LPL Financial

Q1 2021 EARNINGS KEY METRICS

LPL Financial Holdings Inc.
Q1 2021 Earnings
April 29, 2021

Notice to Investors: Safe Harbor Statement

Statements in this presentation regarding LPL Financial Holdings Inc.’s (together with its subsidiaries, the “Company”) future financial and operating results, growth, priorities, business strategies and outlook, including forecasts and statements relating to the Company’s future advisory and brokerage asset levels and mix, organic asset growth, deposit betas, Core G&A* expenses (including outlook for 2021), Gross Profit* benefits, investments, capital returns and the planned acquisition of Waddell & Reed’s wealth management business (the “Waddell & Reed Acquisition”), including the timing of the closing thereof, as well as any other statements that are not related to present facts or current conditions or that are not purely historical, constitute forward-looking statements. These forward-looking statements are based on the Company's historical performance and its plans, estimates and expectations as of April 29, 2021. 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 from those expressed or implied by forward-looking statements. Important factors that could cause or contribute to such differences include: the spread of COVID-19 and its direct and indirect effects on global economic and financial conditions; changes in interest rates and fees payable by banks participating in the Company's client cash programs; the Company's strategy and success in managing client cash program fees; changes in general economic and financial market conditions, including retail investor sentiment; fluctuations in the levels of advisory and brokerage assets, including net new assets, and the related impact on revenue; the effects of competition in the financial services industry; the success of the Company in attracting and retaining financial advisors and institutions, and their ability to market effectively financial products and services; whether retail investors served by newly-recruited advisors choose to move their respective assets to new accounts at the Company; changes in the growth and profitability of the Company's fee-based business; the effect of current, pending and future legislation, regulation and regulatory actions, including disciplinary actions imposed by federal and state regulators and self-regulatory organizations and the implementation of Regulation BI (Best Interest); the costs of settling and remediating issues related to regulatory matters or legal proceedings, including actual costs of reimbursing customers for losses in excess of the Company’s reserves; changes made to the Company’s services and pricing, and the effect that such changes may have on the Company’s Gross Profit* streams and costs; execution of the Company's plans and its success in realizing the synergies, expense savings, service improvements and/or efficiencies expected to result from its investments, initiatives, acquisitions and programs; the parties' satisfaction of the closing conditions applicable to the Waddell & Reed Acquisition, and the timely closing of such transaction thereafter; the successful onboarding of advisors and client assets in connection with the Waddell & Reed Acquisition; and the other factors set forth in Part I, “Item 1A. Risk Factors” in the Company's 2020 Annual Report on Form 10-K, as may be amended or updated in the Company's Quarterly Reports on Form 10-Q or other filings with the SEC. Except as required by law, the Company specifically disclaims any obligation to update any forward-looking statements as a result of developments occurring after April 29, 2021, even if its estimates change, and statements contained herein are not to be relied upon as representing the Company's views as of any date subsequent to April 29, 2021.

Notice to Investors: Non-GAAP Financial Measures

Management believes that presenting certain non-GAAP financial measures by excluding or including certain items can be helpful to investors and analysts who may wish to use some or all of this information to analyze the Company's current performance, prospects and valuation. Management uses this non-GAAP information internally to evaluate operating performance and in formulating the budget for future periods. Management believes that the non-GAAP financial measures and metrics discussed herein are appropriate for evaluating the performance of the Company. **Specific Non-GAAP financial measures have been marked with an * (asterisk) within this presentation. Reconciliations and calculations of such measures can be found on pages 26-29.**

Gross profit is calculated as total revenues, which were $1,708 million for the three months ended March 31, 2021, less advisory and commission expenses and brokerage, clearing and exchange fees ("BC&E"), which were $1,109 million and $19 million, respectively, for the three months ended March 31, 2021. All other expense categories, including depreciation and amortization of fixed assets and amortization of intangible assets, are considered general and administrative in nature. Because the Company's gross profit amounts do not include any depreciation and amortization expense, the Company considers its gross profit amounts to be non-GAAP measures that may not be comparable to those of others in its industry. Management believes that gross profit amounts can provide investors with useful insight into the Company's core operating performance before indirect costs that are general and administrative in nature. For a calculation of gross profit, please see page 26 of this presentation.

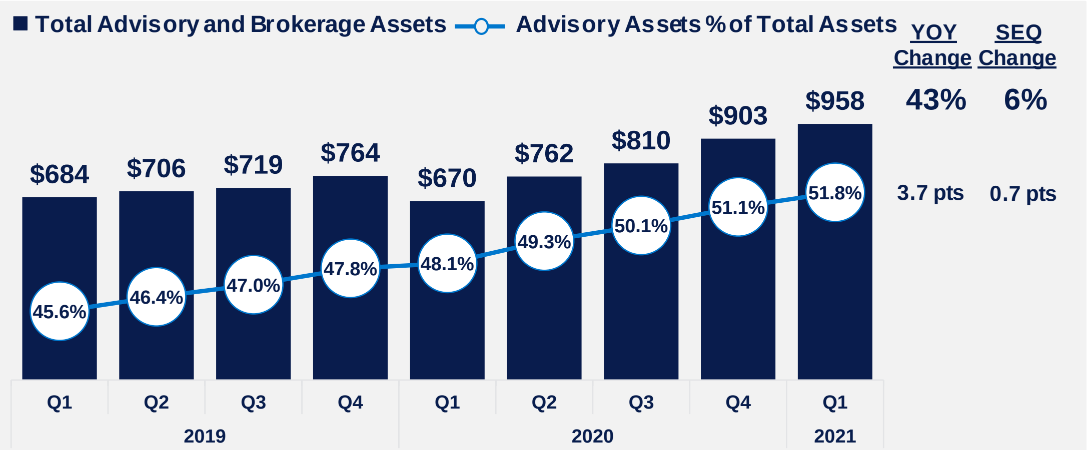
EBITDA is defined as net income plus interest and other expense, income tax expense, depreciation and amortization, and amortization of intangible assets. The Company presents EBITDA because management believes that it can be a useful financial metric in understanding the Company's earnings from operations. EBITDA is not a measure of the Company's financial performance under GAAP and should not be considered as an alternative to net income or any other performance measure derived in accordance with GAAP, or as an alternative to cash flows from operating activities as a measure of profitability or liquidity. For a reconciliation of net income to EBITDA, please see page 27 of this presentation. In addition, the Company's EBITDA can differ significantly from EBITDA calculated by other companies, depending on long-term strategic decisions regarding capital structure, the tax jurisdictions in which companies operate and capital investments.

EPS Prior to Amortization of Intangible Assets and Acquisition Costs is defined as GAAP earnings per share ("EPS") plus the per share impact of amortization of intangible assets and acquisition costs. The per share impact is calculated as amortization of intangible assets expense and acquisition costs, net of applicable tax benefit, divided by the number of shares outstanding for the applicable period. The Company presents EPS Prior to Amortization of Intangible Assets and Acquisition Costs because management believes the metric can provide investors with useful insight into the Company's core operating performance by excluding non-cash items and acquisition costs that management does not believe impact the Company's ongoing operations. EPS Prior to Amortization of Intangible Assets and Acquisition Costs is not a measure of the Company's financial performance under GAAP and should not be considered as an alternative to GAAP EPS or any other performance measure derived in accordance with GAAP. For a reconciliation of GAAP EPS to EPS Prior to Amortization of Intangible Assets and Acquisition Costs, please see page 28 of this presentation.

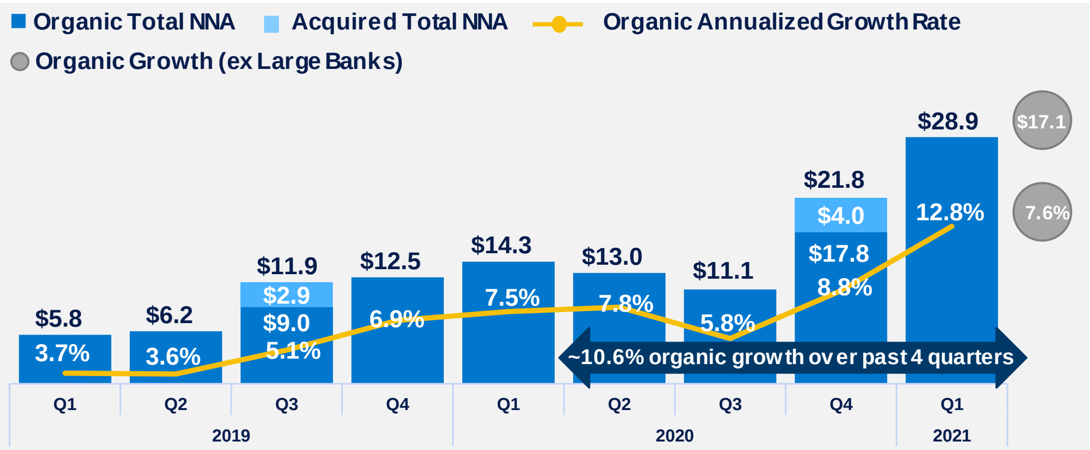
Core G&A consists of total operating expenses, which were $1,493 million for the three months ended March 31, 2021, excluding the following expenses: advisory and commission, regulatory charges, promotional, employee share-based compensation, depreciation and amortization, amortization of intangible assets, and BC&E. Management presents Core G&A because it believes Core G&A reflects the corporate operating expense categories over which management can generally exercise a measure of control, compared with expense items over which management either cannot exercise control, such as advisory and commission expenses, or which management views as promotional expense necessary to support advisor growth and retention, including conferences and transition assistance. Core G&A is not a measure of the Company's total operating expenses as calculated in accordance with GAAP. For a reconciliation of Core G&A to the Company's total operating expenses, please see page 29 of this presentation. The Company does not provide an outlook for its total operating expenses because it contains expense components, such as advisory and commission expenses, that are market-driven and over which the Company cannot exercise control. Accordingly, a reconciliation of the Company's outlook for Core G&A to an outlook for total operating expenses cannot be made available without unreasonable effort.

We continue to drive long-term business growth...

