



**ALLIANCEBERNSTEIN®**

July 26, 2018

# SECOND QUARTER 2018 REVIEW

**Seth P. Bernstein** President & Chief Executive Officer

**John C. Weisenseel** Chief Financial Officer

# 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. AB cautions readers to carefully consider such factors. Further, such forward-looking statements speak only as of the date on which such statements are made; AB 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 AB’s Form 10-K for the year ended December 31, 2017 and subsequent Forms 10-Q. Any or all of the forward-looking statements made in this presentation, Form 10-K, Forms 10-Q, other documents AB files with or furnishes to the SEC, and any other public statements issued by AB, 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 AB’s financial condition, results of operations and business prospects.

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

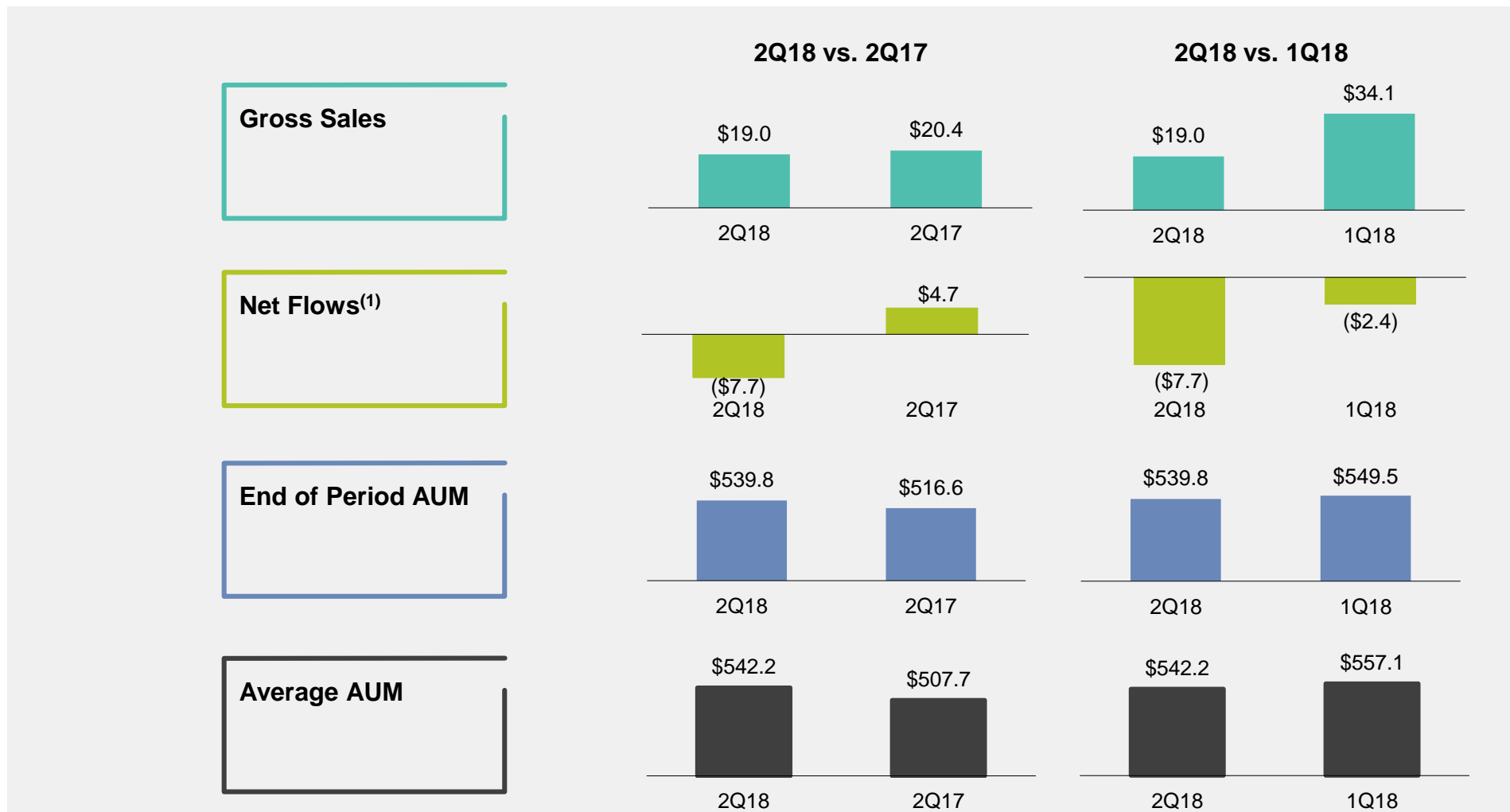
- + **The pipeline of new institutional mandates not yet funded:** Before they are funded, institutional mandates do not represent legally binding commitments to fund and, accordingly, the possibility exists that not all mandates will be funded in the amounts and at the times currently anticipated, or that mandates ultimately will not be funded.
- + **The possibility that AB will engage in open market purchases of Holding Units to help fund anticipated obligations under our incentive compensation award program:** The number of Holding Units AB may decide to buy in future periods, if any, to help fund incentive compensation awards is dependent upon various factors, some of which are beyond our control, including the fluctuation in the price of a Holding Unit and the availability of cash to make these purchases.
- + **The possibility that, based on the below factors, we will not be able to meet our stated 2020 margin target:** We have adopted a goal of increasing our adjusted operating margin from 27.7% (which we achieved for 2017) to a target of 30% by 2020. In setting our this target, we have made significant assumptions with respect to, among other things:
  - + the levels of positive net flows into our investment services;
  - + the level of growth (in terms of additional AUM) in our alternatives product business;
  - + the rate of increase in our fixed costs due to inflation and similar factors, the transitional costs related to our relocation strategy and the timing of such costs, the success we have in achieving planned new cost reductions (including those relating to our relocation strategy) and the timing of such cost reductions, and the investments we make in our business;
  - + general conditions of the markets in which our business operates, including modest continued appreciation in both equity and fixed income total investment returns.

While our 2020 margin target is presented with numerical specificity, and we believe the target to be reasonable as of the date of this report, the uncertainties surrounding the assumptions we discuss above create a significant risk that these assumptions may not be realized. Accordingly, our 2020 margin target may not be achieved, particularly if actual events adversely differ from one or more of our key assumptions.

# Seth P. Bernstein

President & Chief Executive Officer

# Firmwide Overview: Second Quarter 2018

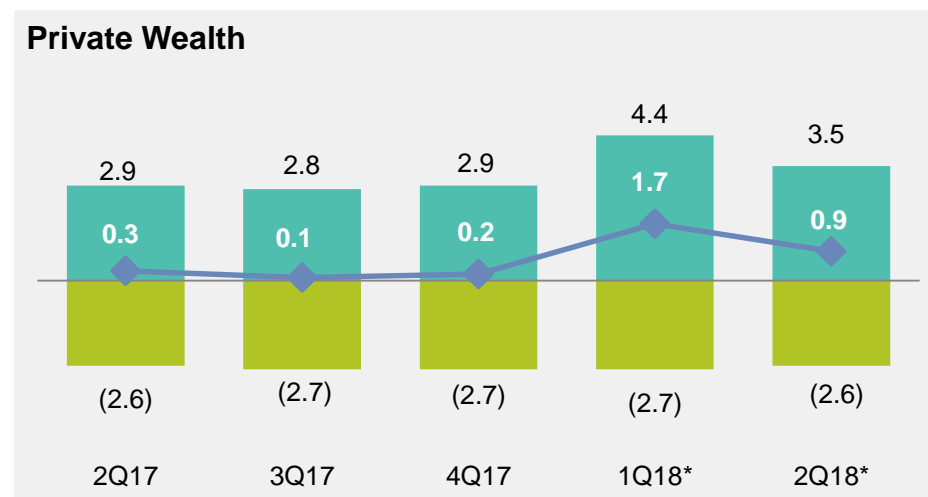
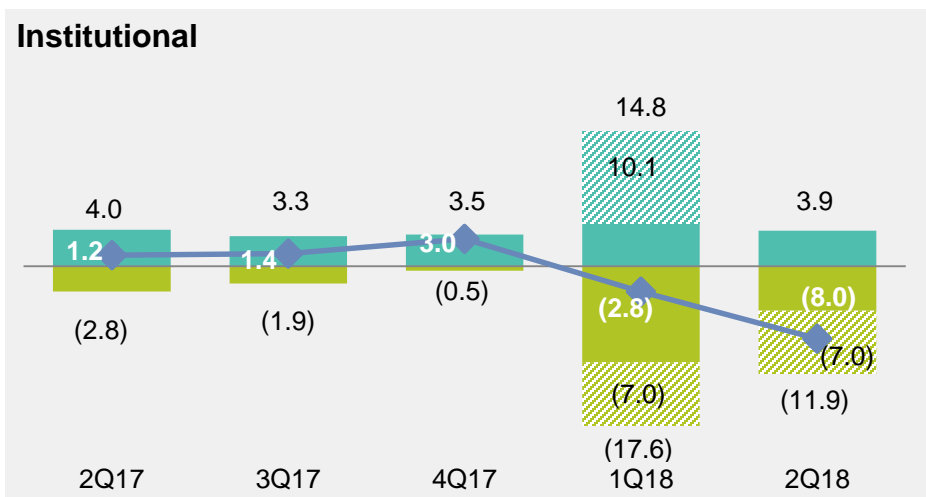
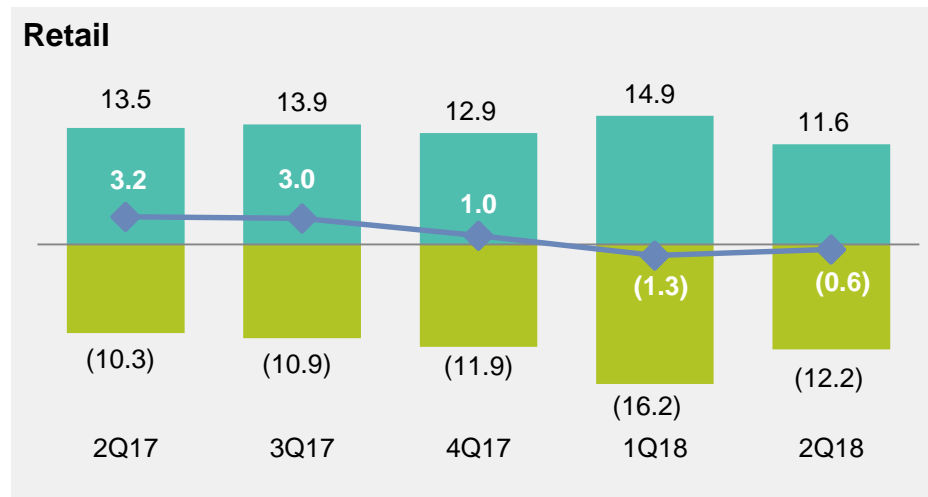
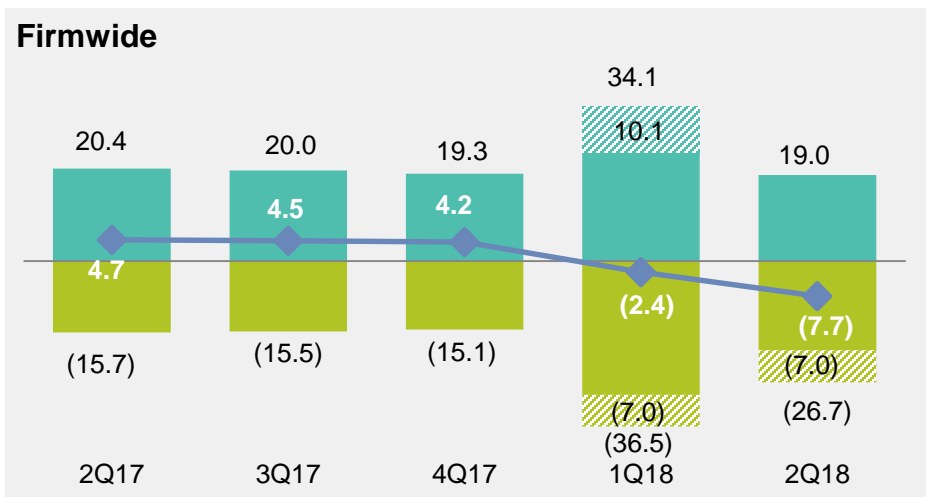


