LPL Financial

Financial Supplement

Fourth Quarter 2012

February 6, 2013

Safe harbor disclosure

Statements in this presentation regarding the Company's future financial and operating results, plans, strategies, goals, Service Value Commitment (SVC) initiative, including projected savings, projected expenses, future efficiency gains and future service and technology improvements, future growth and insured cash account portfolio, including future contract maturities, as well as any other statements 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 6, 2013. 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: finalization and execution of the Company's plans related to the SVC initiative, 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 initiative; 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; changes in general economic and financial market conditions, including retail investor sentiment; fluctuations in the value of assets under custody; 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; 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 self-regulatory organizations; and the other factors set forth in Part I, “Item 1A. Risk Factors” in the Company's 2011 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 6, 2013, even if its estimates change, and you should not rely on those statements as representing the Company's views as of any subsequent date.

Financial Highlights

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

	Three Month Quarterly Results				
	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011
REVENUES					
Commission	$ 467,492	$ 442,129	$ 447,243	$ 463,653	$ 404,382
Advisory	275,983	267,334	268,192	250,981	251,219
Asset-based	103,018	100,024	102,784	97,241	89,706
Transaction and other	83,362	84,730	78,894	74,572	71,227
Other	14,389	13,011	10,730	15,326	12,119
Net revenues	944,244	907,228	907,843	901,773	828,653
EXPENSES					
Production(1)	661,691	630,103	630,136	626,907	586,123
Compensation and benefits	89,350	91,309	93,034	89,012	79,237
General and administrative	99,071	99,118	84,457	67,566	58,553
Depreciation and amortization	18,786	18,423	17,412	17,175	16,947
Restructuring charges	635	1,211	2,057	1,694	8,372
Total operating expenses	869,533	840,164	827,096	802,354	749,232
Non-operating interest expense	12,529	12,826	13,439	16,032	15,835
Loss on extinguishment of debt	—	—	—	16,524	—
Total expenses	882,062	852,990	840,535	834,910	765,067
INCOME BEFORE PROVISION FOR INCOME TAXES	62,182	54,238	67,308	66,863	63,586
PROVISION FOR INCOME TAXES	25,244	19,939	27,806	25,684	24,138
NET INCOME	$ 36,938	$ 34,299	$ 39,502	$ 41,179	$ 39,448
EARNINGS PER SHARE					
Basic	$ 0.34	$ 0.31	$ 0.36	$ 0.38	$ 0.36
Diluted	$ 0.34	$ 0.31	$ 0.35	$ 0.37	$ 0.35

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

	Three Month Quarterly Results				
	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011
FINANCIAL CONDITION					
Total Cash & Cash Equivalents (billions)	$ 0.5	$ 0.4	$ 0.5	$ 0.7	$ 0.7
Total Assets (billions)	$ 4.0	$ 3.7	$ 3.6	$ 3.8	$ 3.8
Total Debt (billions)(2)	$ 1.3	$ 1.3	$ 1.3	$ 1.4	$ 1.3
Stockholders' Equity (billions)	$ 1.1	$ 1.2	$ 1.2	$ 1.2	$ 1.3
KEY METRICS					
Advisors	13,352	13,170	13,185	12,962	12,847
Production Payout(1)	87.7%	87.4%	86.7%	86.4%	88.0%
Advisory and Brokerage Assets (billions)	$ 373.3	$ 371.4	$ 353.0	$ 354.1	$ 330.3
Advisory Assets Under Management (billions)	$ 122.1	$ 118.6	$ 111.4	$ 110.8	$ 101.6
Net New Advisory Assets (billions)(3)	$ 2.7	$ 2.9	$ 2.8	$ 2.5	$ 1.0
Insured Cash Account Balances (billions)(4)	$ 16.3	$ 14.2	$ 14.6	$ 13.9	$ 14.4
Money Market Account Balances (billions)(4)	$ 8.4	$ 7.4	$ 8.5	$ 7.7	$ 8.0
Adjusted EBITDA(5)	$ 109,948	$ 108,000	$ 111,579	$ 124,955	$ 100,796
Adjusted Earnings(5)	$ 53,858	$ 52,999	$ 54,973	$ 63,199	$ 48,838
Adjusted Earnings per share(5)	$ 0.50	$ 0.47	$ 0.49	$ 0.56	$ 0.44

(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, revolving line of credit and bank loans payable.

