

# LPL Financial

## Investor Presentation Q2 2017

July 27<sup>th</sup>, 2017

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# Notice to Investors: Safe Harbor Statement

Statements in this press release regarding the Company's future financial and operating results, outlook, growth, prospects, business strategies, future market position, future operating environment, and goals, including forecasts and statements relating to the Company's future expense growth, capital plans, and future enhancements to the retail investor experience, as well as any other statements that are not related to present facts or current conditions or that are not purely historical, constitute forward-looking statements. These forward-looking statements are based on the Company's historical performance and its plans, estimates, and expectations as of July 27, 2017. The words "anticipates", "believes", "expects", "may", "plans", "predicts", "will", and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. Forward-looking statements are not guarantees that the future results, plans, intentions, or expectations expressed or implied by the Company will be achieved. Matters subject to forward-looking statements involve known and unknown risks and uncertainties, including economic, legislative, regulatory, competitive, and other factors, which may cause actual financial or operating results, levels of activity, or the timing of events, to be materially different than those expressed or implied by forward-looking statements. Important factors that could cause or contribute to such differences include: changes in general economic and financial market conditions, including retail investor sentiment; fluctuations in the value of advisory and brokerage assets; fluctuations in levels of net new assets and the related impact on revenue; fluctuations in the number of retail investors served by the Company; effects of competition in the financial services industry and the success of the Company in attracting and retaining financial advisors and institutions; changes in the number of the Company's financial advisors and institutions, and their ability to market effectively financial products and services; whether retail investors served by newly-recruited advisors choose to open brokerage and/or advisory accounts and/or move their respective assets to a new account at the Company; changes in interest rates and fees payable by banks participating in the Company's cash sweep program, including the Company's success in negotiating agreements with current or additional counterparties; the Company's strategy in managing cash sweep program fees; changes in the growth and profitability of the Company's fee-based business; the effect of current, pending and future legislation, regulation and regulatory actions, including the U.S. Department of Labor's final rule ("DOL Rule") and disciplinary actions imposed by federal and state securities regulators and self-regulatory organizations; the costs of settling and remediating issues related to pending or future regulatory matters or legal proceedings; execution of the Company's capital management plans, including its compliance with the terms of its existing credit agreement and the indenture governing its senior notes; the price, the availability of shares, and trading volumes of the Company's common stock, which will affect the timing and size of future share repurchases by the Company; changes made to the Company's offerings and services in response to the current, pending and future legislation, regulation and regulatory actions, including the DOL Rule, and the effect that such changes may have on the Company's gross profit streams and costs; execution of the Company's plans and its success in realizing the expense savings and service improvements and efficiencies expected to result from its initiatives and programs, particularly its expense plans and technological initiatives; the Company's success in negotiating and developing commercial arrangements with third-party services providers; the performance of third-party service providers to which business processes are transitioned; the Company's ability to control operating risks, information technology systems risks, cybersecurity risks, and sourcing risks; and the other factors set forth in Part I, "Item 1A. Risk Factors" in the Company's 2016 Annual Report on Form 10-K, as may be amended or updated in the Company's Quarterly Reports on Form 10-Q or subsequent filings with the SEC. Except as required by law, the Company specifically disclaims any obligation to update any forward-looking statements as a result of developments occurring after July 27, 2017, even if its estimates change, and you should not rely on statements contained herein as representing the Company's views as of any date subsequent to July 27, 2017.

**THIS PRESENTATION PRESENTS DATA (INCLUDING YTD 2017 DATA) AS OF JUNE 30, 2017, UNLESS OTHERWISE INDICATED.<sup>2</sup>**

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# Notice to Investors: Non-GAAP Financial Measures

Management believes that presenting certain non-GAAP measures by excluding or including certain items can be helpful to investors and analysts who may wish to use some or all of this information to analyze the Company's current performance, prospects, and valuation. Management uses this non-GAAP information internally to evaluate operating performance and in formulating the budget for future periods. Management believes that the non-GAAP measures and metrics discussed herein are appropriate for evaluating the performance of the Company.

Gross profit is calculated as net revenues, which were \$1,066 million for the three months ended June 30, 2017, less commission and advisory expenses and brokerage, clearing, and exchange fees, which were \$663 million and \$14 million, respectively, for the three months ended June 30, 2017. All other operating expense categories, including depreciation and amortization of fixed assets and amortization of intangible assets, are considered general and administrative in nature. Because the Company's gross profit amounts do not include any depreciation and amortization expense, the Company considers its gross profit amounts to be non-GAAP measures that may not be comparable to those of others in its industry. Management believes that gross profit amounts can be useful to investors because it shows the Company's core operating performance before indirect costs that are general and administrative in nature.

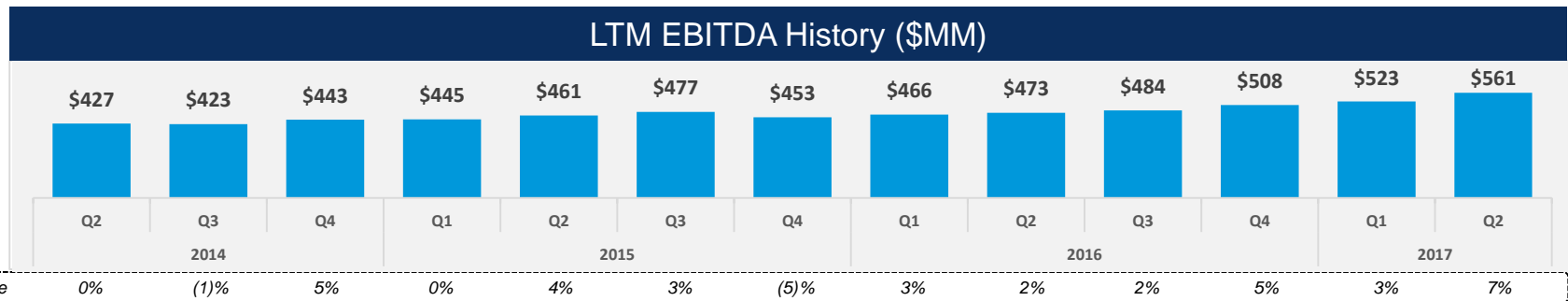
Core G&A consists of total operating expenses excluding the following expenses: commission and advisory, regulatory charges, promotional, employee share-based compensation, depreciation and amortization, amortization of intangible assets, and brokerage, clearing, and exchange. Management presents Core G&A because it believes Core G&A reflects the corporate operating expense categories over which management can generally exercise a measure of control, compared with expense items over which management either cannot exercise control, such as commission and advisory expenses, or which management views as promotional expense necessary to support advisor growth and retention including conferences and transition assistance. Core G&A is not a measure of the Company's total operating expenses as calculated in accordance with GAAP. For a reconciliation of Core G&A against the Company's total operating expenses, please see page 26 of this presentation. Prior to 2016, the Company calculated Core G&A as consisting of total operating expenses, excluding the items described above, as well as excluding other items that primarily consisted of acquisition and integration costs resulting from various acquisitions and organizational restructuring and conversion costs. Beginning with results reported for the quarter ended June 30, 2016, Core G&A was presented as including these items that were historically adjusted out, and for periods prior to June 30, 2016, reflects those items in employee share-based compensation and other historical adjustments for comparative purposes.

EBITDA is defined as net income plus interest expense, income tax expense, depreciation, and amortization. The Company presents EBITDA because management believes that it can be a useful financial metric in understanding the Company's earnings from operations. EBITDA is not a measure of the Company's financial performance under GAAP and should not be considered as an alternative to net income or any other performance measure derived in accordance with GAAP, or as an alternative to cash flows from operating activities as a measure of profitability or liquidity. For a reconciliation of EBITDA to net income, please see page 24 of this presentation. In addition, the Company's EBITDA can differ significantly from EBITDA calculated by other companies, depending on long-term strategic decisions regarding capital structure, the tax jurisdictions in which companies operate, and capital investments.