US \$ Billions; scales differ by chart

(1) 2Q18: \$8.2B active net outflows and \$0.5B passive net inflows. 2Q17 \$6.6B active net inflows and \$1.9B passive net outflows 1Q18: \$1.1B active net outflows and \$1.3B passive net outflows.



# Asset Flows by Distribution Channel: Quarterly Trend



■ Gross Sales   ■ CRS Sales   ■ Gross Redemptions   ■ CRS Redemptions   ◆ Net Flows

US \$ Billions; scales differ by chart

\*Private Wealth net inflows include Option Advantage overlay strategy inflows of \$1.3B in 1Q18 and \$0.5B in 2Q18.



# Percentage of Assets Outperforming at Quarter-End



Percentage of active fixed income and equity assets in institutional services that outperformed their benchmark gross of fees and percentage of active fixed income and equity assets in retail Advisor and I share class funds ranked in the top half of their Morningstar category. Where no Advisor class exists, A share class used. As of June 30, 2018.



# Fixed Income Investment Performance

Retail Service	Performance vs. Morningstar Category Average Through 6/30/18					
	1 Year		3 Year		5 Year	
	Relative (%)	Percentile	Relative (%)	Percentile	Relative (%)	Percentile
<b>Offshore</b>						
American Income Portfolio	(0.1)	46	1.1	31	1.0	20
Emerging Markets Debt Portfolio	(2.8)	93	0.5	42	1.3	31
Emerging Markets Local Currency Debt	(1.6)	82	0.7	26	0.6	25
European Income Portfolio	1.6	13	1.9	11	1.6	18
Global High Yield Portfolio	(0.2)	66	0.7	30	0.5	36
Mortgage Income Portfolio	3.7	1	2.5	7	N/A	N/A
Euro High Yield Portfolio	(0.6)	74	0.7	32	0.9	28
<b>US Taxable</b>						
Global Bond Fund	(0.4)	61	0.8	30	1.7	15
High Income Fund	(1.8)	92	0.9	20	0.7	25
Income Fund	(0.3)	64	1.3	4	1.9	2
<b>Municipals</b>						
High Income Municipal Portfolio	1.0	25	0.7	28	1.0	18
Intermediate Diversified Muni	(0.5)	80	0.3	18	0.6	16
Municipal Income National Portfolio	0.9	19	1.0	10	0.9	13

## Past performance does not guarantee future results.

Relative Performance is calculated against the Fund's Morningstar Category and Percentile Ranking is determined by Morningstar Ranking Methodology. Advisor and I share class; A share class used when Advisor and I class not available. Morningstar Categories: American Income – USD Flexible Bond; Emerging Markets Debt – Global Emerging Markets Bond; Emerging Markets Local Currency Debt – Global Emerging Markets Bond – Local Currency; European Income – EUR Flexible Bond; Global High Yield – Global High Yield Bond; Mortgage Income – USD Flexible Bond; Euro High Yield – EUR High Yield Bond; Global Bond – World Bond; High Income – High Yield Bond; AB Income – Intermediate-Term Bond; High Income Municipal – High Yield Muni; Intermediate Diversified Muni – Muni National Short; Municipal Income National – Muni National Intern. As of 6/30/18. Source: AB and Morningstar.



# Equities Investment Performance

Retail Service	Performance vs. Morningstar Category Average Through 6/30/18					
	1 Year		3 Year		5 Year	
	Relative (%)	Percentile	Relative (%)	Percentile	Relative (%)	Percentile
<b>Offshore</b>						
Select US	2.3	21	1.0	45	0.9	43
US Thematic	3.3	12	2.6	6	4.4	1
Concentrated Global	3.4	26	2.1	24	N/A	N/A
Global Low Vol <sup>(1)</sup>	3.1	19	3.6	6	3.8	4
Global Core	2.6	24	3.3	6	1.7	25
Global Thematic	(0.2)	49	1.1	34	2.7	15
European Equity	6.6	2	4.7	2	4.4	1
Emerging Markets Growth	1.5	41	2.4	15	3.6	5
Emerging Markets Low Vol <sup>(1)</sup>	(3.6)	83	0.3	49	N/A	N/A
<b>US</b>						
Large Cap Growth	1.8	39	2.7	21	3.8	7
Discovery Growth	14.2	4	3.7	9	2.3	14
Discovery Value	1.8	27	1.0	34	1.8	22
Concentrated Growth (US)	(7.9)	92	(2.1)	78	(1.2)	71
Concentrated International Growth	3.1	22	0.7	34	N/A	N/A
Relative Value	2.8	19	1.7	20	1.1	23
International Value	(2.2)	81	(0.4)	62	0.9	49

**Past performance does not guarantee future results.**

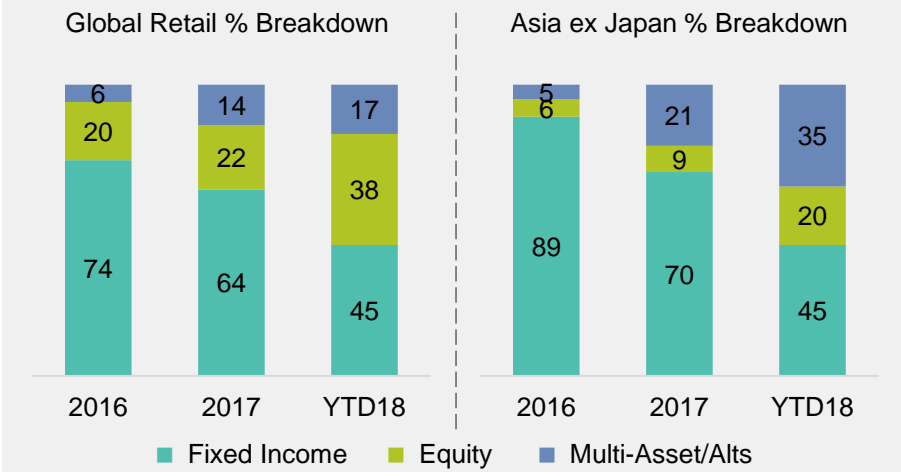
Relative Performance is calculated against the Fund's Morningstar Category and Percentile Ranking is determined by Morningstar Ranking Methodology. Advisor and I share class; A share class used when Advisor and I class not available. Select US – US Large-Cap Blend; US Thematic – US Large-Cap Blend – representative of US Thematic and Strategic Research SMAs; Concentrated Global – Large Cap Growth; Global Low Vol – Global Large-Cap Blend; Global Core – Europe Large-Cap Value; Global Thematic – Global Large-Cap Growth; European Equity – Europe Large-Cap Value; Emerging Markets Growth – Global Emerging Markets; Emerging Markets Low Vol – Global Emerging Markets Equity; Large Cap Growth – Large Growth; Discovery Growth – Mid-Cap Growth; Discovery Value – Mid-Cap Value; Concentrated Growth (US) – Large Growth; Concentrated International Growth – Foreign Large Growth; Relative Value – Large Value; International Value – Foreign Large Value. As of 6/30/18. Source: AB and Morningstar. (1) A low vol universe comparison is not currently listed in Morningstar.





