



Financial Supplement

First Quarter 2015

April 30, 2015

The following presentation was revised subsequent to its original posting on April 30, 2015. Specifically, on page 13, "Brokerage Assets Associated with Hybrid RIAs" and "Total Hybrid RIA Firm Assets" for the four quarters of 2014 (but not the first quarter of 2015) were updated to reclassify certain non-networked brokerage assets as associated with Hybrid RIA firms rather than our corporate RIA platform.

Safe harbor disclosure

Statements in this presentation regarding LPL Financial Holdings Inc.'s (the "Company") future financial and operating results, plans, strategies, goals, future growth and insured cash account portfolio, including income projections based on changes in interest rates, the Company's ability to realize benefits from rising interest rates, future fees from banks and future contract maturities, future cash sweep balances, 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 April 30, 2015. 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 advisory assets and the related impact on fee revenue; effects of competition in the financial services industry; changes in the number of the Company's financial advisors and institutions, and their ability to market effectively financial products and services; changes in interest rates and fees payable by banks participating in the Company's cash sweep programs, including the Company's success in negotiating agreements with current or additional counterparties; balances in the Company's cash sweep programs; the Company's strategy in managing program fees; the Company's strategy in managing contract maturities with banks that participate in the Company's cash sweep programs; changes in the growth of the Company's fee-based business; the Company's success in integrating the operations of acquired businesses; the effect of current, pending and future legislation, regulation and regulatory actions, including disciplinary actions imposed by securities regulators or self-regulatory organizations; and the other factors set forth in Part I, "Item 1A. Risk Factors" in the Company's 2014 Annual Report on Form 10-K and any subsequent SEC filings. Except as required by law, the Company specifically disclaims any obligation to update any forward-looking statements as a result of developments occurring after April 30, 2015, even if its estimates change, and you should not rely on those statements as representing the Company's views as of any subsequent date.

Non-GAAP financial metrics

Adjusted Earnings represent net income before: (a) employee share-based compensation expense, (b) acquisition and integration related expenses, (c) restructuring and conversion costs, (d) debt extinguishment costs, (e) amortization of intangible assets resulting from various acquisitions, and (f) other. Reconciling items are tax effected using the income tax rates in effect for the applicable period, adjusted for any potentially non-deductible amounts. Adjusted Earnings per share represents Adjusted Earnings divided by weighted average outstanding shares on a fully diluted basis. The Company prepares Adjusted Earnings and Adjusted Earnings per share to eliminate the effects of items that it does not consider indicative of its core operating performance. The Company believes this measure provides investors with greater transparency by helping illustrate the underlying financial and business trends relating to results of operations and financial condition and comparability between current and prior periods. Adjusted Earnings and Adjusted Earnings per share are not measures of the Company's financial performance under GAAP and should not be considered as an alternative to net income or earnings per share 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.

Non-GAAP financial metrics (continued)

Adjusted EBITDA is defined as EBITDA (net income plus interest expense, income tax expense, depreciation and amortization), further adjusted to exclude certain non-cash charges and other adjustments set forth in the table above. The Company presents Adjusted EBITDA because the Company considers it a useful financial metric in assessing the Company's operating performance from period to period by excluding certain items that the Company believes are not representative of its core business, such as certain material non-cash items and other adjustments that are outside the control of management. Adjusted 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. In addition, Adjusted EBITDA can differ significantly from company to company depending on long-term strategic decisions regarding capital structure, the tax jurisdictions in which companies operate, and capital investments.

Gross Profit is calculated as net revenues less production expenses. Production expenses consist of the following expense categories from the Company's consolidated statements of income: (i) commission and advisory and (ii) brokerage, clearing, and exchange. All other expense categories, including depreciation and amortization, 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.

LPL Financial Holdings Inc.
Financial Highlights
(Amounts in thousands, except per share data and where noted)
(Unaudited)

	Three Month Quarterly Results				
	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014
REVENUES					
Commission	\$ 523,399	\$ 528,355	\$ 520,388	\$ 535,177	\$ 534,574
Advisory	342,112	339,943	340,369	330,394	327,253
Asset-based	120,632	122,101	121,283	118,537	114,674
Transaction and fee	101,695	93,537	94,674	91,625	89,985
Other	21,464	20,332	12,520	16,996	20,945
Net revenues	<u>1,109,302</u>	<u>1,104,268</u>	<u>1,089,234</u>	<u>1,092,729</u>	<u>1,087,431</u>
EXPENSES					
Production(1)	753,988	768,917	758,091	763,991	756,718
Compensation and benefits	112,280	104,370	106,290	104,821	106,348
General and administrative	114,354	99,209	122,056	106,799	94,377
Depreciation and amortization	26,066	26,227	24,519	23,818	22,281
Restructuring charges	3,924	8,179	9,928	9,225	7,320
Total operating expenses	<u>1,010,612</u>	<u>1,006,902</u>	<u>1,020,884</u>	<u>1,008,654</u>	<u>987,044</u>
Non-operating interest expense	14,015	12,887	12,897	12,914	12,840
Loss on extinguishment of debt	—	3,943	—	—	—
Total expenses	<u>1,024,627</u>	<u>1,023,732</u>	<u>1,033,781</u>	<u>1,021,568</u>	<u>999,884</u>
INCOME BEFORE PROVISION FOR INCOME TAXES	<u>84,675</u>	<u>80,536</u>	<u>55,453</u>	<u>71,161</u>	<u>87,547</u>
PROVISION FOR INCOME TAXES	<u>33,997</u>	<u>31,991</u>	<u>22,181</u>	<u>28,070</u>	<u>34,412</u>
NET INCOME	<u>\$ 50,678</u>	<u>\$ 48,545</u>	<u>\$ 33,272</u>	<u>\$ 43,091</u>	<u>\$ 53,135</u>
EARNINGS PER SHARE					
Basic	\$ 0.52	\$ 0.50	\$ 0.33	\$ 0.43	\$ 0.52
Diluted	\$ 0.52	\$ 0.49	\$ 0.33	\$ 0.42	\$ 0.51
Weighted-average shares outstanding — basic	96,551	97,853	100,052	100,244	101,279
Weighted-average shares outstanding — diluted	98,227	99,469	101,834	102,029	103,339