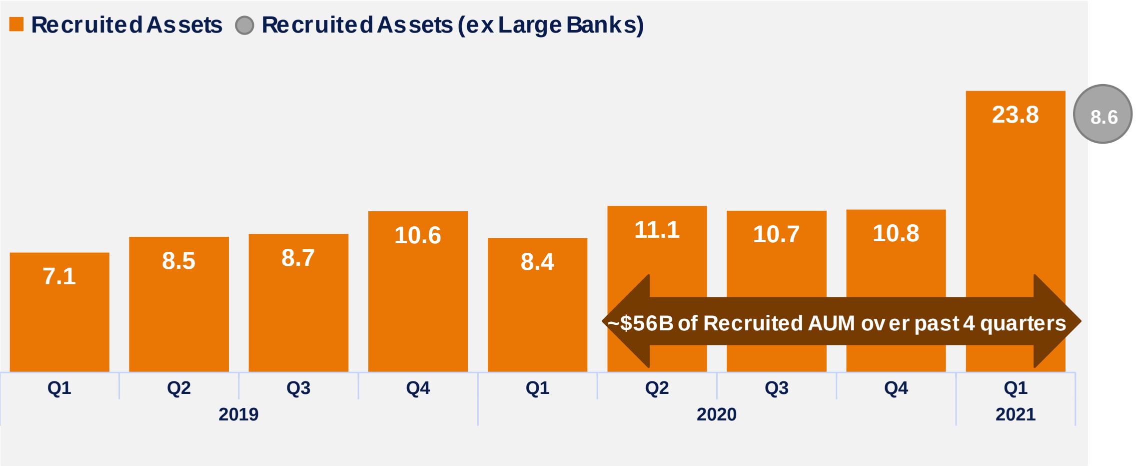
Total Advisory and Brokerage Assets ($ billions)



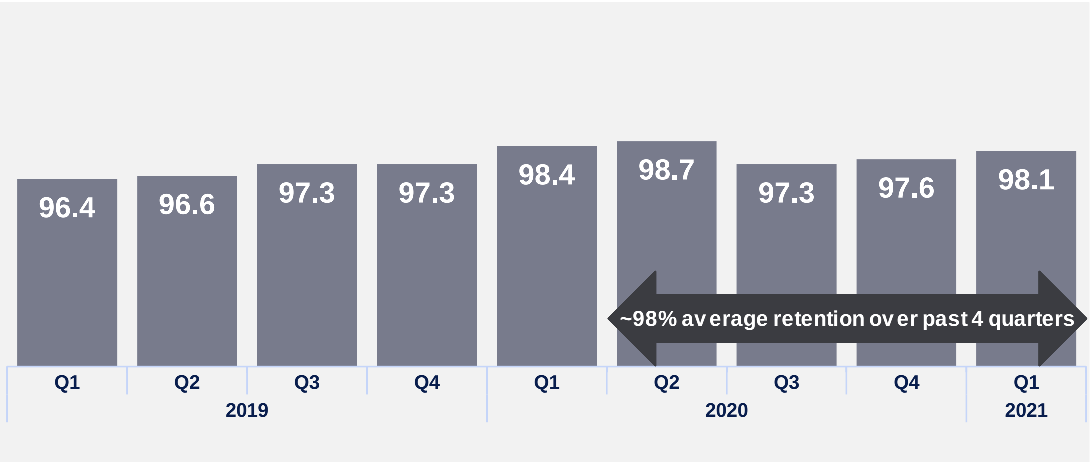
Total Net New Assets[1] ($ billions)



Recruited Assets[2] ($ billions)

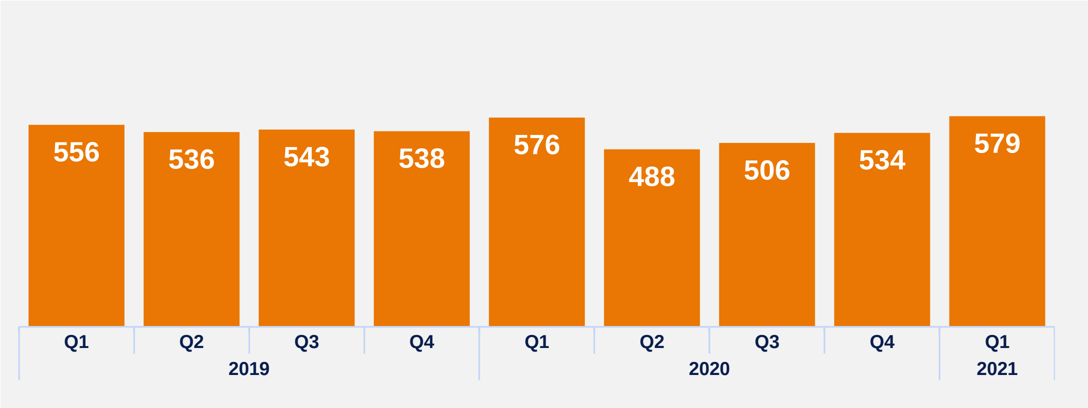


AUM Retention Rate[3] (Quarterly Annualized)

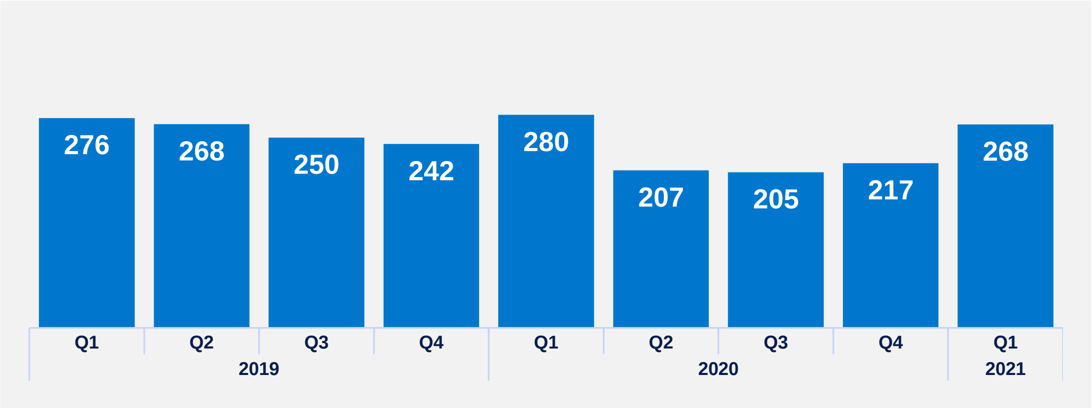


...And solid financial results

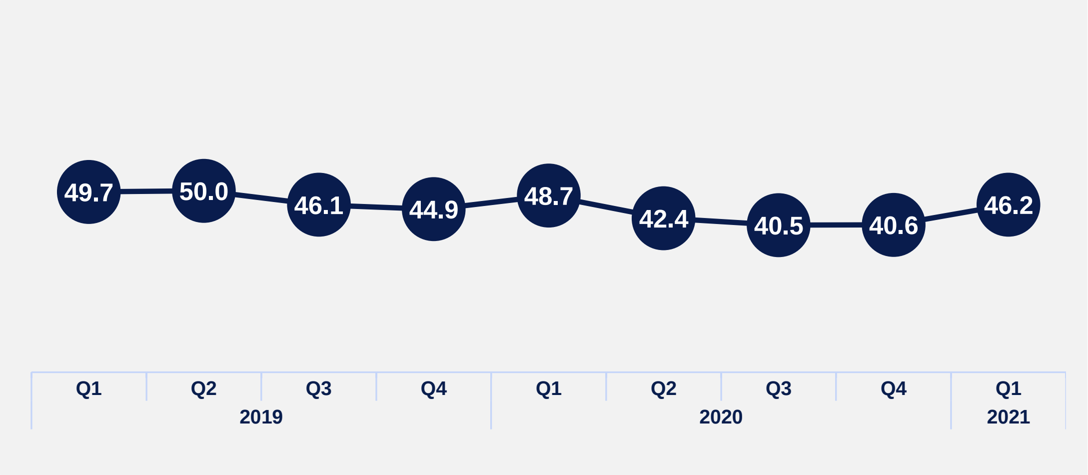
Gross Profit* ($ millions)



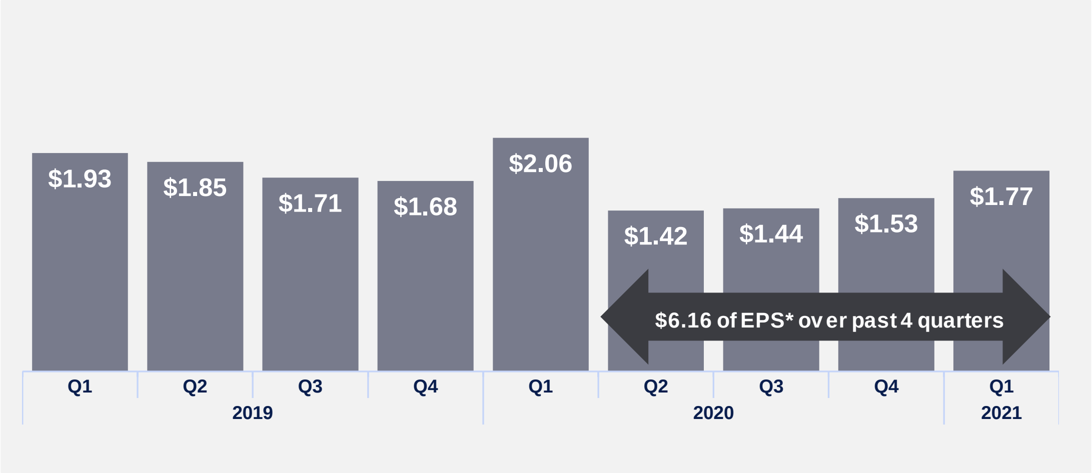
EBITDA* ($ millions)



EBITDA* as a % of Gross Profit*

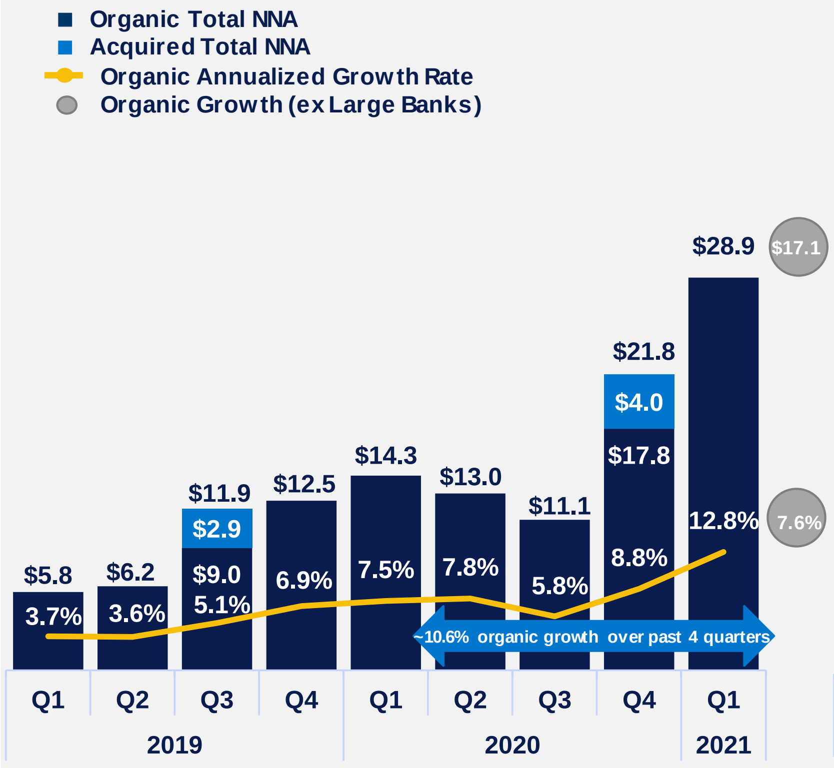


EPS Prior to Amortization of Intangible Assets and Acquisition Costs*

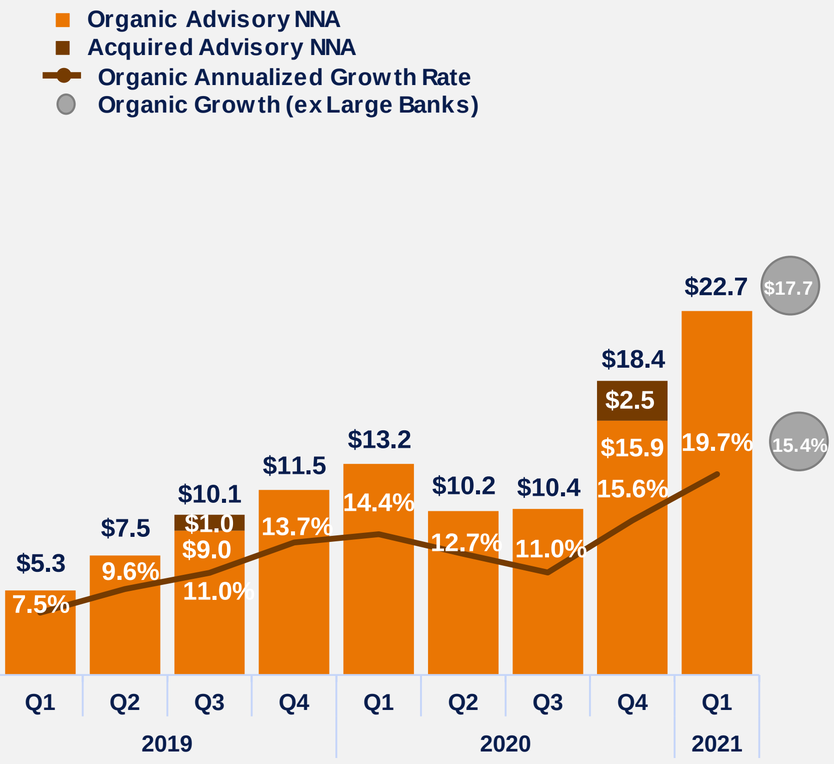


We continued to drive solid organic growth with a Net New Asset growth rate of ~13% in Q1 and ~11% for the past year