# Retail Highlights

## Improving Gross Sales Diversification



## Diverse Array of AB Funds with \$100M+ Net Flows YTD

Equity	Fixed Income
US Large Cap Growth	SMA Muni Tax Aware
Global Strategic Core	Mortgage Income
Eurozone Equity	Emerging Market Debt
Emerging Markets Growth	AB Income
European Equity	
Strategic Research SMA	Multi-Asset
	Global Multi-Asset (DIMs)
Alternatives	Emerging Market Multi-Asset
Select Equity Long/Short	Multi-Asset Income Fund-of-Fund

## Second Quarter 2018 Highlights

### Sales and Flows

- + 2Q18 gross sales of \$11.6B down 14% Y/Y and \$26.5B YTD down 2%
  - + Taxable fixed income sales down 54% Y/Y and 39% YTD
  - + Active equity sales up 69% Y/Y and 82% YTD
  - + Muni sales up 11% Y/Y and 21% YTD
- + Annualized 2Q18 redemption rate of 26% down from 34% in 1Q18 and back to normalized levels
- + 2Q18 net outflows of -\$0.6B an improvement from -\$1.3B in 1Q18
  - + +\$2.0B active equity net inflows in 2Q; YTD total of +\$3.2B
  - + Net flow positive in every region<sup>(1)</sup> except Asia ex Japan in 2Q
  - + US Retail net inflows for 6 straight quarters and 9 of last 10

### Asia ex Japan Fixed Income Update

- + Industry-wide retail bond fund sales<sup>(2)</sup> remain depressed
  - + USD: -48% YTD18 vs. YTD17
  - + GHY: -53% YTD18 vs. YTD17
  - + All Other: -2% YTD18 vs. YTD17
- + Combined sales of AB GHY and AB AIP down 66% Y/Y and 59% YTD18

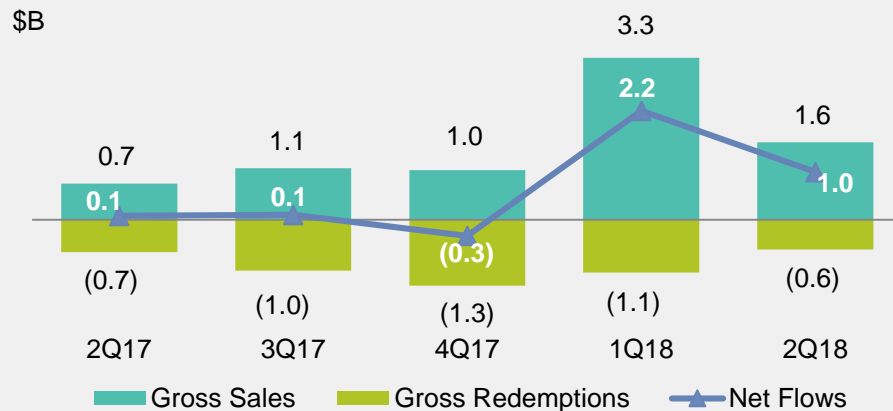
### Milestones

- + US Retail AUM at 10-year high
- + FlexFee Funds on par with expectations
  - + Partnerships with 9 distributors and advanced discussions with others
  - + EM Growth and International Strategic Core funds launched in June
- + Taiwan AUM of \$27B up 29% since 2016
  - + 80% of growth from on-shore business
- + EMEA YTD sales up 7% vs. 2017 and annual fee base up 11%

(1) US Retail excludes Sub-Advisory. (2) Source: SalesWatch. As of May 31, 2018.

# Institutional Highlights

## Positive Active Equity Net Flows YTD



## Second Quarter 2018 Highlights

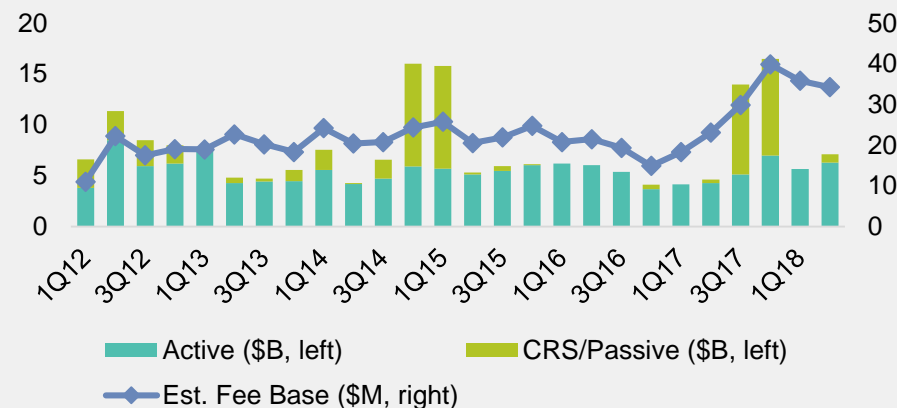
### Positive Trends in Active Equities

- + Active equity gross sales of \$1.6B 40% of total
- + Fourth straight quarter of \$1B+ equity sales
- + Second straight quarter of \$1B+ net inflows
- + Highest first half active equity gross sales since 2008
- + Growing consultant advocacy
- + 1H18 equity RFP activity up 20%+ from 1H17
- + Notable strength in US Large Cap Growth, SMID Cap Value and EM

### Diverse Sales and Pipeline Mix

- + 2Q18 gross sales revenue 46% higher than 2017 quarterly average
- + Sales realization rate up on higher active equity and RE debt sales
- + \$6.3B active pipeline 15% higher than average since 1Q12
- + Notable 2Q pipeline adds across asset classes:
  - + Government Short Duration: \$800M
  - + Passive Fixed Income: \$640M
  - + US Investment Grade Credit: \$450M
  - + Global Core Equity: \$250M
  - + Emerging Market Debt: \$225M
  - + US Index: \$185M
  - + Global Strategic Core Equity: \$170M
- + Pipeline asset mix: 42% alts, 27% FI, 20% equity and 11% index
- + Pipeline regional mix: 50% EMEA, 34% Americas, 8% Japan, 8% AxJ
- + Pipeline fee rate above 5-yr average and more than 2.5x channel rate

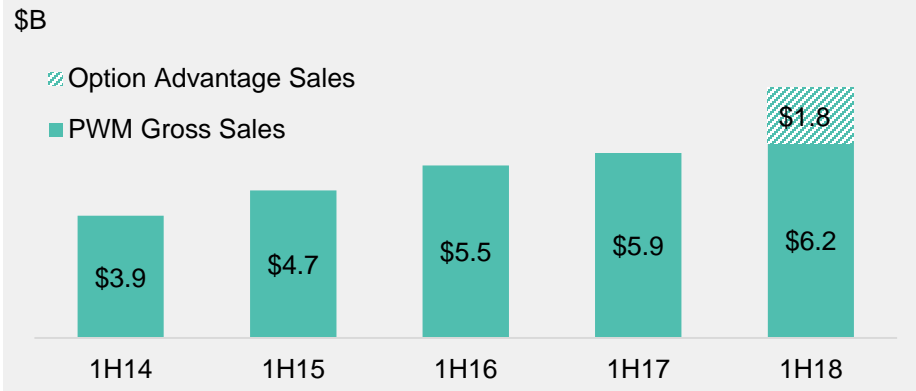
## \$7.1B Total Pipeline<sup>(1)</sup> At Quarter-End



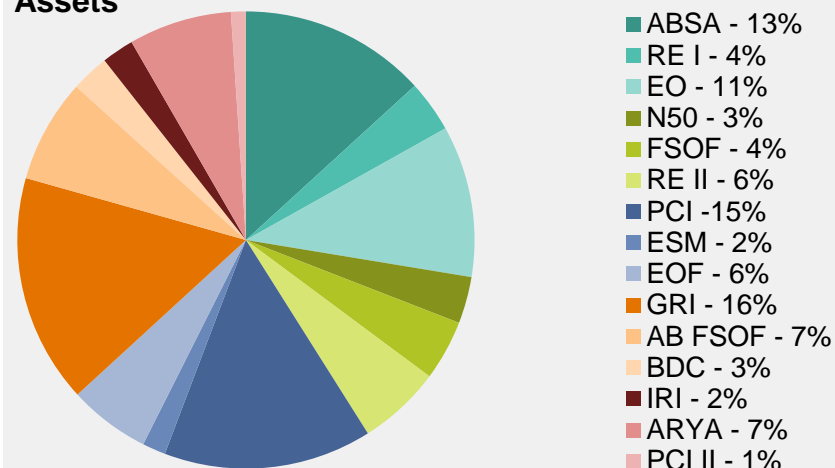
(1) Assets awarded and pending funding as of quarter-end

# Private Wealth Management Highlights

## Best 1H Gross Sales Since the Financial Crisis



## \$7.9B in Alts/Focused Equities Deployed and Committed Assets



ABSA – AB Securitized Assets; RE I – Real Estate I; EO – European Opportunities; N50 – Next 50; FSOF – Financial Services Opportunities Fund; RE II – Real Estate II; PCI – Private Credit Investors; ESM – Early Stage Managers; EOF – Energy Opportunities Fund; GRI – Global Research Insights, AB FSOF – AB Financial Services Opportunities Fund; BDC – Business Development Corporation; IRI – International Research Insights; ARYA – Arya Partners; PCI II – Private Credit Investors II.