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LPL Financial Holdings Inc.
Financial Highlights (Continued)
(Amounts in thousands, except per share data and where noted)
(Unaudited)

	Three Month Quarterly Results				
	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014
FINANCIAL CONDITION					
Total Cash & Cash Equivalents (\$ billions)	\$ 0.5	\$ 0.4	\$ 0.5	\$ 0.4	\$ 0.5
Total Assets (\$ billions)	\$ 4.1	\$ 4.1	\$ 3.9	\$ 3.9	\$ 3.9
Total Debt (\$ billions)(2)	\$ 1.6	\$ 1.6	\$ 1.5	\$ 1.5	\$ 1.5
Stockholders' Equity (\$ billions)	\$ 1.0	\$ 1.0	\$ 1.1	\$ 1.1	\$ 1.1
KEY METRICS					
Advisors	14,098	14,036	13,910	13,840	13,726
Production Payout(1)	85.64%	87.12%	86.67%	86.84%	86.39%
Advisory and Brokerage Assets (\$ billions)(3)	\$ 485.4	\$ 475.1	\$ 464.8	\$ 465.4	\$ 447.1
Advisory Assets Under Custody (\$ billions)(3)(4)	\$ 183.7	\$ 175.8	\$ 169.5	\$ 167.3	\$ 158.0
Net New Advisory Assets (\$ billions)(5)	\$ 5.2	\$ 4.1	\$ 4.8	\$ 4.2	\$ 4.4
Insured Cash Account Balances (\$ billions)(6)	\$ 17.7	\$ 18.6	\$ 16.9	\$ 16.1	\$ 16.6
Money Market Account Balances (\$ billions)(6)	\$ 6.9	\$ 7.4	\$ 7.1	\$ 6.7	\$ 7.1
Adjusted EBITDA(7)	\$ 135,093	\$ 137,953	\$ 108,878	\$ 128,199	\$ 141,477
Adjusted Earnings(8)	\$ 63,180	\$ 66,044	\$ 48,773	\$ 61,775	\$ 71,029
Adjusted Earnings per share(8)	\$ 0.64	\$ 0.66	\$ 0.48	\$ 0.61	\$ 0.69

- (1) Production expense is comprised of commission and advisory expense and brokerage, clearing, and exchange expense. Production payout, a statistical measure, excludes brokerage, clearing, and exchange expense and is calculated as commission and advisory expense divided by commission and advisory revenues.
- (2) Represents borrowings on the Company's senior secured credit facilities.
- (3) Advisory and brokerage 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. Insured cash account and money market account balances are also included in advisory and brokerage assets.
- (4) Advisory assets under custody are comprised of advisory assets under management in our corporate RIA platform, and Hybrid RIA assets in advisory accounts custodied by us.
- (5) Represents net new advisory assets consisting of funds from new accounts and additional funds deposited into existing advisory accounts that are custodied in the Company's fee-based advisory platforms during each of the three month quarterly periods then ended.
- (6) Represents clients' insured cash and money market account balances as of the end of each reporting period.

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(7) The reconciliation from net income to Adjusted EBITDA, a non-GAAP measure, for the periods presented is as follows (in thousands):

	Q1 2015	Q4 2014	Q3 2014 (unaudited)	Q2 2014	Q1 2014
Net income	\$ 50,678	\$ 48,545	\$ 33,272	\$ 43,091	\$ 53,135
Non-operating interest expense	14,015	12,887	12,897	12,914	12,840
Provision for income taxes	33,997	31,991	22,181	28,070	34,412
Amortization of intangible assets	9,637	9,822	9,634	9,696	9,716
Depreciation and amortization of fixed assets	16,429	16,405	14,885	14,122	12,565
EBITDA	<u>124,756</u>	<u>119,650</u>	<u>92,869</u>	<u>107,893</u>	<u>122,668</u>
EBITDA Adjustments:					
Employee share-based compensation expense(a)	6,158	5,159	5,550	5,426	5,111
Acquisition and integration related expenses(b)	85	650	(328)	733	359
Restructuring and conversion costs(c)	3,888	8,177	9,958	9,377	7,271
Debt amendment and extinguishment costs(d)	—	4,361	—	—	—
Other(e)	206	(44)	829	4,770	6,068
Total EBITDA Adjustments	<u>10,337</u>	<u>18,303</u>	<u>16,009</u>	<u>20,306</u>	<u>18,809</u>
Adjusted EBITDA	<u>\$ 135,093</u>	<u>\$ 137,953</u>	<u>\$ 108,878</u>	<u>\$ 128,199</u>	<u>\$ 141,477</u>

