



**Financial Supplement**

**Second Quarter 2014**

**July 30, 2014**

# Safe harbor disclosure

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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, 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 30, 2014. 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 program, including the Company's success in negotiating agreements with current or additional counterparties; changes in the growth of the Company's fee-based business; the Company's success in integrating the operations of acquired businesses; finalization and execution of the Company's plans related to the Service Value Commitment ("SVC"), including the Company's ability to successfully transform and transition business processes to third-party service providers; the Company's success in negotiating and developing commercial arrangements with third-party service providers that will enable the Company to realize the service improvements and efficiencies expected to result from the SVC; the performance of third-party service providers to which business processes are transitioned from the Company; the Company's ability to control operating risks, information technology systems risks and sourcing risks; 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. 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 30, 2014, even if its estimates change, and you should not rely on those statements as representing the Company's views as of any subsequent date.

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

	Three Month Quarterly Results				
	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013
<b>REVENUES</b>					
Commission	\$ 535,177	\$ 534,574	\$ 556,176	\$ 527,419	\$ 508,399
Advisory	330,394	327,253	308,931	299,101	298,094
Asset-based	118,537	114,674	112,272	107,447	107,505
Transaction and fee	91,625	89,985	89,444	93,799	88,631
Other	16,996	20,945	27,107	25,446	16,291
Net revenues	<u>1,092,729</u>	<u>1,087,431</u>	<u>1,093,930</u>	<u>1,053,212</u>	<u>1,018,920</u>
<b>EXPENSES</b>					
Production(1)	763,991	756,718	773,811	736,195	713,115
Compensation and benefits	104,821	106,348	101,650	102,310	98,227
General and administrative	106,799	94,377	108,293	102,834	84,470
Depreciation and amortization	23,818	22,281	22,052	21,432	20,245
Restructuring charges	9,225	7,320	10,335	6,482	7,332
Other	—	—	(15)	9,294	—
Total operating expenses	<u>1,008,654</u>	<u>987,044</u>	<u>1,016,126</u>	<u>978,547</u>	<u>923,389</u>
Non-operating interest expense	12,914	12,840	13,256	13,363	12,667
Loss on extinguishment of debt	—	—	—	—	7,962
Total expenses	<u>1,021,568</u>	<u>999,884</u>	<u>1,029,382</u>	<u>991,910</u>	<u>944,018</u>
INCOME BEFORE PROVISION FOR INCOME TAXES	71,161	87,547	64,548	61,302	74,902
PROVISION FOR INCOME TAXES	28,070	34,412	20,130	23,671	29,811
NET INCOME	<u>\$ 43,091</u>	<u>\$ 53,135</u>	<u>\$ 44,418</u>	<u>\$ 37,631</u>	<u>\$ 45,091</u>
<b>EARNINGS PER SHARE</b>					
Basic	\$ 0.43	\$ 0.52	\$ 0.44	\$ 0.36	\$ 0.42
Diluted	\$ 0.42	\$ 0.51	\$ 0.43	\$ 0.36	\$ 0.42
Weighted average shares outstanding — basic	100,244	101,279	101,812	104,271	106,414
Weighted average shares outstanding — diluted	102,029	103,339	103,411	105,705	107,695