Credit Agreement EBITDA is defined in, and calculated by management in accordance with, the Company's credit agreement (the "Credit Agreement") as "Consolidated EBITDA," which is Consolidated Net Income (as defined in the Credit Agreement) plus interest expense, tax expense, depreciation and amortization and further adjusted to exclude certain non-cash charges and other adjustments, including unusual or non-recurring charges and gains. The Company presents Credit Agreement EBITDA because management believes that it can be a useful financial metric in understanding the Company's debt capacity and covenant compliance under its Credit Agreement. Credit Agreement EBITDA is not a measure of the Company's financial performance under GAAP and should not be considered as an alternative to net income or any other performance measure derived in accordance with GAAP, or as an alternative to cash flows from operating activities as a measure of profitability or liquidity. For a reconciliation of Credit Agreement EBITDA to net income, please see page 25 of this presentation. In addition, the Company's Credit Agreement EBITDA can differ significantly from adjusted EBITDA calculated by other companies, depending on long-term strategic decisions regarding capital structure, the tax jurisdictions in which companies operate, and capital investments.

# LPL Overview

About Us	Key Markets and Services	Q2 2017 Metrics	
<p>LPL is a leader in the retail financial advice market, as one of the fastest growing registered investment advisor (“RIA”) custodians and the nation's largest independent broker-dealer.<sup>(1)</sup></p> <p>We provide integrated technology and services, comprehensive clearing and compliance services, practice management programs and training, and independent research.</p>	<p><b>\$500B+ Retail Assets:</b></p> <ul style="list-style-type: none"> <li>• <b>Brokerage:</b> \$305B</li> <li>• <b>Corporate Advisory:</b> \$138B</li> <li>• <b>Hybrid Advisory:</b> \$99B</li> </ul> <p><b>14K+ advisors:</b></p> <ul style="list-style-type: none"> <li>• <b>Independent Advisors:</b> 7,100+</li> <li>• <b>Hybrid RIA:</b> 4,900+ (420+ firms)</li> <li>• <b>Institutional Services:</b> 2,100+ (700+ banks, credit unions, and clearing clients)</li> </ul>	<p><b>Q2 Business Metrics</b></p> <p>Assets: \$542B            Advisors: 14,256            Accounts: 4.6M            Employees: 3,419</p> <p><b>Q2 Debt Metrics</b></p> <p>Credit Agr. EBITDA:<sup>(2)</sup> \$615M            Total Debt: \$2.2B            Cost of Debt: 4.26%            Net Leverage Ratio:<sup>(2)</sup> 3.08x            Interest Coverage Ratio: 6.60</p>	<p><b>LTM Financial Metrics</b></p> <p>Average Assets: \$521B            Gross Profit:<sup>(3)</sup> \$1.5B            EBITDA: \$561M            EPS: \$2.30</p> <p><b>Ratings &amp; Outlooks</b></p> <p>S&amp;P Rating: BB-            S&amp;P Outlook: Stable            Moody's Rating: Ba3            Moody's Outlook: Stable</p>



(1) Based on total revenues, Financial Planning magazine June 1996-2017

(2) The Company calculates Credit Agreement EBITDA and its Net Leverage Ratio in accordance with its credit agreement. Please see the description of Credit Agreement EBITDA under "Notice to Investors – Non-GAAP Financial Measures" on page 3 of this presentation for additional information

(3) Gross Profit and EBITDA are non-GAAP metrics. Please see the description of Gross Profit and EBITDA respectively under "Notice to Investors - Non-GAAP Financial Measures" on page 3 of this presentation for additional information

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# We are focused on growth and execution to create long-term shareholder value

## Grow our Core Business

### + Leverage the strength of our markets and model

- Capitalize on secular trends
- Expand leadership positions

### + Enhance advisor experience and capabilities

- Deliver best-in-class service, compliance, and technology
- Expand advisory, custodial, research, and retail investor solutions

### + Drive organic asset and gross profit growth

- Increase advisor recruiting, productivity, and retention
- Leverage scale to expand gross profit

### + Benefit from rising rates and markets

- Capture cash sweep upside from rising rates
- Grow assets as market levels rise

= Asset and gross profit growth



## Execute with Excellence

### + Drive greater efficiency and productivity

- Continuously improve over time
- Prioritize growth investments opportunities

### + Embed quality and innovation in our operations

- Create extraordinary service and technology outcomes
- Ongoing improvements in our operations over time

### + Balance financial strength and flexibility

- Keep capital structure strong and flexible for changes to environment and strategic opportunities
- Allocate capital to create long-term shareholder value

### + Increase investor understanding and confidence

- Expand and clarify key disclosures
- Deliver strong results

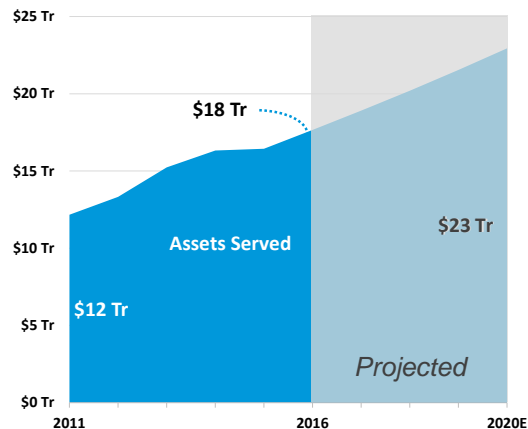
= Operating leverage and capital allocation



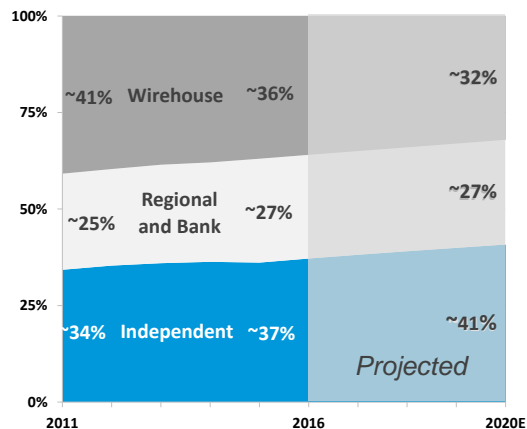
**Create Long-Term Shareholder Value**

# Our business is positioned for sustained growth

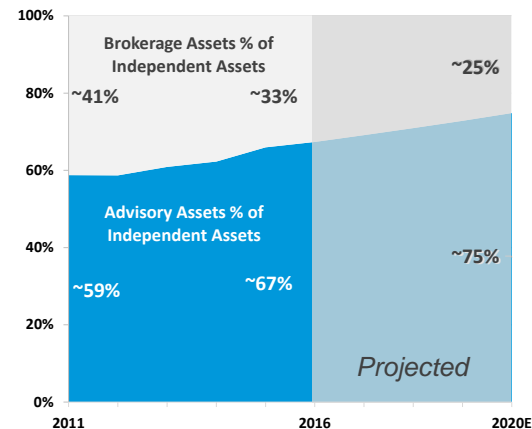
**Assets served by financial advisors have grown ~8% per year**



**Independents continue to capture share from wirehouses**



**Independents continue to demonstrate growth in advisory**

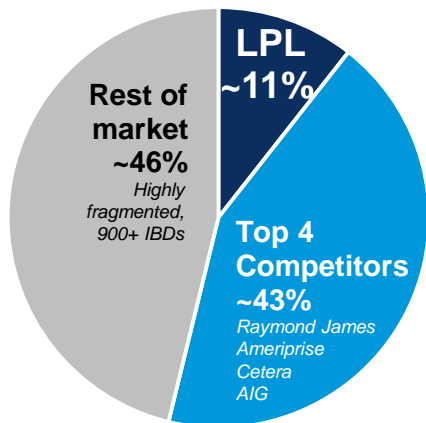


Note: Independent channel includes independent broker dealers and RIAs

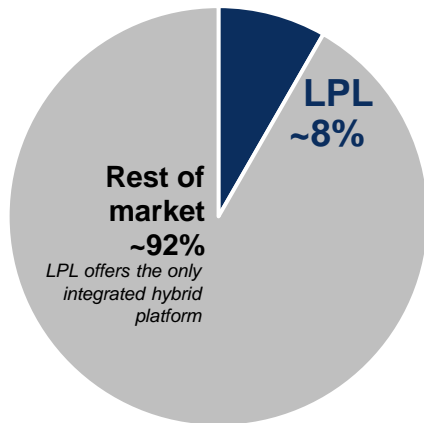
Source: All data is estimated using internal LPL metrics, Cerulli Lodestar 2017, Cerulli US Managed Accounts 2017, Cerulli Advisor 2016 AUM estimates, and Cerulli RIA Marketplace 2016