Continued on following page

- (8) The reconciliation from net income to Adjusted Earnings, a non-GAAP measure, for the periods presented is as follows (in thousands, except per share data):

	Q1 2015	Q4 2014	Q3 2014 (unaudited)	Q2 2014	Q1 2014
Net income	\$ 50,678	\$ 48,545	\$ 33,272	\$ 43,091	\$ 53,135
After-Tax:					
EBITDA Adjustments(f)					
Employee share-based compensation expense(g)	4,019	3,397	3,666	3,594	3,518
Acquisition and integration related expenses(h)	52	399	(703)	450	220
Restructuring and conversion costs	2,387	5,021	6,114	5,758	4,464
Debt amendment and extinguishment costs	—	2,678	—	—	—
Other	127	(27)	509	2,929	3,726
Total EBITDA Adjustments	6,585	11,468	9,586	12,731	11,928
Amortization of intangible assets(f)	5,917	6,031	5,915	5,953	5,966
Adjusted Earnings	\$ 63,180	\$ 66,044	\$ 48,773	\$ 61,775	\$ 71,029
Adjusted Earnings per share(i)	\$ 0.64	\$ 0.66	\$ 0.48	\$ 0.61	\$ 0.69
Weighted-average shares outstanding — diluted	98,227	99,469	101,834	102,029	103,339

- (a) 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.
- (b) Represents acquisition and integration costs resulting from various acquisitions, including changes in the estimated fair value of future payments, or contingent consideration, that may be required to be made to former shareholders of certain acquired entities.
- (c) Represents organizational restructuring charges, conversion, and other related costs resulting from the expansion of the Company's Service Value Commitment initiative. Results for the three months ended March 31, 2015 also include charges related to the restructuring of the business of the Company's subsidiary, Fortigent Holdings Company, Inc.
- (d) Represents expenses incurred resulting from the early extinguishment of amounts outstanding under prior senior secured credit facilities, including the accelerated recognition of unamortized debt issuance costs that had no economic benefit, as well as various other charges incurred in connection with the amended senior secured credit facilities.
- (e) Results for the first, second, third, and fourth quarter of 2014 include approximately \$5.3 million, \$3.2 million, \$0.6 million, and \$0.4 million, respectively, in parallel rent, property tax, and common area maintenance expenses incurred in connection with the Company's relocation to its San Diego office building.
- (f) Generally, EBITDA Adjustments and amortization of intangible assets have been tax effected using a federal rate of 35.0% and the applicable effective state rate, which was 3.6%, net of the federal tax benefit, for 2015 and 2014, respectively, except as noted in footnotes (g) and (i) in this table.
- (g) Includes the full expense impact of incentive stock options granted to employees that qualify for preferential tax treatment and conversely for which the Company does not receive a tax deduction.

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- (h) Represents the after-tax expense of acquisition and related costs for which the Company receives a tax deduction.
- (i) Represents Adjusted Earnings, a non-GAAP measure, divided by weighted-average number of shares outstanding on a fully diluted basis. Set forth is a reconciliation of earnings per share on a fully diluted basis, as calculated in accordance with GAAP, to Adjusted Earnings per share:

	<u>Q1 2015</u>	<u>Q4 2014</u>	<u>Q3 2014</u> (unaudited)	<u>Q2 2014</u>	<u>Q1 2014</u>
Earnings per share — diluted	\$ 0.52	\$ 0.49	\$ 0.33	\$ 0.42	\$ 0.51
After-Tax:					
EBITDA Adjustments per share	0.06	0.11	0.09	0.13	0.12
Amortization of intangible assets per share	0.06	0.06	0.06	0.06	0.06
Adjusted Earnings per share	<u>\$ 0.64</u>	<u>\$ 0.66</u>	<u>\$ 0.48</u>	<u>\$ 0.61</u>	<u>\$ 0.69</u>

LPL Financial Holdings Inc.
Pre-Tax Earnings Adjustments - Q1 2015 Compared to Q1 2014
(Dollars in thousands)
(Unaudited)

