in AllianceBernstein investment services and generally vested over a period of four years. AllianceBernstein has economically hedged the exposure to market movements by purchasing and holding these investments on its balance sheet. The full value of the investments' appreciation (depreciation) is recorded within investment gains and losses on the income statement in the current period. US GAAP requires the appreciation (depreciation) in the compensation liability to be expensed over the award vesting period in proportion to the vested amount of the award as part of compensation expense. This creates a timing difference between the recognition of the compensation expense and the investment gain or loss impacting operating income, which will fluctuate over the life of the award and net to zero at the end of the multi-year vesting period. Although during periods of high market volatility these timing differences have an impact on operating income and operating margin, over the life of the award any impact is ultimately offset. Because these plans are economically hedged, management believes it is useful to reflect the offset ultimately achieved from hedging the investments' market exposure in the calculation of adjusted operating income, adjusted operating margin and adjusted diluted net income per Holding Unit, which will produce core operating results from period to period. The non-GAAP measures exclude gains and losses and dividends and interest on deferred compensation-related investments included in revenues and compensation expense, thus eliminating the timing differences created by different treatment under US GAAP of the market movement on the expense and the investments.

(2) 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.

(3) In the third quarter of 2011, we received significant insurance proceeds from the settlement of a derivative claim that are not considered part of our core operating results.

(4) 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. Because we are the general partner of the venture capital fund and are deemed to have a controlling interest, US GAAP requires us to consolidate the financial results of the fund. 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 are excluding the 90% limited partner interests we do not own from our adjusted operating income. 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 AllianceBernstein.

### Adjusted Operating Margin

Adjusted operating margin allows us to monitor our financial performance and efficiency from period to period and to compare our performance to industry peers without the volatility noted above in our discussion of adjusted operating income. Adjusted operating margin is derived by dividing adjusted operating income by adjusted net revenues.



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