ALLIANCEBERNSTEIN HOLDING L.P.
Form 10-K
February 12, 2013

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

FORM 10-K

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

For the Fiscal Year Ended December 31, 2012

OR

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

For the transition period from to

Commission file number 001-09818

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

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

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

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

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

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

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

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

(Check one):

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

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

The aggregate market value of the units representing assignments of beneficial ownership of limited partnership interests held by non-affiliates computed by reference to the price at which such units were last sold on the New York Stock Exchange as of June 30, 2012 was approximately $1.24 billion.

The number of units representing assignments of beneficial ownership of limited partnership interests outstanding as of December 31, 2012 was 105,173,342. (This figure includes 100,000 units of general partnership interest having economic interests equivalent to the economic interests of the units representing assignments of beneficial ownership of limited partnership interests.)

DOCUMENTS INCORPORATED BY REFERENCE

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

Table of Contents

Table of Contents

Glossary of Certain Defined Terms

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

"AllianceBernstein Investments" – AllianceBernstein Investments, Inc. (Delaware corporation), an indirect wholly-owned subsidiary of AllianceBernstein that services retail clients and distributes company-sponsored mutual funds.

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

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

"AUM" – assets under management for clients.

"AXA" – AXA (société anonyme organized under the laws of France), the holding company for an international group of insurance and related financial services companies engaged in the financial protection and wealth management businesses.

"AXA Equitable" – AXA Equitable Life Insurance Company (New York stock life insurance company), an indirect wholly-owned subsidiary of AXA Financial, and its subsidiaries other than AllianceBernstein and its subsidiaries.

"AXA Financial" – AXA Financial, Inc. (Delaware corporation), an indirect wholly-owned subsidiary of AXA.

"Bernstein GWM" – Bernstein Global Wealth Management, a unit of AllianceBernstein that services private clients.

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

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

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

"General Partner" – AllianceBernstein Corporation (Delaware corporation), the general partner of AllianceBernstein and Holding and an indirect wholly-owned subsidiary of AXA Equitable, and, where appropriate, ACMC, LLC, its predecessor.

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

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

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

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

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

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

"Partnerships" – AllianceBernstein and Holding together.

"SCB" – SCB LLC, SCBL and Sanford C. Bernstein (Hong Kong) Limited, together.

"SCB LLC" – Sanford C. Bernstein & Co., LLC (Delaware limited liability company), an indirect wholly-owned subsidiary of AllianceBernstein that provides Bernstein Research Services in the United States.

"SCBL" – Sanford C. Bernstein Limited (U.K. company), an indirect wholly-owned subsidiary of AllianceBernstein that provides Bernstein Research Services primarily in Europe.

"SEC" – the United States Securities and Exchange Commission.

"Securities Act" – the Securities Act of 1933, as amended.

Table of Contents

PART I

Item 1. Business

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

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

We use "emerging markets" in this Form 10-K to refer to countries included in the Morgan Stanley Capital International ("MSCI") emerging markets index, which are, as of December 31, 2012, Brazil, Chile, China, Columbia, Czech Republic, Egypt, Hungary, India, Indonesia, Malaysia, Mexico, Morocco, Peru, the Philippines, Poland, Russia, South Africa, South Korea, Taiwan, Thailand and Turkey.

We use the term "hedge funds" in this Form 10-K to refer to private investment funds we sponsor that utilize various alternative strategies such as leverage, short selling of securities, and the use of forward contracts, currency options and other derivatives.

General

Mission

Our firm's mission is to be the most trusted investment firm in the world by placing our clients' interests first and foremost, utilizing our research capabilities to have more knowledge than any other investment firm, and using and sharing knowledge better than our competitors to help our clients achieve financial peace of mind and investment success.

Clients

AllianceBernstein provides research, diversified investment management and related services globally to a broad range of clients, including:

- institutional clients, including unaffiliated corporate and public employee pension funds, endowment funds, domestic and foreign institutions and governments, and various affiliates;
- retail clients, including U.S. and offshore mutual funds, variable annuities, insurance products and sub-advisory relationships;
- private clients, including high-net-worth individuals, trusts and estates, charitable foundations, partnerships, private and family corporations, and other entities; and
- institutional investors seeking high-quality research, portfolio strategy advice and brokerage-related services.

We also provide distribution, shareholder servicing and administrative services to our sponsored mutual funds.

Research

Our high-quality, in-depth research is the foundation of our business. We believe that our global team of research professionals gives us a competitive advantage in achieving investment success for our clients.

Our research disciplines include fundamental, quantitative and economic research and currency forecasting. In addition, we have several specialized research initiatives, including research examining global strategic developments that can affect multiple industries and geographies.

Products and Services

We offer a broad range of investment products and services to our clients:

- To our institutional clients, we offer separately-managed accounts, sub-advisory relationships, structured products, collective investment trusts, mutual funds, hedge funds and other investment vehicles (“Institutional Services”);

- To our retail clients, we offer retail mutual funds sponsored by AllianceBernstein and our subsidiaries, sub-advisory services to mutual funds sponsored by third parties, separately-managed account programs sponsored by financial intermediaries worldwide (“Separately-Managed Account Programs”) and other investment vehicles (collectively, “Retail Services”);

- To our private clients, we offer diversified investment management services through separately-managed accounts, hedge funds, mutual funds and other investment vehicles (“Private Client Services”); and

- To institutional investors, we offer research, portfolio strategy advice and brokerage-related services (“Bernstein Research Services”).

Table of Contents

These services are provided by teams of investment professionals with significant expertise in their respective disciplines (see "Employees" in this Item 1). Our buy-side research analysts support our portfolio managers and, together, they oversee a number of different types of investment services within various vehicles (discussed above) and strategies (discussed below). Our sell-side research analysts provide the foundation for our Bernstein Research Services.

Our services include:

- Value equities, generally targeting stocks that are out of favor and considered undervalued;
- Growth equities, generally targeting stocks with under-appreciated growth potential;
- Fixed income securities, including taxable and tax-exempt securities;
- Blend strategies, combining style-pure investment components with systematic rebalancing;
- Passive management, including index and enhanced index strategies;
- Alternative investments, including hedge funds, fund of funds, currency management strategies and private equity (e.g., direct real estate investing); and
- Asset allocation services, including dynamic asset allocation, customized target date funds, target risk funds and other strategies tailored to help clients meet their investment goals.

Sub-advisory client mandates span our investment strategies, including value, growth, fixed income and blend. We serve as sub-adviser for retail mutual funds, insurance products, retirement platforms and institutional investment products.

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

We market and distribute alternative investment products globally to high-net-worth clients and institutional investors. Alternative product AUM totaled $11.6 billion as of December 31, 2012, $9.7 billion of which was institutional AUM, $1.5 billion of which was private client AUM and $0.4 billion of which was retail AUM.

In 2008, we created a unit called AllianceBernstein Defined Contribution Investments ("ABDC") focused on expanding our firm's capabilities in the defined contribution ("DC") market. ABDC seeks to provide the most effective DC investment solutions in the industry, as measured by product features, reliability, cost and flexibility, to meet specialized client needs by integrating research and investment design, product strategy, strategic partnerships (e.g., record-keeper partnerships and operations collaboration), and client implementation and service. In November 2010, we introduced Lifetime Income Strategies (formerly known as Secure Retirement Strategies, "LIS"), a multi-manager target-date solution. LIS provides guaranteed lifetime retirement income backed by multiple insurers to participants of large DC plans. We had our first LIS client funding during the second quarter of 2012 and are in discussions with additional plan sponsors to introduce LIS in their plans in 2013.

As of December 31, 2012, our DC assets under management, which are distributed in all three of our buy-side distribution channels, totaled approximately $26.0 billion.

Table of Contents

Global Reach

We serve clients in major global markets through operations in 44 cities in 22 countries. Our client base includes investors throughout the Americas, Europe, Asia, Africa and Australia. We utilize an integrated global investment platform that provides our clients with access to local (country-specific), international, and global research and investment strategies.

Assets under management by client domicile and investment service as of December 31, 2012, 2011 and 2010 were as follows:

By Client Domicile ($ in billions):

By Investment Service ($ in billions):

Revenues

We earn revenues primarily by charging fees for managing the investment assets of, and providing research to, our clients.

We generally calculate investment advisory fees as a percentage of the value of AUM at a specific date or as a percentage of the value of average AUM for the applicable billing period, with these percentages varying by type of investment service, size of account and total amount of assets we manage for a particular client. Accordingly, fee income generally increases or decreases as AUM increase or decrease. Increases in AUM generally result from market appreciation, positive investment performance for clients, net asset inflows from new and existing clients, or acquisitions. Similarly, decreases in AUM generally result from market depreciation, negative investment performance for clients, or net asset outflows due to client redemptions, account terminations or asset withdrawals.

We are eligible to earn performance-based fees on some alternative investment services, including hedge fund services, as well as some long-only services provided to our institutional clients. For these services, we charge a base advisory fee and are eligible to earn an additional performance-based fee or incentive allocation that is calculated as either a percentage of absolute investment results or a percentage of investment results in excess of a stated benchmark over a specified period of time. Some performance-based fees include a high-watermark provision, which generally provides that if a client account underperforms relative to its performance target (whether absolute or relative to a specified benchmark), it must gain back such underperformance before we can collect future performance-based fees. Therefore, if we fail to achieve our performance target for a particular period, we will not earn a performance-based fee for that period and, for accounts with a high-watermark provision, our ability to earn future performance-based fees will be impaired. If the percentage of our AUM subject to performance-based fees grows, seasonality and volatility of revenue and earnings are likely to become more significant. Our performance-based fees in 2012, 2011 and 2010 were $66.6 million (including $39.6 million pertaining to winding up the Public-Private Investment Program ("PPIP") fund, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7), $16.5 million and $20.5 million, respectively. For additional information about performance-based fees, see "Risk Factors" in Item 1A and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7.

We sometimes experience periods when the number of new accounts or the amount of AUM increases or decreases significantly. These changes result from wide-ranging factors, including conditions of financial markets, our investment performance for clients, the experience of the portfolio manager (both with our firm and in the industry generally), the client's overall relationship with us, consultant recommendations, and changes in our clients' investment preferences, risk tolerances and liquidity needs.

Our Bernstein Research Services generate revenues from clients to whom we provide research, portfolio strategy advice and brokerage-related services, primarily in the form of transaction fees calculated as either "cents per share" (generally in the U.S. market) or a percentage of the value of the securities traded (generally outside of the U.S.) for these clients.

Table of Contents

Our revenues may fluctuate for a number of reasons; see "Risk Factors" in Item 1A and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7.

Employees

Our firm's 3,318 full-time employees, who are located in 22 countries, include 261 research analysts, 136 portfolio managers, 34 traders and 14 professionals with other investment-related responsibilities. We have employed these professionals for an average period of approximately nine years, and their average investment experience is approximately 18 years. We consider our employee relations to be good.

Institutional Services

We serve our institutional clients primarily through AllianceBernstein Institutional Investments ("Institutional Investments"), a unit of AllianceBernstein, and through other units in our international subsidiaries (institutional relationships of less than $25 million are generally serviced by Bernstein GWM, our Private Client channel, discussed below). Institutional Services include actively managed equity accounts (including growth, value and blend accounts), fixed income accounts and balanced accounts (which combine equity and fixed income), as well as passive management of index and enhanced index accounts. These services are provided through separately-managed accounts, sub-advisory relationships, structured products, collective investment trusts, mutual funds, hedge funds and other investment vehicles. As of December 31, 2012, institutional AUM were $220 billion, or 51% of our company-wide AUM, as compared to $224 billion, or 55%, as of December 31, 2011 and $273 billion, or 57%, as of December 31, 2010. For more information concerning institutional AUM, revenues and fees, see "Assets Under Management, Revenues and Fees" in this Item 1.

Our institutional client base includes unaffiliated corporate and public employee pension funds, endowment funds, domestic and foreign institutions and governments, and certain of our affiliates (AXA and its subsidiaries), as well as certain sub-advisory relationships with unaffiliated sponsors of various other investment products. We manage approximately 802 mandates for these clients, which are located in 37 countries.

Retail Services

We provide investment management and related services to a wide variety of individual retail investors, both in the U.S. and internationally, through retail mutual funds sponsored by our company and our subsidiaries; mutual fund sub-advisory relationships; Separately-Managed Account Programs; and other investment vehicles ("Retail Products and Services"). As of December 31, 2012, retail AUM were $144 billion, or 34% of our company-wide AUM, as compared to $113 billion, or 28%, as of December 31, 2011 and $127 billion, or 27%, as of December 31, 2010. For more information concerning retail AUM, revenues and fees, see "Assets Under Management, Revenues and Fees" in this Item 1.

Our Retail Products and Services are designed to provide disciplined, research-based investments that contribute to a well-diversified investment portfolio. We distribute these products and services through financial intermediaries, including broker-dealers, insurance sales representatives, banks, registered investment advisers and financial planners. These products and services include open-end and closed-end funds that are either (i) registered as investment companies under the Investment Company Act ("U.S. Funds"), or (ii) not registered under the Investment Company Act and generally not offered to United States persons ("Non-U.S. Funds" and, collectively with the U.S. Funds, "AllianceBernstein Funds"). They provide a broad range of investment options, including local and global value equities, growth equities, blend strategies, fixed income securities and alternative investment products. They also include Separately-Managed Account Programs, which are sponsored by financial intermediaries and generally charge an all-inclusive fee covering investment management, trade execution, asset allocation, and custodial and administrative services. We also provide distribution, shareholder servicing, and administrative services for our Retail Products and Services.

Our U.S. Funds, which include retail funds, our variable products series fund (a component of an insurance product) and the retail share classes of the Sanford C. Bernstein Funds (principally Private Client Services products), currently offer 120 different portfolios to U.S. investors. As of December 31, 2012, retail U.S. Funds AUM were approximately $45 billion, or 31% of total retail AUM, as compared to $41 billion, or 36%, as of December 31, 2011 and $46 billion, or 36%, as of December 31, 2010. Because of the way they are marketed and serviced, we report substantially all of the AUM in the Sanford C. Bernstein Funds ("SCB Funds"), which totaled $28 billion as of December 31, 2012, as private client AUM.

Table of Contents

Our Non-U.S. Funds are distributed internationally by local financial intermediaries to non-U.S. investors in most major international markets by means of distribution agreements. As of December 31, 2012, these funds consisted of 92 different portfolios and AUM in these funds were $60 billion, $6 billion of which was invested in local-market funds that we distribute in Japan through financial intermediaries.

AllianceBernstein Investments serves as the principal underwriter and distributor of the U.S. Funds. AllianceBernstein Investments employs 118 sales representatives who devote their time to promoting the sale of U.S. Funds and certain other Retail Products and Services offered by financial intermediaries.

AllianceBernstein (Luxembourg) S.A. ("AllianceBernstein Luxembourg"), a Luxembourg management company and one of our wholly-owned subsidiaries, generally serves as the distributor for the Non-U.S. Funds.

We have an international sales force of 69 sales representatives who devote some or all of their time to promoting the sale of Non-U.S. Funds and other Retail Products and Services offered by financial intermediaries.

Our Retail Products and Services include open-end mutual funds designed to fund benefits under variable annuity contracts and variable life insurance policies offered by unaffiliated life insurance companies ("Sub-Advised Variable Products"), and we sub-advise variable product mutual funds sponsored by affiliates. As of December 31, 2012, we managed or sub-advised approximately $33 billion of Sub-Advised Variable Product AUM.

Private Client Services

Through Bernstein GWM, we provide Private Client Services to high-net-worth individuals, trusts and estates, charitable foundations, partnerships, private and family corporations, and other entities by means of separately-managed accounts, hedge funds, mutual funds and other investment vehicles. As of December 31, 2012, private client AUM were $66 billion, or 15% of our company-wide AUM, as compared to $69 billion, or 17%, as of December 31, 2011 and $78 billion, or 16%, as of December 31, 2010. For more information concerning private client AUM, revenues and fees, see "Assets Under Management, Revenues and Fees" in this Item 1.

Our Private Client Services are built on a sales effort that involves approximately 253 financial advisors based in 18 cities in the U.S. These advisors do not manage money, but work with private clients and their tax, legal and other advisors to assist them in determining a suitable mix of U.S. and non-U.S. equity securities and fixed income investments. The diversified portfolio created for each client is intended to maximize after-tax investment returns, in light of the client's individual investment goals, income requirements, risk tolerance, tax situation and other relevant factors. In creating these portfolios, we utilize our research reports, investment planning services, the dynamic asset allocation service and Bernstein GWM, which has in-depth knowledge of trust, estate and tax planning strategies.

Bernstein Research Services

Bernstein Research Services consist of fundamental research, quantitative services and brokerage-related services in equities and listed options provided to institutional investors such as pension fund, hedge fund and mutual fund managers, and other institutional investors. Brokerage-related services are provided by SCB LLC in the United States and SCBL primarily in Europe, with research services also provided by Sanford C. Bernstein (Hong Kong) Limited (an indirect wholly-owned subsidiary of AllianceBernstein, "SCB Hong Kong"), in Asia. For more information concerning the revenues we derive from Bernstein Research Services, see "Assets Under Management, Revenues and Fees" in this Item 1.

We provide fundamental company and industry research along with disciplined research into securities valuation and factors affecting stock-price movements. Our analysts are consistently among the highest ranked research analysts in industry surveys conducted by third-party organizations.

Table of Contents

Assets Under Management, Revenues and Fees

The following tables summarize our AUM and revenues by distribution channel:

End of Period Assets Under Management

	December 31, 2012	2011	2010	% Change 2012-11	2011-10
		(in millions)			
Institutions	$219,819	$223,874	$272,928	(1.8)%	(18.0)%
Retail	144,392	112,605	127,045	28.2	(11.4)
Private Client	65,806	69,418	78,046	(5.2)	(11.1)
Total	$430,017	$405,897	$478,019	5.9	(15.1)

Average Assets Under Management

	Years Ended December 31, 2012	2011	2010	% Change 2012-11	2011-10
		(in millions)			
Institutions	$218,923	$252,597	$277,109	(13.3)%	(8.8)%
Retail	128,216	124,012	122,756	3.4	1.0
Private Client	68,839	75,323	74,686	(8.6)	0.9
Total	$415,978	$451,932	$474,551	(8.0)	(4.8)

Revenues

	Years Ended December 31, 2012	2011	2010	% Change 2012-11	2011-10
		(in thousands)			
Institutional Services	$485,651	$616,787	$764,847	(21.3)%	(19.4)%
Retail Services	1,192,895	1,092,561	1,068,869	9.2	2.2
Private Client Services	585,791	652,097	651,218	(10.2)	0.1
Bernstein Research Services	413,707	437,414	430,521	(5.4)	1.6
Other(1)	61,915	(46,418)	36,650	n/m	n/m
Total Revenues	2,739,959	2,752,441	2,952,105	(0.5)	(6.8)
Less: Interest Expense	3,222	2,550	3,548	26.4	(28.1)
Net Revenues	$2,736,737	$2,749,891	$2,948,557	(0.5)	(6.7)

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(1) Other revenues primarily consist of investment gains (losses) and dividend and interest income. For additional information, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Item 7.

AXA and its subsidiaries, whose AUM consist primarily of fixed income investments, together constitute our largest client. Our affiliates represented approximately 25%, 23% and 22% of our company-wide AUM as of December 31, 2012, 2011 and 2010, respectively. We earned approximately 4%, 4% and 5% of our company-wide net revenues from our affiliates in 2012, 2011 and 2010, respectively. Affiliated AUM is included in our Institutions and Retail buy-side distribution channels.

Table of Contents

Institutional Services

The following tables summarize our Institutional Services AUM and revenues:

Institutional Services Assets Under Management
(by Investment Service)

	December 31,			% Change	
	2012	2011	2010	2012-11	2011-10
	(in millions)				
Value Equity:					
U.S.	$2,476	$7,469	$13,955	(66.8)%	(46.5)%
Global and International	22,642	37,316	74,668	(39.3)	(50.0)
	25,118	44,785	88,623	(43.9)	(49.5)
Growth Equity:					
U.S.	3,479	5,541	10,921	(37.2)	(49.3)
Global and International	3,426	7,417	22,507	(53.8)	(67.0)
	6,905	12,958	33,428	(46.7)	(61.2)
Fixed Income:					
U.S.	92,112	86,329	78,101	6.7	10.5
Global and International	54,015	44,983	44,766	20.1	0.5
	146,127	131,312	122,867	11.3	6.9
Other(1):					
U.S.	11,820	11,278	9,980	4.8	13.0
Global and International	29,849	23,541	18,030	26.8	30.6
	41,669	34,819	28,010	19.7	24.3
Total:					
U.S.	109,887	110,617	112,957	(0.7)	(2.1)
Global and International	109,932	113,257	159,971	(2.9)	(29.2)
Total	$219,819	$223,874	$272,928	(1.8)	(18.0)
Affiliated	$77,569	$69,071	$74,672	12.3	(7.5)
Non-affiliated	142,250	154,803	198,256	(8.1)	(21.9)
Total	$219,819	$223,874	$272,928	(1.8)	(18.0)

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

Table of Contents

Revenues from Institutional Services
(by Investment Service)

	Years Ended December 31, 2012	2011	2010	% Change 2012-11	2011-10
	(in thousands)				
Investment Advisory and Services Fees:					
Value Equity:					
U.S.	$17,433	$33,615	$47,126	(48.1)%	(28.7)%
Global and International	125,641	246,919	336,600	(49.1)	(26.6)
	143,074	280,534	383,726	(49.0)	(26.9)
Growth Equity:					
U.S.	27,119	38,807	46,510	(30.1)	(16.6)
Global and International	19,856	62,023	119,300	(68.0)	(48.0)
	46,975	100,830	165,810	(53.4)	(39.2)
Fixed Income:					
U.S.	145,216	115,051	103,855	26.2	10.8
Global and International	108,778	96,988	94,434	12.2	2.7
	253,994	212,039	198,289	19.8	6.9
Other(1):					
U.S.	8,091	6,555	3,436	23.4	90.8
Global and International	33,155	16,233	12,866	104.2	26.2
	41,246	22,788	16,302	81.0	39.8
Total Investment Advisory and Services Fees:					
U.S.	197,859	194,028	200,927	2.0	(3.4)
Global and International	287,430	422,163	563,200	(31.9)	(25.0)
	485,289	616,191	764,127	(21.2)	(19.4)
Shareholder Servicing Fees(2)	362	596	720	(39.3)	(17.2)
Total	$485,651	$616,787	$764,847	(21.3)	(19.4)
Affiliated	$82,930	$82,965	$88,248	-	(6.0)
Non-affiliated	402,721	533,822	676,599	(24.6)	(21.1)
Total	$485,651	$616,787	$764,847	(21.3)	(19.4)

(1) Includes index, structured, asset allocation services and certain other alternative investments.
(2) For a description of shareholder servicing fees, see "Retail Services" below.

As of December 31, 2012, 2011 and 2010, Institutional Services represented approximately 51%, 55% and 57%, respectively, of our company-wide AUM. The fees we earned from these services represented approximately 18%, 22% and 26% of our company-wide net revenues for 2012, 2011 and 2010, respectively.

AXA and its subsidiaries together constitute our largest institutional client. Their AUM accounted for approximately 35%, 31% and 27% of our total institutional AUM as of December 31, 2012, 2011 and 2010, respectively, and approximately 17%, 13% and 12% of our total institutional revenues for 2012, 2011 and 2010, respectively.

The institutional AUM we manage for our affiliates, along with our nine other largest institutional accounts, accounted for approximately 53% of our total institutional AUM as of December 31, 2012 and approximately 30% of our total institutional revenues for the year ended December 31, 2012. No single institutional client other than AXA and its subsidiaries accounted for more than approximately 1% of our company-wide net revenues for the year ended December 31, 2012.

We manage the assets of our institutional clients through written investment management agreements or other arrangements, all of which are generally terminable at any time or upon relatively short notice by either party. In general, our written investment management agreements may not be assigned without client consent.

We are compensated principally on the basis of investment advisory fees calculated as a percentage of AUM. The percentage we charge varies with the type of investment service, the size of the account and the total amount of assets we manage for a particular client.

We are eligible to earn performance-based fees on approximately 8% of institutional AUM, which are primarily invested in long-only equity and fixed income services. Performance-based fees provide for a base advisory fee plus an additional fee based on investment performance. For additional information about performance-based fees, see “General—Revenues” in this Item 1 and “Risk Factors” in Item 1A.