	Q1 2015			Q1 2014			Increase (Decrease)	
	Unadjusted	Adjustments	As Adjusted	Unadjusted	Adjustments	As Adjusted	\$	%
REVENUES:								
Commission	\$ 523,399	\$ —	\$ 523,399	\$ 534,574	\$ —	\$ 534,574	\$ (11,175)	(2.1)%
Advisory	342,112	—	342,112	327,253	—	327,253	14,859	4.5 %
Asset-based	120,632	—	120,632	114,674	—	114,674	5,958	5.2 %
Transaction and fee	101,695	—	101,695	89,985	1	89,986	11,709	13.0 %
Interest income, net of operating interest	4,578	(7)	4,571	4,761	(143)	4,618	(47)	(1.0)%
Other	16,886	(481)	16,405	16,184	(30)	16,154	251	1.6 %
Net revenues	1,109,302	(488)	1,108,814	1,087,431	(172)	1,087,259	21,555	2.0 %
EXPENSES:								
Commission and advisory	741,247	—	741,247	744,543	—	744,543	(3,296)	(0.4)%
Compensation and benefits	112,280	(6,503)	105,777	106,348	(6,019)	100,329	5,448	5.4 %
Promotional	35,692	—	35,692	27,183	—	27,183	8,509	31.3 %
Depreciation and amortization	26,066	(9,637)	16,429	22,281	(9,716)	12,565	3,864	30.8 %
Occupancy and equipment	20,882	—	20,882	22,081	(5,163)	16,918	3,964	23.4 %
Professional services	14,044	(2)	14,042	18,874	(328)	18,546	(4,504)	(24.3)%
Brokerage, clearing, and exchange	12,741	—	12,741	12,175	—	12,175	566	4.6 %
Communications and data processing	11,614	—	11,614	10,659	(55)	10,604	1,010	9.5 %
Restructuring charges	3,924	(3,924)	—	7,320	(7,320)	—	—	*
Other	32,122	(396)	31,726	15,580	(96)	15,484	16,242	104.9 %
Total operating expenses	1,010,612	(20,462)	990,150	987,044	(28,697)	958,347	31,803	3.3 %
Non-operating interest expense	14,015	—	14,015	12,840	—	12,840	1,175	9.2 %
Loss on extinguishment of debt	—	—	—	—	—	—	—	*
Total expenses	\$ 1,024,627	\$ (20,462)	\$ 1,004,165	\$ 999,884	\$ (28,697)	\$ 971,187	\$ 32,978	3.4 %
Regulatory charges(1)			\$ 10,964			\$ 700	\$ 10,264	*
Core G&A Expenses, excluding regulatory charges(2)			\$ 173,077			\$ 161,181	\$ 11,896	7.4 %

* Not Meaningful

(1) Regulatory charges is a subset of "Other" expenses that relates to the resolution of regulatory issues (including remediation, restitution, and fines).

(2) Core G&A Expenses, excluding regulatory charges are total operating expenses, excluding the following expenses: commission and advisory, promotional, depreciation and amortization, brokerage, clearing, and exchange, and regulatory charges.

LPL Financial Holdings Inc.
Pre-Tax Earnings Adjustments - Q1 2015 Compared to Q4 2014
(Dollars in thousands)
(Unaudited)

	Q1 2015			Q4 2014			Increase (Decrease)	
	Unadjusted	Adjustments	As Adjusted	Unadjusted	Adjustments	As Adjusted	\$	%
REVENUES:								
Commission	\$ 523,399	\$ —	\$ 523,399	\$ 528,355	\$ —	\$ 528,355	\$ (4,956)	(0.9)%
Advisory	342,112	—	342,112	339,943	—	339,943	2,169	0.6 %
Asset-based	120,632	—	120,632	122,101	—	122,101	(1,469)	(1.2)%
Transaction and fee	101,695	—	101,695	93,537	—	93,537	8,158	8.7 %
Interest income, net of operating interest	4,578	(7)	4,571	4,703	(8)	4,695	(124)	(2.6)%
Other	16,886	(481)	16,405	15,629	—	15,629	776	5.0 %
Net revenues	1,109,302	(488)	1,108,814	1,104,268	(8)	1,104,260	4,554	0.4 %
EXPENSES:								
Commission and advisory	741,247	—	741,247	756,496	—	756,496	(15,249)	(2.0)%
Compensation and benefits	112,280	(6,503)	105,777	104,370	(5,740)	98,630	7,147	7.2 %
Promotional	35,692	—	35,692	31,096	—	31,096	4,596	14.8 %
Depreciation and amortization	26,066	(9,637)	16,429	26,227	(9,822)	16,405	24	0.1 %
Occupancy and equipment	20,882	—	20,882	19,508	114	19,622	1,260	6.4 %
Professional services	14,044	(2)	14,042	17,233	(443)	16,790	(2,748)	(16.4)%
Brokerage, clearing, and exchange	12,741	—	12,741	12,421	—	12,421	320	2.6 %
Communications and data processing	11,614	—	11,614	11,225	(10)	11,215	399	3.6 %
Restructuring charges	3,924	(3,924)	—	8,179	(8,179)	—	—	*
Other	32,122	(396)	31,726	20,147	(110)	20,037	11,689	58.3 %
Total operating expenses	1,010,612	(20,462)	990,150	1,006,902	(24,190)	982,712	7,438	0.8 %
Non-operating interest expense	14,015	—	14,015	12,887	—	12,887	1,128	8.8 %
Loss on extinguishment of debt	—	—	—	3,943	(3,943)	—	—	*
Total expenses	\$ 1,024,627	\$ (20,462)	\$ 1,004,165	\$ 1,023,732	\$ (28,133)	\$ 995,599	\$ 8,566	0.9 %
Regulatory charges(1)			\$ 10,964			\$ 4,900	\$ 6,064	123.8 %
Core G&A Expenses, excluding regulatory charges(2)			\$ 173,077			\$ 161,394	\$ 11,683	7.2 %