## We have room to grow our leadership positions

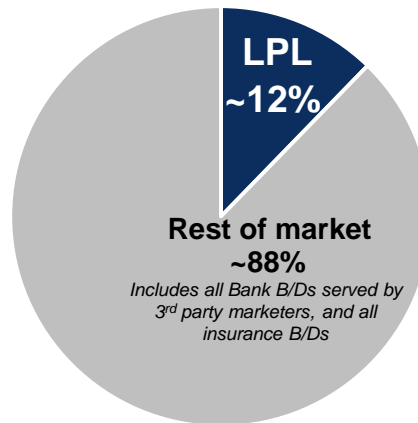
**IBD Channel**  
~\$2.3 Tr



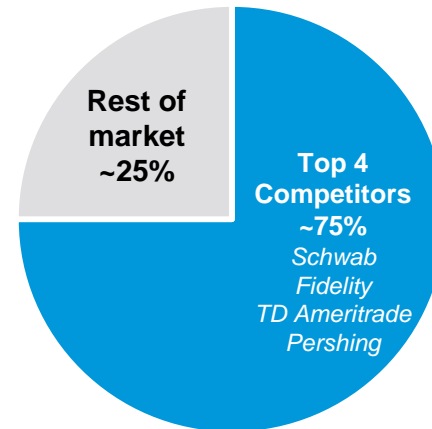
**Hybrid RIA**  
~\$1.8 Tr



**Bank / Insurance Channels**  
~\$1 Tr<sup>(1)</sup>



**Pure RIA**  
~\$2.5 Tr



5-year Historical Industry CAGR: ~8%

~12%

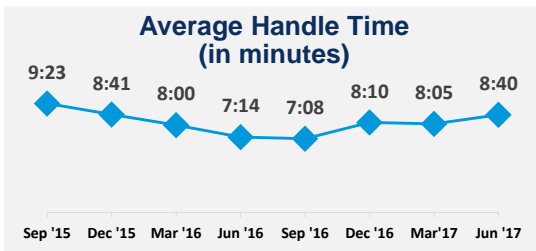
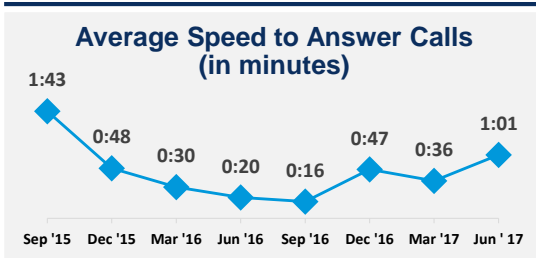
~7%

~12%

1) ~\$1.0 Tr does not include \$1 Tr of assets custodied with proprietary bank B/Ds (e.g. Wells Fargo, JP Morgan Chase, etc.)  
Source: All data is estimated using internal LPL metrics, Cerulli Lodestar 2017, Cerulli US Managed Accounts 2017, Cerulli Advisor 2016 AUM estimates, and Cerulli RIA Marketplace 2016

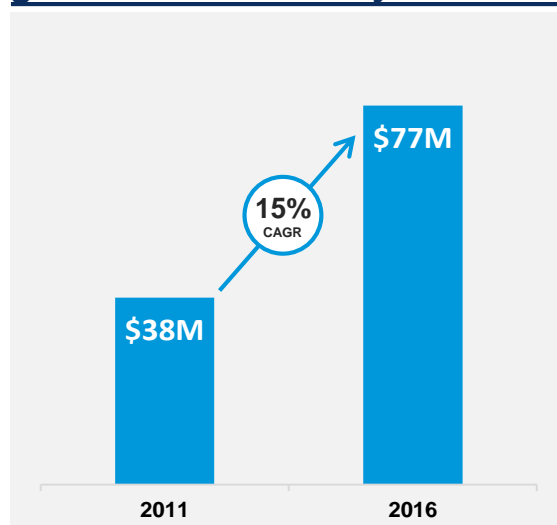
# We continue to invest to deliver a best-in-class advisor experience

## Service: faster responses and resolutions



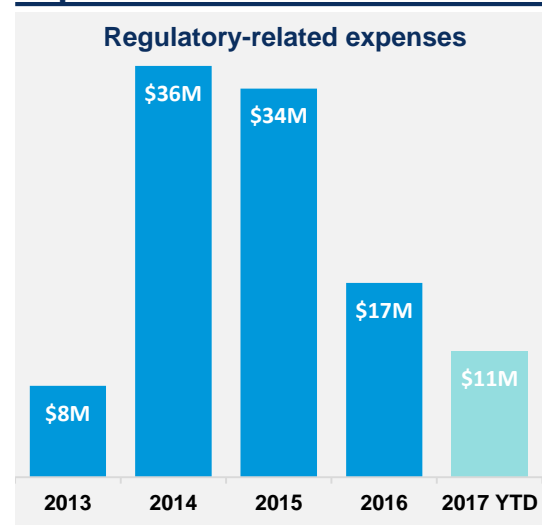
Higher call volumes due to ClientWorks rollout and DOL rule applicability date

## Technology: capex driving growth and efficiency



We anticipate greater spend in 2017 including DOL rule implementation costs

## Risk & Compliance: regulatory expenses down 50% in 2016<sup>(1)</sup>



Regulatory expenses down 50% in 2016<sup>(1)</sup>

1. Regulatory expenses consist of items that the Company's management relates to the resolution of regulatory issues (including remediation, restitution, and fines)



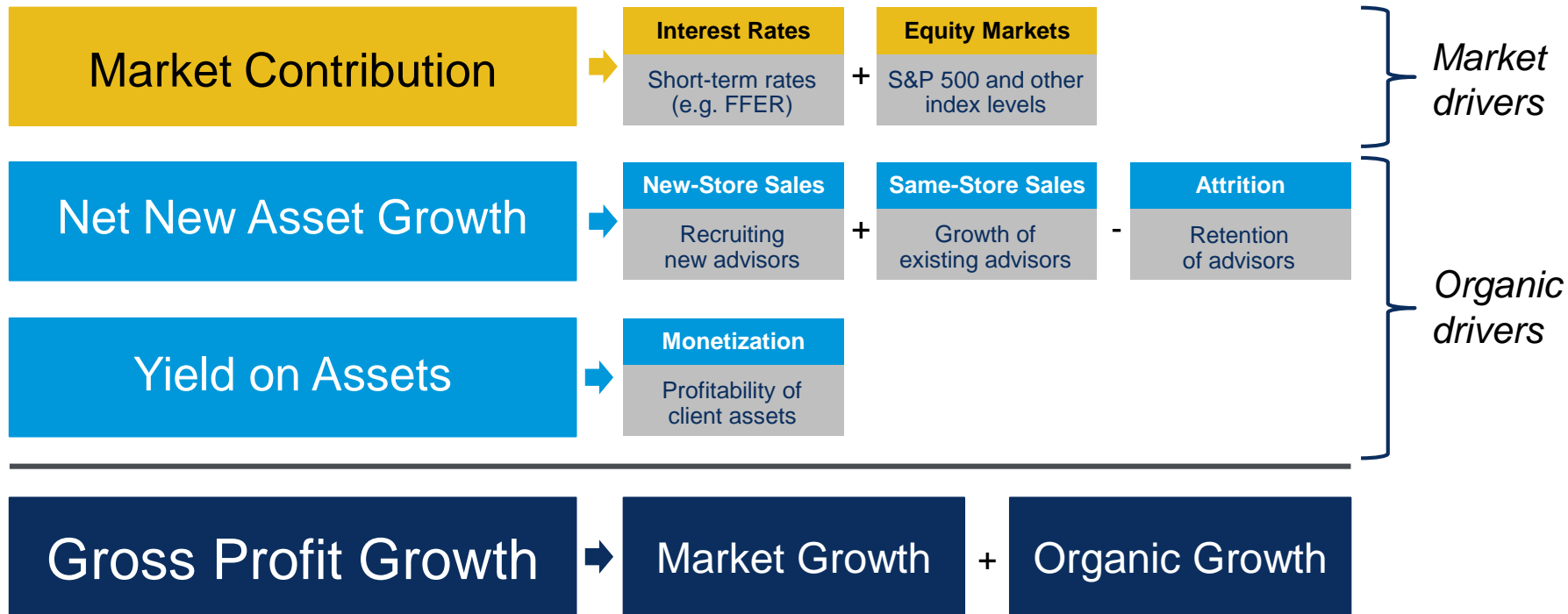
## We are enhancing our strategic capabilities



