



Financial Supplement

Fourth Quarter 2014

February 19, 2015

Safe harbor disclosure

Statements in this presentation regarding the Company's 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 February 19, 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 2013 Annual Report on Form 10-K and any subsequent SEC filings, including the Company's 2014 Annual Report on Form 10-K. Except as required by law, the Company specifically disclaims any obligation to update any forward-looking statements as a result of developments occurring after February 19, 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 statements

Adjusted Earnings represent net income before: (a) employee share-based compensation expense, (b) amortization of intangible assets resulting from various acquisitions, (c) debt extinguishment costs, (d) restructuring and conversion costs, (e) equity issuance and related offering costs 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. We prepare Adjusted Earnings and Adjusted Earnings per share to eliminate the effects of items that we do not consider indicative of its core operating performance. We believe these measures provide 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 our 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.

Change in basis of presentation

The Company reclassified certain legal and regulatory costs from Professional Services to Other expenses to improve the transparency of its professional services costs provided by third-party vendors and to be consistent with industry peers in the presentation of costs related to these types of regulatory and legal matters. Additionally, the Company combined Regulatory Fees and Other expenses, which included certain licensing, insurance, and regulatory fee expenses, with Other expenses to be consistent with industry peers.

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

	Three Month Quarterly Results				
	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013
REVENUES					
Commission	\$ 528,355	\$ 520,388	\$ 535,177	\$ 534,574	\$ 556,176
Advisory	339,943	340,369	330,394	327,253	308,931
Asset-based	122,101	121,283	118,537	114,674	112,272
Transaction and fee	93,537	94,674	91,625	89,985	89,444
Other	20,332	12,520	16,996	20,945	27,107
Net revenues	<u>1,104,268</u>	<u>1,089,234</u>	<u>1,092,729</u>	<u>1,087,431</u>	<u>1,093,930</u>
EXPENSES					
Production(1)	768,917	758,091	763,991	756,718	773,811
Compensation and benefits	104,370	106,290	104,821	106,348	101,650
General and administrative	99,209	122,056	106,799	94,377	108,293
Depreciation and amortization	26,227	24,519	23,818	22,281	22,052
Restructuring charges	8,179	9,928	9,225	7,320	10,335
Other	—	—	—	—	(15)
Total operating expenses	<u>1,006,902</u>	<u>1,020,884</u>	<u>1,008,654</u>	<u>987,044</u>	<u>1,016,126</u>
Non-operating interest expense	12,887	12,897	12,914	12,840	13,256
Loss on extinguishment of debt	3,943	—	—	—	—
Total expenses	<u>1,023,732</u>	<u>1,033,781</u>	<u>1,021,568</u>	<u>999,884</u>	<u>1,029,382</u>
INCOME BEFORE PROVISION FOR INCOME TAXES	80,536	55,453	71,161	87,547	64,548
PROVISION FOR INCOME TAXES	31,991	22,181	28,070	34,412	20,130
NET INCOME	<u>\$ 48,545</u>	<u>\$ 33,272</u>	<u>\$ 43,091</u>	<u>\$ 53,135</u>	<u>\$ 44,418</u>
EARNINGS PER SHARE					
Basic	\$ 0.50	\$ 0.33	\$ 0.43	\$ 0.52	\$ 0.44
Diluted	\$ 0.49	\$ 0.33	\$ 0.42	\$ 0.51	\$ 0.43
Weighted average shares outstanding — basic	97,853	100,052	100,244	101,279	101,812
Weighted average shares outstanding — diluted	99,469	101,834	102,029	103,339	103,411