* Not Meaningful

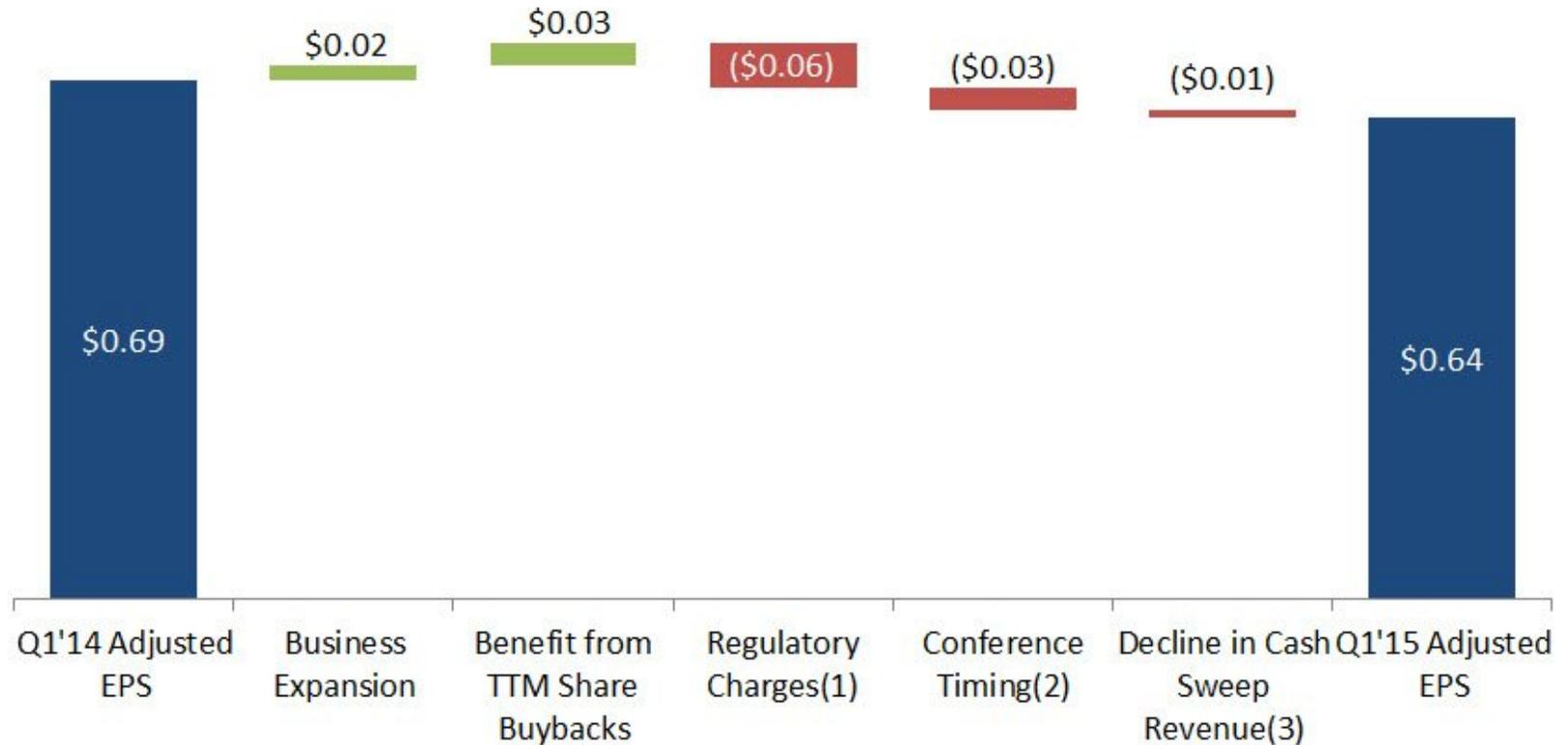
(1) Regulatory charges is a subset of "Other" expenses that relates to the resolution of regulatory issues (including remediation, restitution, and fines).

(2) Core G&A Expenses, excluding regulatory charges are total operating expenses, excluding the following expenses: commission and advisory, promotional, depreciation and amortization, brokerage, clearing, and exchange, and regulatory charges.

LPL Financial Holdings Inc.
Q1 2015 Adjusted Earnings per Share
(unaudited)

The following table illustrates components of our year-over-year Q1 2015 Adjusted Earnings per Share performance:

Q1'15 v Q1'14



(1) Represent the increase in Q1'15 regulatory charges compared to Q1'14

(2) Represents an increase in conference expense attributable to the occurrence of two advisor recognition conferences in Q1'15

(3) Represent the decline in Q1'15 cash sweep revenue compared to Q1'14

LPL Financial Holdings Inc.
Management's Discussion of non-GAAP Quarterly Results
(In thousands, except share data)
(Unaudited)

Information on the following two pages contain forward-looking statements and includes our management's commentary on our quarterly results, and should be read in conjunction with our consolidated financial statements and the Management's Discussion & Analysis included in our Quarterly Report on Form 10-Q. Please also refer to the disclosure under heading "Safe harbor disclosure" on page 1 of this Financial Supplement.