(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 the three month periods then ended.

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

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

	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011
			(unaudited)		
Net income	$ 36,938	$ 34,299	$ 39,502	$ 41,179	$ 39,448
Interest expense	12,529	12,826	13,439	16,032	15,835
Income tax expense	25,244	19,939	27,806	25,684	24,138
Amortization of purchased intangible assets and software(a)	9,791	9,971	9,948	9,832	9,849
Depreciation and amortization of all other fixed assets	8,995	8,452	7,464	7,343	7,098
EBITDA	93,497	85,487	98,159	100,070	96,368
EBITDA Adjustments:					
Employee share-based compensation expense(b)	3,769	4,439	5,176	4,160	3,858
Acquisition and integration related expenses(c)	3,032	10,528	5,056	1,858	(8,020)
Restructuring and conversion costs(d)	755	1,217	2,164	2,010	8,532
Debt extinguishment costs(e)	—	—	109	16,543	—
Equity issuance and offering related costs(f)	—	4,040	446	—	—
Other(g)	8,895	2,289	469	314	58
Total EBITDA Adjustments	16,451	22,513	13,420	24,885	4,428
Adjusted EBITDA	$ 109,948	$ 108,000	$ 111,579	$ 124,955	$ 100,796

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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):

	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011
			(unaudited)		
Net income	$ 36,938	$ 34,299	$ 39,502	$ 41,179	$ 39,448
After-Tax:					
EBITDA Adjustments(h)					
Employee share-based compensation expense(i)	2,831	3,357	3,806	3,167	2,961
Acquisition and integration related expenses(j)	2,092	4,307	3,561	1,146	(4,948)
Restructuring and conversion costs	466	751	1,335	1,240	5,264
Debt amendment and extinguishment costs	—	—	67	10,207	—
Equity issuance and offering related costs(k)	—	3,986	275	—	—
Other	5,490	1,412	289	194	36
Total EBITDA Adjustments	10,879	13,813	9,333	15,954	3,313
Amortization of purchased intangible assets and software(h)	6,041	6,152	6,138	6,066	6,077
Acquisition related benefit for a net operating loss carry-forward(l)	—	(1,265)	—	—	—
Adjusted Earnings	$ 53,858	$ 52,999	$ 54,973	$ 63,199	$ 48,838
Adjusted Earnings per share(m)	$ 0.50	$ 0.47	$ 0.49	$ 0.56	$ 0.44
Weighted average shares outstanding — diluted (n)	108,644	111,877	112,834	112,529	111,095

(a) Represents amortization of intangible assets and software as a result of the Company's purchase accounting adjustments from its 2005 merger transaction, as well as various acquisitions.

(b) Represents share-based compensation for equity awards granted to employees, officers and directors. Such awards are based on the grant-date fair value with share-based compensation expense recognized over the requisite service period of the individual grants, which generally equals the vesting period.

(c) 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. During the fourth and third quarter of 2012, approximately $1.5 million and $9.9 million was recognized as a charge against earnings due to a net increase in the estimated fair value of contingent consideration, respectively. Also, as previously disclosed, the Company has been involved in a legal dispute with a third-party indemnitor under a purchase and sale agreement with respect to the indemnitor's refusal to make indemnity payments that the Company believed were required under the purchase and sale agreement. The Company settled this legal dispute in the fourth quarter of 2011. Accordingly, the Company received a $10.5 million cash settlement, $9.8 million of which has been excluded from the presentation of Adjusted EBITDA, a non-GAAP measure.

(d) Represents organizational restructuring charges and conversion and other related costs incurred resulting from the 2011 consolidation of UVEST and the 2009 consolidation of the Affiliated Entities. As of December 31, 2012, approximately 89% and 98%, respectively, of costs related to these two initiatives had been recognized. The remaining costs largely consist of the amortization of transition payments that have been made in connection with these two conversions for the retention of advisors and financial institutions that are expected to be recognized into earnings by December 2014.

