February 2018

ALLIANCEBERNSTEIN

PILLAR 3 DISCLOSURE

1. Overview

1.1 REGULATORY REQUIREMENTS FOR “PILLAR 3” DISCLOSURES

The EU Capital Requirements Directives have introduced consistent capital adequacy standards and an associated supervisory framework in the EU based on the Basel Accords laid out by the Basel Committee on Banking Supervision.

The current framework consists of three “pillars”:

Pillar 1: sets out minimum capital requirements firms are required to meet for credit, market and operational risk.

Pillar 2: requires firms and their regulatory supervisors to consider whether a firm should hold additional capital against risk not covered in Pillar 1. In the UK, this is implemented through the Individual Capital Adequacy Assessment Process (ICAAP) undertaken by the firm. The minimum capital to be held by The Firm is the higher of that calculated under Pillar 1 and Pillar 2.

As per the Financial Conduct Authority (FCA), AllianceBernstein Limited (ABL) is classified as a flexible portfolio firm under the conduct categorisation and as a P3 firm under the prudential categorisation. Whilst ABL is required to produce, to use, and to update its ICAAP, it will no longer undergo any regular formal capital assessments by the FCA, until otherwise notified.

Pillar 3: requires firms to publicly disclose certain details of their risks, capital, and risk management arrangements. The FCA has incorporated the CRD’s disclosure requirements as Chapter 11 – Disclosure (pillar 3) of the Prudential Sourcebook for Banks, Building Societies and Investment Firms (BIPRU).

The objective of this disclosure is for AllianceBernstein Limited to meet its BIPRU Pillar 3 disclosure requirements.

1.2 SCOPE OF DISCLOSURES (INCLUDING SIGNIFICANT SUBSIDIARIES)

The disclosures included herein relate to AllianceBernstein Limited (“ABL” or the “Firm”). ABL is an indirect wholly-owned subsidiary of AllianceBernstein L.P. (the “Parent”). The Parent is a publicly reporting United States Securities and Exchange Commission-registered investment adviser. A majority of the Parent’s units are indirectly owned and controlled by AXA S.A. and its group of companies (collectively, the “AXA Group”) based in Paris, France.

ABL is regulated by the FCA (FRN 147956) and has two wholly owned subsidiaries—AllianceBernstein Services Limited in the UK and AB Europe GmbH in Germany.

ABL also maintains a branch in Sweden and maintains representative offices in Italy and The Netherlands.

The disclosures included herein describe the Firm’s overall risk management arrangements and its approach to assessing its capital adequacy.

1.3 FREQUENCY OF DISCLOSURES

These disclosures will be published at least once a year and as soon as practicable following material updates to the Firm’s internal capital adequacy assessments. Given its size and complexity, the Firm assesses that this annual publication should generally meet its disclosure requirements.

1.4 VERIFICATION, MEDIA AND LOCATION

These disclosures have been prepared solely for the purpose of fulfilling the Firm’s BIPRU Pillar 3 disclosure requirements and are not used by management for any other purpose. They have not been audited nor do they constitute any form of audited financial statement.

The Firm’s Board of Directors is ultimately responsible for the Firm’s systems and controls and for reviewing the effectiveness of those arrangements. However, such arrangements are designed to mitigate, not eliminate, risk and therefore can provide reasonable, but not absolute, assurance against material losses or financial mis-statements.

These disclosures have been approved by the Firm’s Board of Directors.

These disclosures will be published on the website of the Firm’s Parent (www.alliancebernstein.com).

2. Risk Management Objectives and Policies

The Firm's risk management objectives and policies are supported by its corporate governance arrangements, its risk management framework and its risk management processes, including its processes for mitigating and monitoring its risk.

2.1 CORPORATE GOVERNANCE ARRANGEMENTS

Board of Directors

The Firm's Board of Directors (the "Board") is expected to be aware of the major aspects of the Firm's risks, especially those risks for which it may need to set aside capital. To that end, the Board reviews the effectiveness of its systems and controls in accordance with regulatory requirements, including its Risk Management Framework, which establishes the principles of how risk is to be identified, assessed, monitored and controlled/mitigated.