Table of Contents

Retail Services

The following tables summarize our Retail Services AUM and revenues:

Retail Services Assets Under Management
(by Investment Service)

	December 31,			% Change	
	2012	2011	2010	2012-11	2011-10
	(in millions)				
Value Equity:					
U.S.	$7,659	$7,769	$10,772	(1.4)%	(27.9)%
Global and International	7,979	10,351	20,107	(22.9)	(48.5)
	15,638	18,120	30,879	(13.7)	(41.3)
Growth Equity:					
U.S.	10,319	8,568	9,789	20.4	(12.5)
Global and International	8,468	9,110	14,002	(7.0)	(34.9)
	18,787	17,678	23,791	6.3	(25.7)
Fixed Income:					
U.S.	11,598	8,895	8,442	30.4	5.4
Global and International	66,009	42,843	40,754	54.1	5.1
	77,607	51,738	49,196	50.0	5.2
Other(1):					
U.S.	20,514	18,013	18,466	13.9	(2.5)
Global and International	11,846	7,056	4,713	67.9	49.7
	32,360	25,069	23,179	29.1	8.2
Total:					
U.S.	50,090	43,245	47,469	15.8	(8.9)
Global and International	94,302	69,360	79,576	36.0	(12.8)
Total	$144,392	$112,605	$127,045	28.2	(11.4)
Affiliated	$28,535	$22,561	$29,841	26.5	(24.4)
Non-affiliated	115,857	90,044	97,204	28.7	(7.4)
Total	$144,392	$112,605	$127,045	28.2	(11.4)

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

Table of Contents

Revenues from Retail Services
(by Investment Service)

	Years Ended December 31,			% Change	
	2012	2011	2010	2012-11	2011-10
	(in thousands)				
Investment Advisory and Services Fees:					
Value Equity:					
U.S.	$40,595	$43,148	$45,862	(5.9)%	(5.9)%
Global and International	53,213	82,868	112,252	(35.8)	(26.2)
	93,808	126,016	158,114	(25.6)	(20.3)
Growth Equity:					
U.S.	52,242	50,572	45,752	3.3	10.5
Global and International	62,624	83,884	97,973	(25.3)	(14.4)
	114,866	134,456	143,725	(14.6)	(6.4)
Fixed Income:					
U.S.	46,821	34,143	31,723	37.1	7.6
Global and International	409,115	332,791	282,845	22.9	17.7
	455,936	366,934	314,568	24.3	16.6
Other(1):					
U.S.	21,470	15,447	11,672	39.0	32.3
Global and International	19,181	9,646	11,798	98.8	(18.2)
	40,651	25,093	23,470	62.0	6.9
Total Investment Advisory and Services Fees:					
U.S.	161,128	143,310	135,009	12.4	6.1
Global and International	544,133	509,189	504,868	6.9	0.9
	705,261	652,499	639,877	8.1	2.0
Distribution Revenues(2)	399,259	348,456	336,204	14.6	3.6
Shareholder Servicing Fees(2)	88,375	91,606	92,788	(3.5)	(1.3)
Total	$1,192,895	$1,092,561	$1,068,869	9.2	2.2
Affiliated	$31,089	$31,301	$46,756	(0.7)	(33.1)
Non-affiliated	1,161,806	1,061,260	1,022,113	9.5	3.8
Total	$1,192,895	$1,092,561	$1,068,869	9.2	2.2

(1) Includes index, structured, asset allocation services and certain other alternative investments.
(2) For a description of distribution revenues and shareholder servicing fees, see below.

Investment advisory fees and distribution fees for our Retail Products and Services are generally charged as a percentage of average daily AUM. In the past, as certain of the U.S. Funds grew, we revised our fee schedules to provide lower incremental fees above certain asset levels. Fees paid by the U.S. Funds, EQ Advisors Trust (“EQAT”) and AXA Premier VIP Trust are reflected in the applicable investment management agreement, which generally must be approved annually by the boards of directors or trustees of those funds, including by a majority of the independent directors or trustees. Increases in these fees must be approved by fund shareholders; decreases need not be, including any decreases implemented by a fund's directors or trustees. In general, each investment management agreement with the U.S. Funds, EQAT and AXA Premier VIP Trust provides for termination by either party at any time upon 60 days' notice.

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

Revenues from Retail Services represented approximately 44%, 40% and 36% of our company-wide net revenues for the years ended December 31, 2012, 2011 and 2010, respectively.

The mutual funds we sub-advise for AXA and its subsidiaries together constitute our largest retail client. They accounted for approximately 20%, 20% and 23% of our total retail AUM as of December 31, 2012, 2011 and 2010, respectively, and approximately 3%, 3% and 4% of our total retail revenues for 2012, 2011 and 2010, respectively.

Our mutual fund distribution system (the "System") includes a multi-class share structure that permits open-end AllianceBernstein Funds to offer investors various options for the purchase of mutual fund shares, including both front-end load shares and back-end load shares. For front-end load shares, AllianceBernstein Investments generally pays sales commissions to financial intermediaries distributing the funds from the front-end sales charge it receives from investors at the time of the sale. For back-end load shares, AllianceBernstein Investments pays sales commissions to financial intermediaries at the time of sale and also receives higher ongoing distribution services fees from the mutual funds. In addition, investors who redeem back-end load shares before the expiration of the minimum holding period (which ranges from one year to four years) pay a contingent deferred sales charge ("CDSC") to AllianceBernstein Investments. We expect to recover sales commissions for back-end load shares over periods not exceeding five and one-half years through receipt of a CDSC and/or the higher ongoing distribution services fees we receive from holders of back-end load shares. Payments of sales commissions made to financial intermediaries in connection with the sale of back-end load shares under the System, net of CDSC received of $21.7 million, $14.2 million and $20.0 million, totaled approximately $75.7 million, $21.5 million and $33.4 million during 2012, 2011 and 2010, respectively. We have not offered back-end load shares to new investors in U.S. Funds since January 31, 2009. However, our Non-U.S. Funds continue to offer back-end load shares.

Table of Contents

The rules of the Financial Industry Regulatory Authority, Inc. ("FINRA") effectively cap the aggregate sales charges that may be received from each open-end U.S. Fund by AllianceBernstein Investments at 6.25% of cumulative gross sales (plus interest at the prime rate plus 1% per annum).

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

In addition to Rule 12b-1 Fees, AllianceBernstein Investments, at its own expense, currently provides additional payments under distribution services and educational support agreements to financial intermediaries that sell shares of our funds, a practice sometimes referred to as "revenue sharing". Although the amount of payments made in any given year may vary, the total amount paid to a financial intermediary in connection with the sale of shares of U.S. Funds generally will not exceed the sum of (i) 0.25% of the current year's fund sales by that firm, and (ii) 0.10% of average daily net assets attributable to that firm over the course of the year.

Financial intermediaries that provide accounting or record-keeping services with respect to their customers' investments in AllianceBernstein Funds may receive specified payments from these funds or from affiliates of AllianceBernstein, including AllianceBernstein Investor Services, Inc. (one of our wholly-owned subsidiaries, "AllianceBernstein Investor Services") and AllianceBernstein Investments.

During 2012, the 10 financial intermediaries responsible for the largest volume of sales of open-end AllianceBernstein Funds were responsible for 54% of such sales. Certain subsidiaries of AXA, including AXA Advisors, LLC ("AXA Advisors"), a wholly-owned subsidiary of AXA Financial that utilizes members of AXA Equitable's insurance sales force as its registered representatives, were responsible for approximately 4%, 1% and 2% of total sales of shares of open-end AllianceBernstein Funds in 2012, 2011 and 2010, respectively. None of these entities are under any obligation to sell a specific amount of AllianceBernstein Fund shares and each also sells shares of mutual funds sponsored by other affiliates and unaffiliated organizations.

During 2012, Hong Kong and Shanghai Banking Corporation, UBS AG and Citigroup (or their respective subsidiaries) were responsible for approximately 13%, 10% and 6%, respectively, of our open-end AllianceBernstein Fund sales. None of these companies are under any obligation to sell a specific amount of AllianceBernstein Fund shares and each also sells shares of mutual funds that it sponsors and that are sponsored by unaffiliated organizations.

Based on industry sales data reported by the Investment Company Institute, our market share in the U.S. mutual fund industry was approximately 1% of total industry assets in the U.S. during 2012. The investment performance of the U.S. Funds is an important factor in the sale of their shares, but there are also other factors, including the level and quality of our shareholder services (see below) and the amounts and types of distribution assistance and administrative services payments we make to financial intermediaries, which we believe are competitive with others in the industry.

AllianceBernstein Investor Services, which operates in San Antonio, Texas, provides transfer agency and related services for each open-end U.S. Fund (except the SCB Funds) and provides shareholder servicing for each open-end U.S. Fund's shareholder accounts (approximately 2.7 million accounts in total), for which it receives a monthly fee under servicing agreements with each open-end U.S. Fund based on the number and type of shareholder accounts serviced. Each servicing agreement must be approved annually by the relevant open-end U.S. Fund's board of directors or trustees, including a majority of the independent directors or trustees, and may be terminated by either party without penalty upon 60 days’ notice.

AllianceBernstein Funds utilize our personnel to perform most legal, clerical and accounting services. Payments to us by the U.S. Funds and certain Non-U.S. Funds for these services, which payments were approximately $5 million in 2012, $6 million in 2011 and $6 million in 2010, must be specifically approved in advance by each fund’s board of directors or trustees.

A unit of AllianceBernstein Luxembourg (“ABIS Lux”) is the transfer agent for substantially all of the Non-U.S. Funds. ABIS Lux, based in Luxembourg and supported by operations in Singapore, Hong Kong and the United States, receives a monthly asset-based fee for its transfer agency services and a transaction-based fee under various services agreements with the Non-U.S. Funds. Each agreement may be terminated by either party upon 60 days’ notice.

Table of Contents

Private Client Services

The following tables summarize Private Client Services AUM and revenues:

Private Client Services Assets Under Management
(by Investment Service)

	December 31,			% Change	
	2012	2011	2010	2012-11	2011-10
	(in millions)				
Value Equity:					
U.S.	$8,839	$9,912	$13,082	(10.8)%	(24.2)%
Global and International	7,487	7,971	11,714	(6.1)	(32.0)
	16,326	17,883	24,796	(8.7)	(27.9)
Growth Equity:					
U.S.	7,751	7,735	9,626	0.2	(19.6)
Global and International	5,967	5,859	7,492	1.8	(21.8)
	13,718	13,594	17,118	0.9	(20.6)
Fixed Income:					
U.S.	29,797	32,147	32,485	(7.3)	(1.0)
Global and International	2,055	2,360	1,658	(12.9)	42.3
	31,852	34,507	34,143	(7.7)	1.1
Other(1):					
U.S.	818	319	236	156.4	35.2
Global and International	3,092	3,115	1,753	(0.7)	77.7
	3,910	3,434	1,989	13.9	72.6
Total:					
U.S.	47,205	50,113	55,429	(5.8)	(9.6)
Global and International	18,601	19,305	22,617	(3.6)	(14.6)
Total	$65,806	$69,418	$78,046	(5.2)	(11.1)

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

Table of Contents

Revenues From Private Client Services
(by Investment Service)

	Years Ended December 31, 2012	2011	2010	% Change 2012-11	2011-10
	(in thousands)				
Investment Advisory and Services Fees:					
Value Equity:					
U.S.	$112,695	$134,149	$143,591	(16.0)%	(6.6)%
Global and International	83,671	104,260	116,254	(19.7)	(10.3)
	196,366	238,409	259,845	(17.6)	(8.2)
Growth Equity:					
U.S.	97,981	108,269	114,081	(9.5)	(5.1)
Global and International	68,826	78,927	79,651	(12.8)	(0.9)
	166,807	187,196	193,732	(10.9)	(3.4)
Fixed Income:					
U.S.	168,966	182,928	177,310	(7.6)	3.2
Global and International	14,193	12,166	7,141	16.7	70.4
	183,159	195,094	184,451	(6.1)	5.8
Other(1):					
U.S.	5,246	2,160	292	142.9	639.7
Global and International	30,129	24,870	9,368	21.1	165.5
	35,375	27,030	9,660	30.9	179.8
Total Investment Advisory and Services Fees:					
U.S.	384,888	427,506	435,274	(10.0)	(1.8)
Global and International	196,819	220,223	212,414	(10.6)	3.7
	581,707	647,729	647,688	(10.2)	—
Distribution Revenues(2)	2,447	3,165	2,393	(22.7)	32.3
Shareholder Servicing Fees(2)	1,637	1,203	1,137	36.1	5.8
Total	$585,791	$652,097	$651,218	(10.2)	0.1

(1) Includes index, structured, asset allocation services and certain other alternative investments.
(2) For a description of distribution revenues and shareholder servicing fees, see "Retail Services" above.

Private client accounts generally are managed pursuant to a written investment advisory agreement among the client, AllianceBernstein and SCB LLC, which usually is terminable at any time or upon relatively short notice by any party. In general, these contracts may not be assigned without the consent of the client. We are compensated under these contracts by fees calculated as a percentage of AUM at a specific date or as a percentage of the value of average AUM for the applicable billing period, with these fees varying based on the types of investment services and the size of the account. The aggregate fees we charge for managing hedge funds may be higher than the fees we charge for managing other assets in private client accounts because hedge fund fees include performance-based fees, incentive allocations or carried interests in addition to base advisory fees. We are eligible to earn performance-based fees on approximately 3% of private client AUM, substantially all of which is held in hedge funds.

Revenues from Private Client Services represented approximately 21%, 24% and 22% of our company-wide net revenues for the years ended December 31, 2012, 2011 and 2010, respectively.

Table of Contents

Bernstein Research Services

The following table summarizes Bernstein Research Services revenues:

Revenues From Bernstein Research Services

	Years Ended December 31,			% Change	
	2012	2011	2010	2012-11	2011-10
	(in thousands)				
Bernstein Research Services	$413,707	$437,414	$430,521	(5.4)%	1.6%

We earn revenues for providing investment research to, and executing brokerage transactions for, institutional clients. These clients compensate us principally by directing SCB to execute brokerage transactions on their behalf, for which we earn commissions. These services accounted for approximately 15%, 16% and 15% of our company-wide net revenues for the years ended December 31, 2012, 2011 and 2010, respectively.

Fee rates charged for brokerage transactions have declined significantly in recent years, but increases in transaction volume in both the U.S. and Europe have often offset these decreases. For additional information, see “Risk Factors” in Item 1A and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Item 7.

Custody and Brokerage

Custody

SCB LLC acts as custodian for the majority of AllianceBernstein’s private client AUM and some of AllianceBernstein’s institutional AUM. Other custodial arrangements are maintained by client-designated banks, trust companies, brokerage firms or custodians.

Brokerage

AllianceBernstein generally has the discretion to select the broker-dealers that execute securities transactions for client accounts. When selecting brokers, we are required to obtain “best execution”. Although there is no single statutory definition, SEC releases and other legal guidelines make clear that the duty to obtain best execution requires us to seek “the most advantageous terms reasonably available under the circumstances for a customer’s account”. The lowest possible commission, while very important, is not the only consideration. Generally, to achieve best execution, we consider factors such as order size and market depth, availability of competing markets and liquidity, trading characteristics of the security, financial responsibility of the broker-dealer, the broker’s ability to address current market conditions, and the ability and willingness of the broker to commit capital by taking positions in order to execute transactions.

While we select brokers primarily on the basis of their execution capabilities, we may also take into consideration the quality and amount of research services a broker provides to us for the benefit of our clients. These research services, which are paid for with client commissions and which we purchase to augment our own research capabilities, are governed by Section 28(e) of the Exchange Act. We use broker-dealers that provide these services in consideration for commissions paid for the execution of client trades, subject at all times to our duty to seek best execution, and with respect to which we reasonably conclude, in good faith, that the value of the execution and other services we receive from the broker-dealer is reasonable in relation to the amount of commissions paid. The commissions charged by these full-service brokers are generally higher than those charged by electronic trading networks and other “low-touch” trading venues.

We regularly execute transactions for our private clients through SCB, our affiliated broker-dealers, because these clients have generally subscribed to an all-inclusive package of services that includes brokerage, custody and investment advice. We sometimes execute institutional client transactions through SCB LLC or SCBL. We do so only when our clients have consented to our use of affiliated broker-dealers or we are otherwise permitted to do so, and only when we can execute these transactions in accordance with applicable law (i.e., our obligation to obtain “best execution”).

We may use third-party broker-dealers to execute client transactions that also sell shares of AllianceBernstein Funds or third party funds we sub-advise; however, we prohibit our investment professionals who place trades from considering these other relationships or the sale of fund shares as a factor when selecting broker-dealers.

Our Brokerage Allocation Committee has principal oversight responsibility for evaluating equity-related brokerage matters, including how to use research services we receive in a manner that is in the best interests of our clients and consistent with current regulatory requirements.

Service Marks

We have registered a number of service marks with the U.S. Patent and Trademark Office and various foreign trademark offices, including the combination of an “AB” design logo with the mark “AllianceBernstein”.

Table of Contents

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

Regulation

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

AllianceBernstein, Holding, the General Partner, SCB LLC, AllianceBernstein Global Derivatives Corporation (an indirect wholly-owned subsidiary of AllianceBernstein, “Global Derivatives”) and Alliance Corporate Finance Group Incorporated (an indirect wholly-owned subsidiary of AllianceBernstein) are registered with the SEC as investment advisers under the Investment Advisers Act. SCB LLC and Global Derivatives are also registered with the Commodity Futures Trading Commission (“CFTC”) as commodity pool operators and commodity trading advisers. As of January 1, 2013, AllianceBernstein was also registered with the CFTC as a commodity pool operator and commodity trading adviser.

Each U.S. Fund is registered with the SEC under the Investment Company Act and the shares of most U.S. Funds are qualified for sale in all states in the United States and the District of Columbia, except for U.S. Funds offered only to residents of a particular state. AllianceBernstein Investor Services is registered with the SEC as a transfer and servicing agent.

SCB LLC and AllianceBernstein Investments are registered with the SEC as broker-dealers, and both are members of FINRA. SCB LLC is also a member of the NYSE and other principal U.S. exchanges. SCBL is a broker regulated by the Financial Services Authority of the United Kingdom (“FSA”) and is a member of the London Stock Exchange. SCB Hong Kong is regulated by the Hong Kong Securities and Futures Commission (“SFC”) and is an exchange participant of The Stock Exchange of Hong Kong Limited.

AllianceBernstein Trust Company, LLC (“ABTC”), a wholly-owned subsidiary of AllianceBernstein, is a non-depository trust company chartered under New Hampshire law as a limited liability company. ABTC is authorized to act as trustee, executor, transfer agent, assignee, receiver, custodian, investment adviser and in any other capacity authorized for a trust company under New Hampshire law. As a state-chartered trust company exercising fiduciary powers, ABTC must comply with New Hampshire laws applicable to trust company operations (such as New Hampshire Revised Statutes Annotated), certain federal laws (such as ERISA and sections of the Bank Secrecy Act), and New Hampshire banking laws. The primary fiduciary activities of ABTC consist of serving as trustee to a series of collective investment funds, the investors of which currently are defined benefit and defined contribution retirement plans.

Holding Units are listed on the NYSE and trade publicly under the ticker symbol “AB”. As an NYSE-listed company, Holding is subject to applicable regulations promulgated by the NYSE.

Our relationships with AXA and its subsidiaries are subject to applicable provisions of the insurance laws and regulations of New York and other states. Under such laws and regulations, the terms of certain investment advisory and other agreements we enter into with AXA or its subsidiaries are required to be fair and equitable, charges or fees for services performed must be reasonable, and, in some cases, are subject to regulatory approval.

Some of our subsidiaries are subject to the oversight of regulatory authorities in Europe, including the FSA in the U.K., in Asia, including the Financial Services Agency in Japan, the SFC in Hong Kong and the Monetary Authority of Singapore, and in Canada, including the Ontario Securities Commission and other Canadian provincial regulators. While the requirements of these foreign regulators are often comparable to the requirements of the SEC and other U.S. regulators, they are sometimes more restrictive and may cause us to incur substantial expenditures of time and money in our efforts to comply. As of December 31, 2012, each of our subsidiaries subject to a minimum net capital requirement satisfied the applicable requirement.

Iran Threat Reduction and Syria Human Rights Act

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

The non-U.S. based subsidiaries of AXA, our parent company, operate in compliance with applicable laws and regulations of the various jurisdictions where they operate, including applicable international (United Nations and European Union) laws and regulations. While AXA Group companies based and operating outside the United States generally are not subject to U.S. law, as an international group, AXA has in place policies and standards (including the AXA Group International Sanctions Policy) that apply to all AXA Group companies worldwide and often impose requirements that go well beyond local law. For additional information regarding AXA, see "History and Structure" in this Item 1.

AXA has reported to us that 16 insurance policies underwritten by two of AXA's European insurance subsidiaries, AXA France IARD and AXA Winterthur, that were in-force during 2012 potentially come within the scope of the disclosure requirements of the Iran Act. Of these insurance policies, 15 policies were written by AXA France IARD and relate to property and casualty insurance (homeowners, auto, accident, liability and/or fraud policies) covering property located in France where the insured is a company or other entity that may have, direct or indirect, ties to the Government of Iran (the "French Policies"), including Iranian entities designated under Executive Orders 13224 and 13382. AXA France IARD is a French company, based in Paris, which is licensed to operate in France. The other policy, described below, was written by AXA Winterthur and provides global coverage to a Swiss-based non-governmental organization based in Geneva that was initially established by the United Nations to facilitate international transport (the "Swiss Policy"). AXA Winterthur is a Swiss company, based in Winterthur, Switzerland, which is licensed to operate in Switzerland.

With respect to these policies, as of the date of this report: (1) AXA France IARD has taken actions necessary to terminate coverage under all 15 of the French Policies; and (2) AXA Winterthur has restructured coverage under the Swiss Policy to specifically exclude Iran. The aggregate premium for these 16 policies was less than $1 million (approximately $105,000 for the 15 French Policies and approximately $884,000 for the relevant premium amount under the Swiss Policy), representing less than 0.001% of AXA's consolidated revenues, which are in excess of $100 billion. The net profit attributable to these 16 insurance policies is difficult to calculate with precision, but AXA estimates its net profit attributable to all 16 of these policies, in the aggregate, was less than $300,000, representing less than 0.006% of AXA's aggregate net profit.

The Swiss Policy relates to insurance provided to the International Road Transport Union ("IRU"), a nongovernmental organization based in Geneva which, among other things, acts as the implementing partner of the Transports Internationaux Routiers Customs Transit System ("TIR System") under mandate of the United Nations. The TIR System is an international harmonized system of customs control that facilitates trade and transport by TIR Carnets, which are customs transit documents used to prove the existence of the international guarantee for duties and taxes for the goods transported under the TIR System, with the IRU guaranteeing payment to the contracting countries. The TIR Convention includes more than 70 contracting countries, including the United States, each member of the European

Union and many other countries, including Iran.

During 2012, AXA Winterthur provided global cover to the IRU insuring it against financial losses that the IRU may incur if a carrier fails to pay the duty charges under the terms of a TIR Carnet. Under this policy, AXA Winterthur guaranteed duty payments on behalf of the IRU to the TIR national transport associations in each of the more than 70 participating countries, which includes Iran's TIR System national transport association (the Iran Chamber of Commerce Industry Mines and Agriculture).

As noted above, AXA Winterthur has restructured coverage under the Swiss Policy to specifically exclude Iran and notified the IRU accordingly.

Taxes

Holding, having elected under Section 7704(g) of the Internal Revenue Code of 1986, as amended ("Code"), to be subject to a 3.5% federal tax on partnership gross income from the active conduct of a trade or business, is a "grandfathered" publicly-traded partnership for federal income tax purposes. Holding is also subject to the 4.0% New York City unincorporated business tax ("UBT"), net of credits for UBT paid by AllianceBernstein. In order to preserve Holding's status as a "grandfathered" publicly-traded partnership for federal income tax purposes, management ensures that Holding does not directly or indirectly (through AllianceBernstein) enter into a substantial new line of business. A "new line of business" includes any business that is not closely related to AllianceBernstein's historical business of providing research and diversified investment management and related services to its clients. A new line of business is "substantial" when a partnership derives more than 15% of its gross income from, or uses more than 15% of its total assets to support, the new line of business.

Table of Contents

AllianceBernstein is a private partnership for federal income tax purposes and, accordingly, is not subject to federal and state corporate income taxes. However, AllianceBernstein is subject to the 4.0% UBT. Domestic corporate subsidiaries of AllianceBernstein, which are subject to federal, state and local income taxes, generally are included in the filing of a consolidated federal income tax return with separate state and local income tax returns also being filed. Foreign corporate subsidiaries generally are subject to taxes at higher rates in the foreign jurisdictions where they are located so, as our business increasingly operates in countries other than the United States, our effective tax rate is expected to increase over time.