Continued on following page

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

	Three Month Quarterly Results				
	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013
FINANCIAL CONDITION					
Total Cash & Cash Equivalents (\$ billions)	\$ 0.4	\$ 0.5	\$ 0.4	\$ 0.5	\$ 0.5
Total Assets (\$ billions)	\$ 4.1	\$ 3.9	\$ 3.9	\$ 3.9	\$ 4.0
Total Debt (\$ billions)(2)	\$ 1.6	\$ 1.5	\$ 1.5	\$ 1.5	\$ 1.5
Stockholders' Equity (\$ billions)	\$ 1.0	\$ 1.1	\$ 1.1	\$ 1.1	\$ 1.1
KEY METRICS					
Advisors	14,036	13,910	13,840	13,726	13,673
Production Payout(1)	87.12%	86.67%	86.84%	86.39%	88.12%
Advisory and Brokerage Assets (\$ billions)	\$ 475.1	\$ 464.8	\$ 465.4	\$ 447.1	\$ 438.4
Advisory Assets Under Custody (\$ billions)	\$ 175.8	\$ 169.5	\$ 167.3	\$ 158.0	\$ 151.6
Net New Advisory Assets (\$ billions)(3)	\$ 4.1	\$ 4.8	\$ 4.2	\$ 4.4	\$ 3.9
Insured Cash Account Balances (\$ billions)(4)	\$ 18.6	\$ 16.9	\$ 16.1	\$ 16.6	\$ 17.4
Money Market Account Balances (\$ billions)(4)	\$ 7.4	\$ 7.1	\$ 6.7	\$ 7.1	\$ 7.5
Adjusted EBITDA(5)	\$ 137,953	\$ 108,878	\$ 128,199	\$ 141,477	\$ 124,190
Adjusted Earnings(6)	\$ 66,044	\$ 48,773	\$ 61,775	\$ 71,029	\$ 65,229
Adjusted Earnings per share(6)	\$ 0.66	\$ 0.48	\$ 0.61	\$ 0.69	\$ 0.63

(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) 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.

(4) Represents clients' insured cash and money market account balances as of the end of each reporting period.

Continued on following page

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

	Q4 2014	Q3 2014	Q2 2014 (unaudited)	Q1 2014	Q4 2013
Net income	\$ 48,545	\$ 33,272	\$ 43,091	\$ 53,135	\$ 44,418
Non-operating interest expense	12,887	12,897	12,914	12,840	13,256
Provision for income taxes	31,991	22,181	28,070	34,412	20,130
Amortization of intangible assets	9,822	9,634	9,696	9,716	9,731
Depreciation and amortization of fixed assets	16,405	14,885	14,122	12,565	12,321
EBITDA	<u>119,650</u>	<u>92,869</u>	<u>107,893</u>	<u>122,668</u>	<u>99,856</u>
EBITDA Adjustments:					
Employee share-based compensation expense(a)	5,159	5,550	5,426	5,111	4,029
Acquisition and integration related expenses(b)	650	(328)	733	359	12,534
Restructuring and conversion costs(c)	8,177	9,958	9,377	7,271	9,887
Debt amendment and extinguishment costs(d)	4,361	—	—	—	—
Other(e)	(44)	829	4,770	6,068	(2,116)
Total EBITDA Adjustments	<u>18,303</u>	<u>16,009</u>	<u>20,306</u>	<u>18,809</u>	<u>24,334</u>
Adjusted EBITDA	<u>\$ 137,953</u>	<u>\$ 108,878</u>	<u>\$ 128,199</u>	<u>\$ 141,477</u>	<u>\$ 124,190</u>

Continued on following page

- (6) 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):

	Q4 2014	Q3 2014	Q2 2014 (unaudited)	Q1 2014	Q4 2013
Net income	\$ 48,545	\$ 33,272	\$ 43,091	\$ 53,135	\$ 44,418
After-Tax:					
EBITDA Adjustments(f)					
Employee share-based compensation expense(g)	3,397	3,666	3,594	3,518	2,854
Acquisition and integration related expenses(h)	399	(703)	450	220	7,733
Restructuring and conversion costs	5,021	6,114	5,758	4,464	6,100
Debt amendment and extinguishment costs	2,678	—	—	—	—
Other	(27)	509	2,929	3,726	(1,880)
Total EBITDA Adjustments	11,468	9,586	12,731	11,928	14,807
Amortization of intangible assets(f)	6,031	5,915	5,953	5,966	6,004
Adjusted Earnings	\$ 66,044	\$ 48,773	\$ 61,775	\$ 71,029	\$ 65,229
Adjusted Earnings per share(i)	\$ 0.66	\$ 0.48	\$ 0.61	\$ 0.69	\$ 0.63
Weighted average shares outstanding — diluted	99,469	101,834	102,029	103,339	103,411

- (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.
- (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. Results for the fourth quarter of 2013 include a \$2.3 million gain related to the sale of an equity investment. Other amounts include certain excise and other taxes.
- (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% and 3.3%, net of the federal tax benefit, for 2014 and 2013, respectively, except as noted in Note (g) 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.