	<u>Q1 2015</u>	<u>Q1 2014</u>	<u>YoY %</u>	<u>Comments</u>
REVENUES				
Commission	\$ 523,399	\$ 534,574	(2.1)%	Overall commissions were down 2.1% year-over-year driven by sales-based commissions down 9% and trail-based commissions up 8%. Fixed and variable annuities sales were down as 10-year treasury yields remain below 3%. Alternative investment sales were slightly above our historical average, driven by a liquidity event in a REIT product in the fourth quarter of 2014 that continued to support growth in first quarter. Trail commissions - which are recurring - were up driven by primarily by asset price appreciation as well as asset base expansion.
Advisory	342,112	327,253	4.5 %	Advisory fee revenue year-over-year growth of 4.5%, while corporate advisory assets grew 6% year-over-year. This was primarily due to mix shift across advisory platforms.
Production revenues	\$ 865,511	\$ 861,827	0.4 %	
Cash sweep revenue	21,522	23,966	(10.2)%	Cash sweep revenue declined was largely driven by our Insured Cash Account ("ICA") fees from bank contracts compressing 9 basis points over the last twelve months (13 bps from contract repricing, offset by a gain of 4 bps in average FFE rate). Since the majority of ICA contract repricing occurred in the first quarter, we do not anticipate further bank fee compression in the remainder of the year. At the end of the first quarter of 2015, cash balances were \$24.6 billion (\$17.7 billion in ICA and \$6.9 million in Money Market), up 4% year-over-year but down 5.3% sequentially, which is consistent with the historical impact of tax season.
Non-cash Asset-based	99,110	90,708	9.3 %	The growth in asset-based fees is in-line with our total advisory and brokerage asset growth of 9%. Continued conversions to our omnibus processing services provided modest upside.
Transaction and fee	101,695	89,986	13.0 %	Transaction revenue growth was driven by increased volumes in advisory accounts given the growth of our advisory business and market volatility. Fee revenue grew as conference revenue increased by \$1.5 million year-over-year as two advisor recognition conferences both occurred in the first quarter this year. Finally, we saw growth in the roll out from the home office supervision fee.
Other	20,976	20,772	1.0 %	In the first quarter of 2015 marketing allowances related to alternative investments were elevated, along with alternative investments sales. This was offset by a lower contribution from the mark-to-market of advisor deferred compensation trails in 1Q'14.
Net revenues	\$ 1,108,814	\$ 1,087,259	2.0 %	
Production expense	753,988	756,718	(0.4)%	Production expense is the product of total GDC (discussed above) and payout rate (discussed below).
Gross profit (1)	\$ 354,826	\$ 330,541	7.3 %	
<i>Payout rate</i>	<i>85.64%</i>	<i>86.39%</i>	<i>(0.8) %</i>	Payout rate decreased by 75 basis points year-over-year. The greatest factor contributing to a decrease in year-over-year payout was the base payout declining by 53 bps due to increased mix of advisory and hybrid RIA assets. Non-GDC payout also declined with the mark-to-market of advisor deferred compensation.

Continued on following page

LPL Financial Holdings Inc.
Management's Discussion of non-GAAP Quarterly Results
(In thousands, except per share data)
(Unaudited)

	Q1 2015	Q1 2014	YoY %	Comments on Quarterly Financial Results
EXPENSES				
Core G&A	\$ 173,077	\$ 161,181	7.4 %	For 2015, we are guiding to 7.5-8.5% Core G&A growth which translates to Core G&A of \$172-178M per quarter. In the first quarter Core G&A was within this range. Core G&A guidance is higher than our mid-single digit aspiration due to 1.5% for strengthening our compliance function and 1% for the restoration of the bonus pool in 2015 that are not expected to be recurring growth drivers in 2016 and beyond.
Regulatory charges	10,964	700	not meaningful	1Q 2015 regulatory charges were elevated due to the estimated costs of resolving and remediating matters of significance, including fines and restitution.
Promotional G&A	35,692	27,183	31.3 %	Conference expenses increased \$6.5 million year-over-year as two primary advisor conferences occurred in the first quarter this year. We expect conference expense to decrease approximately \$10 million sequentially as there are no major conferences scheduled for the second quarter of 2015. The remaining year-over-year increase of promotional expense was primarily related to transition assistance.
Total G&A	\$ 219,733	\$ 189,064	16.2 %	
Adjusted EBITDA (2)	\$ 135,093	\$ 141,477	(4.5)%	

(1) Gross Profit is a non-GAAP measure.

(2) Adjusted EBITDA, Adjusted Earnings and Adjusted Earnings per Share are non-GAAP measures. See the GAAP to non-GAAP reconciliation on pages 5-7.

LPL Financial Holdings Inc.
Additional Business Metrics
(Dollars in billions, except where noted)
(Unaudited)