For additional information, see “Risk Factors” in Item 1A.

History and Structure

We have been in the investment research and management business for more than 40 years. Alliance Capital was founded in 1971 when the investment management department of Donaldson, Lufkin & Jenrette, Inc. (since November 2000, a part of Credit Suisse Group) merged with the investment advisory business of Moody’s Investor Services, Inc. Bernstein was founded in 1967.

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

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

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

As of December 31, 2012, the condensed ownership structure of AllianceBernstein was as follows (for a more complete description of our ownership structure, see “Principal Security Holders” in Item 12):

(1) Direct and indirect ownership including unallocated Holding Units held in a consolidated rabbi trust primarily used to fund our long-term incentive compensation plans and for other corporate purposes.

The ownership of Holding by AllianceBernstein directors, officers and employees increased to 42.2% as of December 31, 2012 from 35.1% as of December 31, 2011, with a corresponding decrease in public ownership. This shift reflects our purchase of approximately 12.3 million Holding Units on the open market during 2012, helping to fund anticipated obligations under our incentive compensation award program and for other corporate purposes. Any future restricted Holding Unit issuances as long-term incentive compensation will further increase employee ownership and decrease public ownership.

The General Partner, an indirect wholly-owned subsidiary of AXA, owns 100,000 general partnership units in Holding and a 1% general partnership interest in AllianceBernstein. Including these general partnership interests, AXA, through certain of its subsidiaries (see “Principal Security Holders” in Item 12), had an approximate 65.5% economic interest in AllianceBernstein as of December 31, 2012.

Table of Contents

AXA and its subsidiaries own all of the issued and outstanding shares of the common stock of AXA Financial. AXA Financial indirectly owns all of the issued and outstanding shares of AXA Equitable. See "Principal Security Holders" in Item 12.

AXA, a société anonyme organized under the laws of France, is the holding company for an international group of insurance and related financial services companies engaged in the financial protection and wealth management businesses. AXA's operations are diverse geographically, with major operations in Western Europe, North America and the Asia/Pacific regions and, to a lesser extent, in other regions including the Middle East and Africa. AXA has five operating business segments: life and savings, property and casualty, international insurance, asset management and other financial services.

Competition

The financial services industry is intensely competitive and new entrants are continually attracted to it. No single or small group of competitors is dominant in the industry.

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

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

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

- our investment performance for clients;
- our commitment to place the interests of our clients first;
- the quality of our research;
- our ability to attract, motivate and retain highly skilled, and often highly specialized, personnel;
- the array of investment products we offer;
- the fees we charge;
- Morningstar/Lipper rankings for the AllianceBernstein Funds;
- our operational effectiveness;

- our ability to further develop and market our brand; and
- our global presence.

Increased competition could reduce the demand for our products and services, which could have a material adverse effect on our financial condition, results of operations and business prospects.

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

Table of Contents

Other Information

AllianceBernstein and Holding file or furnish annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and other reports required to comply with federal securities laws. The public may read and copy any materials filed with the SEC in the SEC's conventional reading rooms, which are located within the SEC's Headquarters Office at 100 F Street, NE, Washington, DC 20549. The public may obtain information on the operation of these rooms by calling the SEC at (202) 942-8088. The SEC also maintains an Internet site (http://www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

AllianceBernstein and Holding maintain an Internet site (http://www.alliancebernstein.com). The portion of the site at "Investor & Media Relations" and "Reports & SEC Filings" contains links to both companies' annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, Section 16 beneficial ownership reports on Forms 3, 4 and 5, registration statements on Form S-8, proxy statements and amendments to such filings. These reports are available through the site free of charge as soon as reasonably practicable after such material is filed with, or furnished to, the SEC.

Table of Contents

Item 1A. Risk Factors

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

Business-related Risks

Our ability to retain clients and increase our AUM depends, in part, on our absolute and relative investment performance. Some of our core equity services continued to underperform during 2012. Poor investment performance may lead to an additional loss of clients and a decline in AUM and revenues, and could lead to further downgrades in our credit ratings and a reduced ability to access credit on reasonable terms.

Our ability to achieve investment returns for clients that meet or exceed investment returns for comparable asset classes and competing investment services is a key consideration when clients decide to keep their assets with us or invest additional assets, and when a prospective client is deciding whether to invest with us. Poor investment performance in some of our services, both in absolute terms and/or relative to peers and stated benchmarks, has resulted, and may continue to result, in clients withdrawing assets and in prospective clients choosing to invest with competitors. The resulting lower AUM levels have led, and may continue to lead, to lower investment management fees, including minimal or no performance-based fees; lower investment management fees have resulted, and may continue to result, in revenue declines.

Since the financial crisis of 2008, we have underperformed benchmarks in many of our services, particularly some of our core equities services. Throughout 2012, and particularly during the second quarter, numerous sources of uncertainty negatively affected the global economy, which hindered investor confidence and hampered the ability of most asset managers, including our firm, to produce returns that met client expectations. Our underperformance in certain of our core equities services during 2012 may place continued pressure on our flows during 2013 in our Institutions and Private Client channels.

In addition, our continued underperformance in certain of our core equities services may affect our credit ratings. Our access to credit on reasonable terms is partially dependent on our firm's credit ratings. Moody's Investors Service, Inc. ("Moody's") affirmed AllianceBernstein's long-term senior debt rating during 2012 while Standard & Poor's Ratings Service ("S&P") downgraded the company's long-term rating from AA- to A+ in June 2012. Each rating agency maintains a "negative" outlook primarily due to concerns over continued outflows and weak investment performance in large cap equities. S&P, in its June 2012 press release, cited factors that could result in a future downgrade of our firm's long-term rating, including continued net outflows as a result of lagging investment performance in equities, particularly if the outflows lead to a less favorable asset mix and a deterioration of the firm's AUM and profitability. Moody's, in its latest ratings analysis, also cited factors that could result in a downgrade to our firm's long-term rating, including material net outflows for several quarters, a decline in average AUM to below $375 billion and a leverage ratio (debt/EBITDA) greater than 1.5. A downgrade to our credit ratings is likely to increase our borrowing costs and limit our access to the capital markets.

Volatility in and disruption of the global capital and credit markets and adverse changes in the global economy are likely to significantly affect our AUM; any significant reduction in our AUM can have a material adverse effect on our results of operations and business prospects.

The mix, market value and level of our AUM are affected by the performance of financial markets (both domestic and international), global economic conditions, industry trends, interest rates, inflation rates, tax regulation changes and other factors that are difficult to predict. Investment advisory and services fees, the largest component of our revenues, are generally calculated as a percentage of the value of AUM and vary with the type of account managed. Accordingly, fee income generally increases or decreases as AUM increase or decrease and is affected by market appreciation or depreciation, inflow of new client assets (including purchases of mutual fund shares) and outflow of client assets (including redemption of mutual fund shares). In addition, changing market conditions and investment trends, particularly with respect to retirement savings, may reduce interest in certain of our investment products and may result in a reduction in AUM.

Throughout 2012, and particularly during the second quarter, the capital and credit markets continued to experience volatility and disruption worldwide as concerns over European sovereign debt and the effect of the U.S. fiscal cliff (which, during the first quarter of 2013, has shifted to concerns regarding the debt ceiling debate), and signs of slowing growth in emerging markets, particularly China, created market volatility that negatively affected investment performance. These conditions, combined with net outflows in our Institutions and Private Client channels, resulted in significant decreases in our investment advisory and services fees. Future disruption of the capital and credit markets could result in further net outflows, which could severely impact our results of operations and financial condition. If we are unable to obtain funds and/or financing, we may be forced to incur unanticipated costs or revise our strategic plans, which could have a material adverse effect on our financial condition, results of operations and business prospects.

Table of Contents

The amount and mix of our AUM are subject to significant fluctuations, which may adversely affect our fee levels and results of operations; our fee levels also could be negatively affected by regulatory initiatives, court decisions and competitive considerations, which may adversely affect our results of operations.

Fluctuations in the amount and mix of our AUM may be attributable in part to conditions outside of our control that have had, and in the future may have, a negative effect on our revenues and income. We derive substantially all of our revenues and income from providing investment research and management and related services, so a decrease in the level of our AUM, whether resulting from poor investment performance, client outflows or other factors, adversely affects our revenues and income.

During the past several years, there has been a shift from active equity services towards fixed income services and passive services, which has resulted, and may continue to result, in a corresponding decline in our revenues and income because we generally earn higher fees from assets invested in our active equity services than in our fixed income services or passive services. A shift from global and international services to U.S. services is likely to have a similar effect. For example, the global economic turmoil experienced during the second quarter of 2012 caused some investors to further shift their investment preferences from active equities to fixed income, passive and money market products (some of which we do not offer). This trend may continue or accelerate in the future.

Conversely, increases in interest rates, particularly if rapid, or high interest rates, as well as uncertainty pertaining to the future direction of interest rates, would be likely to decrease the total return of many bond investments due to lower market valuations of existing bonds. These factors, combined with a potential shift in investor sentiment away from fixed income investments, could have a significant adverse effect on our revenues and results of operations because, in recent years, our AUM in fixed income investments have become a larger component of our overall AUM.

In addition, we may be required to reduce our fee levels, restructure the fees we charge or adjust the services we offer to our clients because of, among other things, regulatory initiatives (whether industry-wide or specifically targeted), court decisions and competitive considerations. A reduction in fees would reduce our revenues. A reduction in revenues, without a commensurate reduction in expenses, will adversely affect our results of operations.

Our results of operations and reputation could continue to suffer if we are unable to deliver consistent, competitive investment performance.

Our business is based on the trust and confidence of our clients, and we are dedicated to earning and maintaining this trust and confidence. Damage to our reputation can substantially reduce our AUM and impair our ability to maintain or grow our business.

Our continued underperformance over the last few years in certain of our core equities services damaged our reputation among many clients, prospects and consultants. We are focused on delivering consistent, competitive investment performance in 2013 and, in so doing, continuing to rebuild our reputation. Failure in this endeavor, however, could have a material adverse effect on our reputation, results of operations and business prospects.

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

Our financial condition is dependent on our cash flow from operations, which is subject to the performance of the capital markets, our ability to maintain and grow AUM and other factors beyond our control. Our ability to issue public or private debt on reasonable terms may be limited by adverse market conditions, our profitability, our creditworthiness as perceived by lenders and changes in government regulations, including tax rates and interest rates. Furthermore, our access to credit on reasonable terms is partially dependent on our firm’s credit ratings. A downgrade to our credit ratings is likely to increase our borrowing costs and limit our access to the capital markets. If we are unable to obtain funds and/or financing, we may be forced to incur unanticipated costs or revise our strategic plans, which could have a material adverse effect on our financial condition, results of operations and business prospects.

An impairment of goodwill may occur.

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

Our business is dependent on investment advisory, selling and distribution agreements that are subject to termination or non-renewal on short notice.

We derive most of our revenues pursuant to written investment management agreements (or other arrangements) with institutional investors, mutual funds and private clients, and selling and distribution agreements between AllianceBernstein Investments and financial intermediaries that distribute AllianceBernstein Funds. Generally, the investment management agreements (and other arrangements) are terminable at any time or upon relatively short notice by either party. The selling and distribution agreements are terminable by either party upon notice (generally 30 days) and do not obligate the financial intermediary to sell any specific amount of fund shares. In addition, investors in AllianceBernstein Funds can redeem their investments without notice. Any termination of, or failure to renew, a significant number of these agreements, or a significant increase in redemption rates, could have a material adverse effect on our results of operations and business prospects.

Table of Contents

Furthermore, the investment management agreements pursuant to which we manage the U.S. Funds must be renewed and approved by the Funds' boards of directors annually. A significant majority of the directors are independent. Consequently, there can be no assurance that the board of directors of each fund will approve the fund's investment management agreement each year, or will not condition its approval on revised terms that may be adverse to us.

Our ability to establish new client relationships and maintain existing ones is partly dependent on our relationships with various financial intermediaries and consultants that are not obligated to continue to work with us.

Our ability to market our Retail Products and Services, sub-advisory services and certain other investment services is partly dependent on our access to securities firms, brokers, banks and other intermediaries. These intermediaries generally offer their clients investment products that compete with our products. In addition, certain institutional investors rely on consultants to advise them on choosing an investment adviser, and currently, some of our core equities services are not considered among the best choices by consultants. For example, in previous years a number of investment consultants advised their clients to move their assets invested with us to other investment advisers, which contributed to significant net outflows. This trend may continue. Also, our Private Client Services group relies on referrals from financial planners, registered investment advisers and other professionals. We cannot be certain that we will continue to have access to, or receive referrals from, these third parties. Loss of such access or referrals could have a material adverse effect on our results of operations and business prospects.

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

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

The market for qualified research analysts, portfolio managers, financial advisors, traders and other professionals is extremely competitive and is characterized by frequent movement of these investment professionals among different firms. In 2012, some of our senior professionals left the firm; additional departures may occur. Portfolio managers and financial advisors often maintain strong, personal relationships with their clients so their departure has caused, and may continue to cause, us to lose client accounts, which could have a material adverse effect on our results of operations and business prospects.

If our revenues continue to decline during 2013, it will place significant added pressure on our ability to pay our employees at competitive levels. As a result, we will continue to be vigilant about scaling our cost structure (including headcount) to our revenue base. For additional information regarding our compensation practices, see "Compensation Discussion and Analysis" in Item 11.

Our operating margin may decline if we increase compensation to retain key personnel without a commensurate increase in revenues.

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

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

We are eligible to earn performance-based fees on approximately 8% of the assets we manage for institutional clients and approximately 3% of the assets we manage for private clients (in total, approximately 4% of our company-wide AUM). If the percentage of our AUM subject to performance-based fees grows, seasonality and volatility of revenue and earnings are likely to become more significant. Our performance-based fees in 2012, 2011 and 2010 were $66.6 million (including $39.6 million pertaining to winding up the PPIP fund, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Item 7), $16.5 million and $20.5 million, respectively.

We may engage in strategic transactions that could pose risks.

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

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

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

Table of Contents

Because many of our subsidiary operations are located outside of the United States and have functional currencies other than the U.S. dollar, changes in exchange rates to the U.S. dollar affect our reported financial results from one period to the next.

Although significant portions of our net revenues and expenses, as well as our AUM, are presently derived from the United States, we have subsidiaries outside of the United States with functional currencies other than the U.S. dollar. As a result, fluctuations in exchange rates to the U.S. dollar affect our reported financial results from one period to the next. We may not be successful in our efforts to hedge our exposure to such fluctuations, which could have a negative effect on our reported financial results.

Despite our efforts to manage exposures from principal positions taken by our sell-side business, these positions are subject to market risk.

Bernstein Research Services may use the firm's capital to facilitate customer transactions, primarily relating to trading activities in listed options. The resulting principal positions are exposed to market risk. We seek to manage this risk both by engaging in transactions designed to hedge the market risk and by maintaining a risk platform that includes the measurement and monitoring of financial exposures and operational processes. Our ability to manage this risk may be limited, however, by adverse changes in the liquidity of the security or the hedging instrument and in the correlation of price movements between the security and the hedging instrument. Similarly, the risk monitoring and risk mitigation techniques we employ and the related judgments we make cannot anticipate every possible economic and financial circumstance and outcome. Consequently, we may incur losses, which would require us to increase our regulatory capital and could adversely affect our results of operations.

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

We have a seed investment program for the purpose of sponsoring new products. As our new product launches have increased in recent years, so too has our use of seed capital for investment purposes. These seed capital investments are subject to market risk. Our risk management team oversees a seed hedging program that attempts to minimize this risk, subject to practical and cost considerations. Also, not all seed investments are deemed appropriate to hedge, and in those cases we are exposed to market risk. As a result, volatility in the capital markets may cause significant changes in our period-to-period financial and operating results.

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

The individuals, counterparties or issuers on which we rely in the course of performing services for us or our clients may be unable or unwilling to honor their contractual obligations to us.

We rely on various third party counterparties and other vendors to fulfill their obligations to us, whether specified by contract, course of dealing or otherwise. Default rates, downgrades and disputes with counterparties as to the valuation of collateral increase significantly in times of market stress. Furthermore, disruptions in the financial markets and other economic challenges, like those presented by the global financial turmoil during the second quarter of 2012, may cause our counterparties and other vendors to experience significant cash flow problems or even render them insolvent, which may expose us to significant costs.

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

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

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

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

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

Table of Contents

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

We use quantitative models in a variety of our investment services, generally in combination with fundamental research. Our quantitative models are validated by senior quantitative professionals. In 2010, we formed our Model Risk Working Group, the purpose of which is to formalize and oversee a quantitative model governance framework, including minimum validation standards. However, due to the complexity of such models, it is possible that errors in the models could exist and our controls could fail to detect such errors. Failure to detect errors could result in client losses and damage to our reputation.

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

War, terrorist attack, political unrest in the Middle East, the Pacific Rim and elsewhere, power failure, climate change, natural disaster and rapid spread of infectious diseases could interrupt our operations by:

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

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

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

We are highly dependent on various software applications, technologies and other systems for our business to function properly and to safeguard confidential information; any significant limitation, failure or security breach of these systems could constrain our operations.

We utilize software and related technologies throughout our business, including both proprietary systems and those provided by outside vendors. We use our technology to, among other things, obtain securities pricing information, process client transactions, and provide reports and other customer services to the clients of the funds we manage. Although we take protective measures, including measures to effectively secure information through system security technology and established and tested business continuity plans, we may experience system delays and interruptions as a result of natural disasters, power failures, acts of war and third-party failures. We cannot predict with certainty all of the adverse effects that could result from our failure, or the failure of a third party, to efficiently address and resolve these delays and interruptions. These adverse effects could include the inability to perform critical business functions or failure to comply with financial reporting and other regulatory requirements, which could lead to loss of client confidence, harm to our reputation, exposure to disciplinary action and liability to our clients. Accordingly, potential system failures and the cost necessary to correct those failures could have a material adverse effect on our results of operations and business prospects.

In addition, we could be subject to losses if we fail to properly safeguard sensitive and confidential information. As part of our normal operations, we maintain and transmit confidential information about our clients as well as proprietary information relating to our business operations. Although we take protective measures, our systems still could be vulnerable to unauthorized access, computer viruses or other events that have a security impact, such as an authorized employee or vendor inadvertently or intentionally causing us to release confidential or proprietary information. Such disclosure could, among other things, allow competitors access to our proprietary business information and require significant time and expense to investigate and remediate the breach. Moreover, loss of confidential client information could harm our reputation and subject us to liability under laws that protect confidential personal data, resulting in increased costs or loss of revenues.

Also, although we take precautions to password protect and encrypt our laptops and other mobile electronic hardware, if such hardware is stolen, misplaced or left unattended, it may become vulnerable to hacking or other unauthorized use, creating a possible security risk and resulting in potentially costly actions. Most of the software applications that we use in our business are licensed from, and supported, upgraded and maintained by, third-party vendors. A suspension or termination of certain of these licenses or the related support, upgrades and maintenance could cause temporary system delays or interruption. In addition, technology rapidly evolves and we cannot guarantee that our competitors may not implement more advanced technology platforms for their products and services, which may place us at a competitive disadvantage and adversely affect our results of operations and business prospects.

Table of Contents

Our own operational failures or those of third parties we rely on, including failures arising out of human error, could disrupt our business, damage our reputation and reduce our revenues.

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

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

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

We increasingly must manage actual and potential conflicts of interest, including situations where our services to a particular client conflict, or are perceived to conflict, with the interests of another client, as well as situations where certain of our employees have access to material non-public information that may not be shared with all employees of our firm. Failure to adequately address potential conflicts of interest could adversely affect our reputation, results of operations and business prospects.

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

Rates we charge for brokerage transactions have declined significantly over the last several years, and declines may continue. In addition, turmoil in global capital markets and economies may reduce market volumes. Combined, these two factors may adversely affect Bernstein Research Services revenue.

Electronic, or “low-touch”, trading approaches represent a significant percentage of buy-side trading activity and produce transaction fees for execution-only services that are a small fraction of traditional full service fee rates. As a result, blended pricing for the industry and SCB has declined over the last several years. In addition, fee rates charged by SCB and other brokers for traditional brokerage services have also historically experienced price pressure, and we expect these trends to continue. While increases in transaction volume and market share have in the past often offset decreases in rates, this may not continue. Recent economic and market turmoil has severely impacted much of SCB’s client base, which in the near-term may adversely affect transaction volume generally.

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

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

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

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

These laws and regulations generally grant supervisory agencies and bodies broad administrative powers, including, in some cases, the power to limit or restrict doing business for failure to comply with such laws and regulations. Moreover, regulators in non-U.S. jurisdictions could change their policies or laws in a manner that might restrict or otherwise impede our ability to market, distribute, or register investment products in their respective markets. These local requirements could increase the expenses we incur in a specific jurisdiction without any corresponding increase in revenues from operating in the jurisdiction.

In addition, there is uncertainty associated with the regulatory environments in which we operate, including uncertainty created by the enactment of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act"). The Dodd-Frank Act fundamentally changed the U.S. financial regulatory landscape and may impose additional restrictions and limitations on our business as the various rules and regulations required for implementation continue to be adopted.

Changes to the rules governing Rule 12b-1 Fees may affect the revenues we derive from our Retail Services.

In July 2010, the SEC proposed a new rule and rule amendments that would alter Rule 12b-1 Fees. The new rule and amendments would continue to allow funds to bear promotional costs within certain limits and would also preserve the ability of funds to provide investors with alternatives for paying sales charges (e.g., at the time of purchase, at the time of redemption or through a continuing fee charged to fund assets). Unlike the current Rule 12b-1 framework, however, the proposed rules would limit the cumulative sales charges each investor pays, regardless of how they are imposed.

Table of Contents

If rules are adopted as proposed, changes in Rule 12b-1 Fees for a number of share classes offered by company-sponsored mutual funds would be required, which would reduce the net fund distribution revenues we receive from company-sponsored mutual funds. The impact of this rule change is dependent upon the final rules adopted by the SEC, any phase-in or grandfathering period, and any other changes made with respect to share class distribution arrangements.

The financial services industry is intensely competitive.

We compete on the basis of a number of factors, including our array of investment services, our investment performance for our clients, innovation, reputation and price. By having a global presence, we may face competitors with more experience and more established relationships with clients, regulators and industry participants in the relevant market, which could adversely affect our ability to expand. Furthermore, our underperformance in certain of our core equities services during 2012 may place continued pressure on our flows during 2013, which may make it more difficult for us to compete effectively. For additional information regarding competitive factors, see "Competition" in Item 1.

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

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

Structure-related Risks

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

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

AllianceBernstein Units are illiquid.

There is no public trading market for AllianceBernstein Units and AllianceBernstein does not anticipate that a public trading market will ever develop. The AllianceBernstein Partnership Agreement restricts our ability to participate in a public trading market or anything substantially equivalent to one by providing that any transfer which may cause AllianceBernstein to be classified as a "publicly traded partnership" as defined in Section 7704 of the Code shall be deemed void and shall not be recognized by AllianceBernstein. In addition, AllianceBernstein Units are subject to significant restrictions on transfer; all transfers of AllianceBernstein Units are subject to the written consent of AXA Equitable and the General Partner pursuant to the AllianceBernstein Partnership Agreement. Generally, neither AXA Equitable nor the General Partner will permit any transfer that it believes would create a risk that AllianceBernstein would be treated as a corporation for tax purposes. AXA Equitable and the General Partner have implemented a transfer program that requires a seller to locate a purchaser, and imposes annual volume restrictions on transfers. You may request a copy of the transfer program from our Corporate Secretary (corporate_secretary@alliancebernstein.com). Also, we have filed the transfer program as Exhibit 10.07 to this Form 10-K.

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

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

Table of Contents

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

In order to preserve AllianceBernstein's status as a private partnership for federal income tax purposes, AllianceBernstein Units must not be considered publicly traded. The AllianceBernstein Partnership Agreement provides that all transfers of AllianceBernstein Units must be approved by AXA Equitable and the General Partner; AXA Equitable and the General Partner approve only those transfers permitted pursuant to one or more of the safe harbors contained in relevant treasury regulations. If such units were considered readily tradable, AllianceBernstein would be subject to federal and state corporate income tax on its net income. Furthermore, as noted above, should AllianceBernstein enter into a substantial new line of business, Holding, by virtue of its ownership of AllianceBernstein, would lose its status as a grandfathered PTP and would become subject to corporate income tax as set forth above.