(e) Represents expenses incurred resulting from the early extinguishment and repayment of the prior senior secured credit facilities, including the write-off of $16.5 million of unamortized debt issuance costs that have no future economic benefit, as well as various other charges incurred in connection with the repayment of the prior senior secured credit facilities and the establishment of the new senior secured credit facilities.

(f) Represents equity issuance and offering costs related to the closing of a secondary offering in the second quarter of 2012, and the closing of a secondary offering in the second quarter of 2011. In addition, results for the three months ended September 30, 2012, include a $3.9 million charge relating to the late deposit of withholding taxes related to the exercise of certain non-qualified stock options in connection with the Company's 2010 initial public offering.

(g) Results for the three months ended December 31, 2012 and September 30, 2012, include $4.7 million and $2.3 million, respectively for consulting services and technology development aimed at enhancing the Company's performance in support of its advisors while creating operating efficiencies. During the three months ended December 31, 2012, the Company recorded an asset impairment charge of $4.0 million for certain fixed assets related to internally developed software that were determined to have no estimated fair value. Remaining costs relate to certain excise and other taxes.

(h) EBITDA Adjustments and amortization of purchased intangible assets, a component of depreciation and amortization, have been tax effected using a federal rate of 35% and the applicable effective state rate, which was 3.30% for the periods presented, net of the federal tax benefit.

(i) Represents the after-tax expense of non-qualified stock options in which the Company receives a tax deduction upon exercise, restricted stock awards for which the Company receives a tax deduction upon vesting, and the full expense impact of incentive stock options granted to employees that have vested and 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 $1.3 million, $1.6 million, $1.6 million, $1.6 million and $1.5 million for the three months ended December 31, 2012, September 30, 2012, June 30, 2012, March 31, 2012 and December 31, 2011, respectively.

(j) Represents the after-tax expense of acquisition and related costs for which the Company receives a tax deduction. The three months ended September 30, 2012 included a $5.7 million reduction of expense relating to the fair value of contingent consideration for the stock acquisition of Concord, that is not deductible for tax purposes and that the Company does not consider to be indicative of its core performance.

(k) Represents the after-tax expense of equity issuance and offering costs related to the closing of a secondary offering in the second quarter of 2012, and the closing of a secondary offering in the second quarter of 2011. Results for the three months ended September 30, 2012 include the full expense impact of a $3.9 million charge relating to the late deposit of withholding taxes related to the exercise of certain non-qualified stock options in connection with the Company's 2010 initial public offering, that is not deductible for tax purposes.

(l) Represents the expected tax benefit available to the Company from the accumulated net operating losses of Concord that arose prior to its acquisition by the Company; such benefits were recorded in the third quarter of 2012.

(m) 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, a non-GAAP measure:

	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011
			(unaudited)		
Earnings per share — diluted	$ 0.34	$ 0.31	$ 0.35	$ 0.37	$ 0.35
Adjustment for allocation of undistributed earnings to stock units	—	—	—	—	0.01
After-Tax:					
EBITDA Adjustments per share	0.10	0.12	0.08	0.14	0.03
Amortization of purchased intangible assets and software per share	0.06	0.05	0.06	0.05	0.05
Acquisition related benefit for a net operating loss carry-forward per share	—	(0.01)	—	—	—
Adjusted Earnings per share	$ 0.50	$ 0.47	$ 0.49	$ 0.56	$ 0.44

(n) The weighted average share count for the quarters in 2012 includes approximately 850,000 shares resulting from the distribution pursuant to the 2008 Nonqualified Deferred Compensation Plan that were not previously included in the quarterly weighted average share count.