	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Seq Growth	YoY Growth
Advisory and Brokerage Assets							
Advisory	\$ 183.7	\$ 175.8	\$ 169.5	\$ 167.3	\$ 158.0	4.5%	16.3%
Brokerage	301.7	299.3	295.3	298.1	289.1	0.8%	4.4%
Total Advisory and Brokerage Assets(1)	\$ 485.4	\$ 475.1	\$ 464.8	\$ 465.4	\$ 447.1	2.2%	8.6%
<i>Advisory % of Total Assets</i>	37.8%	37.0%	36.5%	35.9%	35.3%	n/a	n/a
Hybrid RIA Firm Assets							
Brokerage Assets Associated with Hybrid RIAs	\$ 48.1	\$ 43.8	\$ 41.0	\$ 38.7	\$ 35.3	9.8%	36.3%
Hybrid RIA Firm Advisory Assets	56.7	50.7	46.4	43.1	38.2	11.8%	48.4%
Total Hybrid RIA Firm Assets(2)	\$ 104.8	\$ 94.5	\$ 87.4	\$ 81.8	\$ 73.5	10.9%	42.6%
Net New Advisory Assets							
Net New Advisory Assets(3)	\$ 5.2	\$ 4.1	\$ 4.8	\$ 4.2	\$ 4.4	26.8%	18.2%
Annualized Growth(4)	11%	9%	11%	10%	11%	n/a	n/a
Cash Sweep Assets							
Insured Cash Account	\$ 17.7	\$ 18.6	\$ 16.9	\$ 16.1	\$ 16.6	(4.8%)	6.6%
Money Market Funds	6.9	7.4	7.1	6.7	7.1	(6.8%)	(2.8%)
Total Cash Sweep Assets (EOP)	\$ 24.6	\$ 26.0	\$ 24.0	\$ 22.8	\$ 23.7	(5.4%)	3.8%
<i>% of total Advisory and Brokerage Assets</i>	5.1%	5.5%	5.2%	4.9%	5.3%	(40 bps)	(20 bps)
Cash Sweep Fees							
Insured Cash Account Fee - bps	45	55	58	58	54	(10 bps)	(9 bps)
Money Market Fee - bps	8	7	7	7	7	1 bps	1 bps
Cash Sweep Fee - bps	35	41	43	43	40	(6 bps)	(5 bps)
Weighted FFE Daily Average Fee - bps	11	10	9	9	7	1 bps	4 bps
Advisors							
Advisors	14,098	14,036	13,910	13,840	13,726	0.4%	2.7%
Annualized commissions revenue per Advisor (\$ thousands)(5)(6)	\$ 149	\$ 151	\$ 150	\$ 155	\$ 156	(1.3%)	(4.5%)
Annualized GDC per Advisor (\$ thousands)(5)(6)	\$ 246	\$ 249	\$ 248	\$ 251	\$ 252	(1.2%)	(2.4%)
Net New Advisors	62	126	70	114	53	(50.8%)	17.0%
Custom Clearing Services Subscribers(7)	4,304	4,358	4,407	4,444	4,432	(1.2%)	(2.9%)

Continued on following page

LPL Financial Holdings Inc.
Additional Business Metrics
(Dollars in millions, except where noted)
(Unaudited)

	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Seq Growth	YoY Growth
Payout Rate (8)							
Base Payout Rate	83.45%	83.36%	83.50 %	84.01%	83.98%	9 bps	(53 bps)
Production Based Bonuses	1.80%	3.64%	3.18 %	2.64%	1.69%	(184 bps)	11 bps
GDC Sensitive Payout	85.25%	87.00%	86.68 %	86.65%	85.67%	(175 bps)	(42 bps)
Non-GDC Sensitive Payout(9)	0.39%	0.12%	(0.01)%	0.19%	0.72%	27 bps	(33 bps)
Total Payout Ratio	85.64%	87.12%	86.67 %	86.84%	86.39%	(148 bps)	(75 bps)
Production Based Bonuses Ratio (Trailing Twelve Months)	2.8%	2.8%	2.7 %	2.7%	2.7%	— bps	10 bps
G&A Expenses (\$ millions)							
Core G&A(10)	\$ 184.0	\$ 166.3	\$ 185.6	\$ 170.8	\$ 161.9	10.6%	13.7%
Core G&A, excluding regulatory charges(11)	\$ 173.1	\$ 161.4	\$ 162.9	\$ 162.8	\$ 161.2	7.2%	7.4%
Noncash Transition Assistance(12)	\$ 8.6	\$ 8.0	\$ 8.0	\$ 7.2	\$ 7.3	7.5%	17.8%
Metrics							
Advisory Revenue as a percentage of Advisory Assets, excluding Hybrid RIA assets(13)	1.1%	1.1%	1.1 %	1.1%	1.1%	—%	—%
Production Retention Rate (YTD Annualized)(14)	97.0%	96.9%	97.0 %	96.8%	96.0%	0.1%	1.0%
Attachment Rate, excluding Cash Sweep Revenue (15)	25.7%	24.2%	23.6 %	23.4%	23.4%	6.2%	9.8%
Recurring Revenue Rate	69.2%	68.9%	70.2 %	67.6%	66.6%	0.4%	3.9%
Adjusted EBITDA / Gross Profit	38.0%	41.1%	32.9 %	39.0%	42.8%	(7.5%)	(11.2%)
Annualized Gross Profit / Total Advisory and Brokerage Assets	0.29%	0.28%	0.28 %	0.28%	0.30%	1 bps	(1 bps)
Employees - period end	3,352	3,384	3,397	3,374	3,267	(0.9%)	2.6%
Cash available for corporate use (millions)(16)	\$ 238	\$ 205	\$ 200	\$ 205	\$ 234	16.1%	1.7%
Capital Allocation per Share(17)	\$ 0.55	\$ 1.49	\$ 0.48	\$ 0.48	\$ 1.20	n/a	n/a

(1) Advisory and brokerage 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. Insured cash account and money market account balances are also included in advisory and brokerage assets.

(2) Total Hybrid RIA firm assets are composed of assets managed by advisors associated with a Hybrid RIA firm 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. The metrics for the four quarters of 2014 were revised subsequent to the original posting of our Financial Supplement on April 30, 2015 to reclassify certain non-networked brokerage assets as associated with Hybrid RIA firms rather than our corporate RIA platform.