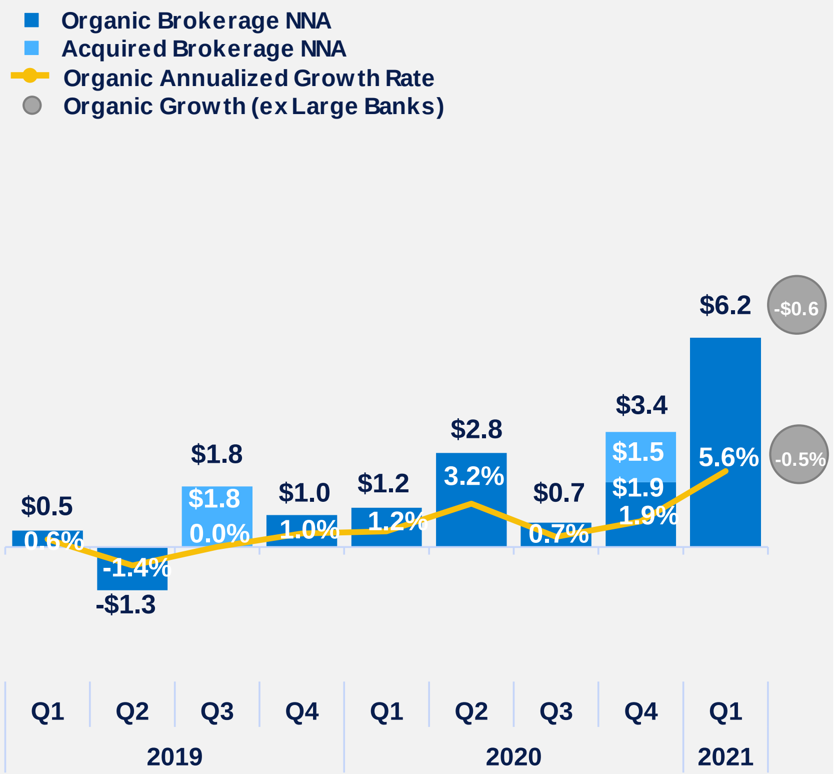
Total Net New Assets[1] ($ billions)



Net New Advisory Assets[4] ($ billions)



Net New Brokerage Assets[5] ($ billions)



Net Brokerage to Advisory Conversions[6] (billions): $1.4 $1.8 $1.7 $1.9 $2.4 $1.6 $2.0 $2.6 $3.3

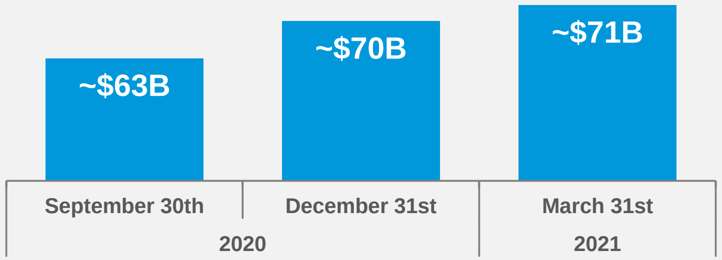
Waddell & Reed update: Our estimated retention improved to 95% and our expected run-rate EBITDA increased to $80M+

Transaction Details at Signing

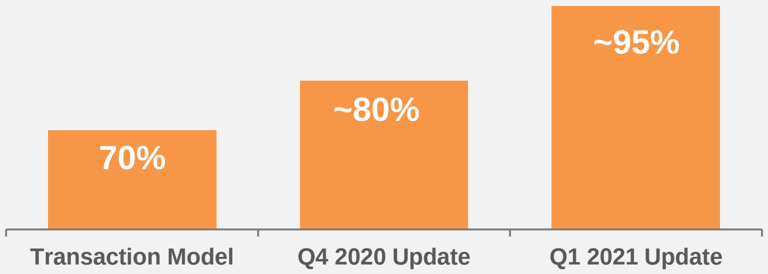
- On December 2nd, we signed an agreement to acquire Waddell & Reed's wealth management business
- Transaction structured primarily as an equity purchase with a price of $300M
- Waddell & Reed's wealth management client assets were ~$63B with asset mix of ~45% advisory and ~55% brokerage (as of September 30, 2020)
- Waddell & Reed's wealth management business has over 900 advisors, serving ~$70M of client assets per advisor (as of September 30, 2020)

Retention Update

Waddell & Reed's wealth management client assets[†] increased to ~$71B in Q1, up ~$1B from Q4 and ~$8B from Q3

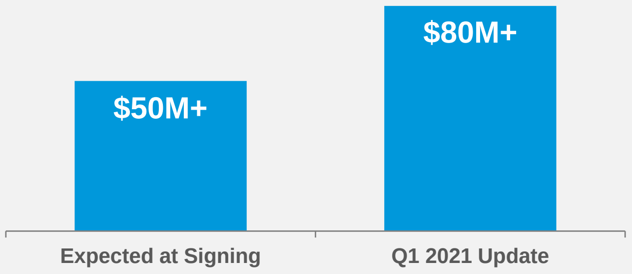


Estimated asset retention rate from Waddell & Reed increased to ~95% in Q1, up from ~80% in Q4 and well ahead of our modeling assumption of 70%



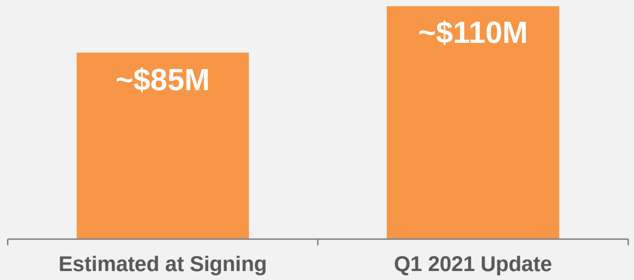
Financial Update

Estimated Run-Rate EBITDA* expectations increased to $80M+



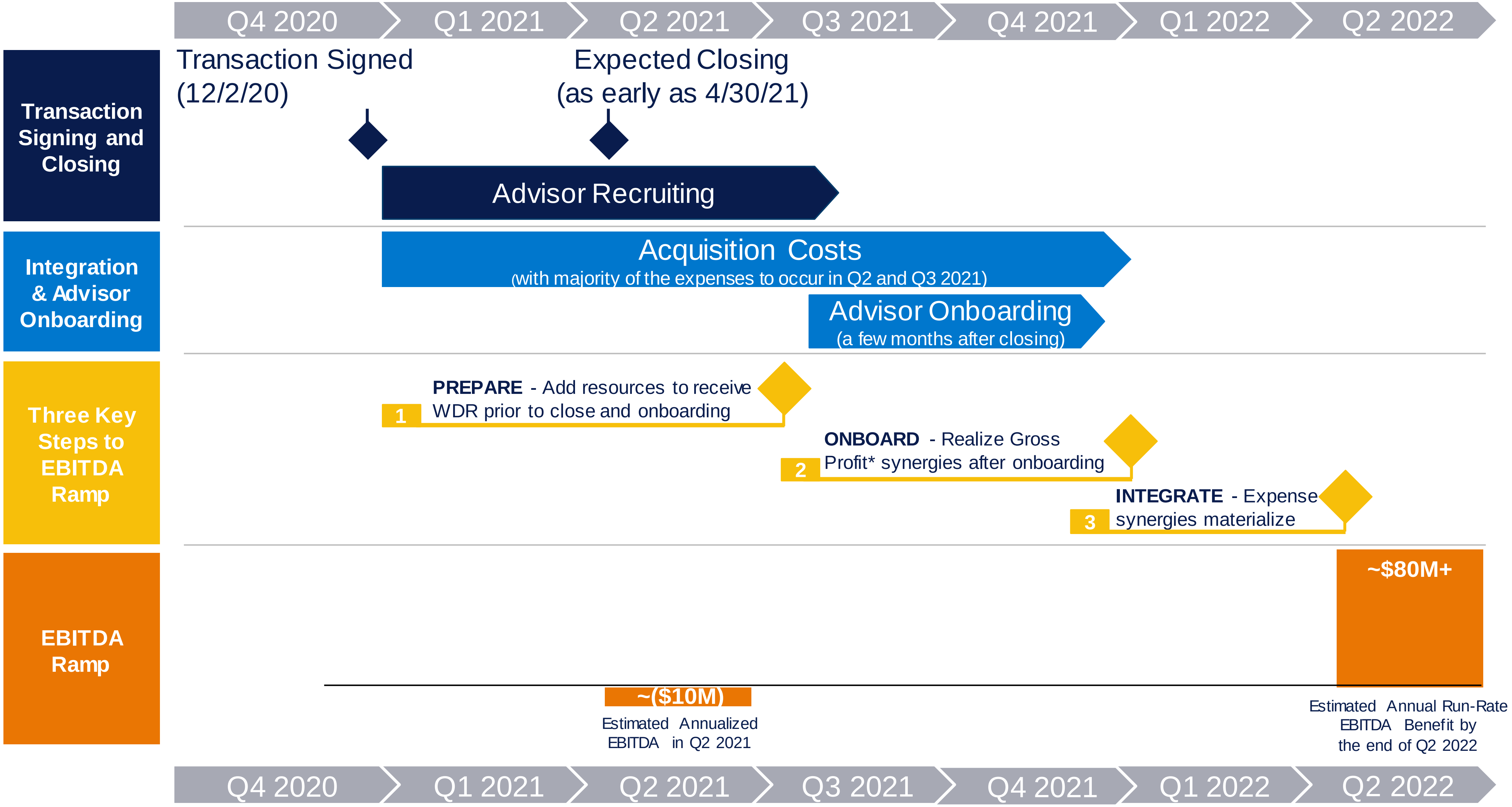
	Expected at Signing	Q1 2021 Update
Estimated Transaction Multiple	~6.5x	~5.0x

Estimated Acquisition Costs increased to ~$110M driven by increased asset retention



† Q3 and Q4 2020 as reported by Waddell & Reed in the Earnings Release and Q1 2021 as reported by Waddell & Reed in the April press release.