### *Examples:*

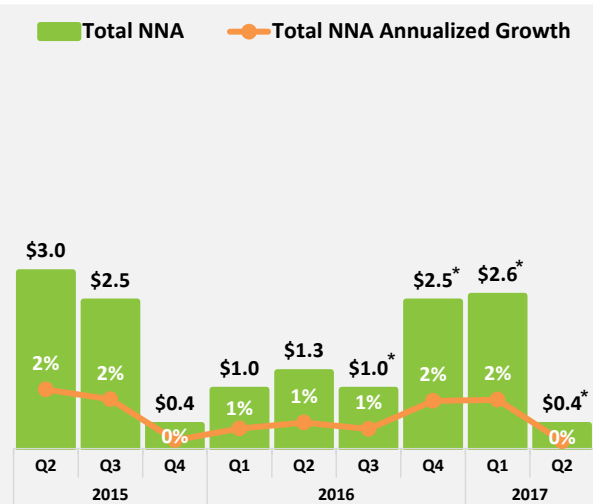
- Rolled out ClientWorks to all advisors
- Leveraging automation and data to further enhance service
- Helping advisors manage through the DOL rule transition
- Expanding our advisory solutions:
  - Digital advice solution
  - Centrally managed platform functionality and pricing
  - Separately Managed Account functionality and pricing
- Innovating brokerage product offering:
  - Mutual Fund Only platform
- Transforming client statements
- Upgrading our digital experience, including improvements to our investor portal

## We benefit from market and organic growth

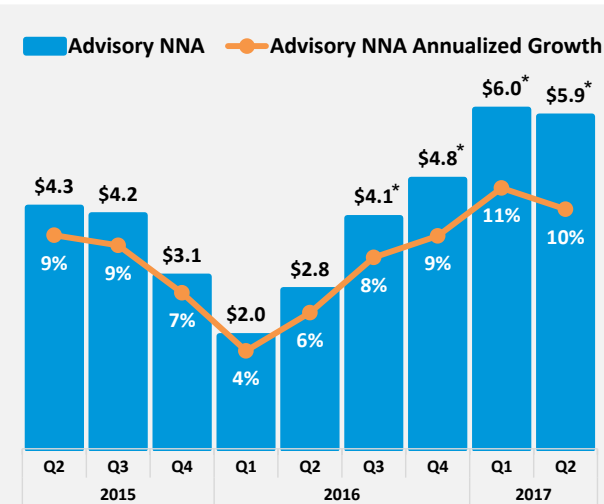


# Our business is growing organically and shifting toward advisory

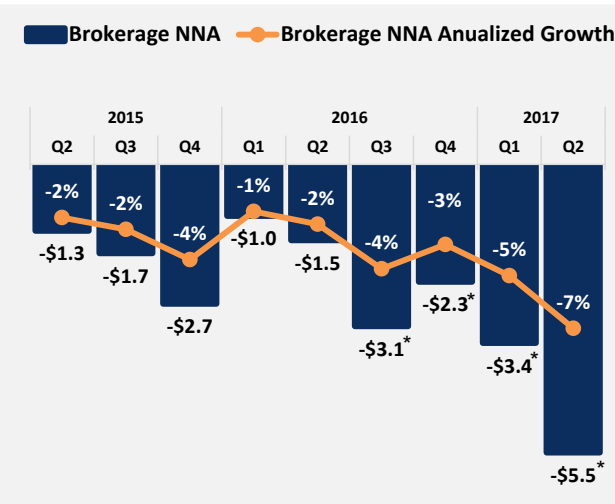
Total Net New Assets (\$ billions)



Net New Advisory Assets (\$ billions)



Net New Brokerage Assets (\$ billions)



Net Brokerage to Advisory Conversions (billions): \$1.2 \$1.0 \$0.8 \$1.0 \$1.4 \$1.3 \$1.7 \$2.3 \$2.0

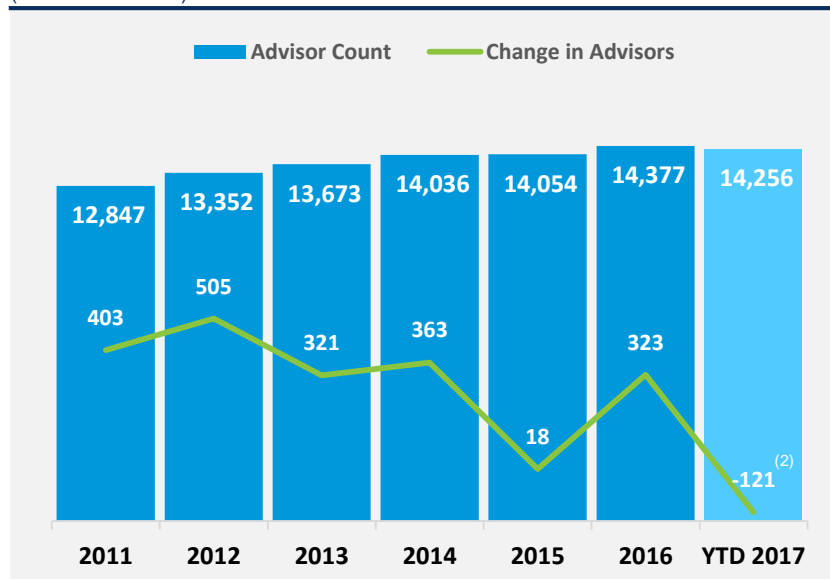
Results excluding previously announced departures*	NNA: \$3.2B	\$4.9B	\$6.5B	\$2.1B	\$4.7B	\$4.8B	\$7.1B	\$6.1B	-\$1.5B	\$0.1B	-\$0.6B	-\$4.0B
Annualized Growth:	3%	4%	5%	2%	10%	9%	13%	11%	-2%	0%	-1%	-5%

\*The Company announced anticipated client departures on both its Q3 2016 and Q4 2016 earnings calls. The impact in Q2 2017 of the announced client departures was \$1.7B (\$0.2B of advisory assets and \$1.5B of brokerage assets) and in Q1 2017 it was \$3.9B (\$1.1B of advisory assets and \$2.8B of brokerage assets). The impact of the departure of an institutional client that was announced on the Q3 2016 earnings call was \$2.2B of assets in Q3 (\$0.6B of advisory and \$1.6B of brokerage) and \$2.4B of assets in Q4 (all brokerage).