LPL Financial Holdings Inc.
EBITDA Adjustments - Q4 2012 Compared to Q4 2011
(Dollars in thousands)
(unaudited)

	Q4 2012			Q4 2011			Increase (Decrease)	
	Unadjusted	Adjustments	As Adjusted	Unadjusted	Adjustments	As Adjusted	$	%
REVENUES:								
Commission	$ 467,492	$ —	$ 467,492	$ 404,382	$ —	$ 404,382	$ 63,110	15.6 %
Advisory	275,983	—	275,983	251,219	—	251,219	24,764	9.9 %
Asset-based	103,018	—	103,018	89,706	—	89,706	13,312	14.8 %
Transaction and other	83,362	2	83,364	71,227	252	71,479	11,885	16.6 %
Interest income, net of operating interest	4,603	3	4,606	4,777	—	4,777	(171)	(3.6)%
Other	9,786	—	9,786	7,342	—	7,342	2,444	33.3 %
Net revenues	944,244	5	944,249	828,653	252	828,905	115,344	13.9 %
EXPENSES:								
Commission and advisory	651,774	—	651,774	576,904	—	576,904	74,870	13.0 %
Compensation and benefits	89,350	(7,607)	81,743	79,237	(4,107)	75,130	6,613	8.8 %
Promotional	32,277	(256)	32,021	19,900	(64)	19,836	12,185	61.4 %
Depreciation and amortization	18,786	—	18,786	16,947	—	16,947	1,839	10.9 %
Occupancy and equipment	16,150	(119)	16,031	13,914	(60)	13,854	2,177	15.7 %
Professional services	15,306	(1,941)	13,365	8,281	(480)	7,801	5,564	71.3 %
Brokerage, clearing and exchange	9,917	—	9,917	9,219	—	9,219	698	7.6 %
Communications and data processing	10,577	(24)	10,553	9,873	—	9,873	680	6.9 %
Regulatory fees and other	10,890	—	10,890	6,731	(409)	6,322	4,568	72.3 %
Restructuring charges	635	(634)	1	8,372	(8,372)	—	1	n/a
Other expense	13,871	(5,865)	8,006	(146)	9,316	9,170	(1,164)	(12.7)%
Total operating expenses	869,533	(16,446)	853,087	749,232	(4,176)	745,056	108,031	14.5 %
Non-operating interest expense	12,529	—	12,529	15,835	—	15,835	(3,306)	(20.9)%
Loss on extinguishment of debt	—	—	—	—	—	—	—	n/a
Total expenses	$ 882,062	$ (16,446)	$ 865,616	$ 765,067	$ (4,176)	$ 760,891	$ 104,725	13.8 %

LPL Financial Holdings Inc.
EBITDA Adjustments - Q4 2012 Compared to Q3 2012
(Dollars in thousands)
(unaudited)

	Q4 2012			Q3 2012			Increase (Decrease)	
	Unadjusted	Adjustments	As Adjusted	Unadjusted	Adjustments	As Adjusted	$	%
REVENUES:								
Commission	$ 467,492	$ —	$ 467,492	$ 442,129	$ —	$ 442,129	$ 25,363	5.7 %
Advisory	275,983	—	275,983	267,334	—	267,334	8,649	3.2 %
Asset-based	103,018	—	103,018	100,024	—	100,024	2,994	3.0 %
Transaction and other	83,362	2	83,364	84,730	(68)	84,662	(1,298)	(1.5)%
Interest income, net of operating interest	4,603	3	4,606	4,629	(3)	4,626	(20)	(0.4)%
Other	9,786	—	9,786	8,382	—	8,382	1,404	16.8 %
Net revenues	944,244	5	944,249	907,228	(71)	907,157	37,092	4.1 %
EXPENSES:								
Commission and advisory	651,774	—	651,774	620,165	—	620,165	31,609	5.1 %
Compensation and benefits	89,350	(7,607)	81,743	91,309	(5,007)	86,302	(4,559)	(5.3)%
Promotional	32,277	(256)	32,021	31,844	(63)	31,781	240	0.8 %
Depreciation and amortization	18,786	—	18,786	18,423	—	18,423	363	2.0 %
Occupancy and equipment	16,150	(119)	16,031	13,914	27	13,941	2,090	15.0 %
Professional services	15,306	(1,941)	13,365	15,672	(2,952)	12,720	645	5.1 %
Brokerage, clearing and exchange	9,917	—	9,917	9,938	—	9,938	(21)	(0.2)%
Communications and data processing	10,577	(24)	10,553	10,249	(1)	10,248	305	3.0 %
Regulatory fees and other	10,890	—	10,890	6,979	—	6,979	3,911	56.0 %
Restructuring charges	635	(634)	1	1,211	(1,194)	17	(16)	(94.1)%
Other expense	13,871	(5,865)	8,006	20,460	(13,394)	7,066	940	13.3 %
Total operating expenses	869,533	(16,446)	853,087	840,164	(22,584)	817,580	35,507	4.3 %
Non-operating interest expense	12,529	—	12,529	12,826	—	12,826	(297)	(2.3)%
Loss on extinguishment of debt	—	—	—	—	—	—	—	n/a
Total expenses	$ 882,062	$ (16,446)	$ 865,616	$ 852,990	$ (22,584)	$ 830,406	$ 35,210	4.2 %