Continued on following page

- (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>Q4 2014</u>	<u>Q3 2014</u>	<u>Q2 2014</u> (unaudited)	<u>Q1 2014</u>	<u>Q4 2013</u>
Earnings per share — diluted	\$ 0.49	\$ 0.33	\$ 0.42	\$ 0.51	\$ 0.43
After-Tax:					
EBITDA Adjustments per share	0.11	0.09	0.13	0.12	0.14
Amortization of intangible assets per share	0.06	0.06	0.06	0.06	0.06
Adjusted Earnings per share	<u>\$ 0.66</u>	<u>\$ 0.48</u>	<u>\$ 0.61</u>	<u>\$ 0.69</u>	<u>\$ 0.63</u>

LPL Financial Holdings Inc.
Pre-Tax Earnings Adjustments - Q4 2014 Compared to Q4 2013
(Dollars in thousands)
(Unaudited)

	Q4 2014			Q4 2013			Increase (Decrease)	
	Unadjusted	Adjustments	As Adjusted	Unadjusted	Adjustments	As Adjusted	\$	%
REVENUES:								
Commission	\$ 528,355	\$ —	\$ 528,355	\$ 556,176	\$ —	\$ 556,176	\$ (27,821)	(5.0)%
Advisory	339,943	—	339,943	308,931	—	308,931	31,012	10.0 %
Asset-based	122,101	—	122,101	112,272	—	112,272	9,829	8.8 %
Transaction and fee	93,537	—	93,537	89,444	1	89,445	4,092	4.6 %
Interest income, net of operating interest	4,703	(8)	4,695	4,544	—	4,544	151	3.3 %
Other	15,629	—	15,629	22,563	(2,333)	20,230	(4,601)	(22.7)%
Net revenues	1,104,268	(8)	1,104,260	1,093,930	(2,332)	1,091,598	12,662	1.2 %
EXPENSES:								
Commission and advisory	756,496	—	756,496	761,710	—	761,710	(5,214)	(0.7)%
Compensation and benefits	104,370	(5,740)	98,630	101,650	(4,282)	97,368	1,262	1.3 %
Promotional	31,096	—	31,096	26,263	458	26,721	4,375	16.4 %
Depreciation and amortization	26,227	(9,822)	16,405	22,052	(9,731)	12,321	4,084	33.1 %
Occupancy and equipment	19,508	114	19,622	17,902	(19)	17,883	1,739	9.7 %
Professional services	17,233	(443)	16,790	16,163	(563)	15,600	1,190	7.6 %
Brokerage, clearing, and exchange	12,421	—	12,421	12,101	—	12,101	320	2.6 %
Communications and data processing	11,225	(10)	11,215	11,674	(16)	11,658	(443)	(3.8)%
Restructuring charges	8,179	(8,179)	—	10,335	(10,334)	1	(1)	*
Other	20,147	(110)	20,037	36,276	(11,911)	24,365	(4,328)	(17.8)%
Total operating expenses	1,006,902	(24,190)	982,712	1,016,126	(36,398)	979,728	2,984	0.3 %
Non-operating interest expense	12,887	—	12,887	13,256	—	13,256	(369)	(2.8)%
Loss on extinguishment of debt	3,943	(3,943)	—	—	—	—	—	*
Total expenses	\$ 1,023,732	\$ (28,133)	\$ 995,599	\$ 1,029,382	\$ (36,398)	\$ 992,984	\$ 2,615	0.3 %
Regulatory charges(1)			\$ 4,900			\$ 3,000	\$ 1,900	63.3 %
Core G&A Expenses, excluding regulatory charges(2)			\$ 161,394			\$ 163,875	\$ (2,481)	(1.5)%

* 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 - Q4 2014 Compared to Q3 2014
(Dollars in thousands)
(Unaudited)