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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				
	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013
<b>FINANCIAL CONDITION</b>					
Total Cash & Cash Equivalents (\$ billions)	\$ 0.4	\$ 0.5	\$ 0.5	\$ 0.6	\$ 0.6
Total Assets (\$ billions)	\$ 3.9	\$ 3.9	\$ 4.0	\$ 3.9	\$ 3.9
Total Debt (\$ billions)(2)	\$ 1.5	\$ 1.5	\$ 1.5	\$ 1.5	\$ 1.5
Stockholders' Equity (\$ billions)	\$ 1.1	\$ 1.1	\$ 1.1	\$ 1.1	\$ 1.2
<b>KEY METRICS</b>					
Advisors	13,840	13,726	13,673	13,563	13,409
Production Payout(1)	86.84%	86.39%	88.12%	87.70%	87.00%
Advisory and Brokerage Assets (\$ billions)	\$ 465.4	\$ 447.1	\$ 438.4	\$ 414.7	\$ 396.7
Advisory Assets Under Custody (\$ billions)	\$ 167.3	\$ 158.0	\$ 151.6	\$ 141.1	\$ 132.4
Net New Advisory Assets (\$ billions)(3)	\$ 4.2	\$ 4.4	\$ 3.9	\$ 4.0	\$ 3.7
Insured Cash Account Balances (\$ billions)(4)	\$ 16.1	\$ 16.6	\$ 17.4	\$ 17.3	\$ 16.9
Money Market Account Balances (\$ billions)(4)	\$ 6.7	\$ 7.1	\$ 7.5	\$ 8.2	\$ 8.7
Adjusted EBITDA(5)	\$ 128,199	\$ 141,477	\$ 124,190	\$ 120,283	\$ 131,045
Adjusted Earnings(5)	\$ 61,775	\$ 71,029	\$ 65,229	\$ 59,550	\$ 65,883
Adjusted Earnings per share(5)	\$ 0.61	\$ 0.69	\$ 0.63	\$ 0.56	\$ 0.61

(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 and revolving line of credit.

(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.

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

	Q2 2014	Q1 2014	Q4 2013 (unaudited)	Q3 2013	Q2 2013
Net income	\$ 43,091	\$ 53,135	\$ 44,418	\$ 37,631	\$ 45,091
Non-operating interest expense	12,914	12,840	13,256	13,363	12,667
Provision for income taxes	28,070	34,412	20,130	23,671	29,811
Amortization of intangible assets	9,696	9,716	9,731	9,731	9,768
Depreciation and amortization of fixed assets	14,122	12,565	12,321	11,701	10,477
EBITDA	<u>107,893</u>	<u>122,668</u>	<u>99,856</u>	<u>96,097</u>	<u>107,814</u>
EBITDA Adjustments:					
Employee share-based compensation expense(a)	5,426	5,111	4,029	2,957	4,486
Acquisition and integration related expenses(b)	733	359	12,534	3,630	3,282
Restructuring and conversion costs(c)	9,377	7,271	9,887	7,340	7,322
Debt extinguishment costs(d)	—	—	—	—	7,968
Other(e)	4,770	6,068	(2,116)	10,259	173
Total EBITDA Adjustments	<u>20,306</u>	<u>18,809</u>	<u>24,334</u>	<u>24,186</u>	<u>23,231</u>
Adjusted EBITDA	<u>\$ 128,199</u>	<u>\$ 141,477</u>	<u>\$ 124,190</u>	<u>\$ 120,283</u>	<u>\$ 131,045</u>

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- (5) 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):

	Q2 2014	Q1 2014	Q4 2013 (unaudited)	Q3 2013	Q2 2013
Net income	\$ 43,091	\$ 53,135	\$ 44,418	\$ 37,631	\$ 45,091
After-Tax:					
EBITDA Adjustments(f)					
Employee share-based compensation expense(g)	3,594	3,518	2,854	2,153	3,200
Acquisition and integration related expenses(h)	450	220	7,733	2,240	2,025
Restructuring and conversion costs	5,758	4,464	6,100	4,529	4,518
Debt extinguishment costs	—	—	—	—	4,916
Other	2,929	3,726	(1,880)	6,993	106
Total EBITDA Adjustments	<u>12,731</u>	<u>11,928</u>	<u>14,807</u>	<u>15,915</u>	<u>14,765</u>
Amortization of intangible assets(f)	5,953	5,966	6,004	6,004	6,027
Adjusted Earnings	<u>\$ 61,775</u>	<u>\$ 71,029</u>	<u>\$ 65,229</u>	<u>\$ 59,550</u>	<u>\$ 65,883</u>
Adjusted Earnings per share(i)	<u>\$ 0.61</u>	<u>\$ 0.69</u>	<u>\$ 0.63</u>	<u>\$ 0.56</u>	<u>\$ 0.61</u>
Weighted average shares outstanding — diluted	102,029	103,339	103,411	105,705	107,695