## Second Quarter 2018 Highlights

### Sales and Flow Momentum

- + YTD gross sales up 36% including Option Advantage (OA) and up 5% excluding OA
- + Best first half gross sales in ten years
- + Best first half client retention in 20 years
- + 2Q18 net inflows of +\$0.9B brings YTD total to +\$2.6B
- + Sixth straight net flow positive quarter

### Appealing to a broader and more affluent client base

- + Alts/Focused Equities (FE) relationships have grown at 37% 3-yr CAGR
- + \$7.9B in Alts/FE deployed and committed assets
- + +\$1B net inflows YTD

### Advisor productivity continues to rise

- + 17% increase in number of advisors on track to exceed \$100M in annual production 1H18 vs. 1H17
- + YTD philanthropy inflows up 34% vs. 2017

### Improving the overall client experience

- + Addition of multi-factor authentication to Bernstein app improves client account security
- + Paves the way for new features in 2H, including cash flow initiation

# Bernstein Research Highlights

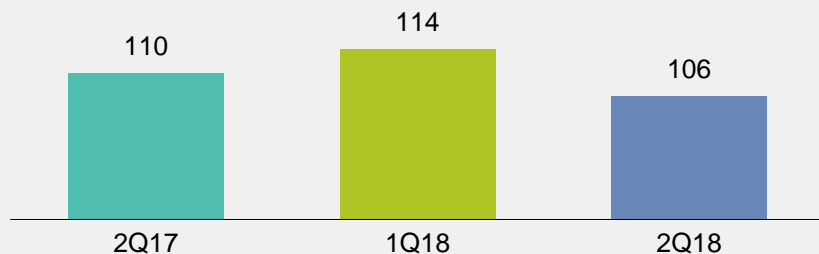
## Bernstein Research Quarterly Revenues

\$M

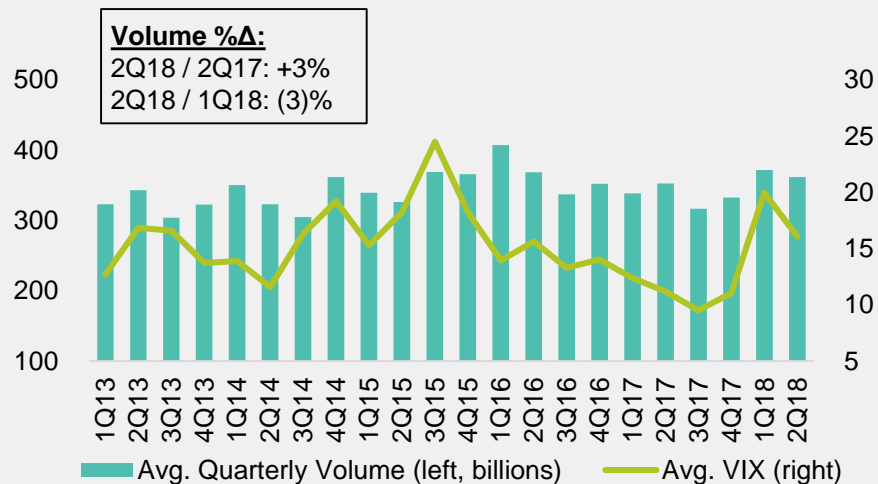
### % Change

2Q18/2Q17: (4)%

2Q18/1Q18: (7)%



## US Market Volumes and VIX Down Sequentially<sup>(1)</sup>



(1) Source: VIX – Bloomberg; US Market Volumes Tape A and C – Bats

## Progress on Bernstein Research Strategy in 2Q18

### Investing to remain the industry's research quality leader

- + Another strong showing in annual independent survey – US research
  - + Ranked #1 for 15<sup>th</sup> straight year in Quality of Analyst Service
  - + Ranked #4 overall in US Research and largest share gainer
- + 34<sup>th</sup> annual Strategic Decisions Conference attended by ~1,250 clients
  - + CEOs from 94 of the world's largest companies participated

### Growing our industry-leading agency trading platform

- + Another strong showing in annual independent survey – US trading
  - + Ranked #1 in US Equity Electronic Trading Quality for 3<sup>rd</sup> straight year
  - + Ranked #1 in 6 out of 8 algorithm categories:
    - + Customization, Dark Pool Liquidity Sourcing, Implementation Shortfall, Opportunistic, Small Cap Single Stock and Volume Participation

### Globalizing our research and trading capabilities

- + Year-to-date Asia revenues up 33% vs. 2017
- + Launched transport analyst and hired healthcare analyst in Asia
- + Launched medical device analyst and economist in US

### MiFID II Update

- + European unbundled clients' revenue trending up Y/Y, adjusted for research payment timing
- + YTD consideration traded by European clients up double digits Y/Y
- + Research payment timing reduced overall revenue growth by ~3-5% in 1H18

# Progress on Our Strategy in 2Q18

## Firmwide Initiative

## Progress

**Deliver differentiated return streams to clients**

- + Fixed Income: 91% of assets in outperforming services for 3-yr period; 33% for 1-yr and 91% for 5-yr
  - + Top quartile<sup>(1)</sup> 3-yr: Income, Mortgage Income, Muni Income, Intermediate Diversified Muni, High Income
- + Active equity: 68% of assets in outperforming services for 3-yr period; 58% for 1-yr and 73% for 5-yr
  - + Top quartile<sup>(1)</sup> 3-yr: European Equity, US Thematic, Global Low Vol, Global Core, Discovery Growth, EM Growth, Relative Value, Large Cap Growth, Concentrated Global

**Commercialize and scale our suite of services**

- + Improving Retail diversification by both asset class and geography
  - + Equity and Multi-Asset/Alts a combined 55% of total YTD gross sales in global retail and Asia ex Japan
  - + Diverse array of AB funds with \$100M+ net flows YTD – 6 equity, 4 fixed income, 3 MAS and 1 alts
  - + Net flow positive in every region<sup>(2)</sup> except Asia ex Japan in 2Q
- + Positive active equity trends in Institutional gaining momentum
  - + Active equity gross sales of \$1.6B brings YTD total to \$4.9B; best first half since 2008
  - + \$7.1B total pipeline with \$6.3B in actively managed services – 15% higher than average since 1Q12
- + Private Wealth net flows positive for 6<sup>th</sup> straight quarter; best first half client retention in 20 years

**Continuous and rigorous focus on expense management**

- + Another quarter of operating leverage
  - + 2Q18 adjusted operating margin of 27.3% up 240 bps Y/Y
    - + Adjusted net revenue growth of 10% outpaced expense growth of 7%; incremental margin of 51%
- + Essentially flat organic fee growth in 2Q and slightly positive YTD despite net outflows
- + Adjusted EPU of \$0.62 up 27% Y/Y
  - + Performance fees related to Financial Services Opportunity Fund added 3 cents to adjusted EPU

(1) Source: Morningstar (2) US Retail excludes Sub-Advisory.

# John C. Weisenseel

Chief Financial Officer

# Second Quarter 2018 GAAP Income Statement

<b>Income Statement</b> (in US \$ Millions)	<b>2Q18</b>	<b>2Q17</b>	<b>% Δ</b>	<b>1Q18</b>	<b>% Δ</b>
Base Fees	\$ 562	\$ 516	9%	\$ 568	(1%)
Performance Fees	35	15	133%	6	483%
Bernstein Research Services	106	110	(4%)	114	(7%)
Distribution Revenues	105	100	5%	108	(3%)
Dividends & Interest	21	19	11%	28	(25%)
Investment Gains (Losses)	1	24	(96%)	26	(96%)
Other Revenues	27	24	13%	27	0%
<b>Total Revenues</b>	<b>857</b>	<b>808</b>	<b>6%</b>	<b>877</b>	<b>(2%)</b>
Less: Interest Expense	12	6	100%	9	33%
<b>Net Revenues</b>	<b>\$ 845</b>	<b>\$ 802</b>	<b>5%</b>	<b>\$ 868</b>	<b>(3%)</b>
Compensation & Benefits					
Compensation & Fringes	\$ 350	\$ 321	9%	\$ 337	4%
Other Employment Costs	8	7	14%	7	14%
<b>Total Compensation &amp; Benefits</b>	<b>358</b>	<b>328</b>	<b>9%</b>	<b>344</b>	<b>4%</b>
Promotion & Servicing	172	164	5%	171	1%
General & Administrative	116	138	(16%)	121	(4%)
Other	9	10	(10%)	9	0%
<b>Total Operating Expenses</b>	<b>\$ 655</b>	<b>\$ 640</b>	<b>2%</b>	<b>\$ 645</b>	<b>2%</b>
<b>Operating Income</b>	<b>\$ 190</b>	<b>\$ 162</b>	<b>17%</b>	<b>\$ 223</b>	<b>(15%)</b>
<b>Operating Margin</b>	<b>22.4%</b>	<b>18.1%</b>		<b>23.0%</b>	
<b>AB Holding GAAP Diluted Net Income Per Unit</b>	<b>\$ 0.59</b>	<b>\$ 0.43</b>	<b>37%</b>	<b>\$ 0.60</b>	<b>(2%)</b>

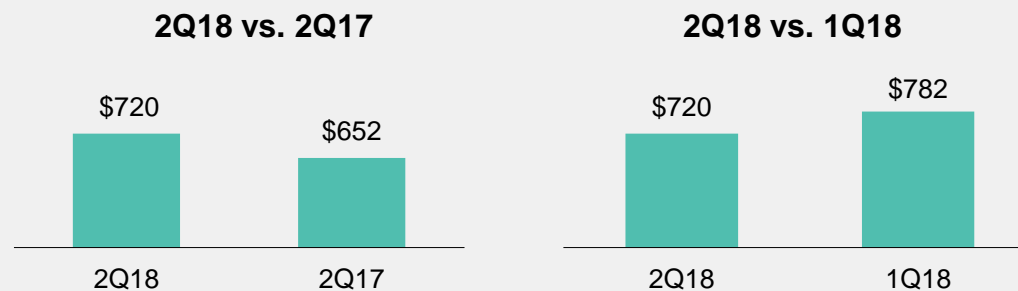
Percentages are calculated using amounts rounded in millions.