LPL Financial Holdings Inc.
EBITDA Adjustments - 2012 Compared to 2011
(Dollars in thousands)
(unaudited)

	2012			2011			YTD Increase (Decrease)	
	Unadjusted	Adjustments	As Adjusted	Unadjusted	Adjustments	As Adjusted	$	%
REVENUES:								
Commission	$ 1,820,517	$ —	$ 1,820,517	$ 1,754,435	$ —	$ 1,754,435	$ 66,082	3.8 %
Advisory	1,062,490	—	1,062,490	1,027,473	—	1,027,473	35,017	3.4 %
Asset-based	403,067	—	403,067	359,724	—	359,724	43,343	12.0 %
Transaction and other	321,558	317	321,875	292,207	781	292,988	28,887	9.9 %
Interest income, net of operating interest	18,742	—	18,742	20,065	—	20,065	(1,323)	(6.6)%
Other	34,714	—	34,714	25,471	—	25,471	9,243	36.3 %
Net revenues	3,661,088	317	3,661,405	3,479,375	781	3,480,156	181,249	5.2 %
EXPENSES:								
Commission and advisory	2,509,913	—	2,509,913	2,410,337	—	2,410,337	99,576	4.1 %
Compensation and benefits	362,705	(25,532)	337,173	322,126	(16,965)	305,161	32,012	10.5 %
Promotional	107,074	(413)	106,661	82,885	(924)	81,961	24,700	30.1 %
Depreciation and amortization	71,796	—	71,796	72,741	—	72,741	(945)	(1.3)%
Occupancy and equipment	58,568	(139)	58,429	55,470	(439)	55,031	3,398	6.2 %
Professional services	62,298	(7,979)	54,319	41,590	(2,479)	39,111	15,208	38.9 %
Brokerage, clearing and exchange	38,924	—	38,924	38,087	—	38,087	837	2.2 %
Communications and data processing	39,522	(25)	39,497	36,696	(18)	36,678	2,819	7.7 %
Regulatory fees and other	32,306	—	32,306	26,116	(635)	25,481	6,825	26.8 %
Restructuring charges	5,597	(5,593)	4	21,407	(21,395)	12	(8)	(66.7)%
Other expense	50,444	(20,747)	29,697	20,471	8,106	28,577	1,120	3.9 %
Total operating expenses	3,339,147	(60,428)	3,278,719	3,127,926	(34,749)	3,093,177	185,542	6.0 %
Non-operating interest expense	54,826	—	54,826	68,764	—	68,764	(13,938)	(20.3)%
Loss on extinguishment of debt	16,524	(16,524)	—	—	—	—	—	n/a
Total expenses	$ 3,410,497	$ (76,952)	$ 3,333,545	$ 3,196,690	$ (34,749)	$ 3,161,941	$ 171,604	5.4 %