We estimate reaching an annual EBITDA benefit of $80M+ by the end of Q2 2022



We continue to scale and expand our Business Solutions portfolio

Business Solutions has grown to ~1,700 subscribers, more than double a year ago
Annualized revenue from Business Solutions has increased to ~$19M, up by ~$9M from a year ago
Launched our 6th Business Solution – M&A Solutions – in Q1 2021

Professional Services

- **Digital and employee-powered solutions** that provide practice management expertise to increase practice-level growth and operational efficiency
- Higher revenue and higher cost due to **full support from a LPL team**
- Subscriptions average **$1,500+ per month**

Admin Solutions
Reduce daily tasks with experienced and trained administrative help

Marketing Solutions
Unleash digital marketing to generate new prospects and connect with existing clients

CFO Solutions
Optimize the growth, scale, and profitability of the advisor's business

Business Optimizers

- **Digital solutions** that provide risk mitigation and business continuity services to support practice operations and succession planning
- Lower revenue and lower cost since they **deliver digital capabilities**
- Subscriptions average **$100+ per month**

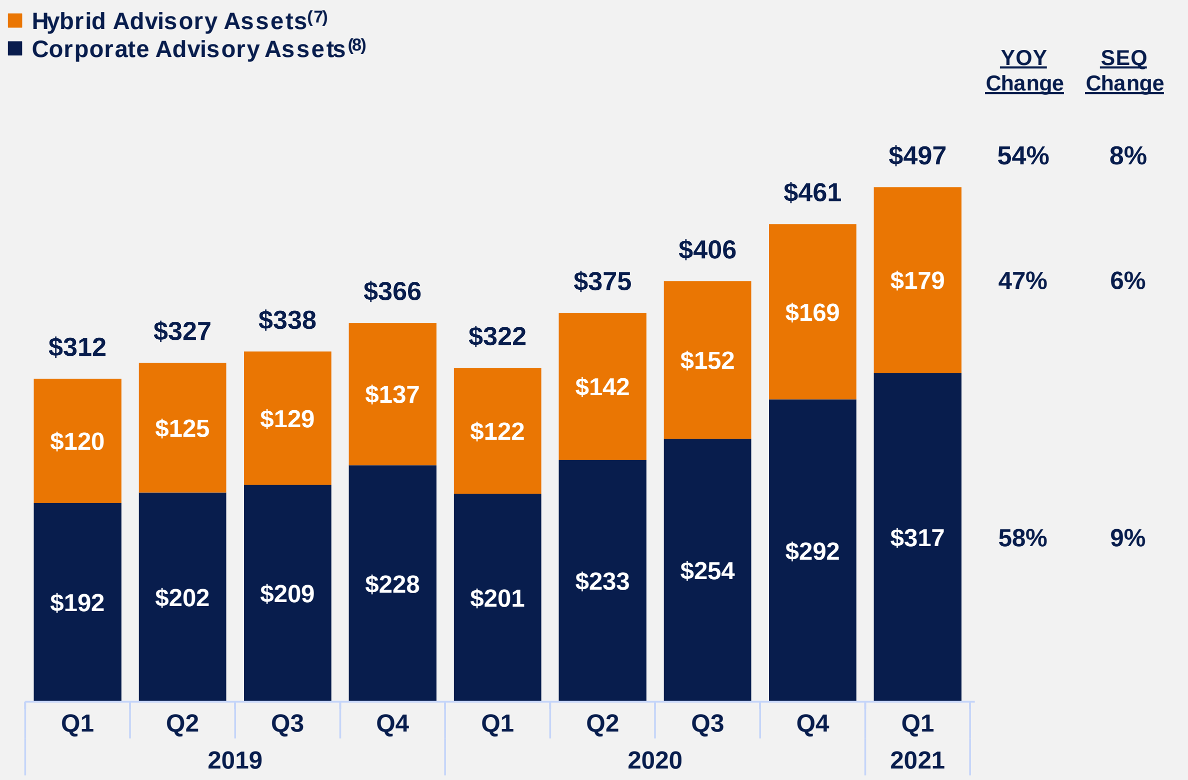
Assurance Plan
LPL-backed succession plan to protect advisors' businesses and support their families and clients

Remote Office Solutions
Smart, secure office network and connectivity technology to support remote operations

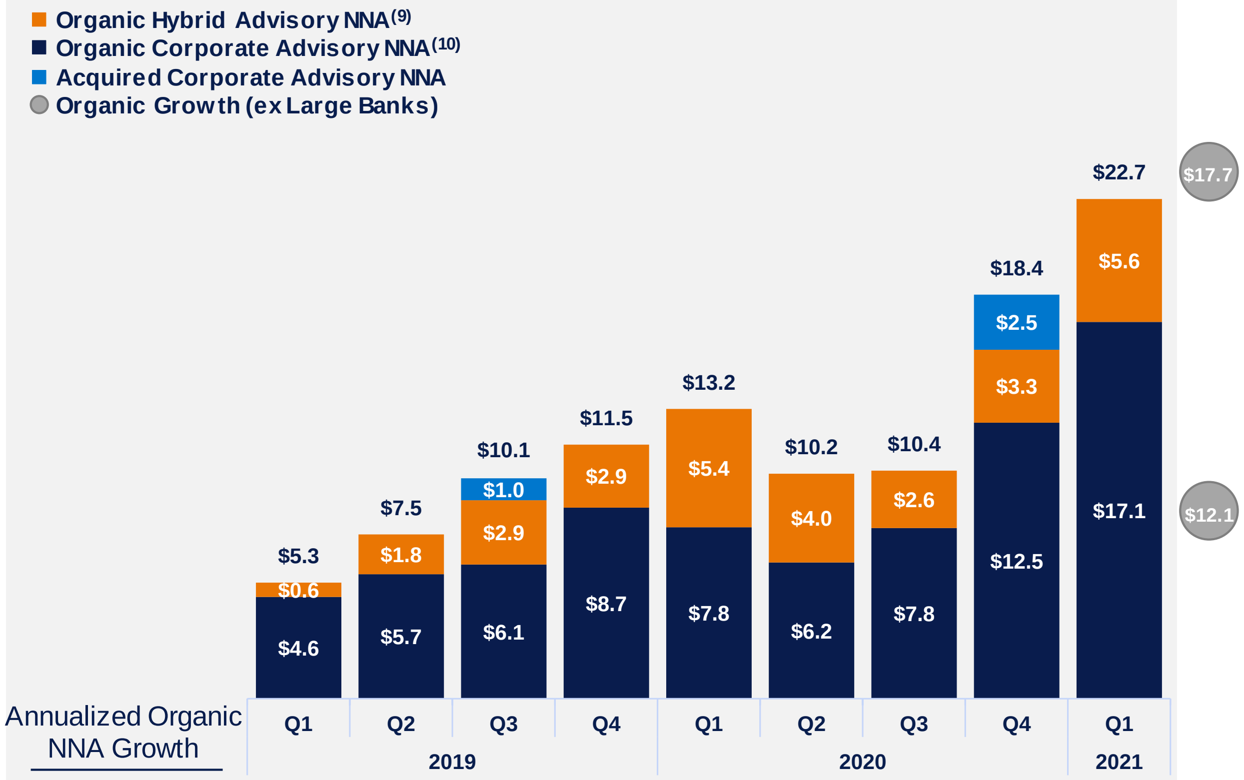
Launched Q1 2021
M&A Solutions
Comprehensive buyer and seller programs supporting all aspects of advisor practice M&A

Our Corporate and Hybrid Advisory platforms continue to grow

Corporate and Hybrid Advisory Platform Mix ($ billions)



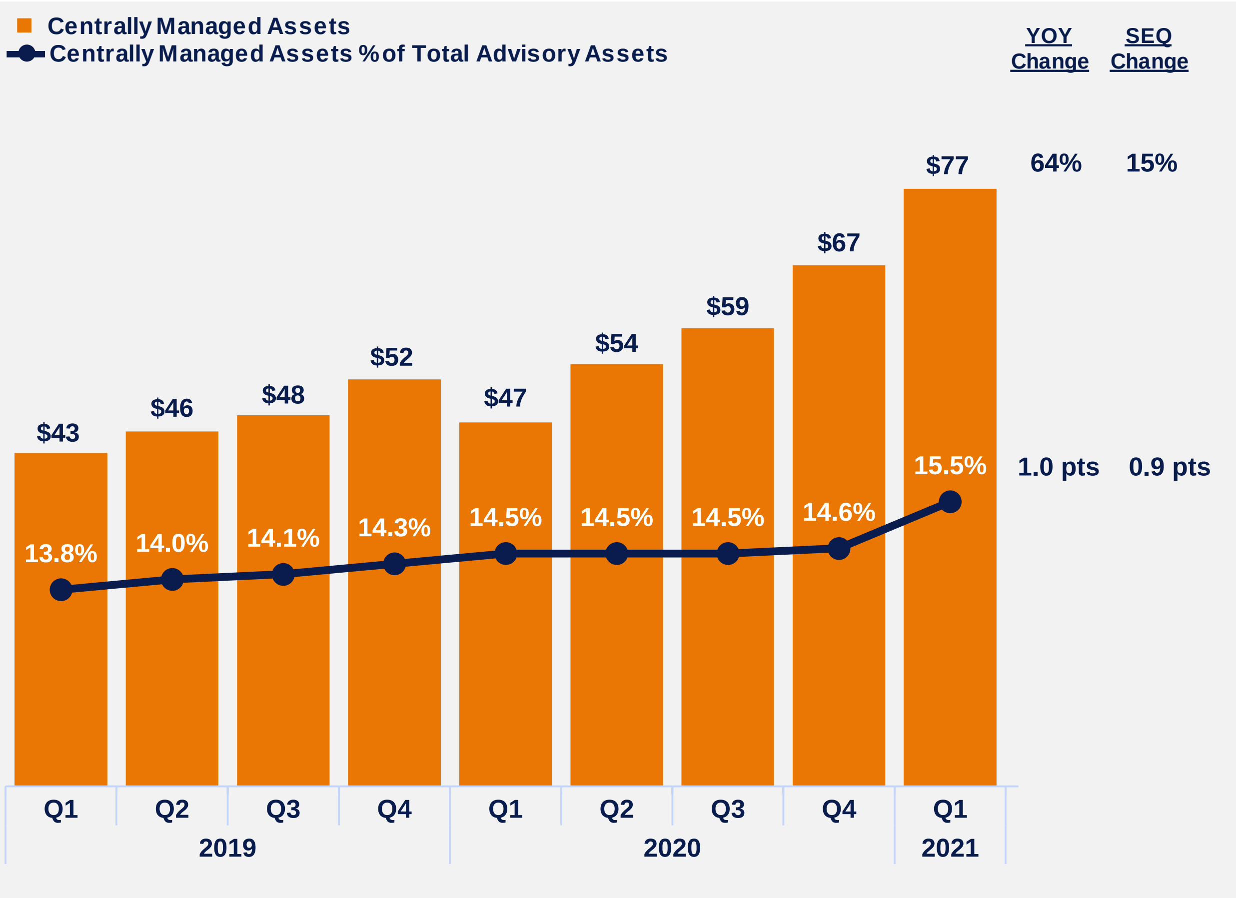
Corporate and Hybrid Advisory NNA Mix ($ billions)