# Adjusted Financial Highlights: Second Quarter 2018

In US \$ Millions; scales may differ

## Adjusted Revenues



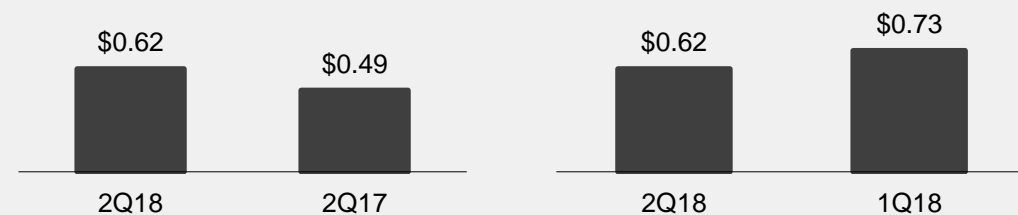
## Adjusted Operating Income



## Adjusted Operating Margin



## Adjusted EPU



Please refer to pages 32-35 for additional information on the reconciliation of GAAP financial results to adjusted financial results.



# Second Quarter 2018 Adjusted Income Statement

<b>Adjusted Income Statement<sup>(1)</sup></b> (in US \$ Millions)	<b>2Q18</b>	<b>2Q17</b>	<b>% Δ</b>	<b>1Q18</b>	<b>% Δ</b>
Base Fees	\$ 560	\$ 515	9%	\$ 568	(1%)
Performance Fees	35	15	133%	84	(58%)
Bernstein Research Services	106	110	(4%)	114	(7%)
Net Distribution Revenues (Expenses)	(7)	(9)	(22%)	(9)	(22%)
Investment Gains (Losses)	2	(1)	n/m	3	(33%)
Other Revenues	36	28	29%	31	16%
<b>Total Revenues</b>	<b>732</b>	<b>658</b>	<b>11%</b>	<b>791</b>	<b>(7%)</b>
Less: Interest Expense	12	6	100%	9	33%
<b>Adjusted Net Revenues</b>	<b>\$ 720</b>	<b>\$ 652</b>	<b>10%</b>	<b>\$ 782</b>	<b>(8%)</b>
Compensation & Benefits					
Compensation & Fringes	\$ 349	\$ 318	10%	\$ 379	(8%)
Other Employment Costs	8	7	14%	7	14%
<b>Total Compensation &amp; Benefits</b>	<b>357</b>	<b>325</b>	<b>10%</b>	<b>386</b>	<b>(8%)</b>
Promotion & Servicing	50	47	6%	45	11%
General & Administrative	106	108	(2%)	107	(1%)
Other	10	10	0%	9	11%
<b>Total Adjusted Operating Expenses</b>	<b>\$ 523</b>	<b>\$ 490</b>	<b>7%</b>	<b>\$ 547</b>	<b>(4%)</b>
<b>Adjusted Operating Income</b>	<b>\$ 197</b>	<b>\$ 162</b>	<b>22%</b>	<b>\$ 235</b>	<b>(16%)</b>
<b>Adjusted Operating Margin</b>	<b>27.3%</b>	<b>24.9%</b>		<b>30.1%</b>	
<b>AB Holding Adjusted Diluted Net Income Per Unit</b>	<b>\$ 0.62</b>	<b>\$ 0.49</b>	<b>27%</b>	<b>\$ 0.73</b>	<b>(15%)</b>
<b>Compensation Ratio</b>	<b>48.5%</b>	<b>49.0%</b>		<b>48.5%</b>	

(1) Prior period Net Distribution Revenues (Expenses), Adjusted Revenues, Promotion and Servicing Expenses and Adjusted Operating Margin have been revised due to a reclassification of certain expenses that impacted previously presented amounts.

Please refer to pages 32-35 for additional information on the reconciliation of GAAP financial results to adjusted financial results. Percentages are calculated using amounts rounded in millions.

# Second Quarter 2018 Adjusted Income Statement Highlights

## Revenues

- + The Y/Y increase in Base Fees was due to higher average AUM in all three distribution channels and higher portfolio fee rate realization. The Q/Q decline was driven by lower average AUM in the Institutional and Retail channels.
- + Performance Fees were up Y/Y due primarily to higher fees earned on our Financial Services Opportunities and Private Credit services. 1Q18 Performance Fees reflect \$78M in deferred revenue from the Real Estate Equity Investment Fund.
- + Bernstein Research Services revenues declined Y/Y due to lower revenues in the US and Europe due mainly to a volume shift towards lower priced electronic trading, offsetting higher revenues in Asia and the impact of a weaker US dollar. The Q/Q decline was driven mainly by lower client activity across all regions and a stronger US dollar. Global revenues continue to be negatively impacted by fee pressure due to unbundling of research payments.
- + Net Distribution Expenses improved vs. both prior periods due mainly to lower promotional payments in Asia resulting from lower sales in the current quarter, combined with lower amortization of deferred sales commissions.
- + Investment gains in both the current quarter and first quarter were driven primarily by seed investment gains. Investment losses in the prior year quarter were attributed primarily to the Broker Dealer as seed investments were flat.
- + An increase in Dividend & Interest Revenue related to Broker Dealer investments, combined with higher middle market lending administrative fees, contributed to the gains in Other Revenues vs. both prior periods.

## Expenses

- + The Adjusted Compensation Ratio was 48.5% in 2Q18 versus 49.0% in 2Q17, and 48.5% for 1Q18.
- + Total Compensation & Benefits increased 10% Y/Y due primarily to higher incentive compensation and commission accruals resulting from higher revenues. The 8% Q/Q decline was driven mainly by lower incentive compensation accruals in line with the decline in revenues.
- + The 6% increase in Promotion & Servicing expenses Y/Y was driven by higher trade execution costs related to higher Bernstein Research Services trading volumes, combined with higher Marketing expenses. The 11% increase Q/Q is due primarily to higher seasonal T&E and Marketing expenses.
- + G&A expenses were down 2% Y/Y due mainly to lower Occupancy charges and foreign currency translation gains. The 1% Q/Q decline was due primarily to lower Portfolio Servicing charges and foreign currency translation gains. Higher professional fees in the current quarter partially offset the declines versus both prior periods.

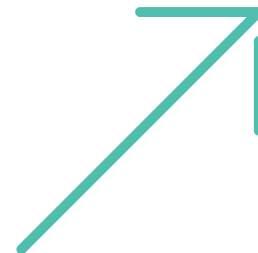
## Operating Results

- + Adjusted Operating Income increased 22% Y/Y due to an increase in revenues outpacing the growth in operating expenses. The 16% decline Q/Q was due primarily to the impact of lower performance fees, driven by the Real Estate Investment Fund in 1Q18.
- + Adjusted Margin was 27.3% in 2Q18, versus 24.9% in 2Q17 and 30.1% in 1Q18. The firm realized an incremental adjusted margin of 51% as compared to the prior year period.

Please refer to pages 32-35 for additional information on the reconciliation of GAAP financial results to adjusted financial results. Percentages are calculated using amounts rounded in millions.



## Q & A



# APPENDIX

# Institutional Composite Relative Performance vs. Benchmarks

Periods Ended June 30, 2018

Service	2Q18	1-Yr	3-Yr	5-Yr	10-Yr	Benchmark
<b>Equity</b>						
Emerging Markets Value	(3.0)	(6.3)	(2.6)	(0.1)	(1.4)	MSCI EM
Global Strategic Value	(2.4)	(5.1)	(2.8)	0.6	(2.6)	MSCI ACWI
US Small & Mid Cap Value	(0.4)	3.9	1.5	2.0	1.7	Russell 2500 Value
US Strategic Value	0.6	1.8	(3.5)	(1.2)	(2.1)	Russell 1000 Value
US Small Cap Growth	4.4	15.0	5.2	2.9	3.3	Russell 2000 Growth
US Large Cap Growth	0.7	0.7	0.8	2.9	0.4	Russell 1000 Growth
US Small & Mid Cap Growth	2.9	11.6	3.2	1.6	2.9	Russell 2500 Growth
Concentrated US Growth	(0.2)	(0.5)	(0.8)	1.1	2.8	S&P 500
Select US Equity	(0.9)	1.7	(0.1)	(0.1)	1.7	S&P 500
Global Core Equity	(0.4)	1.1	2.2	0.7	N/A	MSCI ACWI
<b>Fixed Income</b>						
Global High Income	(0.3)	0.5	0.1	(0.0)	(0.1)	Bloomberg Barclays Global High Yield - Hedged
US High Yield	(0.1)	0.3	(0.4)	0.1	0.8	Bloomberg Barclays US Corporate High Yield
US Strategic Core Plus	0.1	0.7	1.1	1.1	1.2	Bloomberg Barclays US Aggregate
Emerging Market Debt	(1.7)	(1.0)	0.2	0.1	0.9	JPM EMBI Global
Global Plus	(0.4)	(0.5)	0.7	0.6	1.1	Bloomberg Barclays Global Aggregate - Hedged

Performance is preliminary and as of June 30, 2018. Investment performance of composites is presented before 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 AB. Global High Income and Global Plus are hedged to USD.