# We have continued to attract advisors and maintain high retention over the long-term

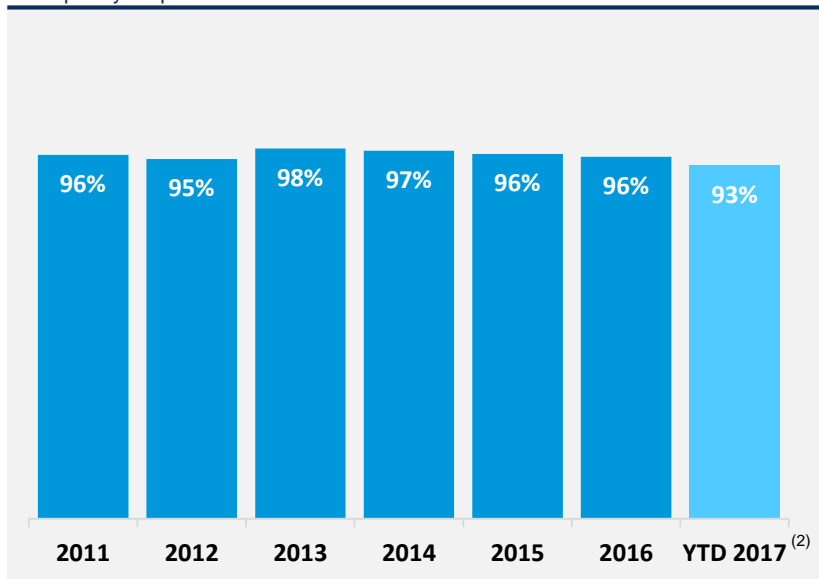
## Advisors Count

(Net new advisors)



## Production Retention Rate<sup>(1)</sup>

% of prior year production



Results excluding previously announced client departures<sup>(3)</sup>:

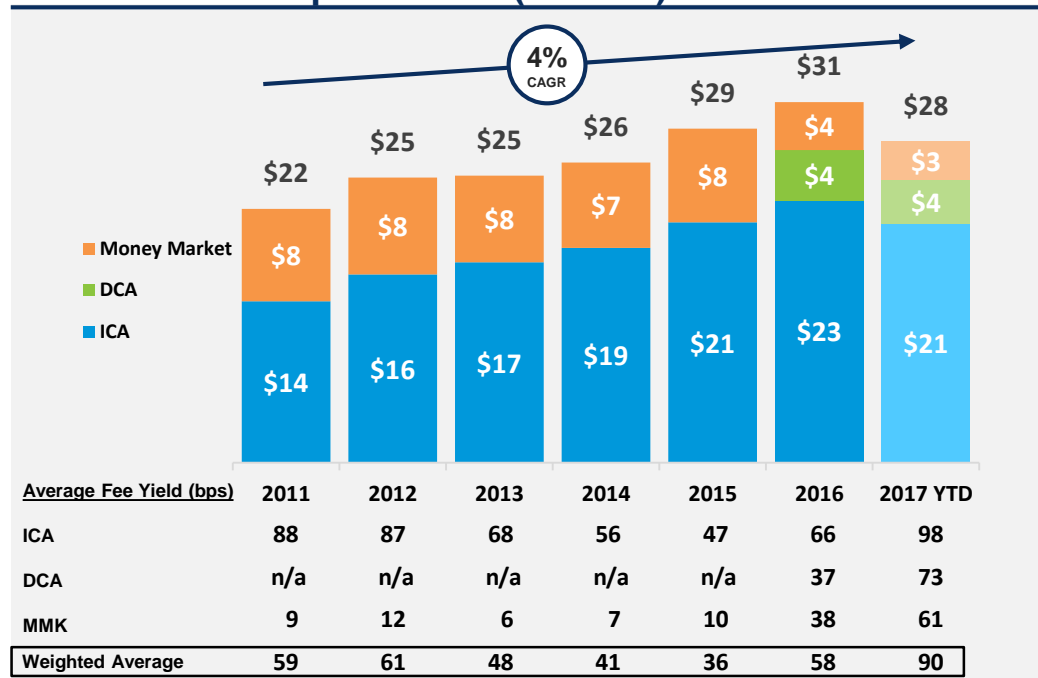
419 97<sup>(2)</sup>

Annualized 97% 97%<sup>(2)</sup>

Note: (1) Reflects retention of commission and advisory revenues, calculated by deducting the prior year production of the annualized year-to-date attrition rate, over the prior year total production; (2) Results from 1H 2017 (six months); (3) The Company announced an anticipated institutional client departure in its Q3 2016 earnings call, which totaled 96 advisors in Q3. The Company announced several anticipated client departures on its Q4 2016 earnings call. In Q1 2017, these departures totaled 118 advisors. In Q2 2017, these departures totaled 100 advisors.

# Client cash sweep balances position us for earnings growth as rates rise

## Client cash sweep balances (billions)



## Cash sweep product descriptions

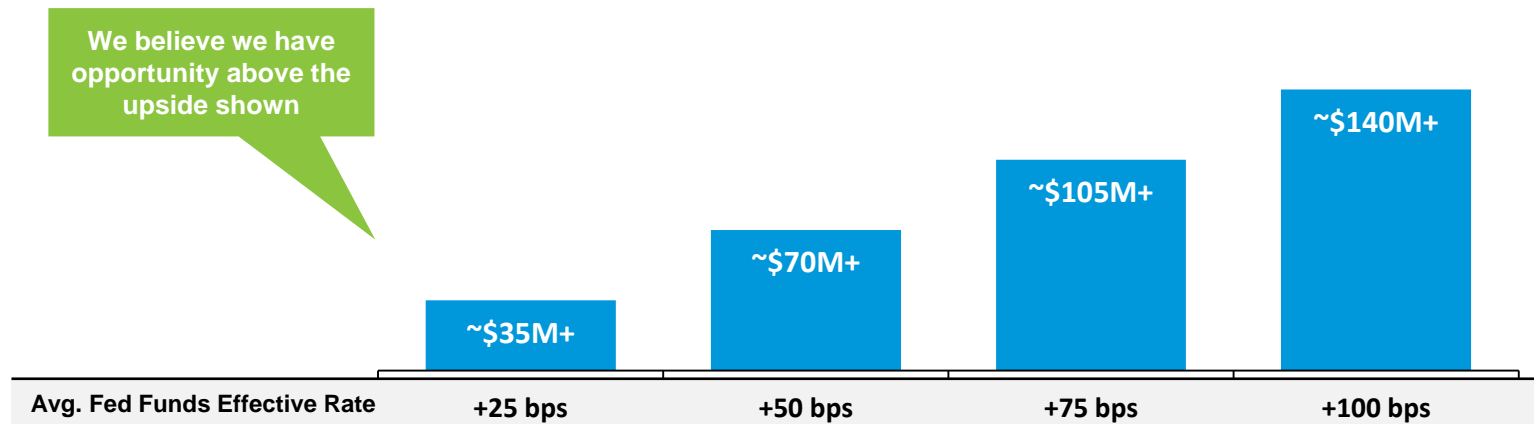
<b>Insured Cash Account (ICA)</b>	<ul style="list-style-type: none"> <li>• FDIC insured sweep deposits</li> <li>• Available to brokerage, hybrid advisory, and corporate advisory taxable accounts</li> <li>• Actively managed portfolio of ~30 bank contracts*</li> <li>• Yield indexed primarily to FFER but also 1ML and 3ML, with a small portion fixed</li> </ul>
<b>Deposit Cash Account (DCA)</b>	<ul style="list-style-type: none"> <li>• Launched July 2016</li> <li>• FDIC insured sweep deposits</li> <li>• Available to certain advisory individual retirement accounts</li> <li>• Actively managed portfolio of ~25 bank contracts*</li> <li>• Fee per account indexed to Fed Funds Target Range</li> </ul>
<b>Money Market (MMK)</b>	<ul style="list-style-type: none"> <li>• Third party money market funds</li> <li>• Most balances in government funds following money market reform</li> <li>• Yield determined by product manufacturers</li> </ul>

\*The lists of banks participating in the ICA and DCA programs are available on [www.lpl.com/disclosures](http://www.lpl.com/disclosures) in the "LPL Financial FDIC-Insured Bank Deposit Programs" section

Note: With respect to the applicable cash sweep vehicle (Insured Cash Account, Deposit Cash Account and/or Money Market Account), the average fee yield over the period is calculated by dividing total fee revenue received from such vehicle by the average end of day balance level during the quarter in such vehicle