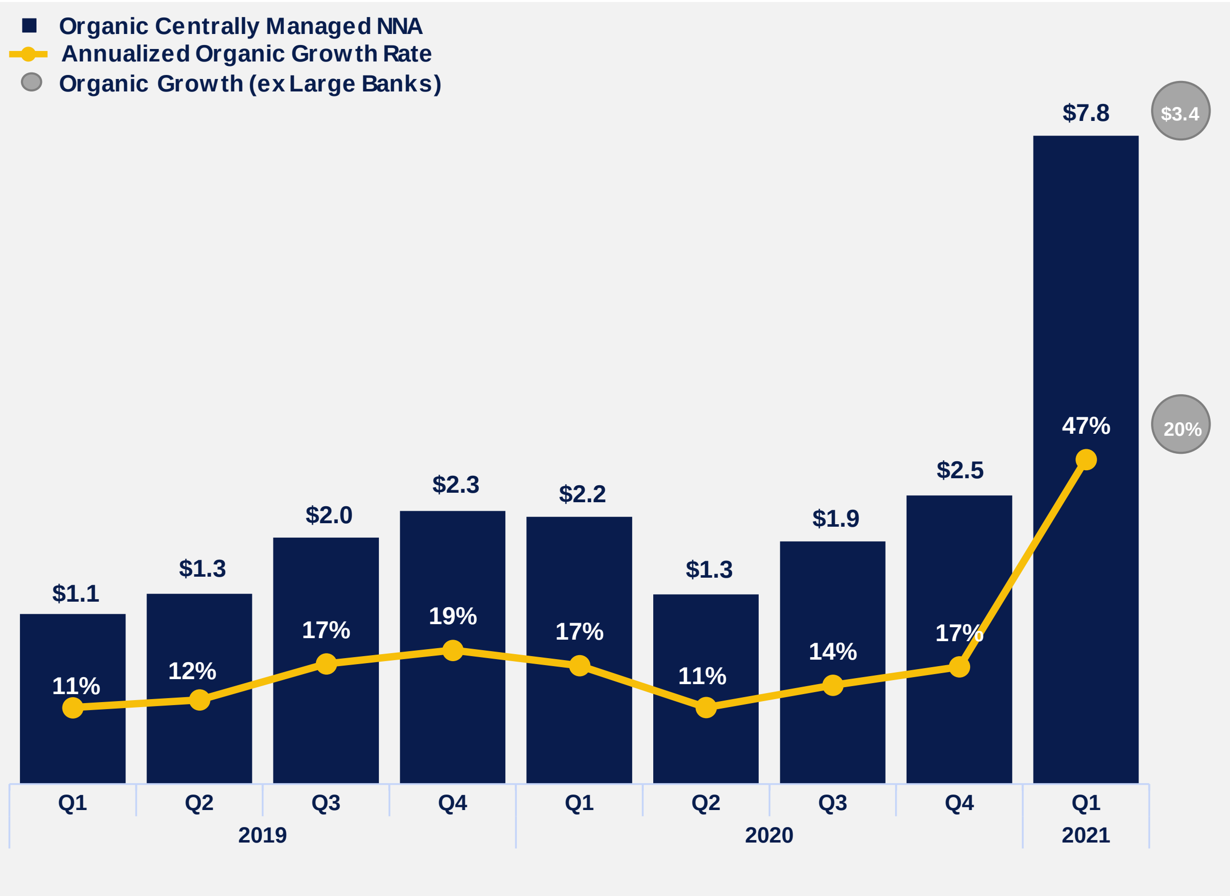
Annualized Organic NNA Growth	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	
Hybrid Advisory	2%	6%	9%	9%	16%	13%	7%	9%	13%	
Corporate Advisory	11%	12%	12%	17%	14%	12%	13%	20%	23%	17%

Centrally Managed Assets grew at a 47% organic growth rate, or a 20% organic growth rate excluding Large Banks in Q1

Centrally Managed Assets[11] ($ billions)

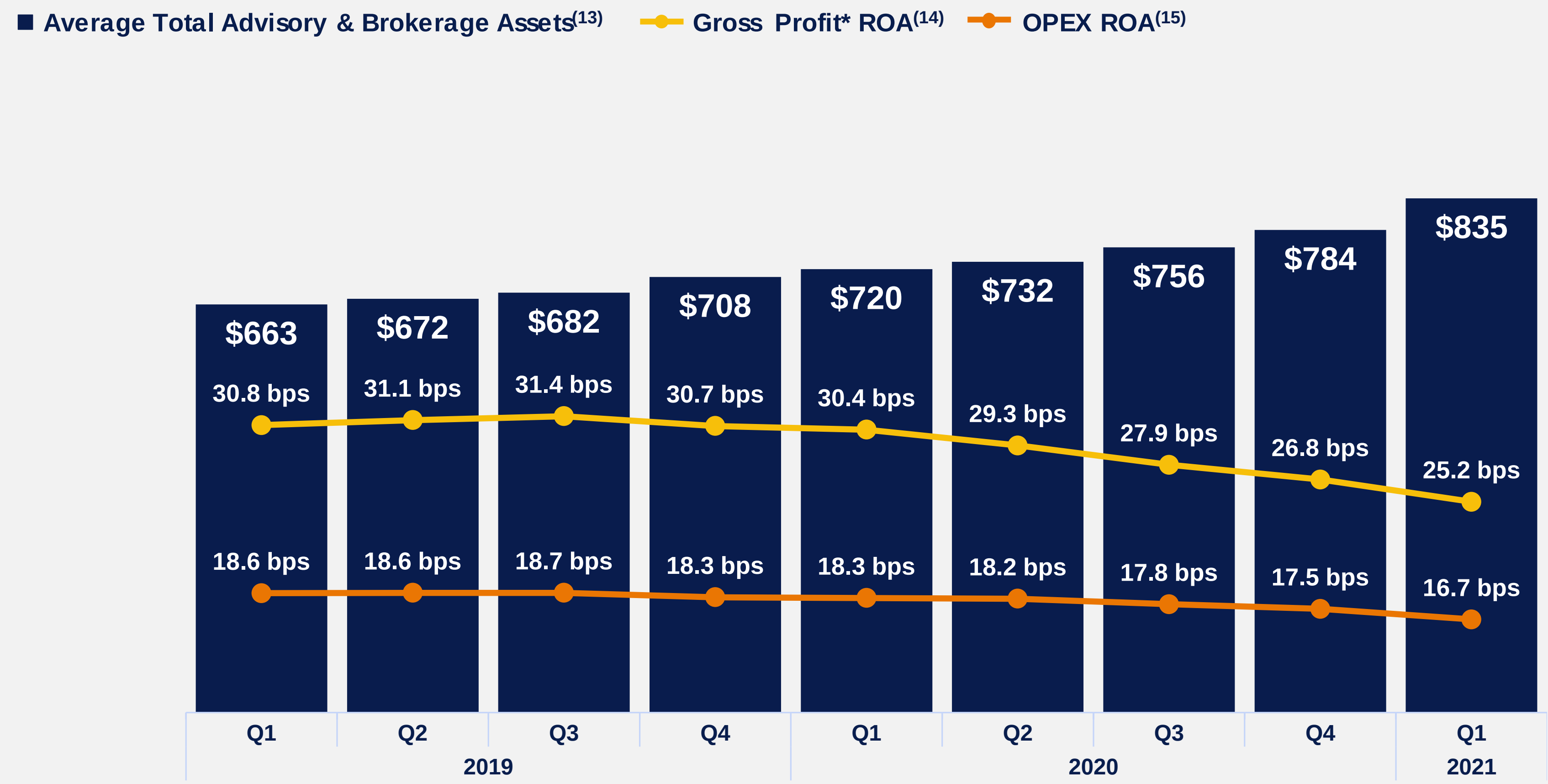


Centrally Managed NNA[12] ($ billions)



We continued to drive solid EBIT ROA in Q1

Average Total Advisory & Brokerage Assets ($ billions)



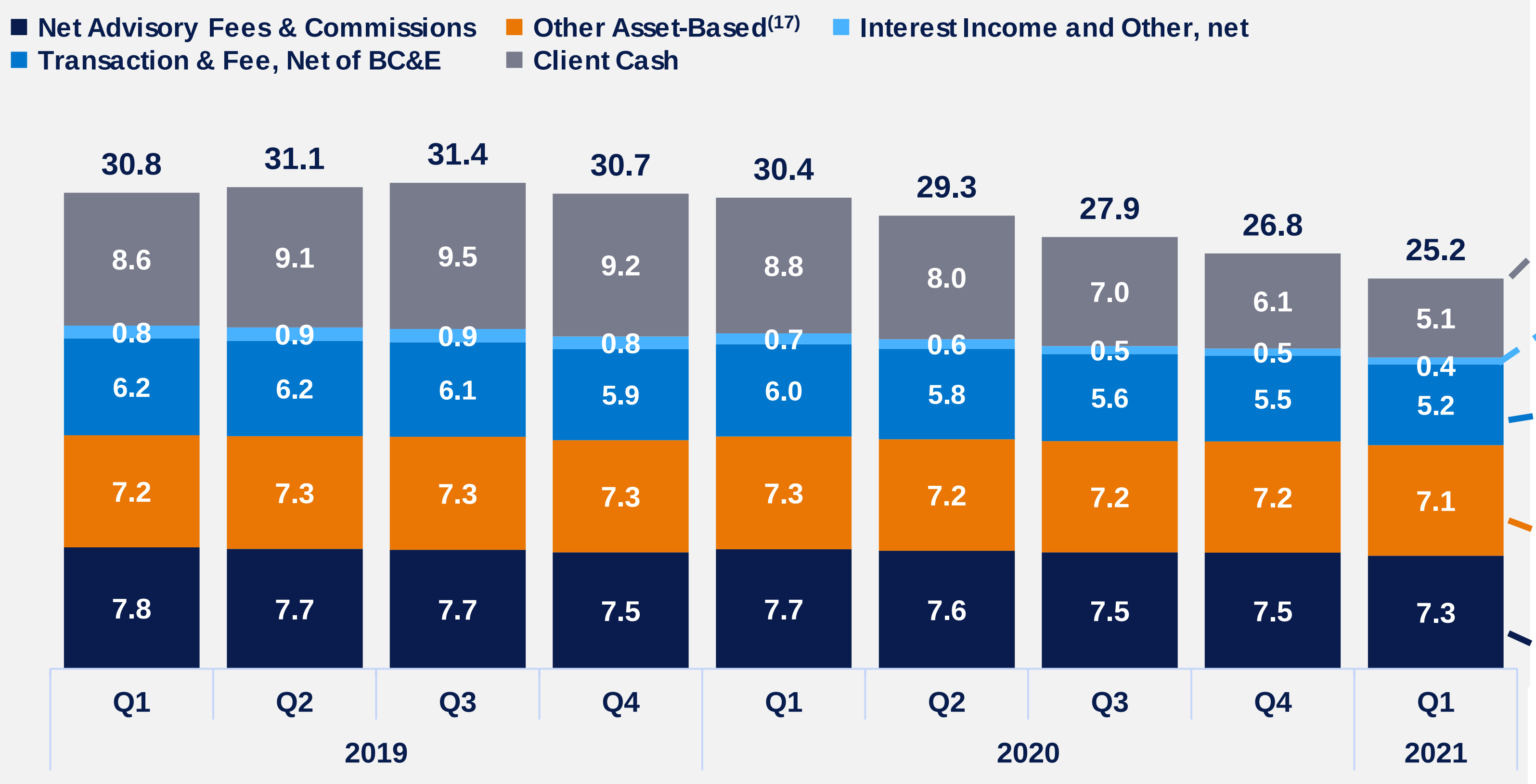
	YOY Change	SEQ Change
Average Total Advisory & Brokerage Assets	16%	7%
Gross Profit* ROA	-5.2 bps	-1.6 bps
OPEX ROA	-1.6 bps	-0.8 bps

	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	YOY Change	SEQ Change
EBIT ROA[16]:	12.1 bps	12.5 bps	12.8 bps	12.4 bps	12.2 bps	11.1 bps	10.1 bps	9.3 bps	8.5 bps	-3.7 bps	-0.8 bps

Note: All periods were based on the trailing twelve months.