In years prior to 2010, Congress proposed tax legislation that would cause certain PTPs to be taxed as corporations, thus subjecting their income to a higher level of income tax. Holding is a PTP that derives its income from investment management services through its ownership interest in AllianceBernstein. The legislation, in the form proposed, would not have affected Holding's tax status. Also, this proposed legislation would not have affected AllianceBernstein because it is a private partnership.

In addition, recent decisions by members of Congress and their staffs regarding the need for fundamental tax reform and possible tax law changes to raise additional revenue have included suggestions that all large partnerships (which would include both AllianceBernstein and Holding) be taxed as corporations. However, we cannot predict whether, or in what form, tax legislation will be proposed in the future, and are unable to determine what effect any new legislation might have on us. If Holding and AllianceBernstein were to lose their federal tax status as partnerships, they would be subject to corporate income tax, which would reduce materially their net income and quarterly distributions to unitholders.

Table of Contents

Item 1B. Unresolved Staff Comments

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

Table of Contents

Item 2. Properties

Our principal executive offices at 1345 Avenue of the Americas, New York, New York are occupied pursuant to a lease expiring in 2019 with options to extend to 2029 (for more information regarding this lease, see Exhibit 10.10 to this Form 10-K). At this location, we currently lease 1,033,984 square feet of space, within which we currently occupy approximately 629,472 square feet of space and have sub-let (or are seeking to sub-let) approximately 404,512 square feet of space. We also lease approximately 312,301 square feet of space at 135 West 50th Street, New York, New York under a lease expiring in 2019 with options to extend to 2029. Within our leased space at 135 West 50th Street, we currently occupy approximately 4,132 square feet of space and have sub-let (or are seeking to sub-let) approximately 308,169 square feet of space.

In addition, we lease approximately 263,083 square feet of space at One North Lexington, White Plains, New York under a lease expiring in 2021 with options to extend to 2031. At this location, we currently occupy approximately 136,687 square feet of space and have sub-let (or are seeking to sub-let) approximately 126,396 square feet of space.

AllianceBernstein Investments and AllianceBernstein Investor Services lease 92,067 square feet of space in San Antonio, Texas under a lease expiring in 2019 with options to extend to 2029. At this location, these subsidiaries currently occupy approximately 59,004 square feet of space and have sub-let (or are seeking to sub-let) approximately 33,063 square feet of space.

We also lease space in 19 other cities in the United States.

Our subsidiaries lease space in 25 cities outside the United States, the most significant of which are in London, England under leases expiring between 2013 and 2022, and in Tokyo, Japan under a lease expiring in 2018. In London, we currently lease 110,865 square feet of space, within which we currently occupy approximately 57,567 square feet of space and have sub-let (or are seeking to sub-let) approximately 53,298 square feet of space. In Tokyo, we currently lease and occupy approximately 34,615 square feet of space.

Table of Contents

Item 3. Legal Proceedings

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

During the first quarter of 2012, we received a legal letter of claim (the "Letter of Claim") sent on behalf of a former European pension fund client, alleging that AllianceBernstein Limited (a wholly-owned subsidiary of AllianceBernstein organized in the U.K.) was negligent and failed to meet certain applicable standards of care with respect to the initial investment in and management of a £500 million portfolio of U.S. mortgage-backed securities. The alleged damages range between $177 million and $234 million, plus compound interest on an alleged $125 million of realized losses in the portfolio. We believe that any losses to this client resulted from adverse developments in the U.S. housing and mortgage market that precipitated the financial crisis in 2008 and not any negligence or failure on our part. We believe that we have strong defenses to these claims, which are set forth in our October 12, 2012 response to the Letter of Claim, and will defend this matter vigorously. Currently, we are unable to estimate a reasonably possible range of loss because the matter remains in its early stages.

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

In management's opinion, an adequate accrual has been made as of December 31, 2012 to provide for any probable losses regarding any litigation matters for which we can reasonably estimate an amount of loss. It is reasonably possible that we could incur additional losses pertaining to these matters, but currently we cannot estimate any such additional losses.

Management, after consultation with legal counsel, currently believes that the outcome of any matter that is pending or threatened, or all of them combined, will not have a material adverse effect on our results of operations, financial condition or liquidity. However, as any inquiry, proceeding or litigation has the element of uncertainty, management cannot determine whether further developments relating to any matter that is pending or threatened, or all of them combined, will have a material adverse effect on our results of operations, financial condition or liquidity in any future reporting period.

Table of Contents

Item 4. Mine Safety Disclosures

Not applicable.

Table of Contents

PART II

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

Market for Holding Units and AllianceBernstein Units; Cash Distributions

Holding Units are listed on the NYSE and trade publicly under the ticker symbol "AB".

There is no established public trading market for AllianceBernstein Units, which are subject to significant restrictions on transfer. In general, transfers of AllianceBernstein Units will be allowed only with the written consent of both AXA Equitable and the General Partner. Generally, neither AXA Equitable nor the General Partner will permit any transfer that it believes would create a risk that AllianceBernstein would be treated as a corporation for tax purposes. AXA Equitable and the General Partner have implemented a transfer program, a copy of which you may request from our Corporate Secretary (corporate_secretary@alliancebernstein.com). Also, we have filed the transfer program as Exhibit 10.07 to this Form 10-K.

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

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

The tables set forth below provide the distributions of Available Cash Flow made by AllianceBernstein and Holding during 2012 and 2011 and the high and low sale prices of Holding Units reflected on the NYSE composite transaction tape during 2012 and 2011:

	Quarters Ended 2012				
	December 31	September 30	June 30	March 31	Total
Cash distributions per AllianceBernstein Unit(1)	$0.38	$ 0.41	$0.26	$0.31	$1.36
Cash distributions per Holding Unit(1)	$0.40	$ 0.36	$0.21	$0.26	$1.23
Holding Unit prices:					
High	$18.29	$ 15.99	$15.84	$16.75	
Low	$15.11	$ 11.44	$11.55	$13.01	

	Quarters Ended 2011				
	December 31	September 30	June 30	March 31	Total
Cash distributions per AllianceBernstein Unit(1)	$0.17	$ 0.32	$0.41	$0.48	$1.38
Cash distributions per Holding Unit(1)	$0.12	$ 0.26	$0.34	$0.42	$1.14
Holding Unit prices:					

High	$15.05	$ 20.38	$22.75	$24.20
Low	$12.40	$ 13.25	$18.43	$20.48

(1) Declared and paid during the following quarter.

On December 31, 2012, the closing price of a Holding Unit on the NYSE was $17.43 per Unit and there were 1,093 Holding Unitholders of record for approximately 70,000 beneficial owners. On December 31, 2012, there were 456 AllianceBernstein Unitholders of record, and we do not believe there are substantial additional beneficial owners.

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

We did not engage in any unregistered sales of our securities during the last three years.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

During each of the third and fourth quarters of 2012, we implemented a plan to repurchase Holding Units pursuant to Rule 10b5-1 under the Exchange Act. A Rule 10b5-1 plan allows a company to repurchase its shares at times when it otherwise might be prevented from doing so because of self-imposed trading blackout periods and because it possesses material non-public information. Each broker we selected has the authority under the terms and limitations specified in the plan to repurchase Holding Units on AllianceBernstein's behalf in accordance with the terms of each plan. Repurchases are subject to SEC regulations as well as certain price, market volume and timing constraints specified in each plan.

Table of Contents

The following table provides information relating to any Holding Units bought by us or one of our affiliates in the fourth quarter of the fiscal year covered by this report:

Issuer Purchases of Equity Securities

Period	(a) Total Number of Holding Units Purchased	(b) Average Price Paid Per Holding Unit, net of Commissions	(c) Total Number of Holding Units Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Holding Units that May Yet Be Purchased Under the Plans or Programs(1)
10/1/12-10/31/12(1)(2)(3)	733,568	$ 16.03	729,109	—
11/1/12-11/30/12(1)(3)	1,136,277	16.93	1,136,165	—
12/1/12-12/31/12(1)(3)	4,269,426	17.36	1,290,011	—
Total	6,139,271	$ 17.12	3,155,285	—

(1) During the fourth quarter of 2012, we purchased from employees 2,983,986 Holding Units to allow them to fulfill statutory withholding tax requirements at the time of distribution of long-term incentive compensation awards.

(2) Between October 1, 2012 and October 24, 2012 (inclusive), we purchased 608,203 Holding Units on the open market pursuant to a Rule 10b5-1 plan, which plan was adopted on August 3, 2012 and expired on October 24, 2012, to help fund anticipated obligations under our incentive compensation award program and for other corporate purposes.

(3) Between October 26, 2012 and December 31, 2012 (inclusive), we purchased 2,547,082 Holding Units on the open market pursuant to a Rule 10b5-1 plan, which plan was adopted on October 26, 2012 and expired on February 11, 2013, to help fund anticipated obligations under our incentive compensation award program and for other corporate purposes.

The following table provides information relating to any AllianceBernstein Units bought by us or one of our affiliates in the fourth quarter of the fiscal year covered by this report:

Issuer Purchases of Equity Securities

(a) Total Number of AllianceBernstein Units Purchased	(b) Average Price Paid Per AllianceBernstein Unit, net of Commissions	(c) Total Number of AllianceBernstein Units Purchased as	(d) Maximum Number (or Approximate

Period			Part of Publicly Announced Plans or Programs	Dollar Value) of AllianceBernstein Units that May Yet Be Purchased Under the Plans or Programs
10/1/12-10/31/12	—	$ —	—	—
11/1/12-11/30/12	—	—	—	—
12/1/12-12/31/12(1)	8,200	17.79	—	—
Total	8,200	$ 17.79	—	—

(1) On December 10, 2012, we purchased 8,200 AllianceBernstein Units in private transactions.

Table of Contents

Item 6. Selected Financial Data

AllianceBernstein Holding L.P.

Selected Financial Data

	Years Ended December 31,				
	2012	2011	2010	2009	2008
	(in thousands, except per unit amounts)				
INCOME STATEMENT DATA:					
Equity in net income (loss) attributable to AllianceBernstein Unitholders	$ 70,807	$ (65,581)	$ 162,217	$ 192,513	$ 278,636
Income taxes	19,722	27,687	28,059	25,324	33,910
Net income (loss)	$ 51,085	$ (93,268)	$ 134,158	$ 167,189	$ 244,726
Basic net income (loss) per unit	$ 0.51	$ (0.90)	$ 1.33	$ 1.80	$ 2.79
Diluted net income (loss) per unit	$ 0.51	$ (0.90)	$ 1.32	$ 1.80	$ 2.79
CASH DISTRIBUTIONS PER UNIT(1)(2)(3)	$ 1.23	$ 1.14	$ 1.31	$ 1.77	$ 2.68
BALANCE SHEET DATA AT PERIOD END:					
Total assets	$ 1,566,493	$ 1,628,984	$ 1,788,496	$ 1,800,075	$ 1,566,810
Partners' capital	$ 1,560,082	$ 1,626,173	$ 1,787,110	$ 1,797,892	$ 1,561,523

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(1) Holding is required to distribute all of its Available Cash Flow, as defined in the Holding Partnership Agreement, to its unitholders.

(2) The 2012 distribution excludes the impact of AllianceBernstein's $207.0 million non-cash real estate charges recorded in the third and fourth quarters of 2012. See Note 3 to AllianceBernstein's consolidated financial statements in Item 8 for a discussion of these charges.

(3) The 2011 distribution excludes the impact of AllianceBernstein's $587.1 million one-time, non-cash long-term incentive compensation charge. See Note 2 to Holding's financial statements in Item 8 for a discussion of this charge.

Table of Contents

AllianceBernstein L.P.

Selected Consolidated Financial Data

	Years Ended December 31,				
	2012	2011(1)	2010(1)	2009(1)	2008(1)
	(in thousands, except per unit amounts and unless otherwise indicated)				
INCOME STATEMENT DATA:					
Revenues:					
Investment advisory and services fees	$ 1,772,257	$ 1,916,419	$ 2,051,692	$ 1,920,332	$ 2,839,526
Bernstein research services	413,707	437,414	430,521	434,605	471,716
Distribution revenues	401,706	351,621	338,597	277,328	378,425
Dividend and interest income	21,286	21,499	22,902	26,730	91,752
Investment gains (losses)	29,202	(82,081)	(1,410)	144,447	(349,172)
Other revenues	101,801	107,569	109,803	107,848	118,436
Total revenues	2,739,959	2,752,441	2,952,105	2,911,290	3,550,683
Less: interest expense	3,222	2,550	3,548	4,411	36,524
Net revenues	2,736,737	2,749,891	2,948,557	2,906,879	3,514,159
Expenses:					
Employee compensation and benefits:					
Employee compensation and benefits	1,168,645	1,246,898	1,320,495	1,296,386	1,452,017
Long-term incentive compensation charge	—	587,131	—	—	—
Promotion and servicing:					
Distribution-related payments	367,090	302,684	286,676	234,203	307,890
Amortization of deferred sales commissions	40,262	37,675	47,397	54,922	79,111
Other	202,191	219,197	193,822	178,070	202,749
General and administrative:					
General and administrative	508,364	533,578	516,185	520,372	513,098
Real estate charges	223,038	7,235	101,698	8,276	—
Interest on borrowings	3,429	2,545	2,078	2,696	13,077
Amortization of intangible assets	21,353	21,417	21,344	21,126	20,716
Total expenses	2,534,372	2,958,360	2,489,695	2,316,051	2,588,658
Operating income (loss)	202,365	(208,469)	458,862	590,828	925,501
Non-operating income	—	—	6,760	33,657	18,728
Income (loss) before income taxes	202,365	(208,469)	465,622	624,485	944,229
Income taxes	13,764	3,098	38,523	45,977	95,803
Net income (loss)	188,601	(211,567)	427,099	578,508	848,426
Net income (loss) of consolidated entities attributable to non-controlling interests	(315)	(36,799)	(15,320)	22,381	9,186
Net income (loss) attributable to AllianceBernstein Unitholders	$ 188,916	$ (174,768)	$ 442,419	$ 556,127	$ 839,240
Basic net income (loss) per AllianceBernstein Unit	$ 0.67	$ (0.62)	$ 1.59	$ 2.07	$ 3.18
Diluted net income (loss) per AllianceBernstein Unit	$ 0.67	$ (0.62)	$ 1.58	$ 2.07	$ 3.18
Operating margin(2)	7.4%	n/m	16.1%	19.6%	26.1%
	$ 1.36	$ 1.38	$ 1.58	$ 2.06	$ 3.07

CASH DISTRIBUTIONS PER ALLIANCEBERNSTEIN UNIT(3)(4)(5)					
BALANCE SHEET DATA AT PERIOD END:					
Total assets	$ 8,115,050	$ 7,708,389	$ 7,580,315	$ 7,214,940	$ 8,503,459
Debt	$ 323,163	$ 444,903	$ 224,991	$ 248,987	$ 284,779
Total Capital	$ 3,803,268	$ 4,029,487	$ 4,495,356	$ 4,701,955	$ 4,486,826
ASSETS UNDER MANAGEMENT AT PERIOD END (in millions)	$ 430,017	$ 405,897	$ 478,019	$ 486,683	$ 448,808

(1) Certain prior-year amounts have been reclassified to conform to our 2012 presentation. See Note 2 to AllianceBernstein's consolidated financial statements in Item 8 for a discussion of reclassifications.

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

(3) AllianceBernstein is required to distribute all of its Available Cash Flow, as defined in the AllianceBernstein Partnership Agreement, to its unitholders and the General Partner.

(4) The 2012 distribution excludes a total of $207.0 million of non-cash real estate charges recorded in the third and fourth quarters of 2012. See Note 3 to AllianceBernstein's consolidated financial statements in Item 8 for a discussion of these charges.

(5) The 2011 distribution excludes the $587.1 million one-time, non-cash long-term incentive compensation charge. See Note 2 to AllianceBernstein's consolidated financial statements in Item 8 for a discussion of this charge.

Table of Contents

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

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

Executive Overview

We made significant progress in stabilizing our business in 2012, and demonstrated improvement in a number of areas of our business. In the fourth quarter, our total net flows turned positive for the first time since before the financial crisis, due to a second consecutive $5 billion-plus net inflow quarter in Retail and our first net flow positive quarter in Institutions since the first quarter of 2008. Our Fixed Income services continued to outperform their benchmarks during the fourth quarter, as did many of our core Growth and Value Equity services.

These results conclude a year during which we were successful in executing our long-term strategy to improve our investment performance, diversify our business, innovate for clients with our offerings and strengthen our financial condition. In Fixed Income, we finished 2012 with approximately 89% of our assets in strategies that outperformed their benchmarks for the three-year period. In Equities, our Global, International, Emerging Markets and U.S. Strategic Value strategies significantly outperformed their benchmarks in the fourth quarter of 2012, while Growth strategies such as U.S. Thematic, and U.S. Large and Small Cap Growth outperformed their benchmarks for the full year, and stability services such as Select U.S. Equity and Global Market Neutral beat benchmarks across multiple time periods.

Our total AUM as of December 31, 2012 were $430.0 billion, up $24.1 billion, or 5.9%, during 2012. The increase in AUM was driven by market appreciation of $38.5 billion and $16.2 billion of net inflows in the Retail channel, partially offset by net outflows of $21.6 billion and $9.0 billion in the Institutions and Private Client channels, respectively.

Institutional AUM decreased $4.1 billion, or 1.8%, to $219.8 billion during 2012. The decrease in AUM resulted from net outflows of $21.6 billion, partially offset by market appreciation of $17.6 billion. Gross sales increased $4.0 billion, or 23.2%, from $17.3 billion in 2011 to $21.3 billion in 2012. In addition, redemptions and terminations decreased $14.0 billion, or 26.4%, from $52.8 billion in 2011 to $38.8 billion in 2012. The pipeline of awarded but unfunded Institutional mandates was $8.0 billion as of year-end 2012, compared with $4.3 billion as of year-end 2011. We completed nearly 400 requests for proposals during 2012 across diverse fixed income and equity services – an 18% annual increase. Fixed Income is driving our improvement in this important business, but clients increasingly ask us about our equity, alternatives and multi-asset strategies.

Retail AUM increased $31.8 billion, or 28.2%, to $144.4 billion during 2012, resulting from net inflows of $16.2 billion and market appreciation of $15.5 billion. Gross sales increased $25.3 billion, or 81.7%, from $31.0 billion in 2011 to record annual gross sales of $56.3 billion in 2012 as a result of strong sales in Fixed Income products and significant sales increases from all geographic regions. Our strength was particularly pronounced in Asia Ex-Japan, where we won 23 awards for both performance and innovation in 2012, and where we command leading local market shares by AUM in Taiwan and Hong Kong.

Private Client AUM decreased $3.6 billion, or 5.2%, to $65.8 billion during 2012. The decrease in AUM was driven by net outflows of $9.0 billion, offset by market appreciation of $5.4 billion. Gross sales decreased $3.0 billion, or 41.5%, from $7.3 billion in 2011 to $4.3 billion in 2012. During 2012, we enhanced our fully diversified investment offering to better meet client needs by introducing Strategic Equities, a new multi-style, all-cap approach to equity investment that captures our highest conviction ideas, and providing broader client access to alternatives through a fund-of-hedge-funds registered investment company.

Bernstein Research Services revenue decreased $23.7 million, or 5.4% to $413.7 million in 2012, as a result of a significant decline in market trading volumes, partially offset by market share gains.

Our full year 2012 revenues decreased $13.2 million, or 0.5%, to $2,736.7 million in 2012. The decrease was driven by lower investment advisory base fees of $194.3 million and lower Bernstein Research Services revenue of $23.7 million, offset by investments gains in 2012 compared to losses in 2011 resulting in a positive net impact of $111.3 million, higher performance-based fees of $50.1 million and higher distribution revenues of $50.1 million. Full year 2012 operating expenses decreased $424.0 million, or 14.3% to $2,534.4 million in 2012, due to the one-time long-term incentive compensation charge of $587.1 million recorded in 2011, lower employee compensation and benefits expense of $78.3 million (excluding the compensation charge) and lower office and related expenses of $32.8 million (excluding the real estate charges), offset by higher real estate charges of $215.8 million (discussed below in this Item 7) and higher promotion and servicing expenses of $50.0 million.

Finally, we improved our firm's operating leverage, finishing the year on schedule in executing our global real estate consolidation plan and anticipated related cost savings. With this and other firm-wide rationalization efforts, we increased our adjusted operating margin by 1.8 percentage points in 2012, to 18.8%, and achieved a second-half margin of 20.4%.

Table of Contents

Holding

Holding's principal source of income and cash flow is attributable to its investment in AllianceBernstein Units. The Holding financial statements and notes and management's discussion and analysis of financial condition and results of operations ("MD&A") should be read in conjunction with those of AllianceBernstein.

Results of Operations

	Years Ended December 31,			% Change	
	2012	2011	2010	2012-11	2011-10
	(in thousands, except per unit amounts)				
Net income (loss) attributable to AllianceBernstein Unitholders	$ 188,916	$ (174,768)	$ 442,419	n/m	n/m
Weighted average equity ownership interest	37.5%	37.5%	36.7%		
Equity in net income (loss) attributable to AllianceBernstein Unitholders	$ 70,807	$ (65,581)	$ 162,217	n/m	n/m
Net income (loss) of Holding	$ 51,085	$ (93,268)	$ 134,158	n/m	n/m
Diluted net income (loss) per Holding Unit	$ 0.51	$ (0.90)	$ 1.32	n/m	n/m
Distribution per Holding Unit (1)(2)	$ 1.23	$ 1.14	$ 1.31	7.9%	(13.0)%

(1) The 2012 distribution excludes the impact of AllianceBernstein's $207.0 million non-cash real estate charges recorded in the third and fourth quarters of 2012. See the AllianceBernstein section of this Item 7 for a discussion of these charges.
(2) The 2011 distribution excludes the impact of AllianceBernstein's $587.1 million one-time, non-cash long-term incentive compensation charge. See the AllianceBernstein section of this Item 7 for a discussion of this charge.

Holding had net income of $51.1 million in 2012 as compared to a net loss of $93.3 million in 2011. The change reflects higher net income attributable to AllianceBernstein Unitholders. Holding had a net loss of $93.3 million in 2011 as compared to net income of $134.2 million in 2010. The net loss in 2011 reflects the impact of AllianceBernstein's $587.1 million one-time, non-cash long-term incentive compensation charge.

Holding's income taxes represent a 3.5% federal tax on its partnership gross income from the active conduct of a trade or business. Holding's partnership gross income is derived from its interest in AllianceBernstein. Holding's income tax is computed by multiplying certain AllianceBernstein qualifying revenues (primarily U.S. investment advisory fees and SCB LLC commissions) by Holding's ownership interest in AllianceBernstein (adjusted for Holding Units owned by AllianceBernstein's consolidated rabbi trust), multiplied by the 3.5% tax rate. Holding's effective tax rate was 27.9% in 2012 compared to (42.2)% in 2011 and 17.3% in 2010. See Note 6 to Holding's financial statements in Item 8 for a further description.

Table of Contents

As supplemental information, AllianceBernstein provides the performance measures “adjusted net revenue”, “adjusted operating income” and “adjusted operating margin”, which are the principal metrics management uses in evaluating and comparing the period-to-period operating performance of AllianceBernstein. Such measures are not based on generally accepted accounting principles (“non-GAAP measures”). The impact of these non-GAAP measures on Holding’s net income and diluted net income per Holding Unit are as follows:

	Years Ended December 31,		
	2012	2011	2010
	(in thousands, except per unit amounts)		
AllianceBernstein non-GAAP adjustments, before taxes	$ 221,530	$ 585,242	$ 79,463
Income tax effect on non-GAAP adjustments	(11,573)	(23,234)	(2,066)
AllianceBernstein non-GAAP adjustments, after taxes	209,957	562,008	77,397
Holding’s weighted average equity ownership interest in AllianceBernstein	37.5%	37.5%	36.7%
Impact on Holding’s net income of AllianceBernstein non-GAAP adjustments	$78,693	$ 210,891	$ 28,378
Net income (loss) - diluted, GAAP basis	$ 51,085	$ (93,268)	$ 135,798
Impact on Holding’s net income of AllianceBernstein non-GAAP adjustments	78,693	210,891	28,378
Adjusted net income - diluted	$ 129,778	$ 117,623	$ 164,176
Diluted net income (loss) per Holding Unit, GAAP basis	$ 0.51	$ (0.90)	$ 1.32
Impact of AllianceBernstein non-GAAP adjustments	0.77	2.04	0.28
Adjusted diluted net income per Holding Unit	$ 1.28	$ 1.14	$ 1.60

The impact on Holding’s net income (loss) of AllianceBernstein’s non-GAAP adjustments reflects Holding’s share (based on its ownership percentage of AllianceBernstein over the applicable period) of AllianceBernstein’s non-GAAP adjustments to its net income (see Management Operating Metrics in this Item 7). These non-GAAP measures are provided in addition to, and not as substitutes for, net revenues, operating income and operating margin, and they may not be comparable to non-GAAP measures presented by other companies. Management uses both the GAAP and non-GAAP measures in evaluating our financial performance. The non-GAAP measures alone may pose limitations because they do not include all of AllianceBernstein’s revenues and expenses.