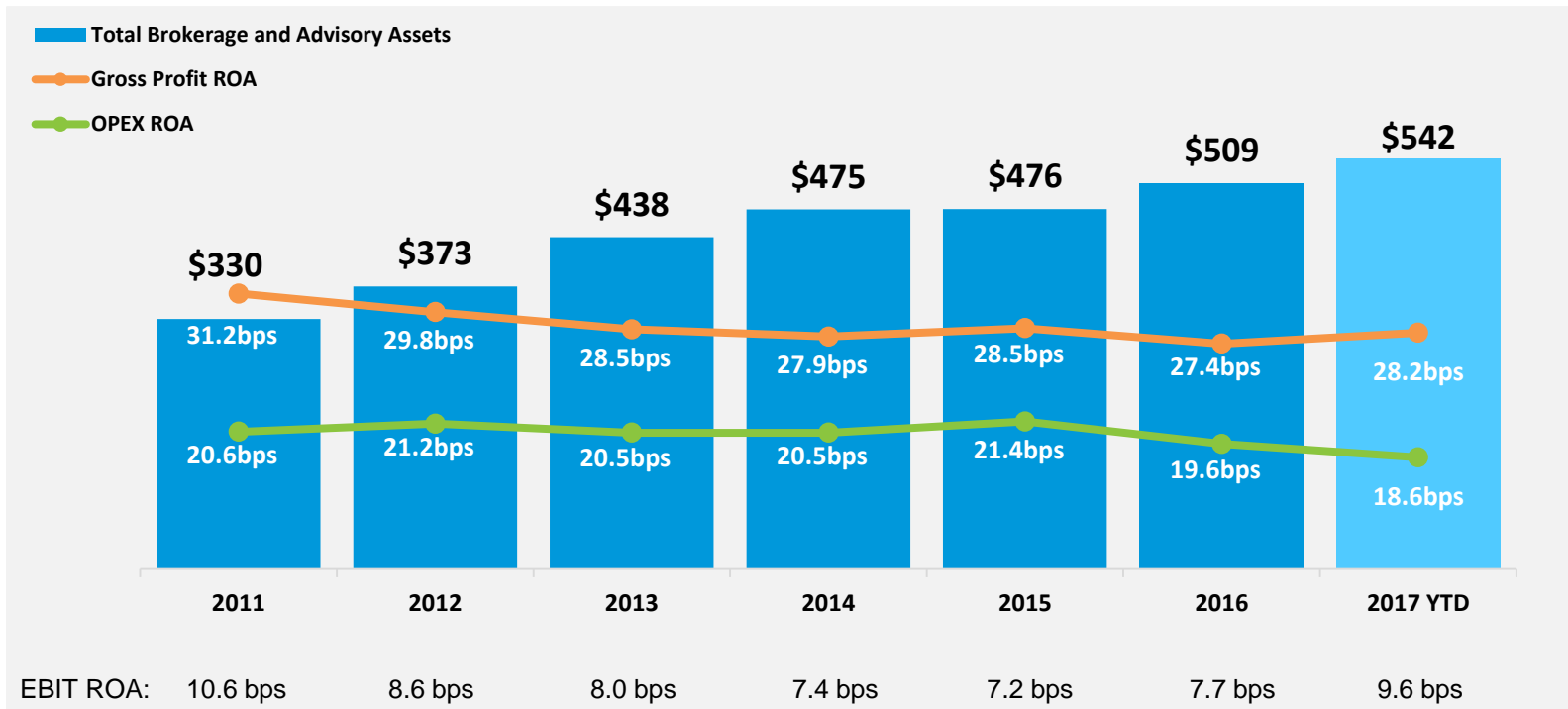
## We have significant cash sweep upside as interest rates rise

### Annual gross profit upside potential (assumes 50% client sharing)\*



Note: This does not include the impact of rising interest rates on our interest expense. We have ~\$1.7B of variable rate debt. Each 25 bps increase in short-term rates will increase our annual interest expense by ~\$4M.  
\*Assumes 50% upside from rising rates on ~\$25B in total cash sweep balances. This excluded ~\$3B in money market account balances which are assumed to have achieved max yield. Money Market Account Cash Balances represents advisors' clients' account balances in money market fund providers at the end of the reporting period. These assets are included in Total Brokerage and Advisory Assets.

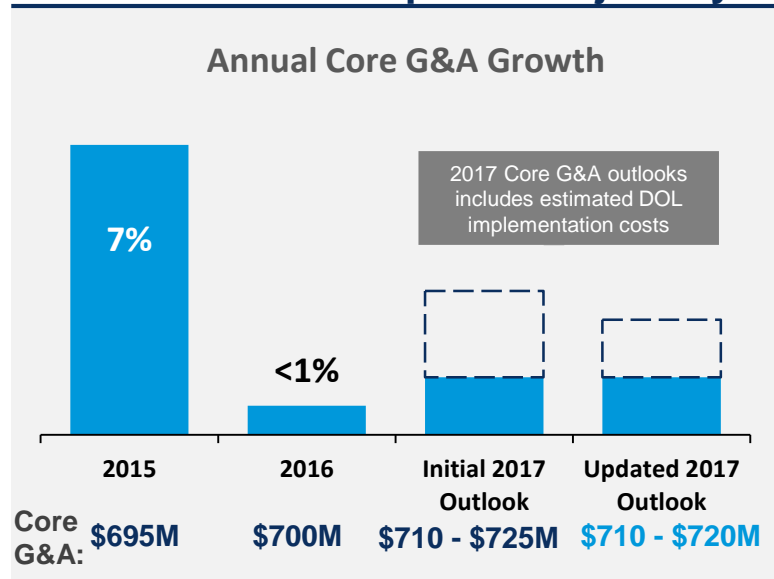
## We are focused on generating operating leverage



Notes: Operating Expenses include Core G&A, Promotional, Regulatory, Employee Share Based Compensation, Other Historical Adjustments, Depreciation & Amortization, and Amortization of Intangibles and exclude Commissions and Advisory Expense and Brokerage, Clearing and Exchange Expense; Gross Profit and Operating Expense percent is calculated as our annual Gross Profit and Operating Expense divided by period end Total Brokerage and Advisory Assets. Gross Profit and Core G&A are non-GAAP measures. Please see page 3 of this presentation for additional information.

## We are executing with greater cost discipline and efficiency

### Lower near-term expense trajectory



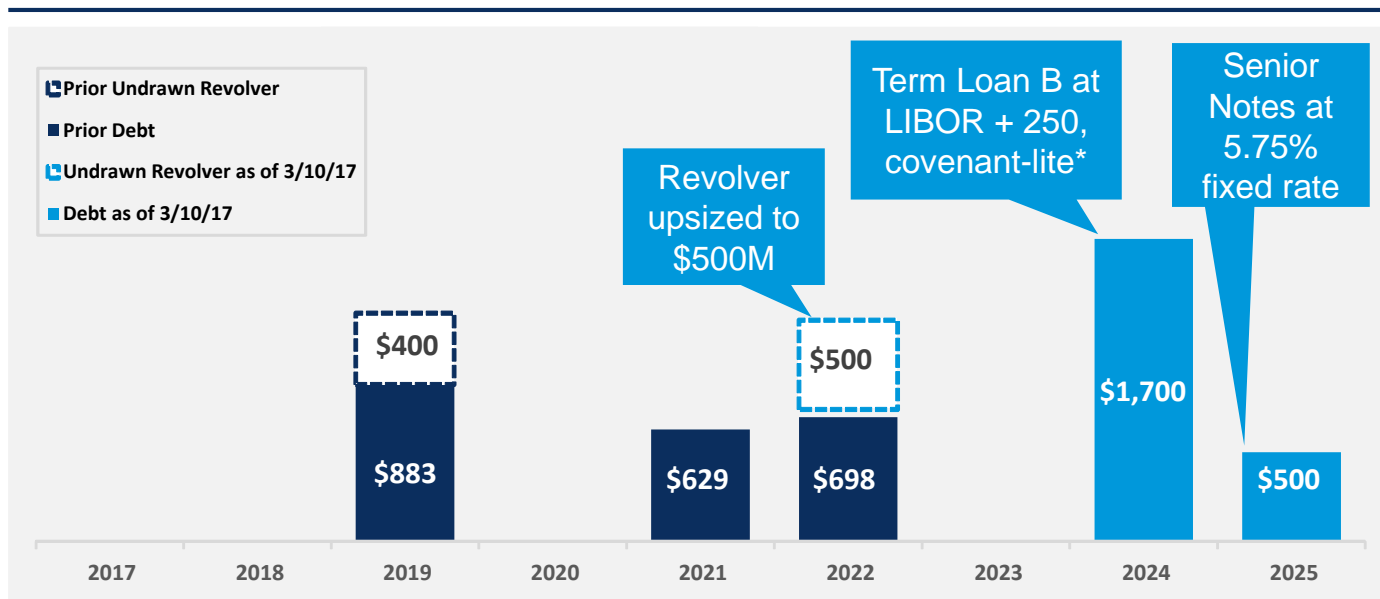
### Driving greater cost discipline

- 1 Focusing investments on the priorities that drive the greatest long-term value
- 2 Building productivity and efficiency into our everyday work and budgeting process
- 3 Increasing oversight and reviews of previous investments
- 4 Maintaining the tactical ability to adjust as the environment evolves



# Our updated capital structure positions us well to fund growth

## Debt Maturities – Prior to vs. As of March 10, 2017 (\$B)



\*The Company no longer has financial maintenance covenants on its Term Loan B as of March 10, 2017.