Operational Metrics

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

	Q4'11	Q1'12	Q2'12	Q3'12	Q4'12	YoY Growth	Seq Growth
Brokerage and Advisory Assets Under Custody							
Brokerage	$ 228.7	$ 243.3	$ 241.6	$ 252.8	$ 251.2	9.8%	(0.6%)
Advisory	101.6	110.8	111.4	118.6	122.1	20.2%	3.0%
Total Assets Under Custody	**$ 330.3**	**$ 354.1**	**$ 353.0**	**$ 371.4**	**$ 373.3**	**13.0%**	**0.5%**
Advisory % of Total	*30.8%*	*31.3%*	*31.6%*	*31.9%*	*32.7%*	*n/a*	*n/a*
Brokerage Assets Associated with Independent RIAs	$ 11.4	$ 13.0	$ 14.2	$ 16.8	$ 19.5	71.1%	16.1%
Independent RIA Firm Advisory	11.3	14.1	15.7	18.6	21.4	89.4%	15.1%
Total Independent RIA Firm Assets Under Custody	**$ 22.7**	**$ 27.1**	**$ 29.9**	**$ 35.4**	**$ 40.9**	**80.2%**	**15.5%**
Net New Advisory Assets(1)	$ 1.0	$ 2.5	$ 2.8	$ 2.9	$ 2.7	n/a	n/a
Annualized Growth(2)	**4%**	**9%**	**10%**	**10%**	**9%**	**n/a**	**n/a**
Insured Cash Account	$ 14.4	$ 13.9	$ 14.6	$ 14.2	$ 16.3	13.2%	14.8%
Money Market Funds	8.0	7.7	8.5	7.4	8.4	5.0%	13.5%
Total Cash Sweep Assets (EOP)	**$ 22.4**	**$ 21.6**	**$ 23.1**	**$ 21.6**	**$ 24.7**	**10.3%**	**14.4%**
% of total Assets Under Custody	*6.8%*	*6.1%*	*6.5%*	*5.8%*	*6.6%*	(20 bps)	80 bps
Insured Cash Account Fee - bps	89	92	89	88	87	(2 bps)	(1 bps)
Money Market Fee - bps	8	11	12	12	13	5 bps	1 bps
Cash Sweep Fee - bps	**59**	**64**	**61**	**61**	**61**	2 bps	—
Weighted FFE Daily Average Fee - bps	7	10	15	14	16	9 bps	2 bps
Advisors							
Advisors	12,847	12,962	13,185	13,170	13,352	3.9%	1.4%
Annualized commissions per Advisor ($ thousands)(3)	$ 126	$ 144	$ 137	$ 134	$ 140	11.1%	4.5%
Net New Advisors	48	115	223	(15)	182	n/a	n/a
Custom Clearing Services (CCS) Subscribers	4,386	4,465	4,511	4,593	4,555	3.9%	(0.8%)

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

	Q4'11	Q1'12	Q2'12	Q3'12	Q4'12	YoY Growth	Seq Growth
Payout Rate							
Base Payout Rate	84.4%	84.3%	84.3%	84.1%	84.1%	(30 bps)	—
Production-Based Bonuses	3.3%	1.6%	2.6%	3.2%	3.4%	10 bps	20 bps
Gross Dealer Concessions (GDC) Related Payout	87.7%	85.8%	86.8%	87.2%	87.5%	(20 bps)	30 bps
Other(4)	0.3%	0.6%	(0.1)%	0.2%	0.2%	(10 bps)	—
Total Payout Ratio	**88.0%**	**86.4%**	**86.7%**	**87.4%**	**87.7%**	**(30 bps)**	**30 bps**
Production-Based Bonuses Ratio (Trailing Twelve Months)	**2.4%**	**2.5%**	**2.6%**	**2.7%**	**2.7%**	30 bps	—
Metrics							
Advisory Revenue bps of Assets, excluding Independent RIA assets(5)	116	111	111	111	110	(6 bps)	(1 bps)
Production Retention Rate (YTD Annualized)(6)	96%	98%	98%	95%	95%	(100 bps)	—
Attachment Rate, excluding cash revenue(7)	21%	21%	22%	23%	22%	100 bps	(100 bps)
Recurring Revenue Rate(8)	65%	63%	65%	67%	66%	100 bps	(100 bps)
Adj. EBITDA / Gross Margin	42%	46%	40%	39%	39%	(300 bps)	—
Employees - period end	2,726	2,720	2,911	2,936	2,917	7.0%	(0.6%)
Cash Available for Corporate Use ($ millions)(9)	$ 528	$ 584	$ 341	$ 317	$ 215	(58.7%)	(31.2%)