# Retail Mutual Funds Relative Performance vs. Morningstar Average

Service	Periods Ended June 30, 2018					Morningstar Average
	2Q18	1-Yr	3-Yr	5-Yr	10-Yr	
<b>Equity</b>						
International Value	(3.7)	(2.2)	(0.4)	0.9	(2.7)	Foreign Large Value
Relative Value	(0.9)	2.8	1.7	1.1	0.9	Large Value
Discovery Value	(1.5)	1.8	1.0	1.8	1.3	Mid-Cap Value
US Value	(0.4)	(2.0)	(4.0)	(2.0)	(2.1)	Large Value
Sustainable Global Thematic	(0.4)	2.9	2.5	3.6	0.7	World Large Stock
Sustainable International Global Thematic	(3.1)	(5.5)	(2.6)	(2.2)	(2.8)	Foreign Large Growth
Large Cap Growth <sup>(1)</sup>	1.1	1.8	2.7	3.8	3.4	Large Growth
Emerging Markets Growth	(0.1)	1.5	2.4	3.6	0.8	Global Emerging Markets Equity
Growth <sup>(1)</sup>	1.4	5.2	3.5	3.6	1.2	Large Growth
Discovery Growth	4.0	14.2	3.7	2.3	3.8	Mid-Cap Growth
<b>Fixed Income</b>						
Global High Yield	(1.0)	(0.2)	0.7	0.5	1.2	Global High Yield Bond
American Income Portfolio	0.9	(0.1)	1.1	1.0	1.8	USD Flexible Bond
Global Bond	2.0	(0.4)	0.8	1.7	1.7	World Bond
High Income	(1.9)	(1.8)	0.9	0.7	2.0	High Yield Bond

(1) Performance figures other than 2Q18, One Year and Three Year positively affected by class action settlement proceeds.

As of June 30, 2018. Fund returns are based on Advisor Class shares. Where Advisor Class doesn't exist, Class I is used. All fees and expenses related to the operation of the Fund have been deducted, but returns do not reflect sales charges. 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 AB.



# Three Months Ended 6/30/18: AUM Roll-Forward by Distribution Channel

In US \$ Billions Investment Service:	Beginning of Period	Sales/New Accounts	Redemptions/ Terminations	Net Cash Flows	Net Flows	Investment Performance	Net Change	End of Period
Institutions								
US	131.7	1.5	(1.4)	(0.9)	(0.8)	(0.4)	(1.2)	130.5
Global and Non-US	133.3	2.4	(8.5)	(1.1)	(7.2)	(2.2)	(9.4)	123.9
<b>Total Institutions</b>	<b>265.0</b>	<b>3.9</b>	<b>(9.9)</b>	<b>(2.0)</b>	<b>(8.0)</b>	<b>(2.6)</b>	<b>(10.6)</b>	<b>254.4</b>
Retail								
US	92.2	5.9	(3.3)	(1.5)	1.1	2.5	3.6	95.8
Global and Non-US	98.8	5.7	(7.3)	(0.1)	(1.7)	(2.6)	(4.3)	94.5
<b>Total Retail</b>	<b>191.0</b>	<b>11.6</b>	<b>(10.6)</b>	<b>(1.6)</b>	<b>(0.6)</b>	<b>(0.1)</b>	<b>(0.7)</b>	<b>190.3</b>
Private Wealth Management								
US	60.9	2.5	(2.2)	(0.1)	0.2	1.3	1.5	62.4
Global and Non-US	32.6	1.0	(0.6)	0.3	0.7	(0.6)	0.1	32.7
<b>Total Private Wealth</b>	<b>93.5</b>	<b>3.5</b>	<b>(2.8)</b>	<b>0.2</b>	<b>0.9</b>	<b>0.7</b>	<b>1.6</b>	<b>95.1</b>
Firmwide								
US	284.8	9.9	(6.9)	(2.5)	0.5	3.4	3.9	288.7
Global and Non-US	264.7	9.1	(16.4)	(0.9)	(8.2)	(5.4)	(13.6)	251.1
<b>Total Firmwide</b>	<b>549.5</b>	<b>19.0</b>	<b>(23.3)</b>	<b>(3.4)</b>	<b>(7.7)</b>	<b>(2.0)</b>	<b>(9.7)</b>	<b>539.8</b>



# Three Months Ended 6/30/18: AUM Roll-Forward by Investment Service

In US \$ Billions Investment Service:	Beginning of Period	Sales/New Accounts	Redemptions/ Terminations	Net Cash Flows	Net Flows	Investment Performance	Net Change	End of Period
Equity Active								
US	73.5	4.5	(2.8)	(0.5)	1.2	3.1	4.3	77.8
Global and Non-US	69.0	4.1	(2.2)	0.3	2.2	(1.8)	0.4	69.4
<b>Total Equity Active</b>	<b>142.5</b>	<b>8.6</b>	<b>(5.0)</b>	<b>(0.2)</b>	<b>3.4</b>	<b>1.3</b>	<b>4.7</b>	<b>147.2</b>
Equity Passive <sup>(1)</sup>								
US	40.5	0.8	(0.2)	(0.5)	0.1	1.5	1.6	42.1
Global and Non-US	11.7	0.3	(0.1)	-	0.2	(0.2)	-	11.7
<b>Total Equity Passive<sup>(1)</sup></b>	<b>52.2</b>	<b>1.1</b>	<b>(0.3)</b>	<b>(0.5)</b>	<b>0.3</b>	<b>1.3</b>	<b>1.6</b>	<b>53.8</b>
<b>Total Equity</b>	<b>194.7</b>	<b>9.7</b>	<b>(5.3)</b>	<b>(0.7)</b>	<b>3.7</b>	<b>2.6</b>	<b>6.3</b>	<b>201.0</b>
Fixed Income - Taxable								
US	111.7	1.2	(2.2)	(0.8)	(1.8)	(1.7)	(3.5)	108.2
Global and Non-US	125.3	4.0	(6.7)	(1.4)	(4.1)	(3.5)	(7.6)	117.7
<b>Total Fixed Income - Taxable</b>	<b>237.0</b>	<b>5.2</b>	<b>(8.9)</b>	<b>(2.2)</b>	<b>(5.9)</b>	<b>(5.2)</b>	<b>(11.1)</b>	<b>225.9</b>
Fixed Income - Tax-Exempt								
US	40.9	1.9	(1.6)	-	0.3	0.4	0.7	41.6
Global and Non-US	-	-	-	-	-	-	-	-
<b>Total Fixed Income - Tax-Exempt</b>	<b>40.9</b>	<b>1.9</b>	<b>(1.6)</b>	<b>-</b>	<b>0.3</b>	<b>0.4</b>	<b>0.7</b>	<b>41.6</b>
Fixed Income Passive <sup>(1)</sup>								
US	5.2	-	-	0.1	0.1	-	0.1	5.3
Global and Non-US	4.8	-	(0.1)	0.2	0.1	(0.1)	-	4.8
<b>Total Fixed Income Passive<sup>(1)</sup></b>	<b>10.0</b>	<b>-</b>	<b>(0.1)</b>	<b>0.3</b>	<b>0.2</b>	<b>(0.1)</b>	<b>0.1</b>	<b>10.1</b>
<b>Total Fixed Income</b>	<b>287.9</b>	<b>7.1</b>	<b>(10.6)</b>	<b>(1.9)</b>	<b>(5.4)</b>	<b>(4.9)</b>	<b>(10.3)</b>	<b>277.6</b>
Other <sup>(2)</sup>								
US	13.0	1.5	(0.1)	(0.8)	0.6	0.1	0.7	13.7
Global and Non-US	53.9	0.7	(7.3)	-	(6.6)	0.2	(6.4)	47.5
<b>Total Other<sup>(2)</sup></b>	<b>66.9</b>	<b>2.2</b>	<b>(7.4)</b>	<b>(0.8)</b>	<b>(6.0)</b>	<b>0.3</b>	<b>(5.7)</b>	<b>61.2</b>
Firmwide								
US	284.8	9.9	(6.9)	(2.5)	0.5	3.4	3.9	288.7
Global and Non-US	264.7	9.1	(16.4)	(0.9)	(8.2)	(5.4)	(13.6)	251.1
<b>Total Firmwide</b>	<b>549.5</b>	<b>19.0</b>	<b>(23.3)</b>	<b>(3.4)</b>	<b>(7.7)</b>	<b>(2.0)</b>	<b>(9.7)</b>	<b>539.8</b>

(1) Includes index and enhanced index services.