The Board has delegated the day-to-day executive management of the Firm to the Chief Executive Officer (the "CEO") with the exception of certain reserved matters for the Board which include but are not limited to:

+ Establishing the Firm's overall strategy.
+ Setting the Firm's "risk appetite".
+ Assessing and approving the Firm's capital adequacy (e.g. ICAAP).
+ The Board has also constituted, and delegated certain responsibilities to, the following committees:
+ Risk & Controls Oversight Committee,
+ Health & Safety Committee,
+ Remuneration Committee.

Risk & Controls Oversight Committee

The Risk & Controls Oversight Committee (RCOC) is chaired by the Firm's Chief Risk Officer and is comprised of members of senior management. The CEO is a standing invitee to the RCOC. The role of the Committee is to ensure that the systems and controls of ABL operate effectively and to advise the Board of Directors on the establishment, implementation, and maintenance of adequate policies and procedures relating thereto. It shall be the duty of the Committee to review and to escalate to the Board such regulatory or systems and controls issues as, in its reasonable opinion, warrant Board discussion and/or direction with appropriate recommendations or guidance.

In particular, but without prejudice to the generality of the foregoing, the Committee shall advise the Board on:

+ Identifying operational, compliance and regulatory risks relating to all the activities, systems and processes of ABL;
+ Setting the level of risk tolerated by ABL;
+ Managing the risks identified (within any risk tolerance); and,
+ Monitoring the effectiveness of ABL's systems and controls (including risk management and control policies and procedures), and compliance with such arrangements policies and remedial action.
+ Reviewing the firm's arrangements for the effective management of conflicts of interest.

Health & Safety Committee

The Health & Safety Committee is responsible for the general oversight of safety arrangements at the Firm's premises, for advising all managers and employees of their respective health and safety obligations and responsibilities, and for proposing Firm policy on health and safety related matters.

The Remuneration Committee

The role of the Remuneration Committee is to support the Chief Executive Officer of the Company in managing the remuneration affairs of the Company in accordance with the powers and discretions vested in him by the Board of Directors and the requirements of the Financial Conduct Authority ("FCA") and other applicable regulatory bodies.

2.2 RISK MANAGEMENT FRAMEWORK: THREE LINES OF DEFENCE

The Firm has adopted a "three lines of defence" model which can be summarised as follows:

First Line of Defence

The first line of defence is comprised of the senior managers responsible for the Firm's business units and departments who are primarily responsible for identifying and managing risks in their area and for developing and communicating policies, guidance, and procedures necessary to manage those risks.

Second Line of Defence

The second line of defence is comprised of the Risk and Compliance functions.

The Risk function is responsible for facilitating the development, implementation and embedding of processes whereby management identifies assesses, monitors, controls and mitigates the risks in their areas.

The Compliance function is responsible for monitoring adherence to regulatory standards and for reporting its findings to relevant senior management and to the Board. The Compliance function is also responsible for the provision of technical regulatory/compliance advice and support.

Third Line of Defence

The third line of defence is comprised of the Internal Audit function. Internal Audit provides independent assurance of the suitability and effectiveness of the Firm's risk management framework, including management's execution of its responsibilities to ensure an effective system of internal controls, risk management, and compliance is embedded in throughout the Firm.

2.3 RISK APPETITE

The Firm's approach to setting risk appetite first considers the risks inherent in each of its strategies and objectives and then evaluates the most effective way to provide for these risks. For the key risks which cannot be perfectly controlled, the residual risks are quantified and capital is provided for each risk. These risks are further analysed to determine the Groups appetite for each, which is monitored using a set of Key Risk Indicators designed to highlight changes which can potentially challenge our currently stated risk appetite and potentially the capital required.

3. Risk Management by Category of Risks

As with all asset managers, risk is inherent in the nature of the Firm's business and activities. Generally, the Firm's main areas of risk exposures can be categorized as: business risk, operational risk, market risk and credit risk.