(1) Reflects net new advisory assets consisting of funds from new accounts and additional funds deposited into advisory accounts that are custodied in our fee-based advisory platforms and exclude market impact
(2) Calculated by dividing net new advisory assets by total advisory assets and multiplying by four
(3) Calculation excludes CCS subscribers and uses average of beginning and end of period advisor count
(4) Reflects the Non-GDC sensitive portion of payout rate, which includes share-based compensation expense from stock options and warrants granted to advisors and financial institutions based on the fair value of the awards at each interim reporting period, and mark-to market gains or losses on amounts designated by advisors as deferred commissions in a non-qualified deferred compensation plan
(5) Based on annualized advisory revenue over prior quarter ending corporate advisory assets (corporate assets defined as total advisory assets less Independent RIA Firm Advisory Assets); decline in Q1'12 impacted by re-pricing in one of our significant custom clearing agreements
(6) Reflects retention of commission and advisory revenues, calculated by subtracting the prior year production of the annualized year-to-date attrition rate, over the prior year total production
(7) Attachment revenue includes: Asset-based, transaction and other and other revenue. Calculation is based on total attachment revenue over total net revenues for the quarter
(8) Recurring revenue is a characterization of net revenue and a statistical measure, which we define to include our asset-based revenues, advisory revenues, trailing commission revenues, cash sweep program revenues and certain other revenues that are based upon accounts and advisors. In addition, certain recurring revenues are associated with asset balances
(9) Cash unrestricted by the credit agreement and other regulations available for operating, investing and financing uses. Q4’12 Cash Available for Corporate Use was adjusted from prior disclosure of $218 million to $215 million on March 11, 2013

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, 2012 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% - 2.25%	$ 700

Example: assuming FFER is 0.15% and it increases by 0.25% to 0.40%, LPL Financial would benefit from an annualized increase of $28 million* in income, before taxes.

*Excludes impact from money market revenue

The actual impact to cash sweep revenue, including a change in the FFER of greater than 2.25%, may vary depending on our strategy in response to a change in interest rate levels, the significance of a change, and actual balances at the time of such change.

Insured cash account portfolio

Insured cash account maturities[1]

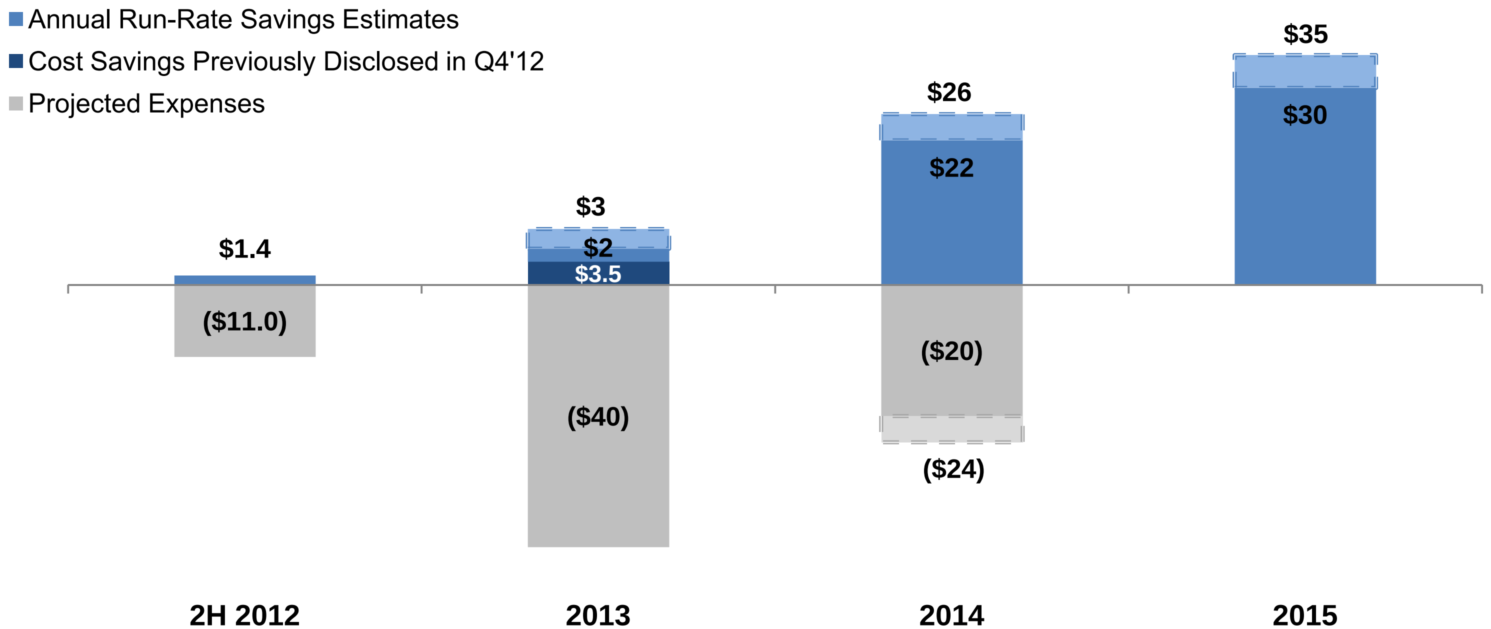
Maturity Year	Number of Banks	Cash Assets Represented	Percentage of total ICA Cash Balance
2013	6	$1.5 billion	9.5%
2014	7	$7.9 billion	48.5%
2015	3	$0.6 billion	3.5%
2016 – 2019	6	$6.3 billion	38.5%
Total	22	$16.3 billion	100%