## We balance flexible capital structure with dynamic allocation

### Flexible capital structure

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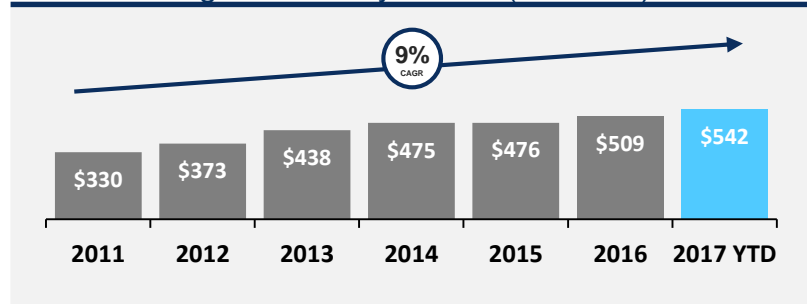
### Dynamic capital allocation

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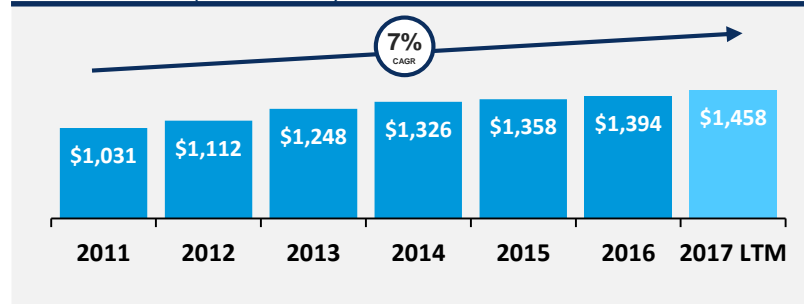


# We are combining business growth, operating leverage, and capital management to drive EBITDA and EPS over time

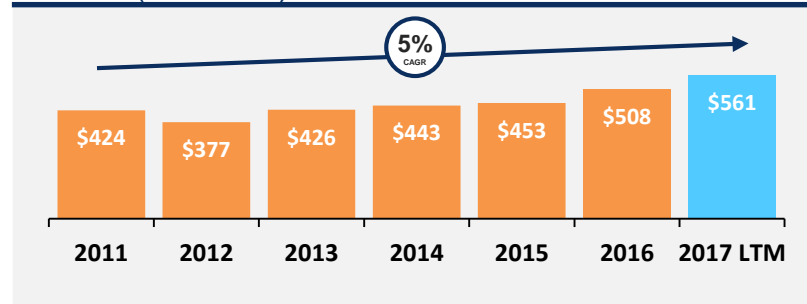
Total Brokerage & Advisory Assets (\$ billions) <sup>(1)</sup>



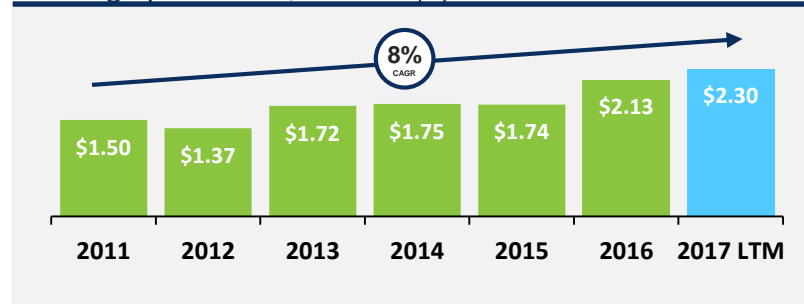
Gross Profit (\$ millions) <sup>(2)</sup>



EBITDA (\$ millions) <sup>(3)</sup>



Earnings per Share, Diluted (\$)



(1) Total Brokerage and Advisory Assets are comprised of assets that are custodied, networked, and non-networked, and reflect market movement in addition to new assets, inclusive of new business development and net of attrition

(2) Gross Profit is a non-GAAP measure. Please see a description of Gross Profit under "Notice to Investors - Non-GAAP Financial Measures" on page 3 of this presentation for additional information

(3) EBITDA is a non-GAAP measure. Please see a description of EBITDA under "Notice to Investors - Non-GAAP Financial Measures" on page 3 of this presentation for additional information

Note: "5 Year CAGR" is calculated from 2011 to YTD 2017

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# Summary LPL investment thesis