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



# Active vs. Passive Net Flows

## Three Months Ended 6/30/18

---

	<b>Actively Managed</b>	<b>Passively Managed <sup>(1)</sup></b>	<b>Total</b>
Equity	\$3.4	\$0.3	\$3.7
Fixed Income	(5.6)	0.2	(5.4)
Other <sup>(2)</sup>	(6.0)	-	(6.0)
<b>Total</b>	<b>(\$8.2)</b>	<b>\$0.5</b>	<b>(\$7.7)</b>

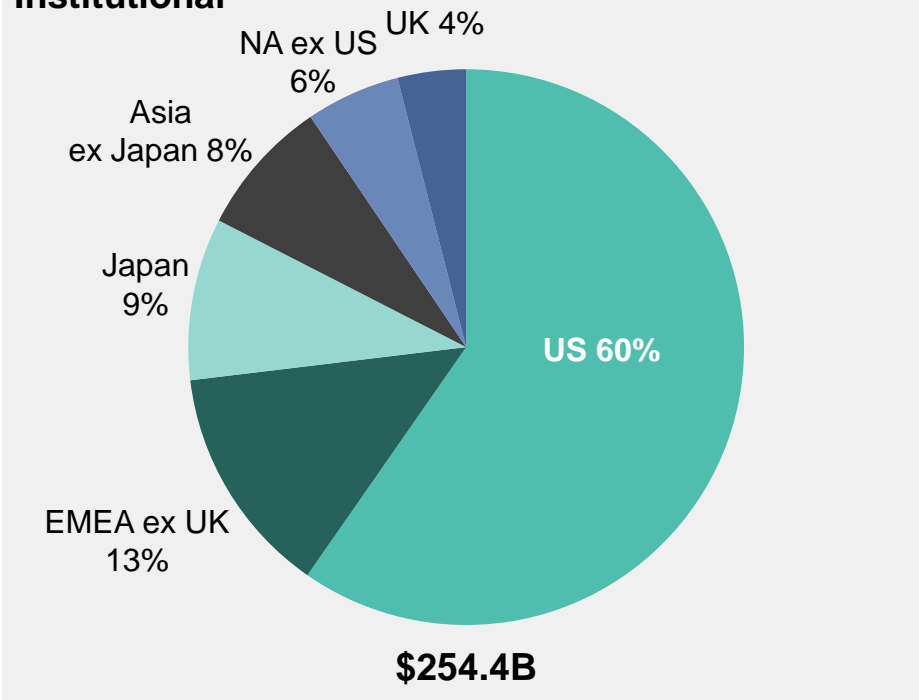
(1) Includes index and enhanced index services.

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

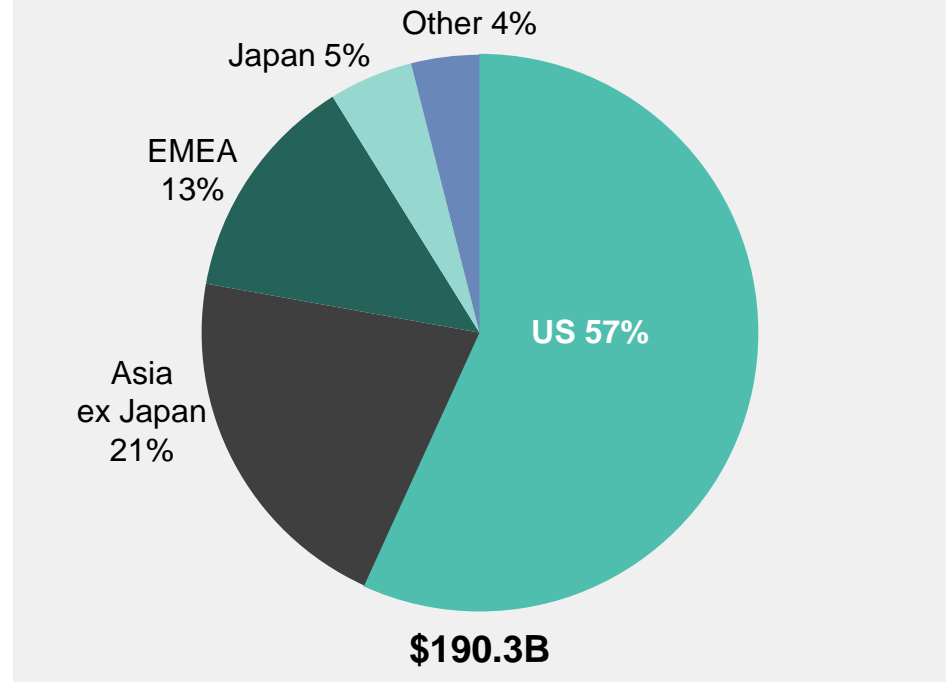


# AUM by Region

## Institutional



## Retail



As of June 30, 2018  
By client domicile



## Second Quarter 2018 Adjusted Advisory Fees

	2Q18	2Q17	% Δ	1Q18	% Δ
Ending AUM (\$ Billions)	\$540	\$517	4%	\$550	(2%)
Average AUM (\$ Billions)	\$542	\$508	7%	\$557	(3%)

### By Fee Type (\$ Millions):

Adjusted Base Fees	\$560	\$515	9%	\$568	(1%)
Adjusted Performance Fees	35	15	133%	84	(58%)
<b>Total</b>	<b>\$595</b>	<b>\$530</b>	<b>12%</b>	<b>\$652</b>	<b>(9%)</b>

### Adjusted Base Fees By Channel (\$ Millions):

Institutions	\$110	\$107	3%	\$115	(4%)
Retail	247	223	11%	249	(1%)
Private Wealth	203	185	10%	204	(0%)
<b>Total</b>	<b>\$560</b>	<b>\$515</b>	<b>9%</b>	<b>\$568</b>	<b>(1%)</b>

# Second Quarter 2018 GAAP Income Statement

In US \$ Millions (except EPU)	2Q18	2Q17	% Δ	1Q18	% Δ
Net Revenues	\$ 845	\$ 802	5%	\$ 868	(3%)
Operating Expenses	655	640	2%	645	2%
Operating Income	190	162	17%	223	(15%)
Net Income Attributable to AB Unitholders	182	135	35%	184	(1%)
<b>AB Holding GAAP Diluted Net Income per Unit</b>	<b>\$ 0.59</b>	<b>\$ 0.43</b>	<b>37%</b>	<b>\$ 0.60</b>	<b>(2%)</b>
<b>AB Holding Distribution Per Unit</b>	<b>\$0.62</b>	<b>\$0.49</b>	<b>27%</b>	<b>\$0.73</b>	<b>(15%)</b>

Percentages are calculated using amounts rounded to the nearest million.



# Consolidated Balance Sheet

In US \$ Millions

<b>Assets</b>	<b>June 30, 2018</b>	<b>December 31, 2017</b>
Cash and cash equivalents	\$ 629	\$ 672
Cash and securities, segregated	1,289	816
Receivables, net	2,307	2,183
Investments:		
Long-term incentive compensation-related	57	66
Other	449	378
Assets of consolidated company-sponsored investment funds	333	1,608
Goodwill	3,067	3,067
Intangible assets, net	92	106
Deferred sales commissions, net	17	30
Other (incl. furniture & equipment, net)	432	369
<b>Total Assets</b>	<b>\$ 8,672</b>	<b>\$ 9,295</b>
<b>Liabilities and Capital</b>		
Liabilities:		
Payables	\$ 3,174	\$ 2,580
Accounts payable and accrued expenses	398	516
Liabilities of consolidated company-sponsored investment funds	7	698
Accrued compensation and benefits	495	270
Debt	515	566
<b>Total Liabilities</b>	<b>4,589</b>	<b>4,630</b>
Redeemable non-controlling interest	108	602
Partners' capital attributable to AllianceBernstein Unitholders	3,973	4,061
Non-controlling interests in consolidated entities	2	2
<b>Total Capital</b>	<b>3,975</b>	<b>4,063</b>
<b>Total Liabilities and Capital</b>	<b>\$ 8,672</b>	<b>\$ 9,295</b>

# Consolidated Statement of Cash Flows

In US \$ Millions

	Six Months Ended	
	June 30, 2018	June 30, 2017
Net Income	\$ 389	\$ 309
Non-cash items: Amortization of deferred sales commissions	13	17
Non-cash long-term incentive compensation expense	15	21
Depreciation and other amortization	35	33
Unrealized (gains) losses on investments	(3)	3
Unrealized (gains) on investments of consolidated company-sponsored investment funds	(21)	(19)
Other, net	(2)	6
Changes in assets and liabilities	339	78
<b>Net cash provided by operating activities</b>	<b>765</b>	<b>448</b>
Purchases of furniture, equipment, and leasehold improvements, net	(11)	(14)
<b>Net cash used in investing activities</b>	<b>(11)</b>	<b>(14)</b>
Issuance (repayment) of commercial paper, net	20	(34)
(Repayment) proceeds of bank loans	(75)	30
(Decrease) increase in overdrafts payable	(29)	69
Distributions to General Partner and Unitholders	(467)	(339)
Redemptions of non-controlling interests of consolidated company-sponsored investment funds, net	(516)	(73)
Additional investments by Holding with proceeds from exercise of compensatory options to buy Holding Units	8	9
Purchases of AB Holding Units to fund long-term incentive compensation plan awards, net	(35)	(127)
Other, net	-	(12)
<b>Net cash used in financing activities</b>	<b>(1,094)</b>	<b>(477)</b>
Effect of exchange rate changes on cash and cash equivalents	(6)	11
Net (decrease) in cash and cash equivalents	(346)	(32)
Cash and cash equivalents at the beginning of period	998	995
<b>Cash and cash equivalents at the end of period</b>	<b>\$ 652</b>	<b>\$ 963</b>

# AB Holding Financial Results

In US \$ Millions (excluding per Unit amounts)	2Q18	2Q17	% Δ	1Q18	% Δ
<b>AB</b>					
Net Income Attributable to AllianceBernstein	\$182	\$135	35%	\$184	(1%)
Weighted Average Equity Ownership Interest	36.0%	35.5%		35.7%	
<b>AB Holding</b>					
Equity in Net Income Attributable to AB	\$65	\$48	35%	\$66	(2%)
Income Taxes	7	6	17%	8	(13%)
<b>Net Income</b>	<b>\$58</b>	<b>\$42</b>	<b>38%</b>	<b>\$58</b>	<b>0%</b>
<b>Diluted Net Income Per Unit, GAAP basis</b>	<b>\$0.59</b>	<b>\$0.43</b>	<b>37%</b>	<b>\$0.60</b>	<b>(2%)</b>
<b>Distributions Per Unit</b>	<b>\$0.62</b>	<b>\$0.49</b>	<b>27%</b>	<b>\$0.73</b>	<b>(15%)</b>
<b>Adjusted Diluted Net Income Per Unit</b>	<b>\$0.62</b>	<b>\$0.49</b>	<b>27%</b>	<b>\$0.73</b>	<b>(15%)</b>

Please refer to pages 32-35 for additional information on the reconciliation of GAAP financial results to adjusted financial results. Percentages are calculated using amounts rounded in millions.