Proposed Tax Legislation

See “Risk Factors” in Item 1A.

Capital Resources and Liquidity

During the year ended December 31, 2012, net cash provided by operating activities was $99.9 million, compared to $151.4 million during the corresponding 2011 period. The decrease was primarily due to lower cash distributions received from AllianceBernstein of $57.8 million. During the year ended December 31, 2011, net cash provided by operating activities was $151.4 million, compared to $153.6 million during the corresponding 2010 period. The decrease was primarily due to lower cash distributions received from AllianceBernstein of $3.7 million.

During the years ended December 31, 2012, 2011 and 2010, net cash used in investing activities was $11.6 million, $7.2 million and $10.5 million, respectively, reflecting investments in AllianceBernstein from cash distributions paid to the AllianceBernstein consolidated rabbi trust and with proceeds from exercises of compensatory options to buy Holding Units.

During the year ended December 31, 2012, net cash used in financing activities was $88.3 million, compared to $144.2 million during the corresponding 2011 period. The decrease was primarily due to lower cash distributions paid to unitholders of $57.3 million. During the year ended December 31, 2011, net cash used in financing activities was $144.2 million, compared to $143.1 million during the corresponding 2010 period. The increase was due to lower proceeds from the exercise of compensatory options to buy Holding Units of $6.8 million, offset by lower cash distributions paid to unitholders of $5.7 million.

Management believes that the cash flow realized from its investment in AllianceBernstein will provide Holding with the resources to meet its financial obligations.

Table of Contents

Cash Distributions

Holding is required to distribute all of its Available Cash Flow, as defined in the Holding Partnership Agreement, to its unitholders (including the General Partner). Typically in the past, Available Cash Flow has been the diluted earnings per unit for the quarter multiplied by the number of units outstanding at the end of the quarter, except when, as was the case with the compensation-related charge in the fourth quarter of 2011 and the real estate charge in the third quarter of 2012, the effects of these non-cash charges were eliminated. Starting in the third quarter of 2012, Available Cash Flow is the adjusted diluted net income per unit for the quarter multiplied by the number of units outstanding at the end of the quarter. In future periods, management anticipates that Available Cash Flow typically will be based on adjusted diluted net income per unit, unless management determines that one or more non-GAAP adjustments should not be made with respect to the Available Cash Flow calculation. See Note 2 to Holding's financial statements in Item 8 for a description of Available Cash Flow.

Commitments and Contingencies

See Note 7 to Holding's financial statements in Item 8.

AllianceBernstein

Assets Under Management

Assets under management by distribution channel were as follows:

	As of December 31,			% Change	
	2012	2011	2010	2012-11	2011-10
		(in billions)			
Institutions	$ 219.8	$ 223.9	$ 272.9	(1.8)%	(18.0)%
Retail	144.4	112.6	127.0	28.2	(11.4)
Private Client	65.8	69.4	78.1	(5.2)	(11.1)
Total	$ 430.0	$ 405.9	$ 478.0	5.9	(15.1)

Assets under management by investment service were as follows:

	As of December 31,			% Change	
	2012	2011	2010	2012-11	2011-10
		(in billions)			
Equity					
Value:					
U.S.	$ 19.0	$ 25.2	$ 37.8	(24.6)%	(33.5)%
Global and International	38.1	55.6	106.5	(31.5)	(47.8)
	57.1	80.8	144.3	(29.3)	(44.0)
Growth:					
U.S.	21.6	21.8	30.3	(1.4)	(28.0)
Global and International	17.8	22.4	44.0	(20.2)	(49.1)
	39.4	44.2	74.3	(10.9)	(40.5)
Total Equity	96.5	125.0	218.6	(22.8)	(42.8)
Fixed Income:					
U.S.	133.5	127.4	119.0	4.8	7.0

Global and International	122.1	90.2	87.2	35.3	3.5
	255.6	217.6	206.2	17.5	5.5
Other(1):					
U.S.	33.1	29.6	28.7	11.7	3.2
Global and International	44.8	33.7	24.5	33.2	37.6
	77.9	63.3	53.2	23.1	19.1
Total:					
U.S.	207.2	204.0	215.8	1.5	(5.5)
Global and International	222.8	201.9	262.2	10.4	(23.0)
Total	$ 430.0	$ 405.9	$ 478.0	5.9	(15.1)

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

Table of Contents

Changes in assets under management during 2012 and 2011 were as follows:

	Distribution Channel				Investment Service				
	Institutions	Retail	Private Client	Total	Value Equity	Growth Equity	Fixed Income	Other (1)	Total
	(in billions)								
Balance as of December 31, 2011	$ 223.9	$ 112.6	$ 69.4	$ 405.9	$ 80.8	$ 44.2	$ 217.6	$ 63.3	$ 405.9
Long-term flows:									
Sales/new accounts	21.3	56.3	4.3	81.9	5.2	5.0	62.4	9.3	81.9
Redemptions/terminations	(38.8)	(33.0)	(10.9)	(82.7)	(32.0)	(14.3)	(33.8)	(2.6)	(82.7)
Cash flow/unreinvested dividends	(4.1)	(7.1)	(2.4)	(13.6)	(5.7)	(1.6)	(6.0)	(0.3)	(13.6)
Net long-term (outflows) inflows	(21.6)	16.2	(9.0)	(14.4)	(32.5)	(10.9)	22.6	6.4	(14.4)
Transfers	(0.1)	0.1	—	—	—	—	—	—	—
Market appreciation	17.6	15.5	5.4	38.5	8.8	6.1	15.4	8.2	38.5
Net change	(4.1)	31.8	(3.6)	24.1	(23.7)	(4.8)	38.0	14.6	24.1
Balance as of December 31, 2012	$ 219.8	$ 144.4	$ 65.8	$ 430.0	$ 57.1	$ 39.4	$ 255.6	$ 77.9	$ 430.0

	Distribution Channel				Investment Service				
	Institutions	Retail	Private Client	Total	Value Equity	Growth Equity	Fixed Income	Other (1)	Total
	(in billions)								
Balance as of December 31, 2010	$ 272.9	$ 127.0	$ 78.1	$ 478.0	$ 144.3	$ 74.3	$ 206.2	$ 53.2	$ 478.0
Long-term flows:									
Sales/new accounts	17.3	31.0	7.3	55.6	6.5	5.2	31.4	12.5	55.6
Redemptions/terminations	(52.8)	(34.8)	(9.5)	(97.1)	(43.3)	(24.7)	(27.8)	(1.3)	(97.1)
Cash flow/unreinvested dividends	(9.3)	(7.1)	(4.6)	(21.0)	(13.1)	(6.3)	(0.4)	(1.2)	(21.0)
Net long-term (outflows) inflows	(44.8)	(10.9)	(6.8)	(62.5)	(49.9)	(25.8)	3.2	10.0	(62.5)
Transfers	0.1	—	(0.1)	—	—	—	—	—	—
Acquisitions	1.1	0.2	0.1	1.4	—	1.2	0.2	—	1.4
Market (depreciation) appreciation	(5.4)	(3.7)	(1.9)	(11.0)	(13.6)	(5.5)	8.0	0.1	(11.0)
Net change	(49.0)	(14.4)	(8.7)	(72.1)	(63.5)	(30.1)	11.4	10.1	(72.1)
Balance as of December 31, 2011	$ 223.9	$ 112.6	$ 69.4	$ 405.9	$ 80.8	$ 44.2	$ 217.6	$ 63.3	$ 405.9

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

Table of Contents

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

	Years Ended December 31, 2012	2011 (in billions)	2010	% Change 2012-11	2011-10
Distribution Channel:					
Institutions	$ 218.9	$ 252.6	$ 277.1	(13.3)%	(8.8)%
Retail	128.2	124.0	122.8	3.4	1.0
Private Client	68.9	75.3	74.7	(8.6)	0.9
Total	$ 416.0	$ 451.9	$ 474.6	(8.0)	(4.8)
Investment Service:					
Value Equity	$ 69.5	$ 117.2	$ 153.5	(40.7)%	(23.6)%
Growth Equity	41.1	61.0	81.3	(32.6)	(25.0)
Fixed Income	235.2	214.0	198.9	9.9	7.6
Other(1)	70.2	59.7	40.9	17.7	46.0
Total	$ 416.0	$ 451.9	$ 474.6	(8.0)	(4.8)

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

Our Institutions AUM decreased $4.1 billion to $219.8 billion, resulting in average AUM of $218.9 billion for 2012. The $4.1 billion decline in AUM during 2012 was primarily due to $21.6 billion of net outflows (consisting of net outflows of $31.8 billion in Value and Growth Equity services, offset by net inflows of $8.2 billion and $2.0 billion in Fixed Income services and Other services, respectively), offset by market appreciation of $17.6 billion. During 2011, Institutional AUM decreased $49.0 billion to $223.9 billion, resulting in average AUM of $252.6 billion for 2011. The $49.0 billion decrease in AUM during 2011 was primarily due to $44.8 billion of net outflows (consisting of net outflows of $54.5 billion in Value and Growth Equity services, partly offset by net inflows of $9.7 billion in Fixed Income services and Other services) and market depreciation of $5.4 billion.

Our Retail AUM increased $31.8 billion to $144.4 billion, resulting in average AUM of $128.2 billion for 2012. The $31.8 billion increase in AUM during 2012 was primarily due to $16.2 billion of net inflows (consisting of net inflows of $18.5 billion and $4.2 billion in Fixed Income services and Other services, respectively, offset by outflows of $6.5 billion in Value and Growth Equity services) and market appreciation of $15.5 billion. During 2011, Retail AUM decreased $14.4 billion to $112.6 billion, resulting in average AUM of $124.0 billion for 2011. The $14.4 billion decrease in AUM during 2011 was primarily due to $10.9 billion of net outflows (consisting of net outflows of $14.2 billion in Value and Growth Equity services, offset by net inflows of $3.3 billion in Fixed Income services and Other services) and market depreciation of $3.7 billion.

Our Private Client AUM decreased $3.6 billion to $65.8 billion, resulting in average AUM of $68.9 billion for 2012. The $3.6 billion decrease in AUM during 2012 was due to $9.0 billion of net outflows (consisting of net outflows of $5.2 billion in Value and Growth Equity services and $4.0 billion in Fixed Income services, offset by inflows of $0.2 billion in Other services), offset by market appreciation of $5.4 billion. During 2011, Private Client AUM decreased $8.7 billion to $69.4 billion, resulting in average AUM of $75.3 billion. The $8.7 billion decrease in AUM during 2011 was due to $6.8 billion of net outflows (consisting of net outflows within all services, except Other services) and market depreciation of $1.9 billion.

Table of Contents

Absolute investment composite returns, net of fees, and relative performance compared to benchmarks for certain representative Institutional (except as otherwise indicated) Value, Growth, Blend and Fixed Income services were as follows for the years ended December 31:

	2012	2011	2010
Global High Income (fixed income)			
Absolute return	18.4 %	2.0 %	17.7 %
Relative return (vs. 33% Barclays High Yield, 33% JPM EMBI Global and 33% JPM GBI-EM)	0.2	(0.3)	4.2
Global Fixed Income (fixed income)			
Absolute return	3.9	12.1	6.8
Relative return (vs. CITI WLD GV BD-USD/JPM GLBL BD)	2.2	5.7	1.6
Intermediate Municipal Bonds (fixed income) (Private Client composite)			
Absolute return	3.4	7.2	2.9
Relative return (vs. Lipper Short/Int. Blended Muni Fund Avg)	(0.3)	0.8	0.9
U.S. Strategic Core Plus (fixed income)			
Absolute return	5.9	7.1	9.5
Relative return (vs. Barclays U.S. Aggregate)	1.7	(0.7)	2.9
Emerging Market Debt (fixed income)			
Absolute return	20.5	6.0	14.7
Relative return (vs. JPM EMBI Global/JPM EMBI)	2.0	(2.5)	2.7
Global Plus (fixed income)			
Absolute return	5.2	6.2	8.3
Relative return (vs. Barclays Global Aggregate)	0.9	0.6	2.8
Emerging Markets Value			
Absolute return	14.7	(23.3)	15.2
Relative return (vs. MSCI EM Index)	(3.5)	(4.9)	(3.7)
Global Value			
Absolute return	13.9	(15.8)	6.5
Relative return (vs. MSCI World Index)	(1.9)	(10.3)	(5.3)
International Value			
Absolute return	12.9	(18.6)	3.4
Relative return (vs. MSCI EAFE Index)	(4.4)	(6.5)	(4.4)
U.S. Small & Mid Cap Value			
Absolute return	18.6	(8.1)	26.1
Relative return (vs. Russell 2500 Value Index)	(0.6)	(4.8)	1.3
U.S. Strategic Value			
Absolute return	13.3	(7.6)	11.3
Relative return (vs. Russell 1000 Value Index)	(4.2)	(8.0)	(4.2)
U.S. Small Cap Growth			
Absolute return	14.9	4.4	37.1
Relative return (vs. Russell 2000 Growth Index)	0.3	7.3	8.0
U.S. Large Cap Growth			
Absolute return	15.9	(2.3)	9.8
Relative return (vs. Russell 1000 Growth Index)	0.6	(4.9)	(6.9)
U.S. Strategic Growth (Private Client composite)			
Absolute return	15.2	(4.3)	7.4
Relative return (vs. S&P 500 Index)	(0.8)	(6.4)	(7.7)

Select U.S. Equity			
Absolute return	16.2	3.8	19.8
Relative return (vs. S&P 500 Index)	0.2	1.7	4.7
International Style Blend – Developed			
Absolute return	15.6	(17.7)	3.1
Relative return (vs. MSCI EAFE Index)	(1.7)	(5.6)	(4.7)

Our Fixed Income services generally outperformed their benchmarks in 2012. Numerous sources of uncertainty adversely affected the global economy throughout the year, but risk aversion eased in the second half of the year, due to monetary-policy actions and improving perceptions regarding sovereign-debt crises in Europe, fiscal policies in the U.S. and growth in China. Sector and security selection were generally the biggest drivers of our outperformance. Non-government bond exposures, particularly corporate bonds, contributed to positive returns in our U.S. taxable and global multi-sector portfolios.

Our U.S. and Global value services outperformed their benchmarks for the three-month period ending December 31, 2012, but mostly lagged for the full year. In contrast, our U.S. large and small cap growth services lagged somewhat in the fourth quarter, but finished ahead of their benchmarks for the full year. We attribute this performance pattern to our services' adherence to their core investment disciplines. Long-term value characteristics, such as inexpensive cash flows, came back into favor late in 2012 after a long period in which more short-term oriented equity markets had not rewarded these characteristics. Long-term growth characteristics, such as underappreciated growth potential, underperformed in the fourth quarter. Our core research approach has not wavered; we believe that staying true to our investment disciplines is in our clients' best interests over the long term.

Table of Contents

Consolidated Results of Operations

	Years Ended December 31,			% Change	
	2012	2011	2010	2012-11	2011-10
	(in millions, except per unit amounts)				
Net revenues	$ 2,736.7	$ 2,749.9	$ 2,948.6	(0.5)%	(6.7)%
Expenses	2,534.4	2,958.4	2,489.7	(14.3)	18.8
Operating income (loss)	202.3	(208.5)	458.9	n/m	n/m
Non-operating income	—	—	6.7	—	(100.0)
Income (loss) before income taxes	202.3	(208.5)	465.6	n/m	n/m
Income taxes	13.7	3.1	38.5	344.3	(92.0)
Net income (loss)	188.6	(211.6)	427.1	n/m	n/m
Net income (loss) of consolidated entities attributable to non-controlling interests	(0.3)	(36.8)	(15.3)	(99.1)	140.2
Net income (loss) attributable to AllianceBernstein Unitholders	$ 188.9	$ (174.8)	$ 442.4	n/m	n/m
Diluted net income (loss) per AllianceBernstein Unit	$ 0.67	$ (0.62)	$ 1.58	n/m	n/m
Distributions per AllianceBernstein Unit(1)(2)	$ 1.36	$ 1.38	$ 1.58	(1.4)	(12.7)
Operating margin(3)	7.4 %	n/m	16.1%		

(1) The 2012 distribution excludes the impact of $207.0 million of non-cash real estate charges recorded in the third and fourth quarters of 2012.
(2) The 2011 distribution excludes the impact of the $587.1 million one-time, non-cash long-term incentive compensation charge.
(3) Operating income excluding net (loss) income attributable to non-controlling interests as a percentage of net revenues.

Net income attributable to AllianceBernstein unitholders for the year ended December 31, 2012 was $188.9 million, as compared to net loss attributable to AllianceBernstein unitholders of $174.8 million for the year ended December 31, 2011. The change was primarily due to (in millions):

Higher real estate charges	$(215.8)
Lower base advisory fees	(194.3)
Lower Bernstein Research Services revenues	(23.7)
2011 long-term incentive compensation charge	587.1
Lower employee compensation and benefits (excluding $587.1 million compensation charge)	78.3
Higher performance-based fees	50.1
Higher long-term incentive compensation investment gains	37.0
Seed capital investment gains compared to 2011 losses	28.2
Lower other promotion and servicing expenses	17.0
Other	(0.2)
	$363.7

Table of Contents

Net loss attributable to AllianceBernstein unitholders for the year ended December 31, 2011 was $174.8 million, as compared to net income attributable to AllianceBernstein unitholders of $442.4 million for the year ended December 31, 2010. The change was primarily due to (in millions):

2011 long-term incentive compensation charge	$(587.1)
Lower investment advisory base fees	(131.3)
Long-term incentive compensation investment losses compared to 2010 gains	(47.4)
Higher other promotion and servicing expenses	(25.5)
Seed money investment losses compared to 2010 gains	(12.4)
Higher portfolio services	(9.8)
Lower real estate charges	94.5
Lower employee compensation and benefits (excluding $587.1 million compensation charge)	73.6
Lower income tax expense	35.4
2011 insurance proceeds	10.7
Other	(17.9)
	$(617.2)

Real Estate Charges

Since the fourth quarter of 2008, we consistently have taken steps to reduce our cost structure, including headcount reductions, and the consolidation of office locations, in response to declines in our AUM and fee revenues.

During 2010, we performed a comprehensive review of our real estate requirements in New York in connection with our workforce reductions commencing in 2008. As a result, during 2010 we decided to sub-lease over 380,000 square feet in New York (approximately 80% of this space has been sublet) and largely consolidate our New York-based employees into two office locations from three. We recorded pre-tax real estate charges of $101.7 million in 2010 that reflected the net present value of the difference between the amount of our ongoing contractual operating lease obligations for this space and our estimate of current market rental rates ($76.2 million), as well as the write-off of leasehold improvements, furniture and equipment related to this space ($25.5 million). We periodically review the assumptions and estimates we used in recording these charges.

During 2011, we recorded pre-tax real estate charges totaling $7.2 million for our office space in London, England, New York and other U.S. locations. The London charge was $8.8 million, consisting of a $5.8 million payment to the party to which the lease was assigned, as well as the write-off of $3.0 million of leasehold improvements, furniture and equipment related to the space. We also wrote off an additional $1.5 million of leasehold improvements, furniture and equipment related to the New York space and had miscellaneous charges of $0.4 million. These charges were offset by a $3.5 million credit we recorded in 2011 due to changes in estimates of our 2010 charge.

During the first six months of 2012, we recorded pre-tax real estate charges totaling $16.1 million, reflecting $8.8 million resulting from the abandonment of our leased New York City Data Center office space and $7.3 million resulting from a change in estimates relating to previously recorded real estate charges. The New York City Data Center charge consisted of the net present value of the difference between the amount of ongoing contractual operating lease obligations for this space and our estimate of current market rental rates ($7.1 million) and the write-off of leasehold improvements, furniture and equipment related to this space ($1.7 million).

During the third quarter of 2012, in an effort to further reduce our global real estate footprint, we completed a comprehensive review of our worldwide office locations and began implementing a global space consolidation plan. As a result, our intention is to sub-lease approximately 510,000 square feet of office space, over 70% of which is New York office space (in addition to the 380,000 square feet written-off in 2010), with the remainder comprised of office space in London, England, Melbourne, Australia and various U.S. locations. We expect that the actions we are taking to vacate and market space for sublease will result over time in projected non-cash real estate charges of $225 million to $250 million, with the bulk of the charges having occurred in the third and fourth quarters of 2012. These charges are in addition to the earlier non-cash real estate charges for New York City office space we recorded, and they will not affect our future quarterly distributions. We ultimately expect to realize reduced annual operating expenses of $38 million to $43 million once we have successfully subleased the vacated space. These projections are based on current market conditions and could change over time as conditions evolve. We believe implementing our global space consolidation plan will meaningfully improve our cost structure and will play an important part in positioning our firm for a stronger future.

During the third quarter of 2012, we recorded pre-tax real estate charges of $168.1 million, reflecting the net present value of the difference between the amount of our ongoing contractual operating lease obligations for this space and our estimate of current market rental rates ($131.8 million), as well as the write-off of leasehold improvements, furniture and equipment related to this space ($31.3 million), and changes in estimates relating to previously recorded real estate charges ($5.0 million).

Table of Contents

During the fourth quarter of 2012, we recorded pre-tax real estate charges of $38.9 million, reflecting the net present value of the difference between the amount of our ongoing contractual operating lease obligations for this space and our estimate of current market rental rates ($32.0 million), as well as the write-off of leasehold improvements, furniture and equipment related to this space ($8.4 million), offset by changes in estimates relating to previously recorded real estate charges of ($1.5 million).

Long-term Incentive Compensation Charge

During the fourth quarter of 2011, we implemented changes to our employee long-term incentive compensation award program to ensure that our compensation practices are competitive, and to better align the costs of employee compensation and benefits with the company's current year financial performance and provide employees with a higher degree of certainty that they will receive the incentive compensation they are awarded. We amended all outstanding year-end long-term incentive compensation awards of active employees (i.e., those employees who we employed as of December 31, 2011), so that employees who terminate their employment or are terminated without cause may retain their awards, subject to compliance with certain agreements and restrictive covenants set forth in the applicable award agreement, including restrictions on competition and employee and client solicitation, and a claw-back for failing to follow existing risk management policies. Most equity replacement, sign-on or similar long-term incentive compensation awards included in separate employment agreements or arrangements were not amended in 2011 to reflect these changes.

We recognize compensation expense related to equity compensation grants in the financial statements using the fair value method. Fair value of restricted Holding Unit awards is the closing price of a Holding Unit on the grant date; fair value of options is determined using the Black-Scholes option valuation model. Under the fair value method, compensatory expense is measured at the grant date based on the estimated fair value of the award and is recognized over the required service period. Prior to the changes made to the employee long-term incentive compensation award program in the fourth quarter of 2011, an employee's service requirement was typically the same as the delivery dates. These changes eliminated employee service requirements but did not modify delivery dates contained in the original award agreements.

As a result of these changes, we recorded a one-time, non-cash charge of $587.1 million in the fourth quarter of 2011 for all unrecognized long-term incentive compensation on the amended outstanding awards from prior years. In addition, we recorded 100% of the expense associated with our 2011 long-term incentive compensation awards of $159.9 million in the fourth quarter of 2011.

Awards granted in 2011 contained the provisions described above, as did awards granted in 2012, and we expect to include these provisions in long-term incentive compensation awards in future years. Accordingly, our annual incentive compensation expense will reflect 100% of the expense associated with the long-term incentive compensation awarded in each year. This approach to expense recognition will more closely match the economic cost of awarding long-term incentive compensation to the period in which the related service is performed.

Units Outstanding

We engage in open-market purchases of Holding Units to help fund anticipated obligations under our incentive compensation award program and for other corporate purposes, and purchase Holding Units from employees to allow them to fulfill statutory tax withholding requirements at the time of distribution of long-term incentive compensation awards. During 2012 and 2011, AllianceBernstein purchased 15.7 million and 13.5 million Holding Units for $238.0 million and $220.8 million, respectively. These amounts reflect open-market purchases of 12.3 million and 11.1 million Holding Units for $182.3 million and $192.1 million, respectively, with the remainder relating to purchases of Holding Units from employees to allow them to fulfill statutory tax withholding requirements at the time of distribution of long-term incentive compensation awards, offset by Holding Units purchased by employees as part of a distribution reinvestment election.