	Q4 2014			Q3 2014			Increase (Decrease)	
	Unadjusted	Adjustments	As Adjusted	Unadjusted	Adjustments	As Adjusted	\$	%
REVENUES:								
Commission	\$ 528,355	\$ —	\$ 528,355	\$ 520,388	\$ —	\$ 520,388	\$ 7,967	1.5 %
Advisory	339,943	—	339,943	340,369	—	340,369	(426)	(0.1)%
Asset-based	122,101	—	122,101	121,283	—	121,283	818	0.7 %
Transaction and fee	93,537	—	93,537	94,674	—	94,674	(1,137)	(1.2)%
Interest income, net of operating interest	4,703	(8)	4,695	4,727	—	4,727	(32)	(0.7)%
Other	15,629	—	15,629	7,793	—	7,793	7,836	100.6 %
Net revenues	1,104,268	(8)	1,104,260	1,089,234	—	1,089,234	15,026	1.4 %
EXPENSES:								
Commission and advisory	756,496	—	756,496	746,001	—	746,001	10,495	1.4 %
Compensation and benefits	104,370	(5,740)	98,630	106,290	(6,285)	100,005	(1,375)	(1.4)%
Promotional	31,096	—	31,096	36,669	—	36,669	(5,573)	(15.2)%
Depreciation and amortization	26,227	(9,822)	16,405	24,519	(9,634)	14,885	1,520	10.2 %
Occupancy and equipment	19,508	114	19,622	19,043	73	19,116	506	2.6 %
Professional services	17,233	(443)	16,790	14,923	(185)	14,738	2,052	13.9 %
Brokerage, clearing, and exchange	12,421	—	12,421	12,090	—	12,090	331	2.7 %
Communications and data processing	11,225	(10)	11,215	11,476	(140)	11,336	(121)	(1.1)%
Restructuring charges	8,179	(8,179)	—	9,928	(9,928)	—	—	*
Other	20,147	(110)	20,037	39,945	457	40,402	(20,365)	(50.4)%
Total operating expenses	1,006,902	(24,190)	982,712	1,020,884	(25,642)	995,242	(12,530)	(1.3)%
Non-operating interest expense	12,887	—	12,887	12,897	—	12,897	(10)	(0.1)%
Loss on extinguishment of debt	3,943	(3,943)	—	—	—	—	—	*
Total expenses	\$ 1,023,732	\$ (28,133)	\$ 995,599	\$ 1,033,781	\$ (25,642)	\$ 1,008,139	\$ (12,540)	(1.2)%
Regulatory charges(1)			\$ 4,900			\$ 22,700	\$ (17,800)	(78.4)%
Core G&A Expenses, excluding regulatory charges(2)			\$ 161,394			\$ 162,897	\$ (1,503)	(0.9)%

* 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 - Year to Date 2014 Compared to Year to Date 2013
(Dollars in thousands)
(unaudited)

	Year to Date 2014			Year to Date 2013			Increase (Decrease)	
	Unadjusted	Adjustments	As Adjusted	Unadjusted	Adjustments	As Adjusted	\$	%
REVENUES:								
Commission	\$ 2,118,494	\$ —	\$ 2,118,494	\$ 2,077,566	\$ —	\$ 2,077,566	\$ 40,928	2.0 %
Advisory	1,337,959	—	1,337,959	1,187,352	—	1,187,352	150,607	12.7 %
Asset-based	476,595	—	476,595	430,990	—	430,990	45,605	10.6 %
Transaction and fee	369,821	2	369,823	361,252	3	361,255	8,568	2.4 %
Interest income, net of operating interest	18,982	(151)	18,831	17,887	—	17,887	944	5.3 %
Other	51,811	(31)	51,780	65,811	(2,333)	63,478	(11,698)	(18.4)%
Net revenues	4,373,662	(180)	4,373,482	4,140,858	(2,330)	4,138,528	234,954	5.7 %
EXPENSES:								
Commission and advisory	2,998,702	—	2,998,702	2,847,785	—	2,847,785	150,917	5.3 %
Compensation and benefits	421,829	(24,109)	397,720	400,967	(21,950)	379,017	18,703	4.9 %
Promotional	124,677	(1)	124,676	111,539	(505)	111,034	13,642	12.3 %
Depreciation and amortization(3)	96,845	(38,868)	57,977	83,503	(39,006)	44,497	13,480	30.3 %
Occupancy and equipment	82,430	(7,666)	74,764	67,551	(112)	67,439	7,325	10.9 %
Professional services	62,184	(1,237)	60,947	46,559	(1,639)	44,920	16,027	35.7 %
Brokerage, clearing, and exchange	49,015	—	49,015	45,059	—	45,059	3,956	8.8 %
Communications and data processing	43,823	(580)	43,243	43,075	(40)	43,035	208	0.5 %
Restructuring charges	34,652	(34,652)	—	30,186	(30,165)	21	(21)	(100.0)%
Other	109,327	(1,419)	107,908	113,923	(25,143)	88,780	19,128	21.5 %
Total operating expenses	4,023,484	(108,532)	3,914,952	3,790,147	(118,560)	3,671,587	243,365	6.6 %
Non-operating interest expense	51,538	—	51,538	51,446	—	51,446	92	0.2 %
Loss on extinguishment of debt	3,943	(3,943)	—	7,962	(7,962)	—	—	*
Total expenses	\$ 4,078,965	\$ (112,475)	\$ 3,966,490	\$ 3,849,555	\$ (126,522)	\$ 3,723,033	\$ 243,457	6.5 %
Regulatory charges(1)			\$ 36,300			\$ 8,000	\$ 28,300	*
Core G&A Expenses, excluding regulatory charges(2)			\$ 648,282			\$ 615,212	\$ 33,070	5.4 %

* 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.