- (3) Reflects net new advisory assets consisting of funds from new accounts and additional funds deposited into advisory accounts that are custodied in the Company's fee-based advisory platforms and exclude market impact.
- (4) Calculated by dividing net new advisory assets by end of period advisory assets and multiplying by four.
- (5) A simple average advisor count is used to calculate "per advisor" metrics by taking the average advisor count from the current period and sequential period.
- (6) Calculation excludes Custom Clearing Services subscribers and uses average at the beginning and the end of period advisor count.
- (7) Custom Clearing Services subscribers are financial advisors who are affiliated and licensed with insurance companies through customized clearing services, advisory platforms, and technology solutions.
- (8) Our production payout ratio is calculated as production expenses, excluding brokerage, clearing, and exchange fees, divided by GDC.
- (9) Non-GDC Sensitive Payout includes share-based compensation expense from equity awards granted to advisors and financial institutions based on the fair value of the awards at each reporting period, and mark-to-market gains or losses on amounts designated by advisors as deferred commissions in a non-qualified deferred compensation plan.
- (10) Core G&A Expenses are total operating expenses, excluding the following expenses: commission and advisory, promotional, depreciation and amortization, and brokerage, clearing, and exchange.
- (11) Regulatory charges relate to the resolution of regulatory issues (including remediation, restitution, and fines).
- (12) Transition assistance represents payments to newly recruited advisors and financial institutions to assist in the transition process. Smaller advisor practices receive payments that are charged to earnings in the current period, whereas larger advisor practices and financial institutions typically receive transition assistance in the form of forgivable loans or recoverable advances that are generally amortized into earnings over a period of three to five years. Noncash transition assistance represents the amortizable amount of forgivable loans or recoverable advances that are charged to earnings in the period presented.
- (13) Based on annualized advisory revenues over prior quarter ending corporate advisory assets (corporate assets defined as total advisory assets less Hybrid RIA Firm Advisory Assets).
- (14) 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.
- (15) Attachment revenue is comprised of asset-based revenues (including revenue from cash sweep programs), transaction and fee revenue, and other revenue. Attachment rate, excluding cash revenue is calculated as attachment revenue (less revenue from cash sweep programs) over total commission and advisory revenues for the quarter.
- (16) Cash unrestricted by the credit agreement and other regulations available for operating, investing, and financing uses.
- (17) Capital allocation per share equals the amount of capital allocated for share repurchases and cash dividends over the diluted weighted average shares outstanding.

LPL Financial Holdings Inc.
Insured Cash Account Fed Funds Sensitivity
(Dollars in thousands)
(unaudited)

The following table reflects the impact to income before taxes on an annual basis based on an upward or downward change in short-term interest rates of one basis point.

The impact assumes that the client balances at March 31, 2015 remain unchanged.

Federal Reserve Effective Federal Funds Rate ("FFER")	Annualized Increase or Decrease of Income Before Taxes per One Basis Point Change
0.00% - 0.25%	\$ 1,800
0.26% - 1.25%	\$ 900
1.26% - 2.70%	\$ 800

Example: Assuming the FFER is 0.10% and increases by 0.25% to 0.35%, the Company would benefit from an annualized increase of \$36 million in income, before taxes. The pace at which the Company realizes the benefit from a rising FFER may vary depending on our strategy in response to a change in interest rate levels, the significance of a change, and actual cash sweep balances at the time of such change.

This example excludes the benefit from incremental money market revenue. In a normalized interest rate environment when there are no longer money market fund fee waivers, the Company would earn approximately 55 basis points on money market fund cash balances based upon cash asset level allocations as of March 31, 2015.

The Company believes it can achieve fees of approximately 185 basis points on the balances in its Insured Cash Account ("ICA") program when the FFER is normalized. Currently, based on the Company's balances and contract arrangements with third parties as of March 31, 2015, normalized FFER would need to be approximately 2.70% for the Company to realize its 185 basis point fee. Assuming maximum compression in the fees from banks in the Company's ICA program, normalized FFER would increase to a maximum of approximately 3.50% in order for the Company to realize its 185 basis point fee.

In a scenario where the Company maximizes its fees on both of its cash sweep programs, the Company would generate approximately \$285 million in incremental revenue and income before taxes based on cash sweep balances as of March 31, 2015. As interest rates rise above the level where the Company maximized its fees, the incremental rate would benefit the retail investor.

LPL Financial Holdings Inc.
Insured Cash Account Portfolio Grid of Maturities
(Dollars in billions)
(unaudited)

The following table outlines the number of bank relationships and maturities in our ICA program as of March 31, 2015:

Maturity Year	Number of Banks	Cash Assets Represented	Percentage of Total ICA Cash Balances
2015	7	\$ 3.2	18.1%
2016	11	\$ 7.0	39.5%
2017	5	\$ 0.4	2.3%
2018-2019	5	\$ 7.1	40.1%
Total	28	\$ 17.7	100.0%

Note: Our contracts with banks that participate in the ICA program mature regularly and are often renegotiated. We also add new bank relationships to the ICA program from time to time. The table above reflects the bank contracts and their expected maturities in the ICA program as of March 31, 2015. These numbers are subject to change based on new bank contract terms and changes in ICA balances. While certain bank contracts are made directly with us, other relationships with banks are administered through third parties. Accordingly, the information presented above includes data provided to us from third parties that we have not independently verified.