- (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, required to be made to former shareholders of certain acquired entities. In 2013, the Company finalized the determination of the contingent consideration obligation required to be paid to the former shareholders of National Retirement Partners, Inc. ("NRP"), which resulted in a \$19.4 million increase in the estimated fair value of contingent consideration, \$11.7 million of which was recognized in the fourth quarter of 2013.
- (c) Represents organizational restructuring charges, conversion, and other related costs resulting from the expansion of the Company's Service Value Commitment.
- (d) Represents expenses incurred resulting from the early extinguishment and repayment of amounts outstanding of previous senior secured credit facilities and the establishment of the current senior secured credit facilities.

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- (e) Results for the first and second quarter of 2014 include approximately \$5.3 million and \$3.2 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. Also included in the second quarter of 2014 are \$0.5 million in losses on equity investments and \$0.8 million of fixed asset disposals. Results for the fourth quarter of 2013 include a \$2.3 million gain related to the sale of an equity investment. During the third quarter of 2013, the Company incurred costs related to the closure of NestWise, consisting of: i) the derecognition of \$10.2 million of goodwill; ii) \$6.9 million of fixed asset charges that were determined to have no future economic benefit; iii) severance and termination benefits; and iv) a \$7.8 million decrease in the estimated fair value of contingent consideration as related milestones were not reached. 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 Notes (g) and (h) in this table.
- (g) Represents the after-tax expense of non-qualified stock options for which the Company receives a tax deduction upon exercise, restricted stock awards and restricted stock units for which the Company receives a tax deduction upon vesting, and 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. Share-based compensation for vesting of incentive stock options was \$0.7 million, \$1.0 million, \$1.0 million, \$0.9 million, and \$1.1 million for the three months ended June 30, 2014, March 31, 2014, December 31, 2013, September 30, 2013 and June 30, 2013, respectively.
- (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>Q2 2014</u>	<u>Q1 2014</u>	<u>Q4 2013</u>	<u>Q3 2013</u>	<u>Q2 2013</u>
	(unaudited)				
Earnings per share — diluted	\$ 0.42	\$ 0.51	\$ 0.43	\$ 0.36	\$ 0.42
After-Tax:					
EBITDA Adjustments per share	0.13	0.12	0.14	0.14	0.14
Amortization of intangible assets per share	0.06	0.06	0.06	0.06	0.05
Adjusted Earnings per share	<u>\$ 0.61</u>	<u>\$ 0.69</u>	<u>\$ 0.63</u>	<u>\$ 0.56</u>	<u>\$ 0.61</u>

**LPL Financial Holdings Inc.**  
**Pre-Tax Earnings Adjustments - Q2 2014 Compared to Q2 2013**  
(Dollars in thousands)  
(Unaudited)