(3) The adjustment and as adjusted amounts for depreciation and amortization, total operating expenses, and total expenses in 2014 and 2013 have been corrected subsequent to the original posting of our Supplement on February 19, 2015.

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

	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Seq Growth	YoY Growth
Advisory and Brokerage Assets							
Advisory	\$ 175.8	\$ 169.5	\$ 167.3	\$ 158.0	\$ 151.6	3.7%	16.0%
Brokerage	299.3	295.3	298.1	289.1	286.8	1.4%	4.4%
Total Advisory and Brokerage Assets	\$ 475.1	\$ 464.8	\$ 465.4	\$ 447.1	\$ 438.4	2.2%	8.4%
<i>Advisory % of Total</i>	<i>37.0%</i>	<i>36.5%</i>	<i>35.9%</i>	<i>35.3%</i>	<i>34.6%</i>	<i>n/a</i>	<i>n/a</i>
Brokerage Assets Associated with Independent RIAs	\$ 40.1	\$ 37.4	\$ 34.9	\$ 31.4	\$ 28.9	7.2%	38.8%
Independent RIA Firm Advisory Assets	50.7	46.4	43.1	38.2	34.0	9.3%	49.1%
Total Independent RIA Firm Assets Under Custody	\$ 90.8	\$ 83.8	\$ 78.0	\$ 69.6	\$ 62.9	8.4%	44.4%
Net New Advisory Assets(1)	\$ 4.1	\$ 4.8	\$ 4.2	\$ 4.4	\$ 3.9	n/a	n/a
Annualized Growth(2)	9%	11%	10%	11%	10%	n/a	n/a
Insured Cash Account	\$ 18.6	\$ 16.9	\$ 16.1	\$ 16.6	\$ 17.4	10.1%	6.9%
Money Market Funds	7.4	7.1	6.7	7.1	7.5	4.2%	(1.3%)
Total Cash Sweep Assets (EOP)	\$ 26.0	\$ 24.0	\$ 22.8	\$ 23.7	\$ 24.9	8.3%	4.4%
<i>% of total Advisory and Brokerage Assets</i>	<i>5.5%</i>	<i>5.2%</i>	<i>4.9%</i>	<i>5.3%</i>	<i>5.7%</i>	<i>30 bps</i>	<i>(20 bps)</i>
Insured Cash Account Fee - bps	55	58	58	54	62	(3 bps)	(7 bps)
Money Market Fee - bps	7	7	7	7	6	— bps	1 bps
Cash Sweep Fee - bps	41	43	43	40	45	(2 bps)	(4 bps)
Weighted FFE Daily Average Fee - bps	10	9	9	7	9	1 bps	1 bps
Advisors							
Advisors	14,036	13,910	13,840	13,726	13,673	0.9%	2.7%
Annualized commissions per Advisor (\$ thousands)(3)	\$ 151	\$ 150	\$ 155	\$ 156	\$ 163	0.7%	(7.4%)
Annualized Gross Dealer Concessions (GDC) per Advisor (\$ thousands)(3)(4)	\$ 249	\$ 248	\$ 251	\$ 252	\$ 254	0.4%	(2.0%)
Net New Advisors	126	70	114	53	110	n/a	n/a
Custom Clearing Services Subscribers	4,358	4,407	4,444	4,432	4,457	(1.1%)	(2.2%)