## Summary

Attractive secular industry trends

Established market leader with scale

Stable and recurring revenue and cash flow

Positively levered to rising markets and interest rates

Capital light business model

Experienced management team focused on driving growth and efficiency

## Opportunities

Rising interest rates and markets

Mix shift toward advisory

Industry consolidation

## Risks

Lower interest rates and markets

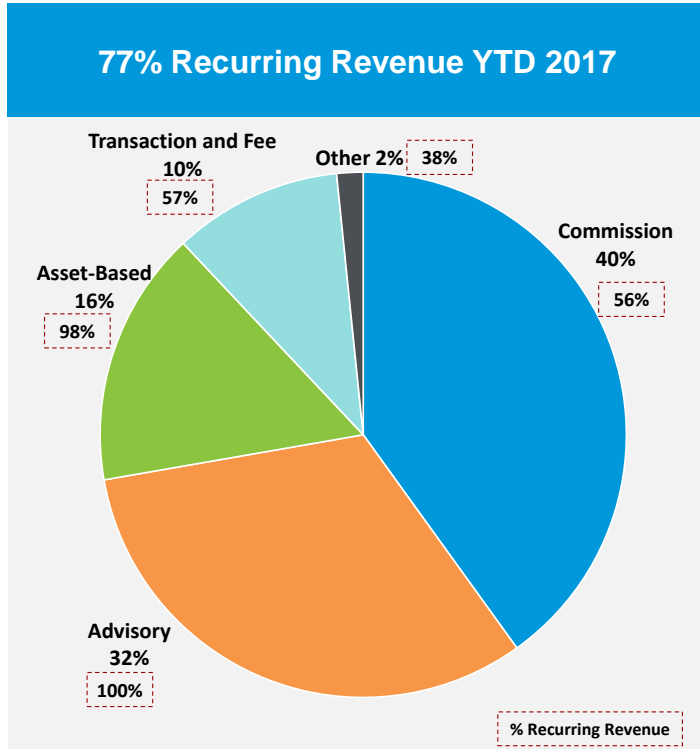
Evolving competitive landscape

Regulatory environment

# APPENDIX

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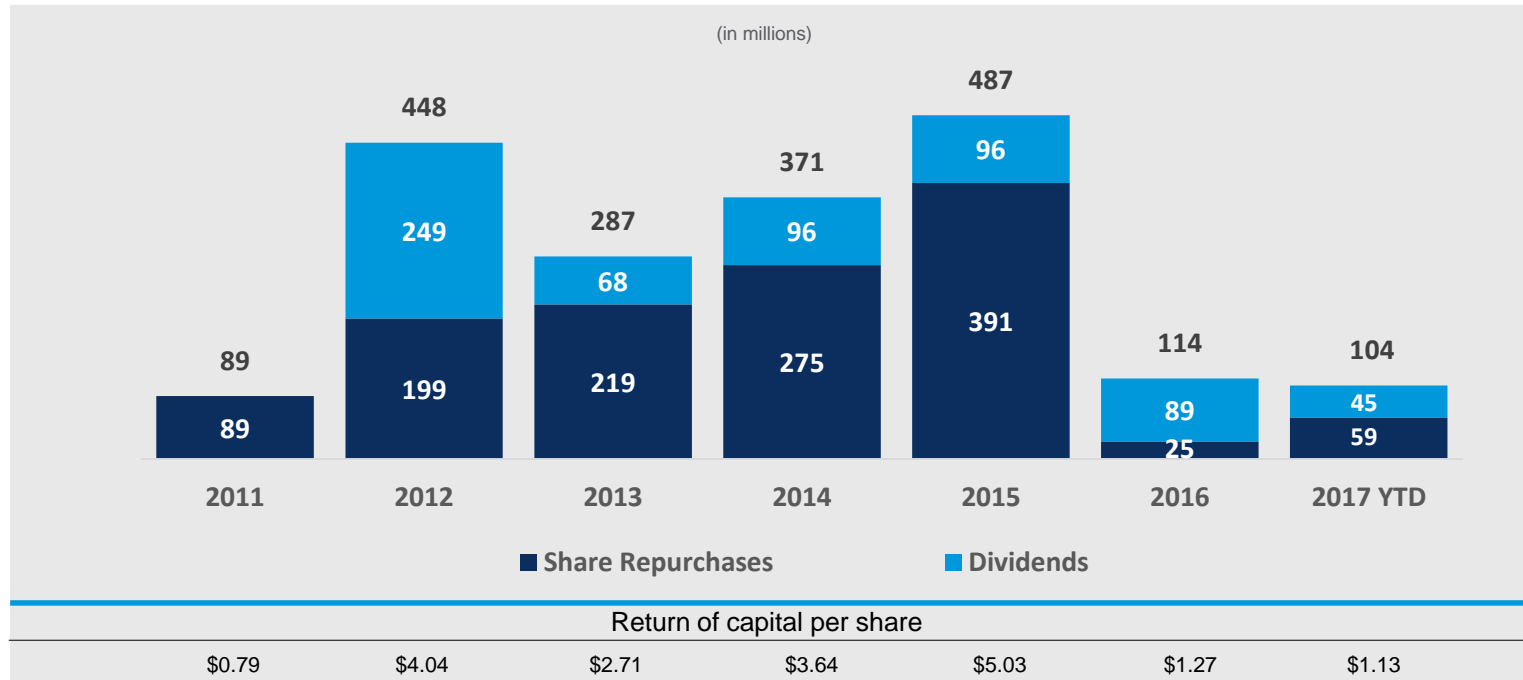
# Our diversified and recurring revenue streams support EBITDA consistency



Sources of Revenue	Primary Drivers	For YTD 2017		
		Net Revenues (millions)	% of Total Net Revenue	% Recurring
<i>Advisor-driven revenue with ~85%- 90% commission payout</i>	<ul style="list-style-type: none"> <li>Sales</li> <li>Transactions</li> <li>Brokerage asset levels</li> </ul>	\$842	40%	56%
	<ul style="list-style-type: none"> <li>Corporate advisory asset levels</li> </ul>	676	32%	100%
<i>Revenue retained 100% by LPL Financial</i>	<ul style="list-style-type: none"> <li>Cash balances</li> <li>Cash Sweep Fees</li> <li>Sponsorship Fees</li> <li>Record Keeping</li> </ul>	331	16%	98%
	<ul style="list-style-type: none"> <li>Client activity</li> <li>Trades</li> <li>Client (Investor) Accounts</li> <li>Advisor Seat and Technology</li> </ul>	218	10%	57%
	<ul style="list-style-type: none"> <li>Margin accounts</li> <li>Alternative investment transactions</li> </ul>	34	2%	38%
<b>Total</b>		<b>\$2,101</b>	<b>100%</b>	<b>77%</b>

# LPL's capital-light model has supported shareholder capital returns

## Return of Capital



Note: 2012 includes a special dividend of \$223 million

## Reconciliation of Net Income to EBITDA

EBITDA is a non-GAAP measure. Please see a description of EBITDA under “Non-GAAP Financial Measures” on page 3 of this presentation for additional information.

Set forth below is a reconciliation from the Company's net income to EBITDA for the periods presented:

\$ in millions	YTD 2017	2016	2015	2014	2013	2012	2011
<b>NET INCOME</b>	<b>\$117</b>	<b>\$192</b>	<b>\$169</b>	<b>\$178</b>	<b>\$182</b>	<b>\$152</b>	<b>\$170</b>
Non-operating interest expense	52	96	59	52	51	55	69
Provision for Income Taxes	71	106	114	117	109	99	112
Depreciation and amortization	42	76	73	58	44	32	34
Amortization of intangible assets	19	38	38	39	39	40	39
Loss on Extinguishment of debt	21	-	-	-	-	-	-
<b>EBITDA</b>	<b>\$322</b>	<b>\$508</b>	<b>\$453</b>	<b>\$443</b>	<b>\$426</b>	<b>\$377</b>	<b>\$424</b>



## Reconciliation of Net Income to Credit Agreement EBITDA

Credit Agreement EBITDA is a non-GAAP financial measure. Please see a description of Credit Agreement EBITDA under “Non-GAAP Financial Measures” on page 3 of this presentation for additional information.

Set forth below is a reconciliation from the Company’s net income to Credit Agreement EBITDA for the three months ended June 30, 2017:

\$ in millions	<b>TTM 2017</b>
<b>NET INCOME</b>	<b>\$210</b>
Non-operating interest expense	100
Provision for Income Taxes	111
Depreciation and amortization	80
Amortization of intangible assets	38
Loss on Extinguishment of debt	21
<b>EBITDA</b>	<b>\$561</b>
Credit Agreement Adjustments	54
<b>Credit Agreement EBITDA</b>	<b>\$615</b>

Credit Agreement Adjustments include:

- (1) Employee share-based compensation expense, which represents share-based compensation for equity awards granted to employees, officers, and directors. Such awards are measured based on the grant-date fair value and recognized over the requisite service period of the individual awards, which generally equals the vesting period
- (2) Advisor share-based compensation expense, which represents share-based compensation for equity awards granted to advisors and financial institutions based on the fair value of the awards at each reporting period
- (3) Other, which represents items that are adjustable in accordance with the Credit Agreement to calculate Credit Agreement EBITDA, including employee severance costs, employee signing costs, employee retention or completion bonuses, and other non-recurring costs

Note: Under the Credit Agreement, management calculates Credit Agreement EBITDA for a four-quarter period at the end of each fiscal quarter, and in so doing may make further adjustments to prior quarters.

## Reconciliation of Core G&A to OPEX

Core G&A is a non-GAAP measure. Please see a description of Core G&A under "Non-GAAP Financial Measures" on page 3 of this release for additional information.

Below is a reconciliation of Core G&A against the Company's total operating expenses for the periods presented:

\$ in millions	YTD 2017	2016	2015	2014	2013	2012	2011
Core G&A	\$353	\$700	\$695	\$648	\$615	\$542	\$490
Regulatory charges	11	17	34	36	8	9	-
Promotional	69	149	139	125	111	107	83
Employee share-based compensation	10	20	23	21	15	17	15
Other historical adjustments	-	-	13	48	64	43	20
<b>Total G&amp;A</b>	<b>443</b>	<b>886</b>	<b>904</b>	<b>879</b>	<b>813</b>	<b>719</b>	<b>607</b>
Commissions and advisory	1,308	2,601	2,865	2,999	2,848	2,510	2,410
Depreciation & amortization	42	76	73	58	44	32	34
Amortization of intangible assets	19	38	38	39	39	40	39
Brokerage, clearing and exchange	28	55	53	49	45	39	38
<b>Total operating expense</b>	<b>\$1,840</b>	<b>\$3,655</b>	<b>\$3,933</b>	<b>\$4,023</b>	<b>\$3,790</b>	<b>\$3,339</b>	<b>\$3,128</b>