Table of Contents

Since the third quarter of 2011, we have implemented plans each quarter to repurchase Holding Units pursuant to Rule 10b5-1 under the Exchange Act. A Rule 10b5-1 plan allows a company to repurchase its shares at times when it otherwise might be prevented from doing so because of self-imposed trading blackout periods and because it possesses material non-public information. Each broker we have selected has the authority under the terms and limitations specified in the plan to repurchase Holding Units on our behalf in accordance with the terms of the plan. Repurchases are subject to SEC regulations as well as certain price, market volume and timing constraints specified in the plan. The plan adopted during the fourth quarter of 2012 did not specify an aggregate limitation and expired at the close of business on February 11, 2013. We intend to adopt additional Rule 10b5-1 plans so that we can continue to engage in open-market purchases of Holding Units to help fund anticipated obligations under our incentive compensation award programs and for other corporate purposes.

We granted to employees and Eligible Directors 12.1 million restricted Holding Unit awards (including 2.7 million granted in June 2012 to Peter Kraus, our Chief Executive Officer (see "Employee Compensation and Benefits" in this Item 7) and 8.7 million granted in January 2012 for 2011 year-end awards) and 1.7 million restricted Holding Unit awards during 2012 and 2011, respectively. To fund these awards, we allocated previously repurchased Holding Units that had been held in the consolidated rabbi trust. The 2012 and 2011 long-term incentive compensation awards allowed most employees to allocate their award between restricted Holding Units and deferred cash. As a result, 6.5 million restricted Holding Unit awards for the December 2012 awards and 8.7 million restricted Holding Unit awards for the December 2011 awards were awarded and allocated as such within the consolidated rabbi trust in January 2013 and 2012, respectively. There were approximately 17.9 million and 12.0 million unallocated Holding Units remaining in the consolidated rabbi trust as of December 31, 2012 and January 31, 2013, respectively. The balance as of January 31, 2013 also reflects repurchases and other activity during January 2013.

Cash Distributions

AllianceBernstein is required to distribute all of its Available Cash Flow, as defined in the AllianceBernstein Partnership Agreement, to its unitholders (including the General Partner). Typically in the past, Available Cash Flow has been the diluted earnings per unit for the quarter multiplied by the number of general and limited partnership interests at the end of the quarter, except when, as was the case with the compensation-related charge in the fourth quarter of 2011 and the real estate charge in the third quarter of 2012, the effects of the non-cash charges were eliminated. Starting in the third quarter of 2012, Available Cash Flow is the adjusted diluted net income per unit for the quarter multiplied by the number of general and limited partnership interests at the end of the quarter. In future periods, management anticipates that Available Cash Flow typically will be based on adjusted diluted net income per unit, unless management determines that one or more non-GAAP adjustments should not be made with respect to the Available Cash Flow calculation. See Note 2 to AllianceBernstein's consolidated financial statements contained in Item 8 for a description of Available Cash Flow.

Table of Contents

Management Operating Metrics

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

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

	Years Ended December 31,		
	2012	2011	2010
	(in thousands)		
Net revenues, GAAP basis	$ 2,736,737	$ 2,749,891	$ 2,948,557
Exclude:			
Long-term incentive compensation-related investment (gains) losses	(16,711)	20,302	(27,053)
Long-term incentive compensation-related dividends and interest	(2,245)	(4,364)	(6,513)
90% of consolidated venture capital fund investment (gains) losses	(1,118)	35,778	16,527
Distribution-related payments	(367,090)	(302,684)	(286,676)
Amortization of deferred sales commissions	(40,262)	(37,675)	(47,397)
Pass-through fees and expenses	(49,010)	(35,103)	(32,684)
Adjusted net revenues	$ 2,260,301	$ 2,426,145	$ 2,564,761
Operating income (loss), GAAP basis	$ 202,365	$ (208,469)	$ 458,862
Exclude:			
Long-term incentive compensation-related investment (gains) losses	(16,711)	20,302	(27,053)
Long-term incentive compensation-related dividends and interest	(2,245)	(4,364)	(6,513)
Long-term incentive compensation-related mark-to-market vesting expense (credit)	14,858	(19,425)	2,791
Long-term incentive compensation-related dividends and interest expense	2,590	5,054	8,540
2011 long-term incentive compensation charge	—	587,131	—
Net impact of long-term incentive compensation-related items	(1,508)	588,698	(22,235)
Insurance proceeds	—	(10,691)	—
Real estate charges	223,038	7,235	101,698
Sub-total of non-GAAP adjustments	221,530	585,242	79,463
Less: Net (loss) income of consolidated entities attributable to non-controlling interests	(315)	(36,799)	(15,320)
Adjusted operating income	$ 424,210	$ 413,572	$ 553,645
Adjusted operating margin	18.8%	17.0%	21.6%

Adjusted operating income for the year ended December 31, 2012 increased $10.6 million, or 2.6%, from the year ended December 31, 2011, primarily as a result of lower employee compensation expense (excluding the impact of long-term incentive compensation-related items) of $110.1 million, lower general and administrative expenses (excluding real estate charges) of $52.0 million, higher investment gains of $37.4 million and higher performance-based fees of $32.1 million, offset by lower base advisory fees of $192.4 million and lower Bernstein Research Services revenues of $23.7 million. Adjusted operating income for the year ended December 31, 2011 decreased $140.1 million, or 25.3%, from the year ended December 31, 2010, primarily as a result of lower investment advisory fees of $136.2 million, higher seed money losses of $12.4 million, higher general and administrative expenses (excluding real estate charges) of $27.1 million and higher other promotion and servicing expenses of $23.9 million, partially offset by higher Bernstein Research Services revenues of $6.9 million and lower employee compensation expense (excluding the impact of long-term incentive compensation-related items) of $48.0 million.

Table of Contents

Adjusted Net Revenues

Adjusted net revenues exclude investment gains and losses and dividends and interest on long-term incentive 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 also exclude additional pass-through expenses we incur (primarily through our transfer agency) that are reimbursed and recorded as fees in revenues. During 2012, we offset sub-advisory payments to third parties against performance-based fees earned on the Public-Private Investment Program ("PPIP") fund we managed. 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 excluding (1) 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, (2) the 2011 compensation charge, (3) real estate charges, (4) insurance proceeds, and (5) the net loss or income of consolidated entities attributable to non-controlling interests.

Prior to 2009, a large proportion of employee compensation was in the form of long-term incentive compensation 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. U.S. 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 long-term incentive compensation-related investments included in revenues and compensation expense, thus eliminating the timing differences created by different treatment under U.S. GAAP of the market movement on the expense and the investments. In the fourth quarter of 2011, we implemented changes to our employee long-term incentive compensation award program. As a result, mark-to-market investment gains or losses recognized in compensation expense will closely approximate mark-to-market investment gains and losses recognized in revenues.

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.

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

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, U.S. 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.

Table of Contents

Net Revenues

The following table summarizes the components of net revenues:

	Years Ended December 31,			% Change	
	2012	2011	2010	2012-11	2011-10
		(in millions)			
Investment advisory and services fees:					
Institutions:					
Base fees	$ 426.0	$ 600.2	$ 745.5	(29.0)%	(19.5)%
Performance-based fees	59.3	16.0	18.7	271.1	(14.4)
	485.3	616.2	764.2	(21.2)	(19.4)
Retail:					
Base fees	702.3	652.5	639.8	7.6	2.0
Performance-based fees	2.9	—	0.1	n/m	(100.0)
	705.2	652.5	639.9	8.1	2.0
Private Client:					
Base fees	577.3	647.2	645.9	(10.8)	0.2
Performance-based fees	4.4	0.5	1.7	658.6	(66.8)
	581.7	647.7	647.6	(10.2)	—
Total:					
Base fees	1,705.6	1,899.9	2,031.2	(10.2)	(6.5)
Performance-based fees	66.6	16.5	20.5	302.6	(19.4)
	1,772.2	1,916.4	2,051.7	(7.5)	(6.6)
Bernstein research services	413.7	437.4	430.5	(5.4)	1.6
Distribution revenues	401.7	351.6	338.6	14.2	3.8
Dividend and interest income	21.3	21.5	22.9	(1.0)	(6.1)
Investment gains (losses)	29.2	(82.1)	(1.4)	n/m	n/m
Other revenues	101.8	107.6	109.8	(5.4)	(2.0)
Total revenues	2,739.9	2,752.4	2,952.1	(0.5)	(6.8)
Less: Interest expense	3.2	2.5	3.5	26.4	(28.1)
Net revenues	$ 2,736.7	$ 2,749.9	$ 2,948.6	(0.5)	(6.7)

Investment Advisory and Services Fees

Investment advisory and services fees are the largest component of our revenues. These fees are generally calculated as a percentage of the value of AUM as of a specified date, or as a percentage of the value of average AUM for the applicable billing period, and vary with the type of investment service, the size of account and the total amount of assets we manage for a particular client. Accordingly, fee income generally increases or decreases as AUM increase or decrease and is therefore affected by market appreciation or depreciation, the addition of new client accounts or client contributions of additional assets to existing accounts, withdrawals of assets from and termination of client accounts, purchases and redemptions of mutual fund shares, shifts of assets between accounts or products with different fee structures, and acquisitions. Our average basis points realized (investment advisory fees divided by average AUM) generally approximate 50 to 70 basis points for equity services, 25 to 45 basis points for fixed income services and 5 to 15 basis points for other services. As such, a shift of client assets from active equity services toward fixed income services and/or other services results in a decline in revenues just as a shift of assets toward active equity services would increase revenues.

We calculate AUM using established fair valuation methodologies, including market-based valuation methods and fair valuation methods. Market-based valuation methods include: last sale/settle prices from an exchange for actively-traded listed equities, options and futures; evaluated bid prices from recognized pricing vendors for fixed income, asset-backed or mortgage-backed issues; mid prices from recognized pricing vendors and brokers for credit default swaps; and quoted bids or spreads from pricing vendors and brokers for other derivative products. Fair valuation methods include discounted cash flow models, evaluation of assets versus liabilities or any other methodology that is validated and approved by our Valuation Committee. Fair valuation methods are used only where AUM cannot be valued using market-based valuation methods, such as in the case of private equity or illiquid securities. Investments utilizing fair value methods typically make up an insignificant amount of our total AUM. Market volatility has not had a significant effect on our ability to acquire market data and, accordingly, our ability to use market-based valuation methods.

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

Table of Contents

We sometimes charge our clients performance-based fees. In these situations, we charge a base advisory fee and are eligible to earn an additional performance-based fee or incentive allocation that is calculated as either a percentage of absolute investment results or a percentage of investment results in excess of a stated benchmark over a specified period of time. Some performance-based fees include a high-watermark provision, which generally provides that if a client account underperforms relative to its performance target (whether absolute or relative to a specified benchmark), it must gain back such underperformance before we can collect future performance-based fees. Therefore, if we fail to achieve our performance target for a particular period, we will not earn a performance-based fee for that period and, for accounts with a high-watermark provision, our ability to earn future performance-based fees will be impaired. We are eligible to earn performance-based fees on approximately 8% of the assets we manage for institutional clients and approximately 3% of the assets we manage for private clients (in total, approximately 4% of our company-wide AUM). A majority of our hedge fund AUM is subject to high-watermarks and a significant majority of this AUM is below the high-watermarks. Accordingly, it is very unlikely we will earn performance-based fees on these hedge funds in 2013 on the AUM below high-watermarks. If the percentage of our AUM subject to performance-based fees grows, seasonality and volatility of revenue and earnings are likely to become more significant.

Our investment advisory and services fees decreased $144.2 million, or 7.5%, in 2012, primarily due to a decrease in base fees of $194.3 million, or 10.2%, which primarily resulted from an 8.0% decrease in average AUM and a continued shift in product mix from Equities to Fixed Income and Other in our Institutional AUM, offset by a $50.1 million increase in performance-base fees. During 2012, we recorded a $39.6 million performance fee from PPIP ($18.0 million of which is payable to third party sub-advisors). Our investment advisory and services fees decreased $135.3 million, or 6.6%, in 2011, primarily due to a decrease of 4.8% in average AUM.

Institutional investment advisory and services fees decreased $130.9 million, or 21.2%, in 2012, due to a $174.2 million, or 29.0%, decrease in base fees, partly offset by a $43.3 million increase in performance-based fees (as a result of PPIP). The decrease in base fees was primarily due to a decrease in average AUM of 13.3% as well as a continued shift in product mix from Equities to Fixed Income. Average AUM for Equity services decreased 52.6% while average AUM for Fixed Income and Other products increased 7.6% and 16.6%, respectively. Institutional investment advisory and services fees decreased $148.0 million, or 19.4%, in 2011, primarily due to a decrease in average AUM of 8.8% as well as a shift in product mix from Equities to Fixed Income products. Average AUM for Equity services decreased 32.9% while average AUM for Fixed Income and Other services increased 7.1% and 63.2%, respectively.

Retail investment advisory and services fees increased $52.7 million, or 8.1%, in 2012, due to a 3.4% increase in average AUM. The increase in fees as compared to an increase in average AUM is primarily due to a shift in product mix towards long-term non-U.S. global fixed income mutual funds from long-term U.S. mutual funds and other Retail products and services, which generally have higher fees as compared to long-term U.S. mutual funds and other Retail products and services. Retail investment advisory and services fees increased $12.6 million, or 2.0%, in 2011, primarily due to a 1.0% increase in average AUM and the impact of significant net sales of long-term non-U.S. global fixed income mutual funds, which generally have higher fees as compared to long-term U.S. mutual funds.

Private Client investment advisory and services fees decreased $66.0 million, or 10.2%, in 2012, primarily as a result of a decline in base fees of $69.9 million, or 10.8%, reflecting a decrease in average billable AUM of 8.5% and the impact of a shift in product mix from Equities to Other products. Private Client investment advisory and services fees increased by $0.1 million in 2011, primarily as a result of higher base fees of $1.3 million, reflecting an increase in average billable AUM of 1.4%, offset by $1.2 million in lower performance-based fees.

Bernstein Research Services

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

Revenues from Bernstein Research Services decreased $23.7 million, or 5.4%, in 2012. The decrease in 2012 was the result of a significant decline in market trading volumes, partially offset by market share gains. Revenues from Bernstein Research Services increased $6.9 million, or 1.6%, in 2011. The increase in 2011 was the result of higher trading commissions in Europe and Asia, partially offset by lower trading commissions in the U.S. During the fourth quarter of 2011, however, trading activity declined sharply, which adversely affected our sell-side revenues.

Distribution Revenues

AllianceBernstein Investments and AllianceBernstein (Luxembourg) act as distributor and/or placing agent of company-sponsored mutual funds and receive distribution services fees from certain of those funds as partial reimbursement of the distribution expenses they incur. Period-over-period fluctuations of distribution revenues are typically in-line with fluctuations of the corresponding average AUM of these mutual funds.

Table of Contents

Distribution revenues increased $50.1 million, or 14.2%, and $13.0 million, or 3.8%, in 2012 and 2011, respectively, while the corresponding average AUM of these mutual funds grew 14.6% and 8.1%, respectively. Average AUM of non B-share and non C-share mutual funds (which have lower distribution fee rates than B-share and C-share mutual funds) increased 18.3% and 12.0%, respectively, while average AUM of B-share and C-share mutual funds increased by 0.6% in 2012 and decreased by 5.9% in 2011.

During 2010, the SEC proposed a rule amendment that would significantly change and restrict the ability of U.S. mutual funds to pay distribution and servicing fees (“12b-1 fees”) to financial services firms for distributing their shares. If rules are adopted as proposed, changes in existing 12b-1 fee arrangements for a number of share classes offered by company-sponsored mutual funds would be required, which would reduce the net fund distribution revenues we receive from company-sponsored mutual funds. The impact of this rule change, which we do not anticipate being material, is dependent upon the final rules adopted by the SEC, any phase-in or grandfathering period, and any other changes made with respect to share class distribution arrangements. For additional information, see “Risk Factors” in Item 1A and “Cautions Regarding Forward-Looking Statements" in this Item 7.

Dividend and Interest Income and Interest Expense

Dividend and interest income consists primarily of investment income and interest earned on customer margin balances and U.S. Treasury Bills. Interest expense principally reflects interest accrued on cash balances in customers’ brokerage accounts. Dividend and interest income, net of interest expense, decreased $0.9 million and $0.4 million, in 2012 and 2011, respectively.

Investment Gains (Losses)

Investment gains (losses) consist of realized and unrealized investment gains or losses on: (i) employee long-term incentive compensation-related investments, (ii) investments owned by our consolidated venture capital fund, (iii) U.S. Treasury Bills, (iv) market-making in cash equities and exchange-traded options and equities, (v) seed capital investments and (vi) derivatives. Investment gains (losses) also include realized gains or losses on the sale of seed capital investments classified as available-for-sale securities and equity in earnings of proprietary investments in limited partnership hedge funds that we sponsor and manage.

Investment gains (losses) are as follows:

	Years Ended December 31,		
	2012	2011	2010
		(in millions)	
Long-term incentive compensation-related investments			
Realized gains (losses)	$ 1.3	$ (8.3)	$ (12.0)
Unrealized gains (losses)	15.4	(12.0)	39.1
Consolidated private equity fund investments			
Realized gains (losses)	(17.0)	(0.8)	21.2
Unrealized gains (losses)	18.2	(39.0)	(39.6)
Seed capital investments			
Realized gains (losses)	(21.1)	15.8	(6.5)
Unrealized gains (losses)	39.2	(25.8)	8.9
Brokerage-related investments			
Realized gains (losses)	(4.8)	(12.4)	(13.4)
Unrealized gains (losses)	(2.0)	0.4	0.9

	$ 29.2	$ (82.1)	$ (1.4)

Realized gains or losses on long-term incentive compensation-related investments typically occur in December of each year, as well as during the first quarter, as award tranches vest and related investments are sold to provide cash for payments to employees. The unrealized gains during 2012 and 2010 reflect the favorable financial markets during those periods, while unrealized losses on employee long-term incentive compensation-related investments during 2011 reflect unfavorable financial markets.

During 2012, the publicly-traded securities held by our consolidated private equity fund incurred realized losses compared to realized gains during 2011, while the non-public investments incurred realized losses during both periods. The fund incurred unrealized mark-to-market gains relating to both its publicly-traded and non-public investments during 2012 compared to unrealized mark-to-market losses during 2011. Our consolidated private equity fund during 2011 incurred slightly higher mark-to-market losses relating to privately-held securities held by the fund, offset by slightly lower mark-to-market losses relating to publicly-traded securities. Also, 2010 reflects gains on the sale of securities.

Our seed capital investments had unrealized gains in 2012 and 2010 as compared to unrealized losses in 2011. Offsetting these gains and losses were realized losses in 2012 and 2010 as compared to realized gains in 2011, on our derivatives we use to hedge our seed capital investments.

Table of Contents

Other Revenues

Other revenues consist of fees earned for transfer agency services provided to company-sponsored mutual funds, fees earned for administration and recordkeeping services provided to company-sponsored mutual funds and the general accounts of AXA and its subsidiaries, and other miscellaneous revenues. Other revenues decreased 5.4% and 2.0% in 2012 and 2011, respectively, primarily due to lower shareholder servicing fees.

Expenses

The following table summarizes the components of expenses:

	Years Ended December 31,			% Change	
	2012	2011	2010	2012-11	2011-10
		(in millions)			
Employee compensation and benefits:					
Employee compensation and benefits	$ 1,168.6	$ 1,246.9	$ 1,320.5	(6.3)%	(5.6)%
Long-term incentive compensation charge	—	587.1	—	n/m	n/m
	1,168.6	1,834.0	1,320.5	(36.3)	38.9
Promotion and servicing:					
Distribution-related payments	367.1	302.7	286.7	21.3	5.6
Amortization of deferred sales commissions	40.3	37.7	47.4	6.9	(20.5)
Other	202.2	219.2	193.8	(7.8)	13.1
	609.6	559.6	527.9	8.9	6.0
General and administrative:					
General and administrative	508.4	533.6	516.2	(4.7)	3.4
Real estate charges	223.0	7.2	101.7	n/m	(92.9)
	731.4	540.8	617.9	35.2	(12.5)
Interest	3.4	2.6	2.1	34.7	22.5
Amortization of intangible assets	21.4	21.4	21.3	—	0.3
Total	$ 2,534.4	$ 2,958.4	$ 2,489.7	(14.3)	18.8

Employee Compensation and Benefits

We had 3,318 full-time employees as of December 31, 2012 compared to 3,764 as of year-end 2011 and 4,256 as of year-end 2010. Employee compensation and benefits consist of salaries (including severance), annual short-term incentive compensation awards (cash bonuses), annual long-term incentive compensation awards, commissions, fringe benefits and other employment costs (including recruitment, training, temporary help and meals).

As a result of the changes made to our long-term incentive compensation program in 2011 (discussed earlier in this Item 7), we recorded a one-time, non-cash charge of $587.1 million in the fourth quarter of 2011 for all unrecognized long-term incentive compensation on outstanding awards from prior years. In addition, we recorded 100% of the expense associated with our 2011 long-term incentive compensation awards of $159.9 million in the fourth quarter of 2011.

Compensation expense as a percentage of net revenues was 42.7%, 45.3% (excluding the one-time, non-cash charge) and 44.8% for the years ended December 31, 2012, 2011 and 2010, respectively. Compensation expense generally is determined on a discretionary basis and is primarily a function of our firm's financial performance. Amounts are awarded to help us achieve our key compensation goals of attracting, motivating and retaining top talent, by providing awards for the past year's performance and providing incentives for future performance, while also helping ensure that our firm's unitholders receive an appropriate return on their investment. Senior management, with the approval of the Compensation Committee of the Board ("Compensation Committee"), confirmed that the appropriate metric to consider in determining the amount of incentive compensation is the ratio of adjusted employee compensation and benefits expense to adjusted net revenues. Adjusted net revenues used in the adjusted compensation ratio are the same as the adjusted net revenues presented as a non-GAAP measure (discussed earlier in this Item 7), less revenues associated with acquisitions in 2010 and 2011 to implement strategic product initiatives (applicable to 2011 adjusted compensation ratio only). Adjusted employee compensation and benefits expense is total employee compensation and benefits expense minus other employment costs such as recruitment, training, temporary help and meals, and excludes the impact of mark-to-market vesting expense, as well as dividends and interest expenses, associated with employee long-term incentive compensation-related investments and total compensation and certain amortization of equity-based awards of personnel related to acquisitions in 2010 and 2011 to implement strategic product initiatives (applicable to 2011 adjusted compensation ratio only). Senior management, with the approval of the Compensation Committee, also established as an objective that adjusted employee compensation and benefits expense generally should not exceed 50% of our adjusted net revenues except in unexpected or unusual circumstances. Our ratios of adjusted compensation expense as a percentage of adjusted net revenues were 49.8%, 50.3% and 49.7%, respectively, for the years ended December 31, 2012, 2011 and 2010.

Table of Contents

During June 2012, Peter S. Kraus, the General Partner, AllianceBernstein and Holding entered into an agreement (the "Extended Employment Agreement") pursuant to which Mr. Kraus will continue to serve as Chairman of the Board of the General Partner and Chief Executive Officer of the General Partner, AllianceBernstein and Holding from January 3, 2014, the date following the end of the term of his existing employment agreement, until January 2, 2019 (the "Extended Employment Term"), unless the Extended Employment Agreement is terminated in accordance with its terms. In connection with the signing of the Extended Employment Agreement, Mr. Kraus was granted 2,722,052 restricted Holding Units, vesting ratably over the Extended Employment Term. Under U.S. GAAP, the compensation expense for the Holding Unit award under the Extended Employment Agreement of $33.1 million (based on the $12.17 grant date Holding Unit price) must be amortized on a straight-line basis over 6.5 years, beginning on the grant date. As a result, even though Mr. Kraus will not receive any incremental cash compensation or cash distributions related to the restricted Holding Unit award pursuant to the Extended Employment Agreement prior to its commencement date on January 3, 2014, we incurred $2.5 million incremental compensation expense resulting from such amortization during the second half of 2012 and will incur $5.1 million of such expense for the full year 2013.