	Q2 2014			Q2 2013			Increase (Decrease)	
	Unadjusted	Adjustments	As Adjusted	Unadjusted	Adjustments	As Adjusted	\$	%
<b>REVENUES:</b>								
Commission	\$ 535,177	\$ —	\$ 535,177	\$ 508,399	\$ —	\$ 508,399	\$ 26,778	5.3 %
Advisory	330,394	—	330,394	298,094	—	298,094	32,300	10.8 %
Asset-based	118,537	—	118,537	107,505	—	107,505	11,032	10.3 %
Transaction and fee	91,625	1	91,626	88,631	1	88,632	2,994	3.4 %
Interest income, net of operating interest	4,791	—	4,791	4,426	—	4,426	365	8.2 %
Other	12,205	—	12,205	11,865	—	11,865	340	2.9 %
Net revenues	1,092,729	1	1,092,730	1,018,920	1	1,018,921	73,809	7.2 %
<b>EXPENSES:</b>								
Commission and advisory	751,662	—	751,662	701,687	—	701,687	49,975	7.1 %
Compensation and benefits	104,821	(6,065)	98,756	98,227	(4,946)	93,281	5,475	5.9 %
Promotional	29,729	(1)	29,728	24,804	(25)	24,779	4,949	20.0 %
Depreciation and amortization	23,818	(9,696)	14,122	20,245	(9,768)	10,477	3,645	34.8 %
Occupancy and equipment	21,798	(2,691)	19,107	16,283	(10)	16,273	2,834	17.4 %
Professional services	25,688	(281)	25,407	14,123	(579)	13,544	11,863	87.6 %
Brokerage, clearing and exchange	12,329	—	12,329	11,428	—	11,428	901	7.9 %
Communications and data processing	10,463	(374)	10,089	10,892	(10)	10,882	(793)	(7.3)%
Regulatory fees and other	8,550	—	8,550	7,686	—	7,686	864	11.2 %
Restructuring charges	9,225	(9,225)	—	7,332	(7,327)	5	(5)	*
Other expense	10,571	(1,668)	8,903	10,682	(2,371)	8,311	592	7.1 %
Total operating expenses	1,008,654	(30,001)	978,653	923,389	(25,036)	898,353	80,300	8.9 %
Non-operating interest expense	12,914	—	12,914	12,667	—	12,667	247	1.9 %
Loss on extinguishment of debt	—	—	—	7,962	(7,962)	—	—	*
Total expenses	\$ 1,021,568	\$ (30,001)	\$ 991,567	\$ 944,018	\$ (32,998)	\$ 911,020	\$ 80,547	8.8 %
Core G&A Expenses(1)			\$ 170,812			\$ 149,982	\$ 20,830	13.9 %

\* Not Meaningful

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

**LPL Financial Holdings Inc.**  
**Pre-Tax Earnings Adjustments - Q2 2014 Compared to Q1 2014**  
(Dollars in thousands)  
(Unaudited)

	Q2 2014			Q1 2014			Increase (Decrease)	
	Unadjusted	Adjustments	As Adjusted	Unadjusted	Adjustments	As Adjusted	\$	%
<b>REVENUES:</b>								
Commission	\$ 535,177	\$ —	\$ 535,177	\$ 534,574	\$ —	\$ 534,574	\$ 603	0.1 %
Advisory	330,394	—	330,394	327,253	—	327,253	3,141	1.0 %
Asset-based	118,537	—	118,537	114,674	—	114,674	3,863	3.4 %
Transaction and fee	91,625	1	91,626	89,985	1	89,986	1,640	1.8 %
Interest income, net of operating interest	4,791	—	4,791	4,761	(143)	4,618	173	3.7 %
Other	12,205	—	12,205	16,184	(30)	16,154	(3,949)	(24.4)%
Net revenues	1,092,729	1	1,092,730	1,087,431	(172)	1,087,259	5,471	0.5 %
<b>EXPENSES:</b>								
Commission and advisory	751,662	—	751,662	744,543	—	744,543	7,119	1.0 %
Compensation and benefits	104,821	(6,065)	98,756	106,348	(6,019)	100,329	(1,573)	(1.6)%
Promotional	29,729	(1)	29,728	27,183	—	27,183	2,545	9.4 %
Depreciation and amortization	23,818	(9,696)	14,122	22,281	(9,716)	12,565	1,557	12.4 %
Occupancy and equipment	21,798	(2,691)	19,107	22,081	(5,163)	16,918	2,189	12.9 %
Professional services	25,688	(281)	25,407	18,874	(328)	18,546	6,861	37.0 %
Brokerage, clearing and exchange	12,329	—	12,329	12,175	—	12,175	154	1.3 %
Communications and data processing	10,463	(374)	10,089	10,659	(55)	10,604	(515)	(4.9)%
Regulatory fees and other	8,550	—	8,550	8,411	—	8,411	139	1.7 %
Restructuring charges	9,225	(9,225)	—	7,320	(7,320)	—	—	*
Other expense	10,571	(1,668)	8,903	7,169	(96)	7,073	1,830	25.9 %
Total operating expenses	1,008,654	(30,001)	978,653	987,044	(28,697)	958,347	20,306	2.1 %
Non-operating interest expense	12,914	—	12,914	12,840	—	12,840	74	0.6 %
Loss on extinguishment of debt	—	—	—	—	—	—	—	*
Total expenses	\$ 1,021,568	\$ (30,001)	\$ 991,567	\$ 999,884	\$ (28,697)	\$ 971,187	\$ 20,380	2.1 %
Core G&A Expenses(1)			\$ 170,812			\$ 161,881	\$ 8,931	5.5 %