Gross Profit* ROA decreased year-over-year, primarily driven by lower interest rates

Gross Profit* ROA[14] (bps)



Gross Profit* ROA prior to client cash:	22.2	22.1	21.9	21.5	21.7	21.3	20.9	20.7	20.1

Note: All periods were based on the trailing twelve months.

Our Gross Profit* ROA is primarily impacted by 3 key drivers

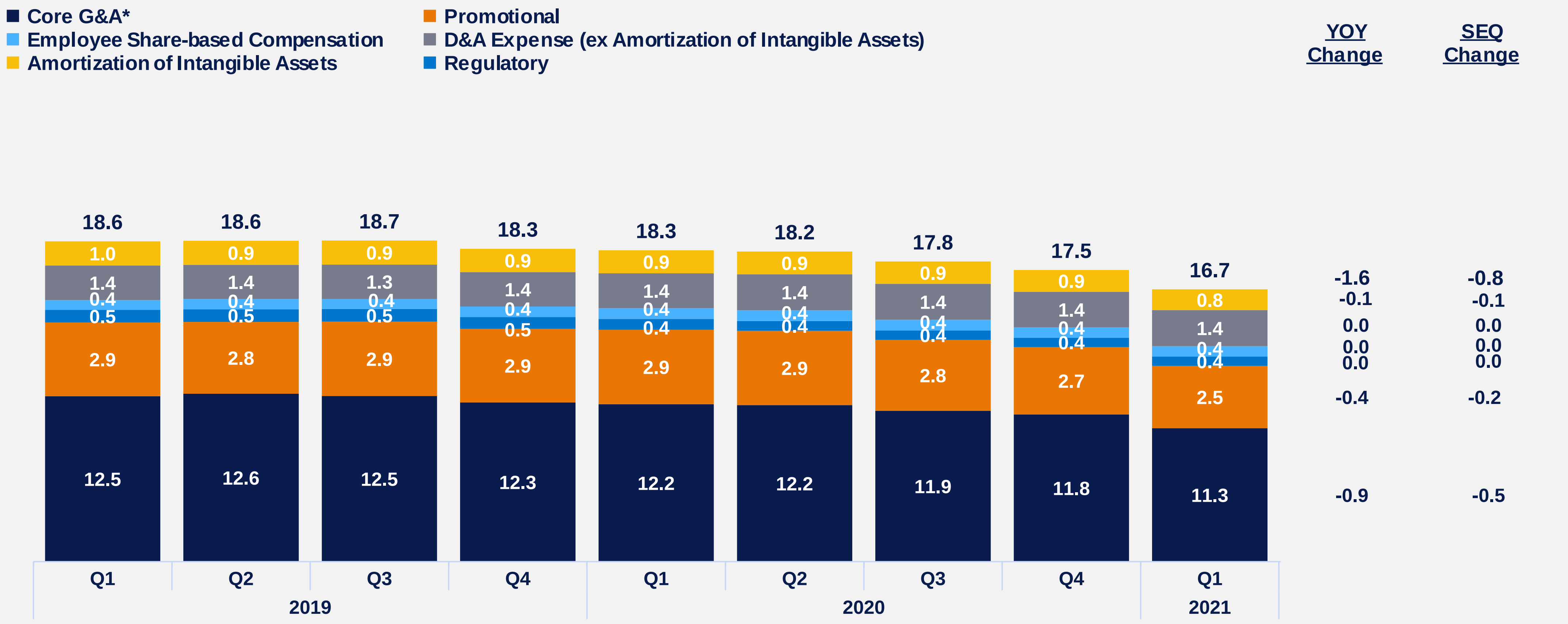
Client Cash and Interest Income and Other ROAs have declined year-over-year as **lower interest rates** reduce returns on client and corporate cash

Transaction & Fee ROA is driven by **Advisor count** and **trading levels**; market driven asset growth causes a ROA decline even as advisor driven fees continue to grow, as they don't move with assets

Asset levels drive **Advisory Fees & Commissions** and Other Asset Based ROAs, which have remained consistent as advisors continue to shift to advisory and we leverage our distribution capabilities

OPEX % of Assets continued to decrease, primarily driven by Core G&A*

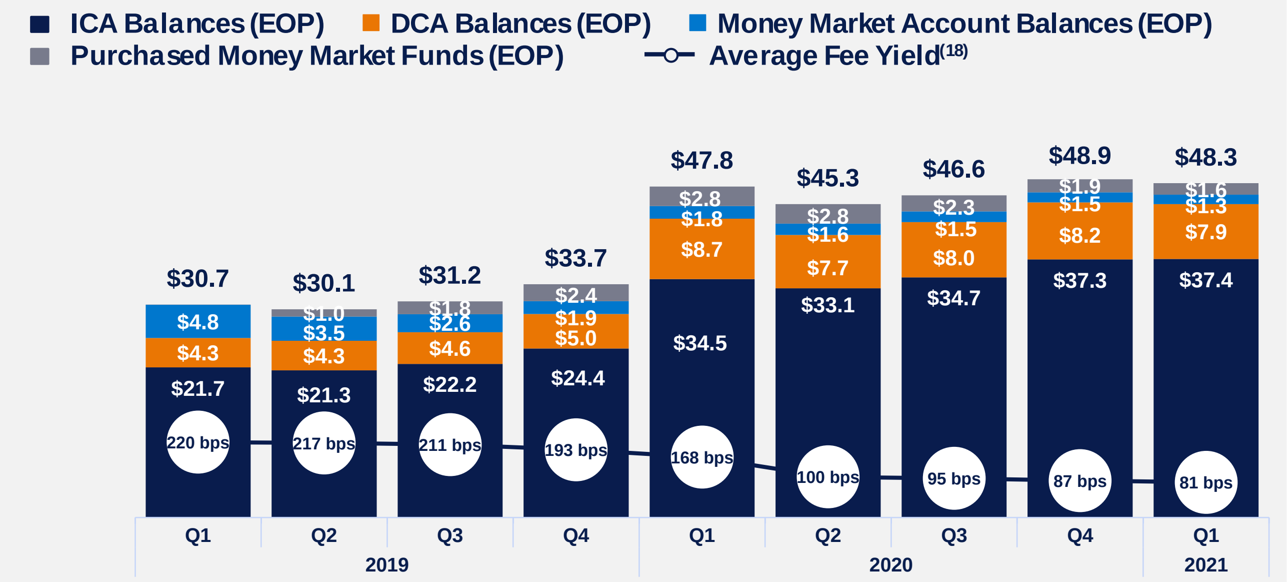
Total OPEX % of Assets(15) (bps)



Note: All periods were based on the trailing twelve months.

Q1 Client Cash balances decreased 1% sequentially

Client Cash balances ($ billions)

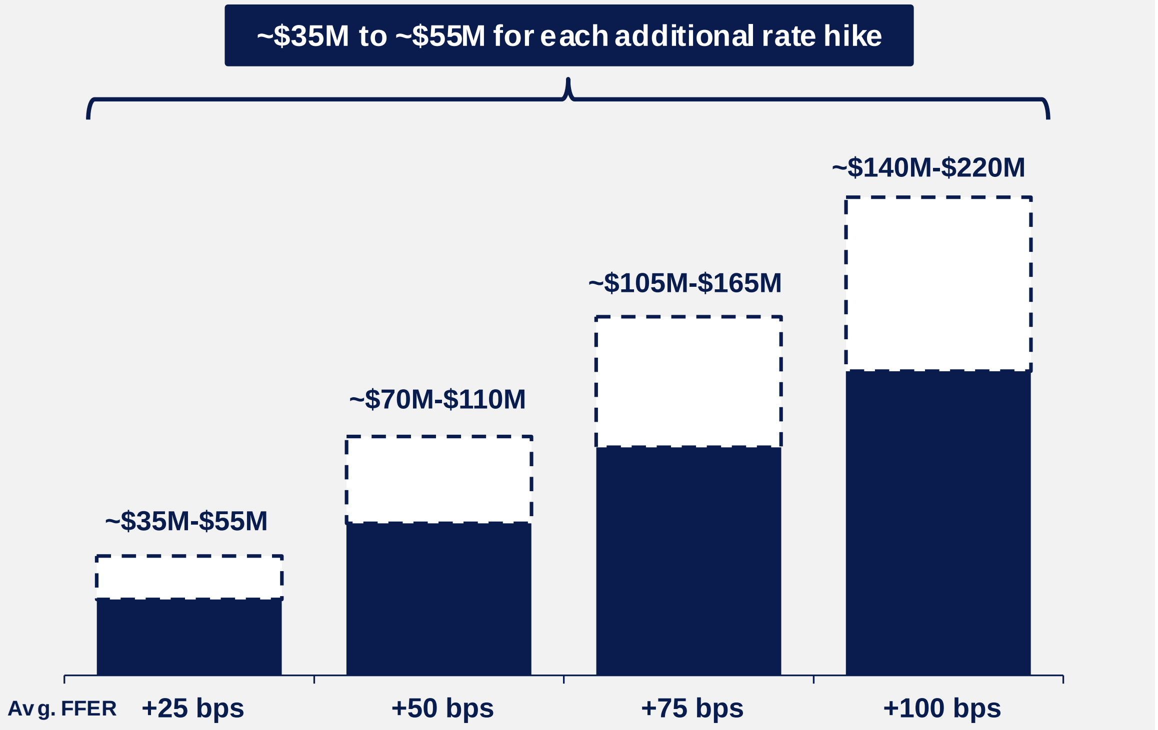


(In bps)

ICA Fee Yield	250	249	241	222	195	127	118	108	99
DCA Fee Yield	220	226	217	184	142	31	38	30	29
Purchased MM Fee Yield	n/a	n/a	29	29	29	27	20	13	9
MM Account Fee Yield	77	74	68	69	58	16	9	5	3
Average Fee Yield:	220	217	211	193	168	100	95	87	81
Client Cash % of Total Assets:	4.5%	4.3%	4.3%	4.4%	7.1%	5.9%	5.7%	5.4%	5.0%