In 2012, employee compensation and benefits expense decreased $665.4 million, or 36.3%, primarily due to the one-time compensation charge ($587.1 million) in 2011, the net impact of lower adjusted net revenues and a lower adjusted compensation ratio ($87.7 million) and compensation during 2011 of personnel related to acquisitions ($14.8 million), partially offset by higher long-term incentive compensation mark-to-market expense ($34.3 million). In 2011, employee compensation and benefit expense increased $513.5 million, or 38.9%, primarily due to the 2011 one-time compensation charge ($587.1 million) and compensation during 2011 of personnel related to acquisitions ($14.8 million), partially offset by the net impact of lower adjusted net revenues and a higher adjusted compensation ratio ($60.3 million) and lower long-term incentive compensation mark-to-market expense ($22.2 million).

Since 2009, all long-term incentive compensation awards to eligible employees, which typically vest ratably over four years, have been made in the form of restricted Holding Units or deferred cash (in 2010, deferred cash was an option available only to certain non-U.S. employees; this option was expanded to most employees in 2011 and 2012). Prior to 2009, employees receiving long-term incentive compensation awards allocated a portion of their awards to notional investments in company-sponsored investment products (primarily mutual funds). Increases in the value of the notional investments in company-sponsored investment products increase the company's compensation liability to employees, while decreases in the value of the investments decrease the company's liability. The company generally purchased an amount of these investments equivalent to the notional investments and held them in a consolidated rabbi trust to economically hedge its exposure to valuation changes on its future obligations. Mark-to-market gains or losses on these investments are recognized in investment gains and losses as they occur. However, prior to the changes made to the long-term incentive compensation program in 2011, the impact of cumulative mark-to-market gains or losses was recognized as increases or decreases in compensation expense ratably over the remaining vesting period. As a result, there was not a direct correlation between current period long-term incentive compensation-related investment gains or losses recognized in revenues and the amortization of cumulative mark-to-market investment gains or losses recognized in compensation expense. Although there can be significant volatility from period to period as the value of these investments change, if a participant remained employed by the company over the entire vesting period of the award, mark-to-market investment gains or losses recognized in revenues would, over that vesting period, equal mark-to-market investment gains or losses recognized in compensation expense. As a result of the 2011 changes, mark-to-market investment gains or losses recognized in compensation expense will closely approximate mark-to-market investment gains and losses recognized in net revenues.

The investment gains and losses on long-term incentive compensation-related investments recognized in net revenues as compared to the amortization of long-term incentive compensation awards notionally invested in company-sponsored investment products are as follows:

Years Ended December 31,

	2012	2011	2010
		(in millions)	
Investment gains (losses)	$ 16.7	$ (20.3)	$ 27.1
Amortization of awards notionally invested in company-sponsored investments products:			
Original award	—	105.0	119.7
Prior periods' mark-to-market	—	18.0	(12.0)
Current period mark-to-market	14.9	(19.4)	14.8
Total	14.9	103.6	122.5
Net operating income impact	$ 1.8	$ (123.9)	$ (95.4)

Table of Contents

Promotion and Servicing

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

Promotion and servicing expenses increased $50.0 million, or 8.9%, in 2012. The increase reflects higher distribution-related payments of $64.4 million, or 21.3%, higher amortization of deferred sales commissions of $2.6 million and higher marketing and advertising costs of $2.7 million, partially offset by lower travel and entertainment of $11.4 million, lower trade execution of $5.0 million and lower transfer fees of $4.5 million all due to the prior year's increased business activity and new product launches. Promotion and servicing expenses increased $31.7 million, or 6.0%, in 2011. The increase reflects higher distribution-related payments of $16.0 million, or 5.6%, higher travel and entertainment of $8.1 million, higher trade and execution and clearing costs of $8.1 million and higher transfer fees of $6.3 million, all attributable to increased business activity and new product launches. These increases were partially offset by a decrease in amortization of deferred sales commissions of $9.7 million. The increases in distribution-related payments in both 2012 and 2011 were generally in line with the 14.2% and 3.8% increases in distribution revenues, respectively, as well as higher broker-related distribution costs each year as compared to prior year costs.

General and Administrative

General and administrative expenses include technology, professional fees, occupancy, communications and similar expenses. General and administrative expenses as a percentage of net revenues were 26.7% (18.6% excluding real estate charges), 19.7% (19.4% excluding real estate charges) and 21.0% (17.5% excluding real estate charges) for the years ended December 31, 2012, 2011 and 2010, respectively. General and administrative expenses increased $190.6 million, or 35.2%, in 2012, primarily due to higher real estate charges of $215.8 million, higher portfolio services expenses of $18.6 million (primarily due to PPIP sub-advisor payments) and higher legal expenses of $15.6 million (primarily due to our receipt of insurance proceeds of $10.7 million in 2011), partially offset by lower office and related expenses of $32.8 million (excluding real estate charges), lower technology expenses of $13.7 million and a cash receipt of $6.5 million in 2012 relating to the finalization of a claims processing contingency originally recorded in 2006. General and administrative expenses decreased $77.1 million, or 12.5%, in 2011, primarily due to lower real estate charges of $94.5 million, partially offset by higher portfolio services expenses of $9.8 million (including market data services and sub-advisory fees).

Income Taxes

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

Income tax expense increased $10.6 million, or 344.3%, in 2012 compared to 2011. The increase was primarily due to higher operating income in 2012 (in large part due to the 2011 compensation charge offset by the 2012 real estate charges), partially offset by the UBT tax benefit recorded in the third quarter of 2012 ($5.7 million). In the third quarter of 2012, application of the New York City tax law that sources various types of receipts from services performed by registered brokers and dealers of securities and commodities for purposes of apportioning income resulted in a reduction of our rate of tax for 2012 and to the rate of tax that we expect to pay in the future. As a result, we recognized a $5.7 million tax benefit in the third quarter of 2012 relating to our full year 2011 and nine months 2012 UBT.

Income tax expense decreased $35.4 million, or 92.0%, in 2011 compared to 2010. Prior to the fourth quarter 2011 compensation charge of $587.1 million, our estimate of our full-year 2011 effective tax rate was 7.1%. As a result of the compensation charge, as well as the immediate recognition of the 2011 long-term incentive compensation awards, we had a fourth quarter 2011 effective tax rate of 3.8% (pre-tax loss of $540.2 million and income tax benefit of $20.3 million, that resulted in a full-year 2011 pre-tax loss of $208.5 million and income tax expense of $3.1 million). The compensation charge resulted in a one-time change to the historical mix of business between AllianceBernstein, which incurs a 4.0% UBT, and its corporate subsidiaries that incur corporate level income taxes. In addition, the recorded tax benefit associated with the future deliveries of vested Holding Units was based on the current market value in most jurisdictions, which was lower than the grant price of the awards included in the compensation charge. Both contributed to us incurring tax expense of $3.1 million rather than a benefit at the full-year estimated effective tax rate of 7.1%.

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

Net income (loss) of consolidated entities attributable to non-controlling interests consists of limited partner interests owned by other investors representing 90% of the total limited partner interests in our consolidated venture capital fund. It also included the 50% interest owned by AXA and its subsidiaries in our consolidated joint venture in Australia through March 31, 2011, when we purchased the remaining 50% interest in the Australian joint venture for $21.4 million. In 2012, we had a $0.3 million net loss of consolidated entities attributable to non-controlling interests, due primarily to a $1.2 million net investment gain attributable to our consolidated venture capital fund (of which 90% belongs to non-controlling interests) and management fees of $1.5 million. In 2011, we had a $36.8 million net loss of consolidated entities attributable to non-controlling interests, due primarily to a $39.8 million net investment loss attributable to our consolidated venture capital fund.

Table of Contents

Capital Resources and Liquidity

During 2012, net cash provided by operating activities was $684.0 million, compared to $578.2 million during 2011. The change was primarily due to lower net purchases of investments of $247.5 million, primarily related to broker-dealer investments and seed capital investments, and lower broker-dealer related net receivables and segregated U.S. Treasury Bills of $80.4 million, partially offset by lower cash provided by net income of $103.6 million and increases in fees receivable and deferred sales commissions. During 2011, net cash provided by operating activities was $578.2 million, compared with $830.1 million during 2010. The change was primarily due to an increase in seed investments and a decrease in accounts payable and accrued expenses.

During 2012, net cash used in investing activities was $18.3 million, compared to $76.7 million during 2011. The change was primarily due to the three acquisitions we made during 2011. In addition, our net additions to furniture, equipment and leasehold improvements decreased $19.3 million in 2012 as compared to 2011. During 2011, net cash used in investing activities was $76.7 million, compared to $33.5 million during 2010. During 2011, we made three acquisitions for $41.8 million compared to our 2010 acquisition for $14.3 million. In addition, our net additions to furniture, equipment and leasehold improvement also increased $14.8 million in 2011 as compared to 2010.

During 2012, net cash used in financing activities was $682.2 million, compared to $512.2 million during 2011. The increase reflects commercial paper net payments of $123.3 million in 2012 compared to $219.4 million of net issuances during 2011, offset by lower distributions to the General Partner and unitholders of $155.0 million as a result of lower earnings (distributions on earnings are paid one quarter in arrears) and changes in overdrafts payable of $38.4 million. During 2011, net cash used in financing activities was $512.2 million, compared to $760.6 million during 2010. The decrease reflects net issuance of commercial paper of $219.4 million in 2011 compared to net repayment of commercial paper of $24.2 million in 2010 and lower distributions to the General Partner and unitholders of $18.6 million as a result of lower earnings (distributions on earnings are paid one quarter in arrears), offset by changes in overdrafts payable of $53.9 million.

As of December 31, 2012, AllianceBernstein had $627.2 million of cash and cash equivalents, all of which is available for liquidity, but is comprised primarily of cash on deposit for our broker-dealers to comply with various customer clearing activities and cash held by foreign entities for which a permanent investment assertion for U.S. tax purposes is taken. If the cash held at our foreign subsidiaries of $305.4 million, which includes cash on deposit for our foreign broker-dealers, was to be repatriated to the U.S., we would be required to accrue and pay U.S. income taxes on these funds, based on the unremitted amount. Our intent is to permanently reinvest these earnings outside the U.S. We currently do not anticipate a liquidity need requiring a repatriation of these funds to the U.S.

Debt and Credit Facilities

As of December 31, 2012 and 2011, AllianceBernstein had $323.2 million and $444.9 million, respectively, in commercial paper outstanding with weighted average interest rates of approximately 0.5% and 0.2%, respectively. The commercial paper is short term in nature, and as such, recorded value is estimated to approximate fair value. Average daily borrowings of commercial paper during 2012 and 2011 were $404.9 million and $273.6 million, respectively, with weighted average interest rates of approximately 0.4% and 0.2%, respectively.

AllianceBernstein has a $1.0 billon committed, unsecured senior revolving credit facility (the “Credit Facility”) with a group of commercial banks and other lenders, which matures on January 17, 2017. The Credit Facility provides for possible increases in the principal amount by up to an aggregate incremental amount of $250 million, any such increase being subject to the consent of the affected lenders. The Credit Facility is available for AllianceBernstein’s and SCB LLC’s business purposes, including the support of AllianceBernstein’s $1.0 billion commercial paper program. Both AllianceBernstein and SCB LLC can draw directly under the Credit Facility and management expects to draw on the Credit Facility from time to time. AllianceBernstein has agreed to guarantee the obligations of SCB LLC under the Credit Facility.

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

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

Table of Contents

As of December 31, 2012 and 2011, we had no amounts outstanding under the Credit Facility. During 2012, we did not draw upon the Credit Facility. During 2011, $40.0 million was outstanding for one day in February (with an interest rate of 1.3%) resulting in average daily borrowings of $0.1 million under the Credit Facility.

In addition, SCB LLC has five uncommitted lines of credit with four financial institutions. Two of these lines of credit permit us to borrow up to an aggregate of approximately $200.0 million while three lines have no stated limit.

As of December 31, 2012 and 2011, we had no uncommitted bank loans outstanding. Average daily borrowings of uncommitted bank loans during 2012 and 2011 were $18.1 million and $6.4 million, respectively, with weighted average interest rates of approximately 1.3% for both years. In May 2012, AllianceBernstein was named an additional borrower under a $100.0 million SCB uncommitted line of credit. As of December 31, 2012, AllianceBernstein had no loans outstanding. During 2012, $5.0 million was outstanding for one day with an interest rate of 1.4%. In January 2013, AllianceBernstein was named an additional borrower on a second $100.0 million SCB uncommitted line of credit.

Our financial condition and access to public and private debt markets should provide adequate liquidity for our general business needs. Management believes that cash flow from operations and the issuance of debt and AllianceBernstein Units or Holding Units will provide us with the resources necessary to meet our financial obligations. See "Risk Factors" in Item 1A and "Cautions Regarding Forward-Looking Statements" in this Item 7 for a discussion of credit markets and our ability to renew our credit facilities at expiration.

Off-Balance Sheet Arrangements and Aggregate Contractual Obligations

We have no off-balance sheet arrangements other than the guarantees and contractual obligations that are discussed below.

Guarantees

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

AllianceBernstein maintains a guarantee in connection with the $1.0 billion Credit Facility. If SCB LLC is unable to meet its obligations, AllianceBernstein will pay the obligations when due or on demand. In addition, AllianceBernstein maintains guarantees totaling $400 million for three of SCB LLC's uncommitted lines of credit.

AllianceBernstein maintains a guarantee with a commercial bank, under which we guarantee the obligations in the ordinary course of business of SCBL. We also maintain three additional guarantees with other commercial banks, under which we guarantee approximately $430 million of obligations for SCBL. In the event SCBL is unable to meet its obligations, AllianceBernstein will pay the obligations when due or on demand.

We also have three smaller guarantees with a commercial bank totaling approximately $3 million, under which we guarantee certain obligations in the ordinary course of business of two foreign subsidiaries.

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

Aggregate Contractual Obligations

The following table summarizes our contractual obligations as of December 31, 2012:

	Payments Due by Period				
	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
			(in millions)		
Commercial paper	$ 323.2	$ 323.2	$ —	$ —	$ —
Operating leases, net of sublease commitments	1,511.1	117.1	223.4	223.3	947.3
Funding commitments	28.7	5.4	23.3	—	—
Accrued compensation and benefits	449.0	207.4	181.5	31.2	28.9
Unrecognized tax benefits	3.7	0.8	1.9	1.0	—
Total	$ 2,315.7	$ 653.9	$ 430.1	$ 255.5	$ 976.2

Table of Contents

During 2009, we entered into a subscription agreement under which we committed to invest up to $35 million, as amended in 2011, in a venture capital fund over a six-year period. As of December 31, 2012, we have funded $22.8 million of this commitment.

During 2010, as general partner of the AllianceBernstein U.S. Real Estate L.P. Fund, we committed to invest $25 million in the Real Estate Fund. As of December 31, 2012, we had funded $8.7 million of this commitment.

During 2012, we entered into an investment agreement under which we committed to invest up to $8 million in an oil and gas fund over a three-year period. As of December 31, 2012, we had funded $7.8 million of this commitment.

Accrued compensation and benefits amounts in the table above exclude our accrued pension obligation. Offsetting our accrued compensation obligations are long-term incentive compensation-related investments and money market investments we funded totaling $132.9 million, which are included in our consolidated statement of financial condition. Any amounts reflected on the consolidated statement of financial condition as payables (to broker-dealers, brokerage clients and company-sponsored mutual funds) and accounts payable and accrued expenses are excluded from the table above.

We expect to make contributions to our qualified profit sharing plan of approximately $14 million in each of the next four years. We currently estimate that we will contribute $4.0 million to the Retirement Plan during 2013.

Contingencies

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

Critical Accounting Estimates

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

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

Variable Interest Entities

In accordance with ASU 2009-17, Consolidations (Topic 810) – Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities, the determination of whether a company is required to consolidate an entity is based on, among other things, an entity's purpose and design, a company's ability to direct the activities of the entity that most significantly impact the entity's economic performance, and whether a company is obligated to absorb losses or receive benefits that could potentially be significant to the entity. The standard also requires ongoing assessments of whether a company is the primary beneficiary of a variable interest entity ("VIE").

Significant judgment is required in the determination of whether we are the primary beneficiary of a VIE. If we, together with our related party relationships, are determined to be the primary beneficiary of a VIE, the entity will be consolidated within our consolidated financial statements. In order to determine whether we are the primary beneficiary of a VIE, management must make significant estimates and assumptions of probable future cash flows and assign probabilities to different cash flow scenarios. Assumptions made in such analyses include, but are not limited to, market prices of securities, market interest rates, potential credit defaults on individual securities or default rates on a portfolio of securities, gain realization, liquidity or marketability of certain securities, discount rates and the probability of certain other outcomes.

Goodwill

As of December 31, 2012, goodwill of $3.0 billion on the consolidated statement of financial condition included $2.8 billion as a result of the Bernstein Transaction and $154 million in regard to various smaller acquisitions. We have determined that AllianceBernstein has only one reporting segment and reporting unit.

We test our goodwill annually, as of September 30, for impairment. As of September 30, 2012, the impairment test indicated that goodwill was not impaired. The carrying value of goodwill is also reviewed if facts and circumstances occur that suggest possible impairment, such as significant declines in AUM, revenues, earnings or the price of a Holding Unit.

The impairment test is a two-step process. The first step of the goodwill impairment test is used to identify potential impairment by comparing the fair value of AllianceBernstein, the reporting unit, with its carrying value, including goodwill. If the fair value of the reporting unit exceeds its carrying value, goodwill is considered not impaired and the second step of the impairment test is not performed. However, if the carrying value of the reporting unit exceeds its fair value, the second step of the goodwill impairment test is performed to measure the amount of impairment loss, if any. The second step compares the implied fair value of the reporting unit to the aggregated fair values of its individual assets and liabilities to determine the amount of impairment, if any.

Table of Contents

As of September 30, 2012, AllianceBernstein estimated its fair value under both the market approach and income approach. The types of assumptions and methodologies used under both approaches were consistent with those used in impairment tests performed in prior periods. Under the market approach, the fair value of the reporting unit was based on its unadjusted market valuation (AllianceBernstein Units outstanding multiplied by the price of a Holding Unit) and adjusted market valuations assuming a control premium and earnings multiples. The price of a publicly-traded AllianceBernstein Holding Unit serves as a reasonable starting point for valuing an AllianceBernstein Unit because each represents the same fractional interest in our underlying business. On an unadjusted basis, AllianceBernstein's fair value per unit as of September 30, 2012 was $15.41 (the price of a Holding Unit as of that date) as compared to its carrying value, or book value, of $14.09 per unit. Also under the market approach, we typically assume a control premium of 10% - 20% for the reporting unit, which was determined based on an analysis of control premiums for relevant recent acquisitions, as well as comparable industry earnings multiples applied to our current earnings forecast. A control premium was not needed in the analysis for fair value to exceed carrying value. Under the income approach, the fair value of the reporting unit was based on the present value of estimated future cash flows. Determining estimated fair value using a discounted cash flow valuation technique consists of applying business growth rate assumptions over the estimated life of the goodwill asset and then discounting the resulting expected cash flows using an estimated weighted average cost of capital of market participants to arrive at a present value amount that approximates fair value. In our tests, our discounted expected cash flow model uses management's current five-year business plan, which factored in current market conditions and all material events that had impacted, or that we believed at the time could potentially impact, future expected cash flows and a declining annual growth rate thereafter for three years before using a terminal value growth rate. We ran multiple discounted cash flow analyses under several scenarios. We used a weighted average cost of equity ranging from 7% to 10% as the discount rate. We used a cost of equity rate, as opposed to a cost of capital, due to using net income in our expected cash flow model (as a result of generally distributing 100% of our earnings). The cost of debt is already factored into the net income projections. We used terminal value growth rates ranging from 2% to 4% and we used our business plan growth rates as a base case and at stressed levels approximately 50% lower, as a result of current economic uncertainty and market dynamics.

Management considered the results of the market approach and income approach analysis performed along with a number of other factors (including current market conditions) and has determined that AllianceBernstein's fair value exceeded its carrying value as of September 30, 2012 by approximately 9% using the market approach (excluding any control premium), and by more than 50% using the income approach (using the most stressed scenarios). As such, no goodwill impairment existed and the second step of the goodwill impairment test was not required.

As a result of increased economic uncertainty and current market dynamics, determining whether an impairment of the goodwill asset exists requires management to exercise significant judgment. In addition, to the extent that securities valuations are depressed for prolonged periods of time and market conditions worsen, or if we experience significant net redemptions, our AUM, revenues, profitability and unit price may be adversely affected. Although the price of a Holding Unit is just one factor in the calculation of fair value, if current Holding Unit price levels decline significantly, reaching the conclusion that fair value exceeds carrying value will, over time, become more difficult. In addition, control premiums, industry earnings multiples and discount rates are impacted by economic conditions. As a result, subsequent impairment tests may occur more frequently and be based on more negative assumptions and future cash flow projections, and may result in an impairment of goodwill. Any impairment could reduce materially the recorded amount of this asset, with a corresponding charge to our earnings.

Real Estate Charges

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

Retirement Plan

We maintain a qualified, noncontributory, defined benefit retirement plan covering current and former employees who were employed by the company in the United States prior to October 2, 2000. Service and compensation after December 31, 2008 are not taken into account in determining participants' retirement benefits. The amounts recognized in the consolidated financial statements related to the retirement plan are determined from actuarial valuations. Inherent in these valuations are assumptions, including expected return on plan assets, discount rates at which liabilities could be settled, rates of annual salary increases and mortality rates. The assumptions are reviewed annually and may be updated to reflect the current environment. Key assumptions are described in Note 16 to AllianceBernstein's consolidated financial statements in Item 8. In accordance with U.S. generally accepted accounting principles, actual results that differ from those assumed are accumulated and amortized over future periods and, therefore, affect expense recognized and liabilities recorded in future periods.

Table of Contents

In developing the expected long-term rate of return on plan assets of 8.0%, we considered the historical returns and future expectations for returns for each asset category, as well as the target asset allocation of the portfolio. The expected long-term rate of return on assets is based on weighted average expected returns for each asset class. We assumed a target allocation weighting of 50% to 70% for equity securities, 20% to 40% for debt securities, and 0% to 10% for real estate investment trusts. Exposure of the total portfolio to cash equivalents on average should not exceed 5% of the portfolio's value on a market value basis. The plan seeks to provide a rate of return that exceeds applicable benchmarks over rolling five-year periods. The benchmark for the plan's large cap domestic equity investment strategy is the S&P 500 Index; the small cap domestic equity investment strategy is measured against the Russell 2000 Index; the international equity investment strategy is measured against the MSCI EAFE Index; and the fixed income investment strategy is measured against the Barclays Aggregate Bond Index. The actual rates of return on plan assets were 12.5%, (9.3)% and 9.8% in 2012, 2011 and 2010, respectively. A 25 basis point adjustment, up or down, in the expected long-term rate of return on plan assets would have decreased or increased the 2012 net pension expense of $0.4 million by approximately $0.2 million.

The objective of our discount rate assumption was to reflect the rate at which our pension obligations could be effectively settled. In making this determination, we considered the timing and amount of benefits that would be payable under the plan's lump sum option. Our methodology for selecting the discount rate as of December 31, 2012 and 2011 was to construct a hypothetical bond portfolio whose cash flow from coupons and maturities match the year-by-year, projected benefit cash flow from the plan. The selection of the 4.4% and 5.1% discount rate as of December 31, 2012 and 2011, respectively, represents the Mercer Human Resources ("Mercer") Bond Model (to the nearest five basis points). The discount rate as of December 31, 2011 was used in developing the 2012 net pension charge. A lower discount rate increases pension expense and the present value of benefit obligations. A 25 basis point adjustment, up or down, in the discount rate (along with a corresponding adjustment in the assumed lump sum interest rate) would have decreased or increased the 2012 net pension expense of $0.4 million by approximately $0.1 million.

Loss Contingencies

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

Accounting Pronouncements

See Note 24 to AllianceBernstein's consolidated financial statements in Item 8.

Cautions Regarding Forward-Looking Statements

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

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

- Our belief that the cash flow Holding realizes from its investment in AllianceBernstein will provide Holding with the resources necessary to meet its financial obligations: Holding’s cash flow is dependent on the quarterly cash distributions it receives from AllianceBernstein. Accordingly, Holding’s ability to meet its financial obligations is dependent on AllianceBernstein’s cash flow from its operations, which is subject to the performance of the capital markets and other factors beyond our control.

- Our financial condition and ability to issue public and private debt providing adequate liquidity for our general business needs: Our financial condition is dependent on our cash flow from operations, which is subject to the performance of the capital markets, our ability to maintain and grow client assets under management and other factors beyond our control. Our ability to issue public and private debt on reasonable terms, as well as the market for such debt or equity, may be limited by adverse market conditions, our firm’s long-term credit ratings, our profitability and changes in government regulations, including tax rates and interest rates.