(1) Bank contracts mature regularly and are often renegotiated and or new bank relationships are added to the program. The table reflects bank contracts and expected maturities as of 12/31/12. While certain contracts are direct with us, others are administered through a third party, and the information presented above is therefore provided to the best of our knowledge.

Service Value Commitment

Service Value Commitment (SVC)

SVC savings and investment ramp up through 2015[1]
$ in millions



Accelerating and expanding our Service Value Commitment to enhance our performance, improve efficiencies and position LPL for sustainable long-term growth

(1) Estimated annual pre-tax savings and expenses related to the Service Value Commitment are subject to change.

Overview of SVC

2012 – 2015

Goals

- Position LPL for sustainable long-term growth
- Deliver efficiencies in operating model
- Enhance service experience for advisors and work environment for employees
  - Improve processes to achieve faster turnaround time for advisors
  - Advanced and intuitive technology portfolio
  - Human capital - build capabilities in talent management
- Annual pre-tax run rate expenses savings of $30 to $35 million[(1)]

Components of the program

- **Reposition labor force:** focus on core strengths and transition select non-advisor-facing back-office functions to leading service providers
- **Invest in technology and resources that enable growth:** implement foundational changes to technology platforms and increase investments in marketing, business consulting, research, advisor training and recruiting, and human capital

(1) Estimated annual pre-tax savings are related to the Service Value Commitment and these estimates are subject to change.

Goals and initiatives

2015 Goal : Achieve total run rate expense savings of $30 to $35 million(1)

Process transformation	▪ Use Kaizen to generate efficiency in all processes ▪ Drive for higher accuracy and consistency
Automation of key business processes	▪ Automate a significant portion of key business processes ▪ Enhance technology enabling advisors to grow their business efficiently
2013 Sourcing Initiatives	▪ Sourcing several non-advisor facing areas: – Account openings and transfers processing capabilities – Document imaging, commissions processing, preparation and processing functions within Governance, Risk, and Compliance – Internal processing operations within Finance such as accounts payable and receivable – Basic illustrations and data entry in Insurance
Expected impact on income statement	▪ Expect $70 to $75 million in total costs – Recognized $11 million of costs in 2H 2012, anticipate $6 to $8 million for Q1 2013 and $40 million for the entire year in 2013

(1) Estimated annual pre-tax savings related to the Service Value Commitment are subject to change.
(2) Note that sourcing expense savings will be reflected in 2014 and 2015