Annual potential Gross Profit* benefit from rising interest rates

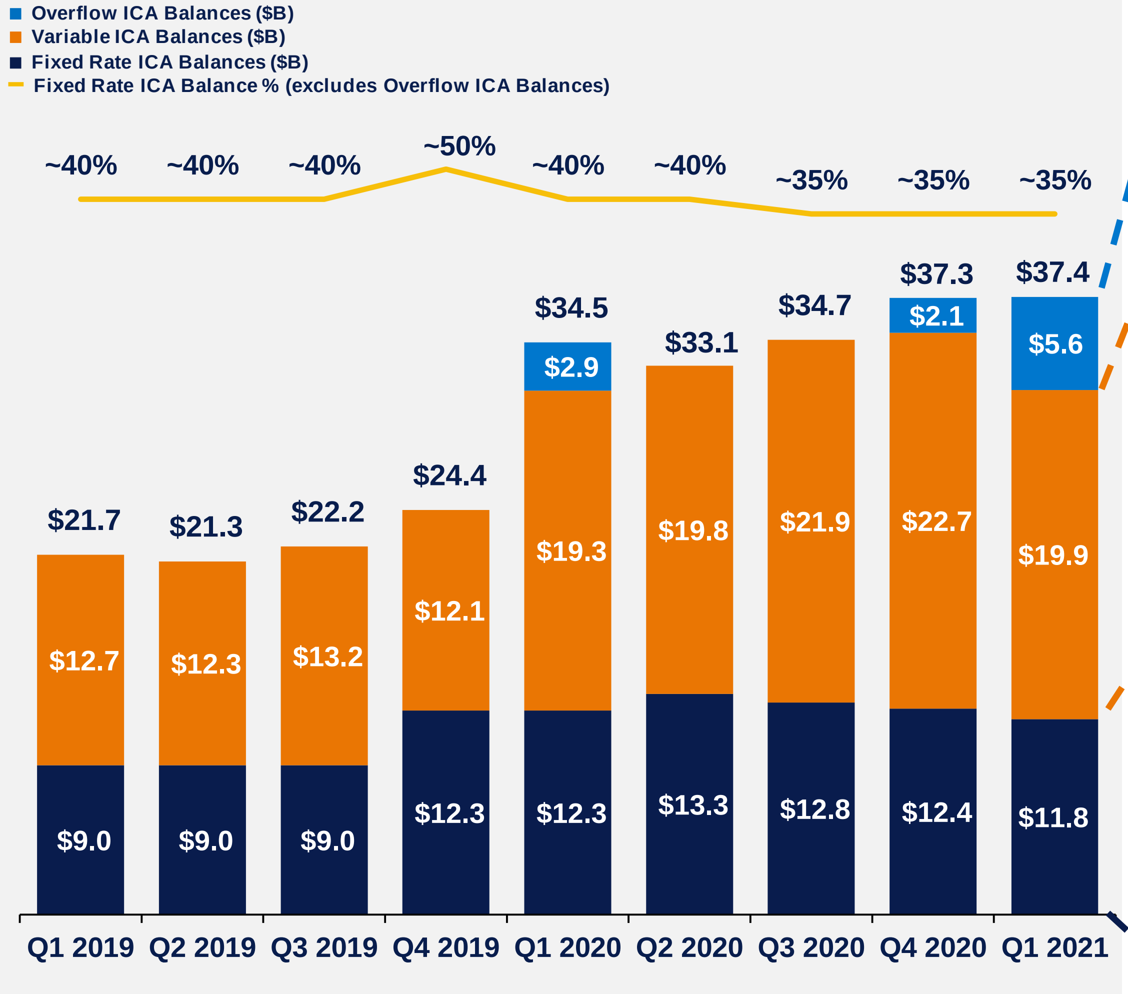
Estimated Interest Rate Sensitivity with ICA Balances of ~$37B (with ~$12B of fixed ICA balances)



Note: assumes change based on Q1 2021 end of period ICA balances of ~$37B (with ~$12B of fixed ICA balances), deposit betas of 25-50%, ~$20M change in DCA revenue per 25 bps rate hike, and ~$3M change in interest expense on floating rate debt per 25 bps rate hike.

In Q1, ICA balances remained well above 2019 levels

ICA balances remain elevated

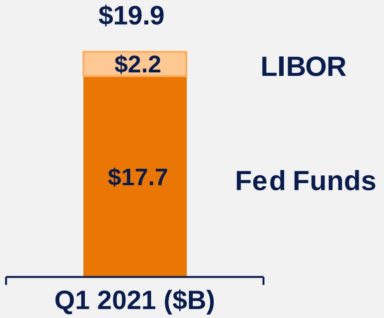


Note: Yields shown on this page are prior to client deposit rates (~1 bps) and administrator fees (~4 bps).

Overflow balances provide capacity when balances spike

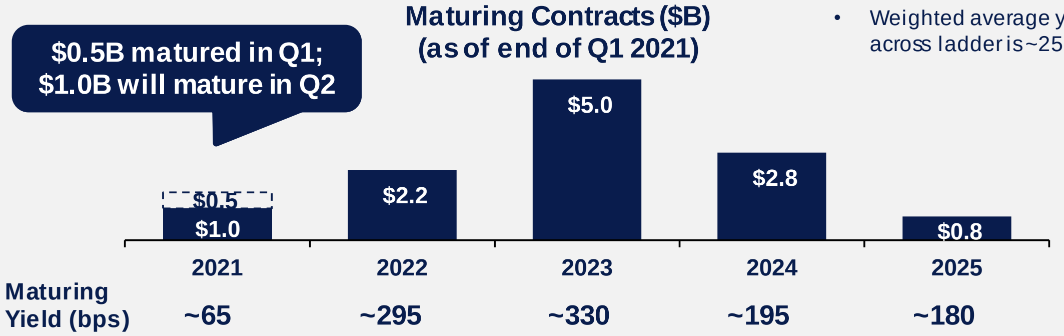
- When elevated market volatility leads ICA balances to temporarily exceed our variable contract capacity, we use overflow contracts
- In the current interest rate environment, the interest rate earned on overflow contracts averages 1 to 2 basis points

Variable balances are mostly indexed to Fed Funds



- Most variable balances are indexed to Fed Funds + a spread (~20 to ~30 bps)
- However, some are indexed to short-term LIBOR (1ML and 3 ML)

Fixed rate ICA contracts are laddered over ~5 years



- Weighted average yield across ladder is ~255 bps

We remain focused on investing to drive organic growth while delivering long-term operating leverage in our core business

Long-term cost strategy

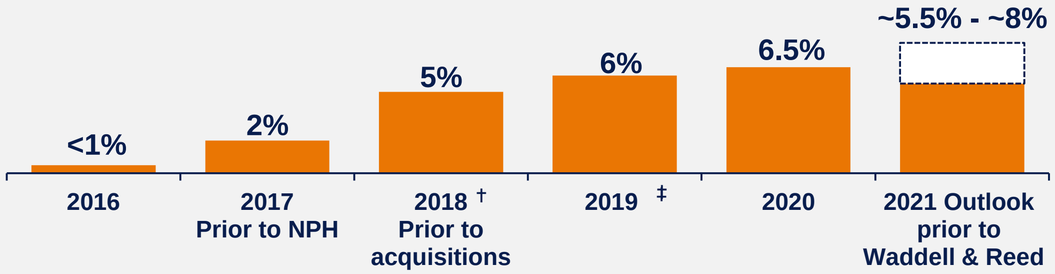
- Deliver operating leverage in core business
- Prioritize investments that drive additional growth
- Drive productivity and efficiency
- Adapt cost trajectory as environment evolves

2021 Core G&A* context

- Our 2021 Core G&A* plans are for a range of $975M to $1,000M prior to Waddell & Reed (~5.5% to ~ 8% growth) to drive growth across existing and new markets
- In Q1, Core G&A* was $236M, or an annualized rate of $945M, below the lower end of our 2021 outlook range
- We expect to be within our 2021 Core G&A* range of $975M to $1,000M. This includes costs to support BMO and M&T, but is prior to expenses associated with Waddell & Reed

Recent expense trajectory, prior to acquisitions

Annual Core G&A* Growth



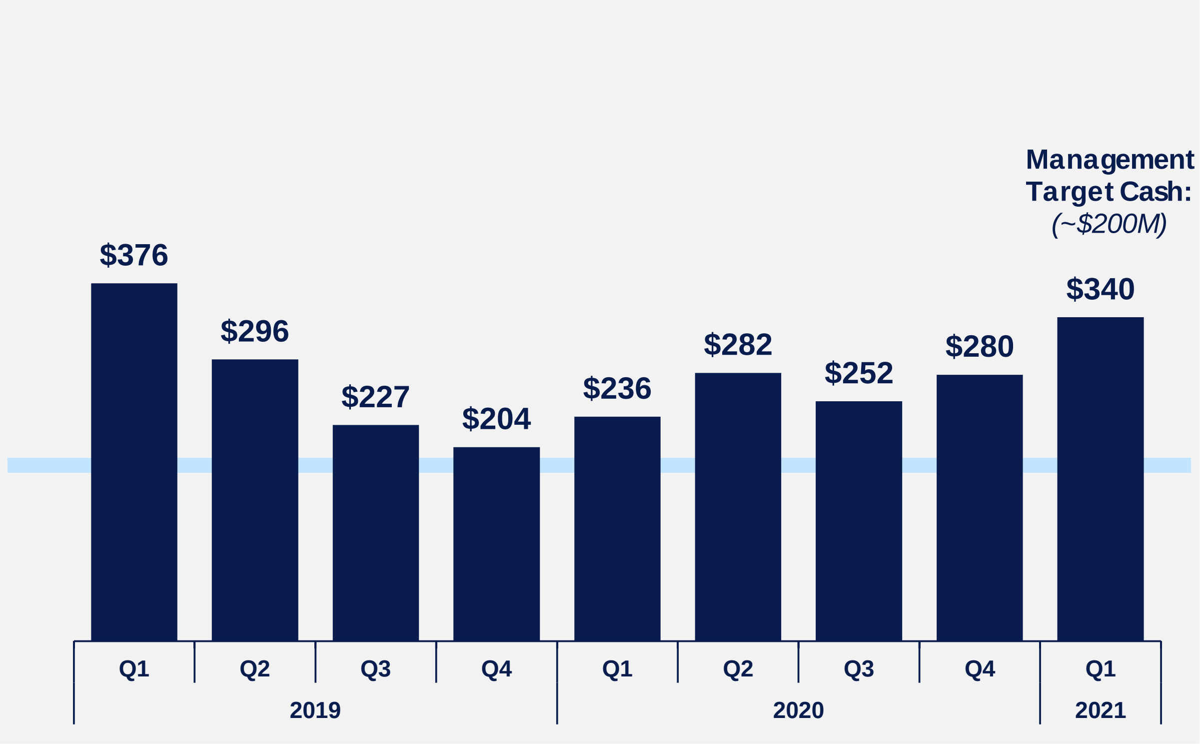
Core G&A* outlook

Q1 2021 Actual	**$236M**
Q1 2021 Annualized	**$945M**
2021 Outlook **Prior to Waddell & Reed**	**$975M - $1,000M**