\* Not Meaningful

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

**LPL Financial Holdings Inc.**  
**EBITDA 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	\$	%
<b>REVENUES:</b>								
Commission	\$ 1,069,751	\$ —	\$ 1,069,751	\$ 993,971	\$ —	\$ 993,971	\$ 75,780	7.6 %
Advisory	657,647	—	657,647	579,320	—	579,320	78,327	13.5 %
Asset-based	233,211	—	233,211	211,271	—	211,271	21,940	10.4 %
Transaction and fee	181,610	2	181,612	178,009	1	178,010	3,602	2.0 %
Interest income, net of operating interest	9,552	(143)	9,409	8,834	—	8,834	575	6.5 %
Other	28,389	(30)	28,359	22,311	—	22,311	6,048	27.1 %
Net revenues	2,180,160	(171)	2,179,989	1,993,716	1	1,993,717	186,272	9.3 %
<b>EXPENSES:</b>								
Commission and advisory	1,496,205	—	1,496,205	1,361,240	—	1,361,240	134,965	9.9 %
Compensation and benefits	211,169	(12,084)	199,085	197,007	(12,941)	184,066	15,019	8.2 %
Promotional	56,912	(1)	56,911	48,469	(50)	48,419	8,492	17.5 %
Depreciation and amortization(1)	46,099	(19,412)	26,687	40,019	(19,544)	20,475	6,212	30.3 %
Occupancy and equipment	43,879	(7,854)	36,025	33,081	(86)	32,995	3,030	9.2 %
Professional services	44,562	(609)	43,953	28,633	(762)	27,871	16,082	57.7 %
Brokerage, clearing and exchange	24,504	—	24,504	21,598	—	21,598	2,906	13.5 %
Communications and data processing	21,122	(429)	20,693	20,384	(14)	20,370	323	1.6 %
Regulatory fees and other	16,961	—	16,961	15,105	—	15,105	1,856	12.3 %
Restructuring charges	16,545	(16,545)	—	13,369	(13,348)	21	(21)	(100.0)%
Other expense	17,740	(1,764)	15,976	16,569	(1,502)	15,067	909	6.0 %
Total operating expenses	1,995,698	(58,698)	1,937,000	1,795,474	(48,247)	1,747,227	189,773	10.9 %
Non-operating interest expense	25,754	—	25,754	24,827	—	24,827	927	3.7 %
Loss on extinguishment of debt	—	—	—	7,962	(7,962)	—	—	*
Total expenses	\$ 2,021,452	\$ (58,698)	\$ 1,962,754	\$ 1,828,263	\$ (56,209)	\$ 1,772,054	\$ 190,700	10.8 %
Core G&A Expenses(2)			\$ 332,693			\$ 295,495	\$ 37,198	12.6 %

\* Not Meaningful

(1) 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 July 30, 2014.