The key risks to which the Firm is exposed are:

+ Operational risks in relation to how it conducts its business activities; and
+ Market risk in relation to the value of assets under management that underpin revenue streams.

The Firm has clear risk management policies and practices in place to manage each category of risk which are described in further detail below.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. The Firm has a dedicated Risk Management function which facilitates the ongoing identification, assessment, monitoring and mitigation of risks. The Risk & Controls Oversight Committee escalates key risks to the Board for consideration as "Top Risks", which are in turn developed into scenarios for capital modeling purposes at a 99.5% (1 in 200) confidence level.

Market Risk

Market risk arises in relation to the value of assets under management that underpin revenue streams. The Firm's balance sheet is not directly impacted by market risk as it does not hold any material proprietary positions. The management of market risk is considered within business risk and is managed similarly to operational risks.

Credit Risk

The Firm's credit risk arises from its cash deposits with banks and financial institutions, as well as credit exposures to debtors in respect of outstanding receivables. Cash deposits are held only with a high quality institution which is regularly monitored and there is an active credit control monitoring process whereby aged receivables are reviewed on a regular business and where appropriate, an amount set aside as provision for debts that are not expected to be collected in full.

Interest Rate Risk

Interest rate risk is the exposure of a firm's financial condition to adverse movements in interest rates. Changes in interest rates do not affect the Firm's earnings by materially changing its net interest income nor the level of other interest-sensitive income and operating expenses. Such a movement in interest rates does not affect the underlying value of the Firm's assets and liabilities nor materially change the present value of future cash flows.

The Firm does not rely on interest income to fund its operations and has no debt and as result would not be materially affected by a significant movement in interest rates. Therefore, the Firm considers that interest rate risk is not material.

Foreign Exchange Risk

Foreign Exchange Risk (FER) is the exposure of the Firm's financial condition to adverse movements in exchange rates. The Firm is primarily exposed to FER from its non-sterling revenue streams and from its non- sterling assets and liabilities such as cash and net counterparty trade debtors and creditors. The Firm actively manages its cash balances and converts surplus foreign currency balances to sterling at each month end.

Liquidity Risk

Liquidity risk is the risk that current assets are not readily convertible to cash, that funds are either not available to service day-to-day funding requirements or are only available at a prohibitively high cost, or need to be arranged at a time when market conditions are unfavourable and consequently the terms are onerous.

The liquidity requirements for the Firm arise from day-to-day routine financial activities including the settlement of non-trading book creditors, accounts payable and payroll, offset by the receipt of non-trading book receivables, particularly non-trading accounts receivable.

Whilst a certain amount of cash volatility is an inevitable consequence of general business activities, the Firm maintains controls to reduce this volatility through cash forecasting. The Firm retains a mixture of substantial cash balances and is confident of being able to settle transactions and continue operations even in the most difficult foreseeable circumstances. Cash requirements are monitored and forecast on a regular basis.

The Firm is not exposed to any significant liquidity risk as it funds its business from its internal resources, does not have client money and does not have trading book positions. Therefore, the Firm considers that liquidity risk is not material.

Pension Risks

As the Firm does not offer a defined benefit pension scheme, it does not have exposure to the risks commonly associated with such a scheme, i.e. interest rate, market, longevity and inflation risk. The Firm therefore does not consider pension risk to be material.

Other Risks

Insurance risk, concentration risk, residual risk and securitisation risk have also been considered. These risks are not deemed to be material.

4. Internal Capital Adequacy Assessment and Capital Resources

The Firm undertakes its Internal Capital Adequacy Assessment Process (ICAAP) at least once annually (or as material changes in conditions warrant) in fulfillment of its Pillar 2 requirements. The Firm's most recent ICAAP document was approved by the Board on 26 February 2018.