# Second Quarter 2018 GAAP to Non-GAAP Reconciliation

In US \$ Thousands

GAAP	Adjustments								Non-GAAP
	Distribution Related Payments (A)	Pass Through Expenses (B)	Deferred Comp. Inv. (C)	NCI/ Consol VIE (D)	Real Estate Credits (Charges) (E)	Contingent Payment Adjust. (F)	Acquisition-Related Expenses (G)	Other (H)	
Investment advisory and services fees	\$ 596,870	(1,125)		(378)				-	\$ 595,367
Bernstein research services	106,211								106,211
Distribution revenues	105,118	(112,414)		56					(7,240)
Dividend and interest income	21,194		(156)	(2,381)					18,657
Investment gains (losses)	213		(542)	1,833				47	1,551
Other revenues	27,264	(9,362)		(624)					17,278
Total revenues	856,870	(112,414)	(698)	(1,494)	-	-	-	47	731,824
Less: interest expense	12,132								12,132
<b>Net revenues</b>	<b>844,738</b>	<b>(112,414)</b>	<b>(698)</b>	<b>(1,494)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>47</b>	<b>719,692</b>
Employee compensation and benefits	358,248		(1,283)					-	356,965
Promotion and servicing	171,673	(112,414)	(9,220)						50,039
General and administrative	115,745	(1,267)		(1,297)	(6,909)				106,272
Contingent payment arrangements	52					-			52
Interest on borrowings	2,629								2,629
Amortization of intangible assets	6,927								6,927
Net income (loss) of consolidated entities attributable to non-controlling interests	-			64					64
<b>Total expenses</b>	<b>655,274</b>	<b>(112,414)</b>	<b>(1,283)</b>	<b>(1,233)</b>	<b>(6,909)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>522,948</b>
<b>Operating income</b>	<b>189,464</b>	<b>-</b>	<b>-</b>	<b>585</b>	<b>(261)</b>	<b>6,909</b>	<b>-</b>	<b>-</b>	<b>196,744</b>
Income taxes	7,538		23	(8)	275			2	7,830
Net income	181,926	-	-	562	(253)	6,634	-	-	188,914
Net income (loss) of consolidated entities attributable to non-controlling interests	261			(261)				-	-
<b>Net income attributable to AB Unitholders</b>	<b>\$ 181,665</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 562</b>	<b>\$ 8</b>	<b>\$ 6,634</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 188,914</b>

Please refer to page 35 for notes describing the adjustments.



# Second Quarter 2017 GAAP to Non-GAAP Reconciliation

In US \$ Thousands

	Adjustments									
	GAAP	Distribution Related Payments	Pass Through Expenses	Deferred Comp. Inv.	NCI/ Consol VIE	Real Estate Credits (Charges)	Contingent Payment Adjust.	Acquisition- Related Expenses	Other	Non-GAAP
		(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	
Investment advisory and services fees	\$ 531,163		(1,451)		123					\$ 529,835
Bernstein research services	109,470									109,470
Distribution revenues	100,149	(108,939)			44					(8,746)
Dividend and interest income	19,348			(150)	(6,470)					12,728
Investment gains (losses)	24,113			(1,926)	(18,622)			(4,231)		(666)
Other revenues	24,265		(8,250)		(776)					15,239
Total revenues	808,508	(108,939)	(9,701)	(2,076)	(25,701)	-	-	-	(4,231)	657,860
Less: interest expense	6,195									6,195
<b>Net revenues</b>	<b>802,313</b>	<b>(108,939)</b>	<b>(9,701)</b>	<b>(2,076)</b>	<b>(25,701)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,231)</b>	<b>651,665</b>
Employee compensation and benefits	327,862			(2,493)						325,369
Promotion and servicing	164,298	(108,939)	(8,108)							47,251
General and administrative	138,209		(1,593)		(8,587)	(20,747)		(25)		107,257
Contingent payment arrangements	178									178
Interest on borrowings	2,254									2,254
Amortization of intangible assets	6,975									6,975
Net income (loss) of consolidated entities attributable to non-controlling interests					55					55
<b>Total expenses</b>	<b>639,776</b>	<b>(108,939)</b>	<b>(9,701)</b>	<b>(2,493)</b>	<b>(8,532)</b>	<b>(20,747)</b>	<b>-</b>	<b>(25)</b>	<b>-</b>	<b>489,339</b>
<b>Operating income</b>	<b>162,537</b>	<b>-</b>	<b>-</b>	<b>417</b>	<b>(17,169)</b>	<b>20,747</b>	<b>-</b>	<b>25</b>	<b>(4,231)</b>	<b>162,326</b>
Income taxes	10,265			26		1,317		3	(269)	11,342
Net income	152,272			391	(17,169)	19,430		22	(3,962)	150,984
Net income (loss) of consolidated entities attributable to non-controlling interests	17,169				(17,169)					-
<b>Net income attributable to AB Unitholders</b>	<b>\$ 135,103</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 391</b>	<b>\$ -</b>	<b>\$ 19,430</b>	<b>\$ -</b>	<b>\$ 22</b>	<b>\$ (3,962)</b>	<b>\$ 150,984</b>

Please refer to page 35 for notes describing the adjustments.

# First Quarter 2018 GAAP to Non-GAAP Reconciliation

In US \$ Thousands

	GAAP	Adjustments							Non-GAAP
		Distribution Related Payments (A)	Pass Through Expenses (B)	Deferred Comp. Inv. (C)	NCI/ Consol VIE (D)	Real Estate Credits (Charges) (E)	Contingent Payment Adjust. (F)	Acquisition-Related Expenses (G)	
Investment advisory and services fees	\$ 573,598		(1,058)		1,348			77,844	\$ 651,732
Bernstein research services	114,400								114,400
Distribution revenues	108,004	(116,752)			41				(8,707)
Dividend and interest income	28,215			(93)	(13,382)				14,740
Investment gains (losses)	26,082			209	(23,198)				3,093
Other revenues	27,028		(9,551)		(846)				16,631
Total revenues	877,327	(116,752)	(10,609)	116	(36,037)	-	-	77,844	791,889
Less: interest expense	9,540								9,540
<b>Net revenues</b>	<b>867,787</b>	<b>(116,752)</b>	<b>(10,609)</b>	<b>116</b>	<b>(36,037)</b>	<b>-</b>	<b>-</b>	<b>77,844</b>	<b>782,349</b>
Employee compensation and benefits	343,825			(301)				42,688	386,212
Promotion and servicing	170,795	(116,752)	(9,412)						44,631
General and administrative	120,970		(1,197)		(13,481)	264			106,556
Contingent payment arrangements	53						-		53
Interest on borrowings	2,612								2,612
Amortization of intangible assets	6,861								6,861
Net income (loss) of consolidated entities attributable to non-controlling interests	-				94				94
<b>Total expenses</b>	<b>645,116</b>	<b>(116,752)</b>	<b>(10,609)</b>	<b>(301)</b>	<b>(13,387)</b>	<b>264</b>	<b>-</b>	<b>42,688</b>	<b>547,019</b>
<b>Operating income</b>	<b>222,671</b>	<b>-</b>	<b>-</b>	<b>417</b>	<b>(22,650)</b>	<b>(264)</b>	<b>-</b>	<b>35,156</b>	<b>235,330</b>
Income taxes	15,825			30	(1,604)	(19)		2,500	16,732
Net income	206,846			387	(21,046)	(245)		32,656	218,598
Net income (loss) of consolidated entities attributable to non-controlling interests	22,650				(22,650)				-
<b>Net income attributable to AB Unitholders</b>	<b>\$ 184,196</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 387</b>	<b>\$ 1,604</b>	<b>\$ (245)</b>	<b>\$ -</b>	<b>\$ 32,656</b>	<b>\$ 218,598</b>

Please refer to page 35 for notes describing the adjustments.



# AB Adjusted Financial Results Reconciliation

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

- A. We offset distribution-related payments to third parties as well as amortization of deferred sales commissions against distribution revenues. 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.
- B. We exclude additional pass-through expenses we incur (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.
- C. We exclude 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 long-term incentive compensation-related investments.
- D. We adjust for the impact of consolidating certain company-sponsored investment funds by eliminating the consolidated company-sponsored investment funds revenues and expenses and including AB's revenues and expenses that were eliminated in consolidation. In addition, the net income of joint ventures attributable to non-controlling interests is excluded because it does not reflect the economic interest attributable to AB.
- E. Real estate credits and charges are excluded since they are not considered part of our core ongoing operations.
- F. The recording of a change in estimate of the contingent consideration payable relating to our acquisitions is not considered part of our core operating results.
- G. 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.
- H. Other reflects recognition of deferred revenue and compensation related to the Real Estate Investment Equity Fund I performance fee. The net amount was recorded as a cumulative opening January 1, 2018 equity adjustment for GAAP, but included in adjusted earnings.

### **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.



**ALLIANCEBERNSTEIN<sup>®</sup>**