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

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

	<b>Q2'14</b>	<b>Q1'14</b>	<b>Q4'13</b>	<b>Q3'13</b>	<b>Q2'13</b>	<b>Seq Growth</b>	<b>YoY Growth</b>
<b>Advisory and Brokerage Assets</b>							
Advisory	\$ 167.3	\$ 158.0	\$ 151.6	\$ 141.1	\$ 132.4	5.9%	26.4%
Brokerage	298.1	289.1	286.8	273.6	264.3	3.1%	12.8%
<b>Total Advisory and Brokerage Assets</b>	<b>\$ 465.4</b>	<b>\$ 447.1</b>	<b>\$ 438.4</b>	<b>\$ 414.7</b>	<b>\$ 396.7</b>	<b>4.1%</b>	<b>17.3%</b>
<i>Advisory % of Total</i>	<i>35.9%</i>	<i>35.3%</i>	<i>34.6%</i>	<i>34.0%</i>	<i>33.4%</i>	<i>n/a</i>	<i>n/a</i>
Brokerage Assets Associated with Independent RIAs	\$ 34.9	\$ 31.4	\$ 28.9	\$ 25.6	\$ 23.8	11.1%	46.6%
Independent RIA Firm Advisory Assets	43.1	38.2	34.0	29.3	26.0	12.8%	65.8%
<b>Total Independent RIA Firm Assets Under Custody</b>	<b>\$ 78.0</b>	<b>\$ 69.6</b>	<b>\$ 62.9</b>	<b>\$ 54.9</b>	<b>\$ 49.8</b>	<b>12.1%</b>	<b>56.6%</b>
Net New Advisory Assets(1)	\$ 4.2	\$ 4.4	\$ 3.9	\$ 4.0	\$ 3.7	n/a	n/a
<b>Annualized Growth(2)</b>	<b>10%</b>	<b>11%</b>	<b>10%</b>	<b>11%</b>	<b>11%</b>	<b>n/a</b>	<b>n/a</b>
Insured Cash Account	\$ 16.1	\$ 16.6	\$ 17.4	\$ 17.3	\$ 16.9	(3.0%)	(4.7%)
Money Market Funds	6.7	7.1	7.5	8.2	8.7	(5.6%)	(23.0%)
<b>Total Cash Sweep Assets (EOP)</b>	<b>\$ 22.8</b>	<b>\$ 23.7</b>	<b>\$ 24.9</b>	<b>\$ 25.5</b>	<b>\$ 25.6</b>	<b>(3.8%)</b>	<b>(10.9%)</b>
<i>% of total Advisory and Brokerage Assets</i>	<i>4.9%</i>	<i>5.3%</i>	<i>5.7%</i>	<i>6.1%</i>	<i>6.5%</i>	<i>(40 bps)</i>	<i>(160 bps)</i>
Insured Cash Account Fee - bps	58	54	62	65	76	4 bps	(18 bps)
Money Market Fee - bps	7	7	6	6	7	— bps	— bps
<b>Cash Sweep Fee - bps</b>	<b>43</b>	<b>40</b>	<b>45</b>	<b>46</b>	<b>54</b>	<b>3 bps</b>	<b>(11 bps)</b>
Weighted FFE Daily Average Fee - bps	9	7	9	9	12	2 bps	(3 bps)
<b>Advisors</b>							
Advisors	13,840	13,726	13,673	13,563	13,409	0.8%	3.2%
Annualized commissions per Advisor (\$ thousands)(3)	\$ 155	\$ 156	\$ 163	\$ 156	\$ 152	(0.6%)	2.0%
Annualized Gross Dealer Concessions (GDC) per Advisor (\$ thousands)(3)(4)	\$ 251	\$ 252	\$ 254	\$ 245	\$ 241	(0.4%)	4.1%
Net New Advisors	114	53	110	154	32	n/a	n/a
Custom Clearing Services Subscribers	4,444	4,432	4,457	4,492	4,567	0.3%	(2.7%)