4.1 INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS (ICAAP)

The ICAAP document describes the framework under which the Board of Directors carries out its assessment of the adequacy of the Firm's capital resources. In particular the document sets out:

+ The Firm's internal governance structure and assurance framework.
+ The risk management framework.
+ The key risk areas relevant to the Firm's capital.
+ Financial and capital projections.
+ The adequacy of capital resources in relation to the overall risk profile and certain stress and scenario events, and hence the Firm's overall ability to meet its liabilities as they fall due.
+ An orderly wind-down scenario.
+ The way in which the ICAAP is used in the business.

The ICAAP is undertaken on a proportionate basis, taking into account the Firm's size, and the nature and complexity of its activities.

4.2 CAPITAL REQUIREMENTS AND RESOURCES

The Firm is a BIRPU firm, and as such its BIPRU Pillar 1 capital requirements are the greater of:

+ The sum of its market and credit risk requirements; or
+ Its fixed overhead requirement.

The Firm also assesses its Pillar 2 capital requirements as compared to the Pillar 1 capital requirements, with the final capital requirement equaling the higher of the Pillar 1 or Pillar 2 amounts, or the cost of the 'orderly wind-down scenario'.

The Firm is also required to hold Professional Indemnity Insurance (PII), in connection with certain aspects of its Defined Contribution (DC) business. There is sufficient cover at AllianceBernstein Group level to satisfy the insurance limits and £134,000 has been set aside to satisfy the Firm's additional capital requirements relating to its insurance mediation activity.

While the Firm maintains various insurance arrangements which could potentially mitigate certain risks, the Firm capital calculations do not take such potential benefits into consideration.

The Firm has a simple capital structure and does not use any exotic capital instruments. A summary of the Firm's capital requirements and resources appear in the tables below:

Pillar 1 and Pillar 2 Comparison (£'000)	**Pillar 1**	**Pillar 2**
Pillar 1 Capital Resource Requirement (Pillar 1 CRR)	11,269	
Pillar 2 Capital Resource Requirement (Pillar 2 CRR)		43,602
Total BIPRU **Capital Resources Requirement** (Higher of Pillar 1 and Pillar 2 CRR)		43,602

Capital Summary as at September 30 2017	**£'000**
Current total capital	115,800
Additional capital required for insurance mediation activity	134
Total BIPRU capital requirement (higher of Pillar 1 and Pillar 2)	43,736
Surplus capital	72,064

5. Remuneration

In accordance with the requirements of the Remuneration Code, and on a proportionate basis, the Firm

has adopted a Remuneration Policy which has been approved by the Firm's Board. The determination of the policy was based on guidance provided by the FCA and subject to input and review by the Firm's Control Functions and Human Capital department.

The policy clearly outlines control and governance requirements, links between pay and performance and the role and responsibilities of relevant stakeholders. To oversee the implementation of this policy the ABL Board established the Remuneration Committee.

ABLP also has a Compensation Committee with general oversight and policy making powers over compensation matters for all employees of ABLP and its subsidiaries. The Compensation Committee is responsible for ensuring that remuneration and incentives within ABLP and its subsidiaries are aligned with organisational strategy, do not reward undue risk-taking or failure and is awarded fairly based on individual, business unit and firm-wide performance.

The Compensation Committee and ABL Remuneration Committee seek to ensure that the remuneration policies and practices of the firm are aligned with its duty to manage conflicts fairly, so not to create incentives that may lead Relevant Persons to favour their own or the firms' interests to the potential detriment of clients. The remuneration committee expects all staff to act in the best interests of their clients.

The Firm has defined and approved 11 employees as Code Staff, 7 of whom are classified as Senior Management (the Board).

5.1 CODE STAFF REMUNERATION BY BUSINESS AREA

Investment (£'000)	Corporate and Fiduciary (£'000)	Other (£'000)
4,768	2,838	0

5.2 CODE STAFF REMUNERATION BY SENIOR MANAGEMENT AND OTHER

Senior Management (£'000)	Other (£'000)
6,053	6,053

Aggregate remuneration disclosed includes:

+ Annual base salaries as at 31 December 2017.
+ Cash bonus awards for the 2017 performance year.
+ Deferred awards for 2017.