Table of Contents

- The possible impairment of goodwill in the future: As a result of increased economic uncertainty and current market dynamics, determining whether an impairment of the goodwill asset exists requires management to exercise significant judgment. In addition, to the extent that securities valuations are depressed for prolonged periods of time and market conditions worsen, or if we experience significant net redemptions, our AUM, revenues, profitability and unit price may be adversely affected. Although the price of a Holding Unit is just one factor in the calculation of fair value, if current Holding Unit price levels decline significantly, reaching the conclusion that fair value exceeds carrying value will, over time, become more difficult. As a result, subsequent impairment tests may occur more frequently and be based on more negative assumptions and future cash flow projections, and may result in an impairment of goodwill. Any impairment could reduce materially the recorded amount of this asset, with a corresponding charge to our earnings.

- The outcome of litigation: Litigation is inherently unpredictable, and excessive damage awards do occur. Though we have stated that we do not expect certain legal proceedings to have a material adverse effect on our results of operations or financial condition, any settlement or judgment with respect to a legal proceeding could be significant, and could have such an effect.

- Our anticipation that the proposed 12b-1 fee-related rule changes will not have a material effect on us: We cannot predict the impact of this rule change, which is dependent upon the final rules adopted by the SEC, any phase-in or grandfathering period, and any other changes made with respect to share class distribution arrangements.

- 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 the fluctuation in the price of a Holding Unit (NYSE: AB).

- Our determination that adjusted employee compensation expense should not exceed 50% of our adjusted net revenues: Aggregate employee compensation reflects employee performance and competitive compensation levels. Fluctuations in our revenues and/or changes in competitive compensation levels could result in adjusted employee compensation expense being higher than 50% of our adjusted net revenues.

- 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.

- Our belief that our global space consolidation plan will be effective in meaningfully improving our cost structure and helping position our firm for a stronger future: Any charges we record and our estimates of reduced occupancy expenses in future years are based on our current assumptions regarding sublease marketing periods, costs to prepare the properties to market, market rental rates, broker commissions and subtenant allowances/incentives, all of which are factors largely beyond our control. If our assumptions prove to be incorrect, we may be forced to record an additional charge and/or our estimated occupancy cost reduction may be less than we currently project.

Table of Contents

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Holding

Market Risk, Risk Management and Derivative Financial Instruments

Holding's sole investment is AllianceBernstein Units. Holding did not own, nor was it a party to, any derivative financial instruments during the years ended December 31, 2012, 2011 and 2010.

AllianceBernstein

Market Risk, Risk Management and Derivative Financial Instruments

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

We enter into various futures, forwards and swaps to economically hedge our seed capital investments. In addition, we have currency forwards that economically hedge certain cash accounts. We do not hold any derivatives designated in a formal hedge relationship under ASC 815-10, Derivatives and Hedging. See Note 8 to AllianceBernstein's consolidated financial statements in Item 8.

Trading and Non-Trading Market Risk Sensitive Instruments

Investments with Interest Rate Risk—Fair Value

The table below provides our potential exposure with respect to our fixed income investments, measured in terms of fair value, to an immediate 100 basis point increase in interest rates at all maturities from the levels prevailing as of December 31, 2012 and 2011. Such a fluctuation in interest rates is a hypothetical rate scenario used to calibrate potential risk and does not represent our view of future market changes. While these fair value measurements provide a representation of interest rate sensitivity of our investments in fixed income mutual funds and fixed income hedge funds, they are based on our exposures at a particular point in time and may not be representative of future market results. These exposures will change as a result of ongoing changes in investments in response to our assessment of changing market conditions and available investment opportunities:

	As of December 31,			
	2012		2011	
	Fair Value	Effect of +100 Basis Point Change	Fair Value	Effect of +100 Basis Point Change
	(in thousands)			
Fixed Income Investments:				
Trading	$ 206,998	$ (10,412)	$ 171,691	$ (8,464)

Available-for-sale and other investments	6,296	(317)	6,983	(344)

Table of Contents

Investments with Equity Price Risk—Fair Value

Our investments also include investments in equity securities, mutual funds and hedge funds. The following table provides our potential exposure with respect to our equity investments, measured in terms of fair value, to an immediate 10% drop in equity prices from those prevailing as of December 31, 2012 and 2011. A 10% decrease in equity prices is a hypothetical scenario used to calibrate potential risk and does not represent our view of future market changes. While these fair value measurements provide a representation of equity price sensitivity of our investments in equity securities, mutual funds and hedge funds, they are based on our exposures at a particular point in time and may not be representative of future market results. These exposures will change as a result of ongoing portfolio activities in response to our assessment of changing market conditions and available investment opportunities:

	As of December 31,			
	2012		2011	
	Fair Value	Effect of -10% Equity Price Change	Fair Value	Effect of -10% Equity Price Change
	(in thousands)			
Equity Investments:				
Trading	$ 268,541	$ (26,854)	$ 339,308	$ (33,931)
Available-for-sale and other investments	250,666	(25,067)	277,312	(27,731)

Table of Contents

Item 8.Financial Statements and Supplementary Data

Report of Independent Registered Public Accounting Firm

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

In our opinion, the accompanying statements of financial condition and the related statements of income, comprehensive income, changes in partners' capital and cash flows present fairly, in all material respects, the financial position of AllianceBernstein Holding L.P. ("AllianceBernstein Holding") at December 31, 2012 and 2011, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2012 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, AllianceBernstein Holding maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). AllianceBernstein Holding's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements and on AllianceBernstein Holding's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

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

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

/s/ PricewaterhouseCoopers LLP
New York, New York

February 12, 2013

62

Table of Contents

AllianceBernstein Holding L.P.

Statements of Financial Condition

	December 31, 2012	December 31, 2011
	(in thousands, except unit amounts)	
ASSETS		
Investment in AllianceBernstein	$ 1,560,536	$ 1,627,912
Other assets	5,957	1,072
Total assets	$ 1,566,493	$ 1,628,984
LIABILITIES AND PARTNERS' CAPITAL		
Liabilities:		
Due to AllianceBernstein	$ 6,053	$ 2,453
Other liabilities	358	358
Total liabilities	6,411	2,811
Commitments and contingencies (See Note 7)		
Partners' capital:		
General Partner: 100,000 general partnership units issued and outstanding	1,369	1,416
Limited partners: 105,073,342 limited partnership units issued and outstanding	1,723,172	1,760,388
Holding Units held by AllianceBernstein to fund long-term incentive compensation plans	(146,258)	(121,186)
Accumulated other comprehensive income (loss)	(18,201)	(14,445)
Total partners' capital	1,560,082	1,626,173
Total liabilities and partners' capital	$ 1,566,493	$ 1,628,984

See Accompanying Notes to Financial Statements.

Table of Contents

AllianceBernstein Holding L.P.

Statements of Income

	Years Ended December 31, 2012	2011	2010
	(in thousands, except per unit amounts)		
Equity in net income (loss) attributable to AllianceBernstein Unitholders	$ 70,807	$ (65,581)	$ 162,217
Income taxes	19,722	27,687	28,059
Net income (loss)	$ 51,085	$ (93,268)	$ 134,158
Net income (loss) per unit:			
Basic	$ 0.51	$ (0.90)	$ 1.33
Diluted	$ 0.51	$ (0.90)	$ 1.32

See Accompanying Notes to Financial Statements.

Table of Contents

AllianceBernstein Holding L.P.

Statements of Comprehensive Income

	Years Ended December 31, 2012	2011	2010
	(in thousands)		
Net income (loss)	$ 51,085	$ (93,268)	$ 134,158
Other comprehensive income (loss):			
Foreign currency translation adjustments	(453)	3,510	96
Income tax benefit (expense)	296	(531)	(243)
Foreign currency translation adjustments, net of tax	(157)	2,979	(147)
Unrealized gains on investments:			
Unrealized gains arising during period	516	73	257
Less: reclassification adjustments for gains (losses) included in net income	17	(13)	19
Changes in unrealized gains on investments	499	86	238
Income tax (expense) benefit	(242)	62	(99)
Unrealized gains on investments, net of tax	257	148	139
Changes in employee benefit related items:			
Amortization of transition asset	(54)	(53)	(49)
Amortization of prior service cost	40	40	(316)
Recognized actuarial loss (gain)	(3,792)	(5,791)	(3,585)
Changes in employee benefit related items	(3,806)	(5,804)	(3,950)
Income tax (expense) benefit	(50)	128	46
Employee benefit related items, net of tax	(3,856)	(5,676)	(3,904)
Other comprehensive income (loss)	(3,756)	(2,549)	(3,912)
Comprehensive income (loss)	$ 47,329	$ (95,817)	$ 130,246

See Accompanying Notes to Financial Statements.

Table of Contents

AllianceBernstein Holding L.P.

Statements of Changes in Partners' Capital

	Years Ended December 31, 2012	2011	2010
	(in thousands)		
General Partner's Capital			
Balance, beginning of year	$ 1,416	$ 1,648	$ 1,668
Net income (loss)	49	(88)	131
Cash distributions to unitholders	(96)	(144)	(151)
Balance, end of year	1,369	1,416	1,648
Limited Partners' Capital			
Balance, beginning of year	1,760,388	1,997,642	1,927,991
Net income (loss)	51,036	(93,180)	134,027
Cash distributions to unitholders	(88,252)	(145,552)	(151,208)
Issuance of Holding Units to fund long-term incentive compensation plan awards	—	—	78,545
Proceeds from exercise of compensatory options to buy Holding Units	—	1,478	8,287
Balance, end of year	1,723,172	1,760,388	1,997,642
Holding Units held by AllianceBernstein to fund long-term incentive compensation plans			
Balance, beginning of year	(121,186)	(200,284)	(123,783)
Holding Units held by AllianceBernstein to fund long-term incentive compensation plans	(25,072)	79,098	(76,501)
Balance, end of year	(146,258)	(121,186)	(200,284)
Accumulated Other Comprehensive Income (Loss)			
Balance, beginning of year	(14,445)	(11,896)	(7,984)
Unrealized gain (loss) on investments, net of tax	256	149	139
Foreign currency translation adjustment, net of tax	(157)	2,979	(147)
Changes in employee benefit related items, net of tax	(3,855)	(5,677)	(3,904)
Balance, end of year	(18,201)	(14,445)	(11,896)
Total Partners' Capital	$ 1,560,082	$ 1,626,173	$ 1,787,110

See Accompanying Notes to Financial Statements.

Table of Contents

AllianceBernstein Holding L.P.

Statements of Cash Flows

	Years Ended December 31, 2012	2011	2010
	(in thousands)		
Cash flows from operating activities:			
Net income (loss)	$ 51,085	$ (93,268)	$ 134,158
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Equity in net (income) loss attributable to AllianceBernstein Unitholders	(70,807)	65,581	(162,217)
Cash distributions received from AllianceBernstein	120,950	178,757	182,410
Changes in assets and liabilities:			
(Increase) decrease in other assets	(4,885)	(1,072)	10
Increase (decrease) in due to AllianceBernstein	3,600	1,525	(556)
(Decrease) in other liabilities	—	(100)	(241)
Net cash provided by operating activities	99,943	151,423	153,564
Cash flows from investing activities:			
Investments in AllianceBernstein from cash distributions paid to AllianceBernstein consolidated rabbi trust	(11,595)	(5,727)	(2,205)
Investments in AllianceBernstein with proceeds from exercises of compensatory options to buy Holding Units	—	(1,478)	(8,287)
Net cash used in investing activities	(11,595)	(7,205)	(10,492)
Cash flows from financing activities:			
Cash distributions to unitholders	(88,348)	(145,696)	(151,359)
Proceeds from exercise of compensatory options to buy Holding Units	—	1,478	8,287
Net cash used in financing activities	(88,348)	(144,218)	(143,072)
Change in cash and cash equivalents	—	—	—
Cash and cash equivalents as of beginning of the year	—	—	—
Cash and cash equivalents as of end of the year	$ —	$ —	$ —
Cash paid:			
Income taxes	$ 24,606	$ 28,854	$ 28,305
Non-cash investing activities:			
Issuance of Holding Units to fund long-term incentive compensation plan awards	—	—	78,545

See Accompanying Notes to Financial Statements.

Table of Contents

AllianceBernstein Holding L.P.

Notes to Financial Statements

The words "we" and "our" refer collectively to AllianceBernstein Holding L.P. ("Holding") and AllianceBernstein L.P. and its subsidiaries ("AllianceBernstein"), or to their officers and employees. Similarly, the word "company" refers to both Holding and AllianceBernstein. Where the context requires distinguishing between Holding and AllianceBernstein, we identify which company is being discussed. Cross-references are in italics.

1. Business Description and Organization

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

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

- Institutional Services—servicing its institutional clients, including unaffiliated corporate and public employee pension funds, endowment funds, domestic and foreign institutions and governments, and affiliates such as AXA and certain of its insurance company subsidiaries, by means of separately-managed accounts, sub-advisory relationships, structured products, collective investment trusts, mutual funds, hedge funds and other investment vehicles.

- Retail Services—servicing its retail clients, primarily by means of retail mutual funds sponsored by AllianceBernstein or an affiliated company, sub-advisory relationships with mutual funds sponsored by third parties, separately-managed account programs sponsored by financial intermediaries worldwide and other investment vehicles.

- Private Client Services—servicing its private clients, including high-net-worth individuals, trusts and estates, charitable foundations, partnerships, private and family corporations, and other entities, by means of separately-managed accounts, hedge funds, mutual funds and other investment vehicles.

- Bernstein Research Services—servicing institutional investors seeking high-quality research, portfolio strategy advice and brokerage-related services.

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

AllianceBernstein's high-quality, in-depth research is the foundation of its business. AllianceBernstein's research disciplines include fundamental, quantitative and economic research and currency forecasting. In addition, AllianceBernstein has created several specialized research initiatives, including research examining global strategic developments that can affect multiple industries and geographies.

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

- Value equities, generally targeting stocks that are out of favor and considered undervalued;
- Growth equities, generally targeting stocks with under-appreciated growth potential;
- Fixed income securities, including taxable and tax-exempt securities;

- Blend strategies, combining style-pure investment components with systematic rebalancing;
- Passive management, including index and enhanced index strategies;
- Alternative investments, including hedge funds, fund of funds, currency management strategies and private equity (e.g., direct real estate investing); and
- Asset allocation services, including dynamic asset allocation, customized target date funds, target risk funds and other strategies tailored to help clients meet their investment goals.

AllianceBernstein provides these services using various investment disciplines, including market capitalization (e.g., large-, mid- and small-cap equities), term (e.g., long-, intermediate- and short-duration debt securities), and geography (e.g., U.S., international, global and emerging markets), as well as local and regional disciplines in major markets around the world.

Table of Contents

As of December 31, 2012, AXA, société anonyme organized under the laws of France and the holding company for an international group of insurance and related financial services companies, through certain of its subsidiaries ("AXA and its subsidiaries") owned approximately 1.4% of the issued and outstanding units representing assignments of beneficial ownership of limited partnership interests in Holding ("Holding Units").

As of December 31, 2012, the ownership structure of AllianceBernstein, expressed as a percentage of general and limited partnership interests, was as follows:

AXA and its subsidiaries	61.0%
Holding	37.5
Unaffiliated holders	1.5
	100.0%

AllianceBernstein Corporation (an indirect wholly-owned subsidiary of AXA, "General Partner") is the general partner of both Holding and AllianceBernstein. AllianceBernstein Corporation owns 100,000 general partnership units in Holding and a 1% general partnership interest in AllianceBernstein. Including both the general partnership and limited partnership interests in Holding and AllianceBernstein, AXA and its subsidiaries had an approximate 65.5% economic interest in AllianceBernstein as of December 31, 2012.

2. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of the financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Holding's financial statements and notes should be read in conjunction with the consolidated financial statements and notes of AllianceBernstein. AllianceBernstein's consolidated financial statements and notes are included in Holding's Form 10-K.

Investment in AllianceBernstein

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

Revision

During 2012, we identified an error in the classification of our cash distributions to AllianceBernstein on unallocated Holding Units held in its consolidated rabbi trust. As such, we revised the classification of prior period amounts recorded for our cash distributions to AllianceBernstein on unallocated Holding Units held in its consolidated rabbi trust from due from AllianceBernstein to investments in AllianceBernstein in the statements of financial condition. In addition, changes in due from AllianceBernstein included in cash flows from operating activities in prior periods are now presented as additional investments in AllianceBernstein included in cash flows from investing activities. As of December 31, 2011, the cumulative impact of the revision on the investments in AllianceBernstein in the statement of financial condition was $7.9 million. The impact of the revision for 2011 and 2010 in the statements of cash flows was $5.7 million and $2.2 million, respectively. Management concluded that the error did not, individually or in the aggregate, result in a material misstatement of Holding's financial statements for any prior period.

Cash Distributions

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

On February 12, 2013, the General Partner declared a distribution of $42.1 million, or $0.40 per unit, representing Available Cash Flow for the three months ended December 31, 2012. Each general partnership unit in Holding is entitled to receive distributions equal to those received by each Holding Unit. The distribution is payable on March 14, 2013 to holders of record at the close of business on February 22, 2013. This distribution excludes the impact of AllianceBernstein's non-cash real estate charge of $38.9 million recorded in the fourth quarter of 2012.

Table of Contents

Total cash distributions per Unit paid to unitholders during 2012, 2011 and 2010 were $0.95, $1.44 and $1.51, respectively.

Long-term Incentive Compensation Plans

AllianceBernstein maintains several unfunded, non-qualified long-term incentive compensation plans under which awards of restricted Holding Units and options to buy Holding Units are granted to employees of AllianceBernstein and eligible members of the Board of Directors ("Eligible Directors").

During the fourth quarter of 2011, AllianceBernstein implemented changes to its employee long-term incentive compensation award program to ensure that its compensation practices are competitive, and to better align the costs of employee compensation and benefits with the company's current year financial performance and provide employees with a higher degree of certainty that they will receive the incentive compensation they are awarded. Specifically, AllianceBernstein amended all outstanding year-end long-term incentive compensation awards of active employees, so that employees who terminate their employment or are terminated without cause may retain their award, subject to compliance with certain agreements and restrictive covenants set forth in the applicable award agreement, including restrictions on competition and employee and client solicitation, and a claw-back for failing to follow existing risk management policies. Most equity replacement, sign-on or similar deferred compensation awards included in separate employment agreements or arrangements were not amended in 2011 to reflect these changes.

AllianceBernstein recognizes compensation expense related to equity compensation grants in the financial statements using the fair value method. Fair value of restricted Holding Unit awards is the closing price of a Holding Unit on the grant date; fair value of options is determined using the Black-Scholes option valuation model. Under the fair value method, compensatory expense is measured at the grant date based on the estimated fair value of the award and is recognized over the required service period. Prior to the changes made to the employee long-term incentive compensation award program in the fourth quarter of 2011, an employee's service requirement was typically the same as the delivery dates. These changes eliminated employee service requirements, but did not modify delivery dates contained in the original award agreements.

As a result of these changes, AllianceBernstein recorded a one-time, non-cash charge of $587.1 million in the fourth quarter of 2011 for all unrecognized long-term incentive compensation on the amended outstanding awards from prior years. In addition, upon approval and communication of the dollar value of the 2011 awards in December 2011, AllianceBernstein recorded 100% of the expense associated with its 2011 long-term incentive compensation awards of $159.9 million. In January 2012, 8.7 million restricted Holding Units held in the consolidated rabbi trust were awarded for the 2011 awards and AllianceBernstein reclassified $130.3 million of the liability to partners' capital as equity-based awards.

Awards granted in 2012 and 2011 contained the provisions described above and we expect to include these provisions in long-term incentive compensation awards in future years. Accordingly, AllianceBernstein's annual incentive compensation expense will reflect 100% of the expense associated with the long-term incentive compensation awarded in each year. This approach to expense recognition will more closely match the economic cost of awarding long-term incentive compensation to the period in which the related service is performed.

Grants of restricted Holding Units and options to buy Holding Units are typically awarded to Eligible Directors during the second quarter. Restricted Holding Units vest on the third anniversary of the grant date and the options become exercisable ratably over three years. These restricted Holding Units and options are not forfeitable (except if the Eligible Director is terminated for "Cause", as that term is defined in the applicable award agreement). Due to there being no service requirement, AllianceBernstein fully expenses these awards on each grant date.

AllianceBernstein funds its restricted Holding Unit awards either by purchasing Holding Units on the open market or purchasing newly-issued Holding Units from Holding, all of which are held in a consolidated rabbi trust until they are distributed to employees upon vesting. In accordance with the AllianceBernstein Partnership Agreement, when AllianceBernstein purchases newly-issued Holding Units from Holding, Holding is required to use the proceeds it receives from AllianceBernstein to purchase the equivalent number of newly-issued AllianceBernstein Units, thus increasing its percentage ownership interest in AllianceBernstein. Holding Units held in the consolidated rabbi trust are corporate assets in the name of the trust and are available to the general creditors of AllianceBernstein.

During 2012 and 2011, AllianceBernstein purchased 15.7 million and 13.5 million Holding Units for $238.0 million and $220.8 million, respectively. These amounts reflect open-market purchases of 12.3 million and 11.1 million Holding Units for $182.3 million and $192.1 million, respectively, with the remainder relating to purchases of Holding Units from employees to allow them to fulfill statutory tax withholding requirements at the time of distribution of long-term incentive compensation awards, offset by Holding Units purchased by employees as part of a distribution reinvestment election.

Table of Contents

Since the third quarter of 2011, AllianceBernstein has implemented plans each quarter to repurchase Holding Units pursuant to Rule 10b5-1 under the Securities Exchange Act of 1934, as amended ("Exchange Act"). A Rule 10b5-1 plan allows a company to repurchase its shares at times when it otherwise might be prevented from doing so because of self-imposed trading blackout periods and because it possesses material non-public information. Each broker selected by AllianceBernstein has the authority under the terms and limitations specified in the plan to repurchase Holding Units on AllianceBernstein's behalf in accordance with the terms of the plan. Repurchases are subject to SEC regulations as well as certain price, market volume and timing constraints specified in the plan. The plan adopted during the fourth quarter of 2012 does not specify an aggregate limitation and expires at the close of business on February 11, 2013. AllianceBernstein intends to adopt additional Rule 10b5-1 plans so that the firm can continue to engage in open-market purchases of Holding Units to help fund anticipated obligations under its incentive compensation award program and for other corporate purposes.

AllianceBernstein granted to employees and Eligible Directors 12.1 million restricted Holding Unit awards (including 2.7 million granted in June 2012 to Peter Kraus, our Chief Executive Officer, in connection with his extended employment agreement and 8.7 million granted in January 2012 for 2011 year-end awards) and 1.7 million restricted Holding Unit awards during 2012 and 2011, respectively. To fund these awards, AllianceBernstein allocated previously repurchased Holding Units that had been held in AllianceBernstein's consolidated rabbi trust. The 2012 and 2011 long-term incentive compensation awards allowed most employees to allocate their awards between restricted Holding Units and deferred cash. As a result, 6.5 million restricted Holding Unit awards for the December 2012 awards and 8.7 million restricted Holding Unit awards for the December 2011 awards were awarded and allocated as such within the consolidated rabbi trust in January 2013 and 2012, respectively. There were approximately 17.9 million and 12.0 million unallocated Holding Units remaining in AllianceBernstein's consolidated rabbi trust as of December 31, 2012 and January 31, 2013, respectively. The balance as of January 31, 2013 also reflects repurchases and other activity during January 2013.

New Holding Units also may be issued upon exercise of options. Proceeds received by Holding upon exercise of options are used to acquire newly-issued AllianceBernstein Units, increasing Holding's percentage ownership interest in AllianceBernstein. As of December 31, 2012, there were 8,553,345 options to buy Holding Units outstanding, of which 4,237,915 were exercisable.

3. Net Income (Loss) Per Unit

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

	Years Ended December 31,		
	2012	2011	2010
	(in thousands, except per unit amounts)		
Net income (loss) - basic	$ 51,085	$ (93,268)	$ 134,158
Additional allocation of equity in net income (loss) attributable to AllianceBernstein resulting from assumed dilutive effect of compensatory options	—	—	1,640
Net income (loss) - diluted	$ 51,085	$ (93,268)	$ 135,798
Weighted average units outstanding - basic	101,067	103,288	101,162

Dilutive effect of compensatory options	1	—	1,639
Weighted average units outstanding - diluted	101,068	103,288	102,801