Continued on following page

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

	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Seq Growth	YoY Growth
Payout Rate							
Base Payout Rate	83.36%	83.50 %	84.01%	83.98%	84.09%	(14 bps)	(73 bps)
Production Based Bonuses	3.64%	3.18 %	2.64%	1.69%	3.33%	46 bps	31 bps
GDC Sensitive Payout	87.00%	86.68 %	86.65%	85.67%	87.42%	32 bps	(42 bps)
Non-GDC Sensitive Payout(5)	0.12%	(0.01)%	0.19%	0.72%	0.70%	13 bps	(58 bps)
Total Payout Ratio	87.12%	86.67 %	86.84%	86.39%	88.12%	45 bps	(100 bps)
Production Based Bonuses Ratio (Trailing Twelve Months)	2.8%	2.7 %	2.7%	2.7%	2.7%	10 bps	10 bps
G&A Expenses (\$ millions)							
Core G&A(6)	\$ 166.3	\$ 185.6	\$ 170.8	\$ 161.9	\$ 166.9	(10.4%)	(0.4%)
Core G&A, excluding regulatory charges(7)	\$ 161.4	\$ 162.9	\$ 162.8	\$ 161.2	\$ 163.9	(0.9%)	(1.5%)
Noncash Transition Assistance(8)	\$ 8.0	\$ 8.0	\$ 7.2	\$ 7.3	\$ 5.7	—%	40.4%
Metrics							
Advisory Revenue as a percentage of Assets, excluding Independent RIA assets(9)	1.1%	1.1 %	1.1%	1.1%	1.1%	—%	—%
Production Retention Rate (YTD Annualized)(10)	96.9%	97.0 %	96.8%	96.0%	97.2%	(0.1%)	(0.3%)
Attachment Rate, excluding cash revenue(11)	24.2%	23.6 %	23.4%	23.4%	23.2%	0.6%	1.0%
Recurring Revenue Rate(12)	68.9%	70.2 %	67.6%	66.6%	64.1%	(1.3%)	4.8%
Adjusted EBITDA / Gross Profit	41.1%	32.9 %	39.0%	42.8%	38.8%	8.2%	2.3%
Annualized Gross Profit / Total Advisory and Brokerage Assets	0.28%	0.28 %	0.28%	0.30%	0.29%	— bps	(1 bps)
Employees - period end	3,384	3,397	3,374	3,267	3,185	(0.4%)	6.2%
Cash Available for Corporate Use (\$ millions)(13)	\$ 205	\$ 200	\$ 205	\$ 234	\$ 338	2.5%	(39.3%)
Capital Allocation per Share(14)	\$ 1.49	\$ 0.48	\$ 0.48	\$ 1.20	\$ 0.52	n/a	n/a

(1) 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.

(2) Calculated by dividing net new advisory assets by end of period advisory assets and multiplying by four.

(3) Calculation excludes Custom Clearing Services subscribers and uses average of beginning and end of period advisor count.

(4) GDC is made up of commission and advisory revenues.

Continued on following page

- (5) 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.
- (6) Core G&A Expenses are total operating expenses, excluding the following expenses: commission and advisory, promotional, depreciation and amortization, and brokerage, clearing, and exchange.
- (7) Regulatory charges relate to legal proceedings and regulatory matters (including fines, restitution, remediation, etc.).
- (8) 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.
- (9) Based on annualized advisory revenues over prior quarter ending corporate advisory assets (corporate assets defined as total advisory assets less Independent RIA Firm Advisory Assets).
- (10) 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.
- (11) 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.
- (12) Recurring revenue is a characterization of net revenue and a statistical measure, which we define to include our asset-based revenues (including revenue from cash sweep programs), advisory revenues, trailing commission revenues, and certain other revenues that are based upon accounts and advisors. In addition, certain recurring revenues are associated with asset balances.
- (13) Cash unrestricted by the credit agreement and other regulations available for operating, investing, and financing uses.
- (14) 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 December 31, 2014 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%	\$ 1,900
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 \$37 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 December 31, 2014.

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 December 31, 2014, 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 \$265 million in incremental revenue and income before taxes based on cash sweep balances as of December 31, 2014. 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 December 31, 2014:

Maturity Year	Number of Banks	Cash Assets Represented	Percentage of Total ICA Cash Balances
2015	11	\$ 4.3	23.2%
2016	7	\$ 6.9	37.3%
2017	3	\$ 0.4	2.2%
2018-2019	4	\$ 6.9	37.3%
Total	25	\$ 18.5	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 December 31, 2014. 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.

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

The following table illustrates components of our 2014 Adjusted Earnings per Share performance:



- (1) Excludes all costs of resolving regulatory issues which includes remediation, restitution, and fines
- (2) Represents the tax benefit primarily related to the installation of eco-friendly fuel cells in our San Diego office building
- (3) 2014 growth excludes regulatory charges and decline in cash sweep revenue
- (4) Represents the change in 2014 cash sweep revenue compared to 2013