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

	Q2'14	Q1'14	Q4'13	Q3'13	Q2'13	Seq Growth	YoY Growth
<b>Payout Rate</b>							
Base Payout Rate	84.01%	83.98%	84.09%	84.14%	84.06%	3 bps	(5 bps)
Production Based Bonuses	2.64%	1.69%	3.33%	3.14%	2.47%	95 bps	17 bps
<b>GDC Sensitive Payout</b>	<b>86.65%</b>	<b>85.67%</b>	<b>87.42%</b>	<b>87.28%</b>	<b>86.53%</b>	<b>98 bps</b>	<b>12 bps</b>
Non-GDC Sensitive Payout(5)	0.19%	0.72%	0.70%	0.42%	0.47%	(53 bps)	(28 bps)
<b>Total Payout Ratio</b>	<b>86.84%</b>	<b>86.39%</b>	<b>88.12%</b>	<b>87.70%</b>	<b>87.00%</b>	<b>45 bps</b>	<b>(16 bps)</b>
Production Based Bonuses Ratio (Trailing Twelve Months)	<b>2.7%</b>	<b>2.7%</b>	<b>2.7%</b>	<b>2.7%</b>	<b>2.7%</b>	— bps	— bps
<b>G&amp;A Expenses (\$ millions)</b>							
Core G&A(6)	\$ 170.8	\$ 161.9	\$ 166.9	\$ 160.8	\$ 150.0	5.5%	13.9%
Noncash Transition Assistance(7)	\$ 7.2	\$ 7.3	\$ 5.7	\$ 5.5	\$ 5.0	(1.4%)	44.0%
<b>Metrics</b>							
Advisory Revenue as a percentage of Assets, excluding Independent RIA assets(8)	1.1%	1.1%	1.1%	1.1%	1.1%	—%	—%
Production Retention Rate (YTD Annualized)(9)	96.8%	96.0%	97.2%	97.3%	97.1%	0.8%	(0.3%)
Attachment Rate, excluding cash revenue(10)	23.4%	23.4%	23.2%	23.9%	22.5%	—%	0.9%
Recurring Revenue Rate(11)	67.6%	66.6%	64.1%	64.0%	65.6%	1.0%	2.0%
Adjusted EBITDA / Gross Margin	39.0%	42.8%	38.8%	37.9%	43.0%	(3.8%)	(4.0%)
Annualized Gross Margin / Total Advisory and Brokerage Assets	0.28%	0.30%	0.29%	0.31%	0.31%	(2 bps)	(3 bps)
Employees - period end	3,374	3,267	3,185	3,072	3,056	3.3%	10.4%
Cash Available for Corporate Use (\$ millions)(12)	\$ 205	\$ 234	\$ 338	\$ 372	\$ 438	(12.4%)	(53.2%)

- (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.
- (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.

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- (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) 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.
- (8) 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).
- (9) 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.
- (10) 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.
- (11) 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.
- (12) Cash unrestricted by the credit agreement and other regulations available for operating, investing, and financing uses.

**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 June 30, 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%	\$ 1,600
0.26% - 1.25%	\$ 800
1.26% - 2.60%	\$ 700

**Example:** Assuming the FFER is 0.10% and increases by 0.25% to 0.35%, the Company would benefit from an annualized increase of \$32 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 current cash asset level allocations.

The Company believes it can achieve approximately 185 basis points on its Insured Cash Account ("ICA") program when the FFER is normalized. Currently, based on the Company's existing balances and contract arrangements with third parties, normalized FFER would need to be approximately 2.60% 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 \$245 million in incremental revenue and income before taxes based on current cash sweep balances. 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 July 30, 2014:

Maturity Year	Number of Banks	Cash Assets Represented	Percentage of Total ICA Cash Balances
2014	7	\$ 1.4	8.6%
2015	7	\$ 3.8	23.5%
2016	4	\$ 4.3	26.5%
2017-2019	5	\$ 6.7	41.4%
Total	23	\$ 16.2	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 July 30, 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 and which we have not independently verified.