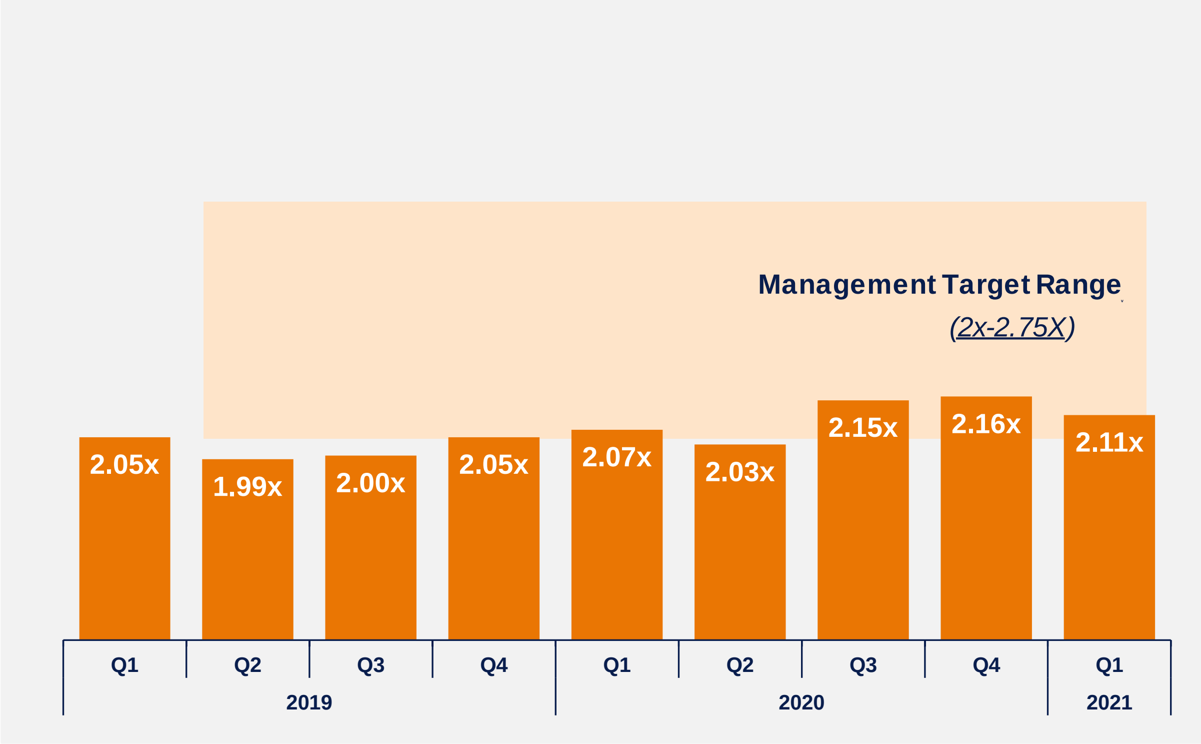
† Based on the Company's 2018 Core G&A* prior to NPH and AdvisoryWorld related expenses compared to the Company's 2017 Core G&A* prior to NPH-related expenses. ‡ Based on the Company's total 2018 Core G&A*.

Our balance sheet remained strong in Q1…

Corporate Cash† ($ millions)



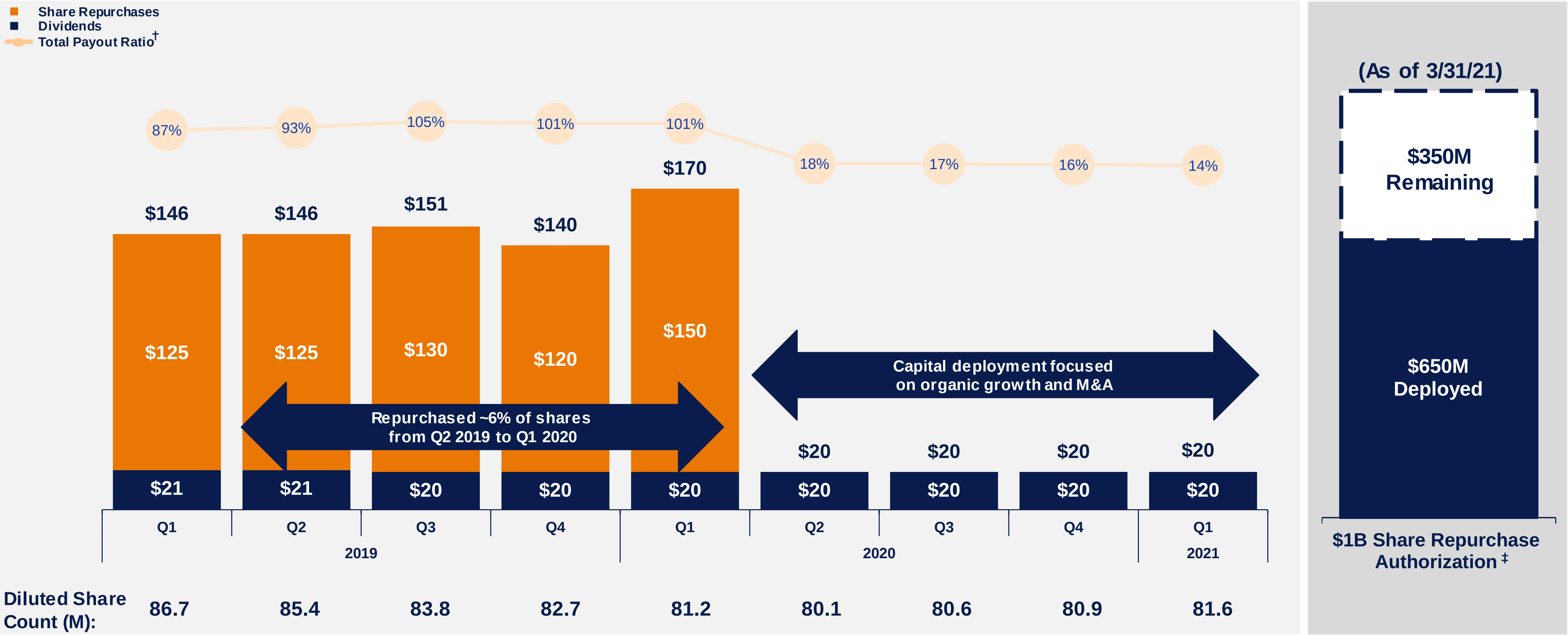
Credit Agreement Net Leverage Ratio



† We define corporate cash as the sum of (1) cash held at the Parent and its non-regulated subsidiaries, (2) cash held at The Private Trust Company in excess of Credit Agreement capital requirements and (3) cash held at LPL Financial in excess of 10 percent of its aggregate debits, which represents five times the net capital LPL Financial is required to maintain under the terms of our Credit Agreement.

...And we are currently prioritizing capital deployment to organic growth and M&A

Shareholder Capital Returns ($ millions)



† Total Payout Ratio is defined as (Dividends + Share Repurchases) / (Net Income + Amortization of Intangible Assets, net of Tax)

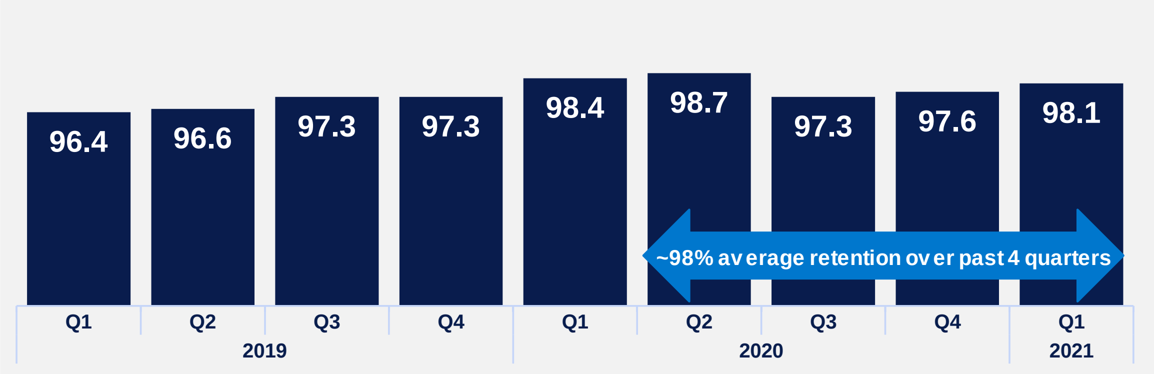
‡ Increased share repurchase authorization to $1B as of December 31, 2018.

APPENDIX

Disclosure Update – AUM Retention vs. Production Retention

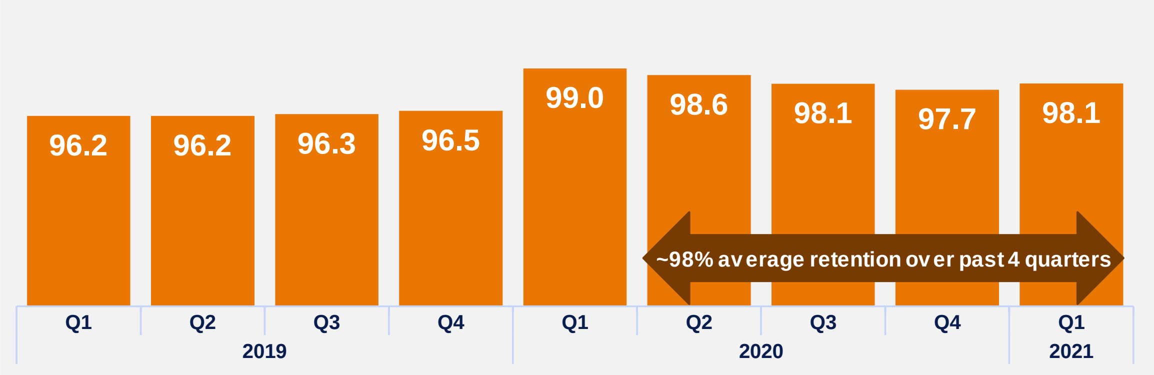
Updated Retention Metric

AUM Retention Rate[3] (Quarterly Annualized)



Previous Retention Metric

Production Retention Rate[19] (YTD Annualized)

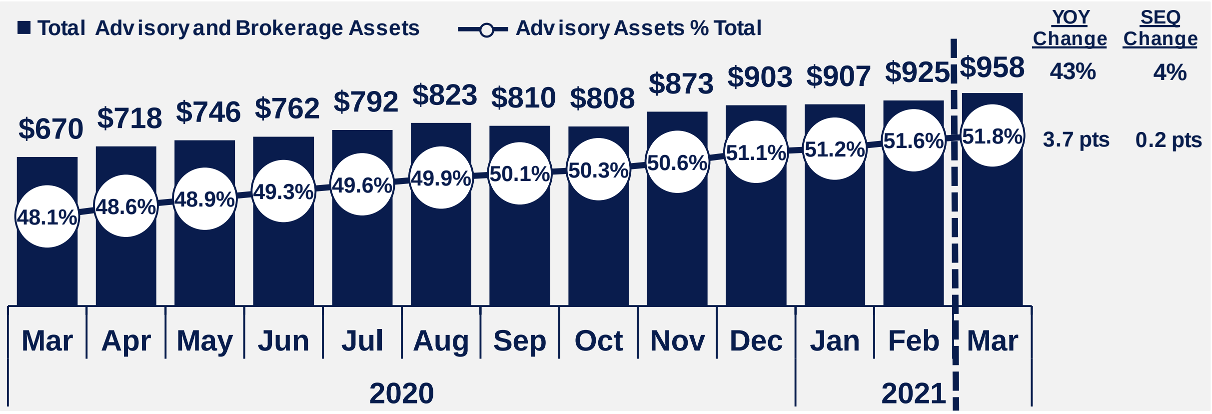


Context

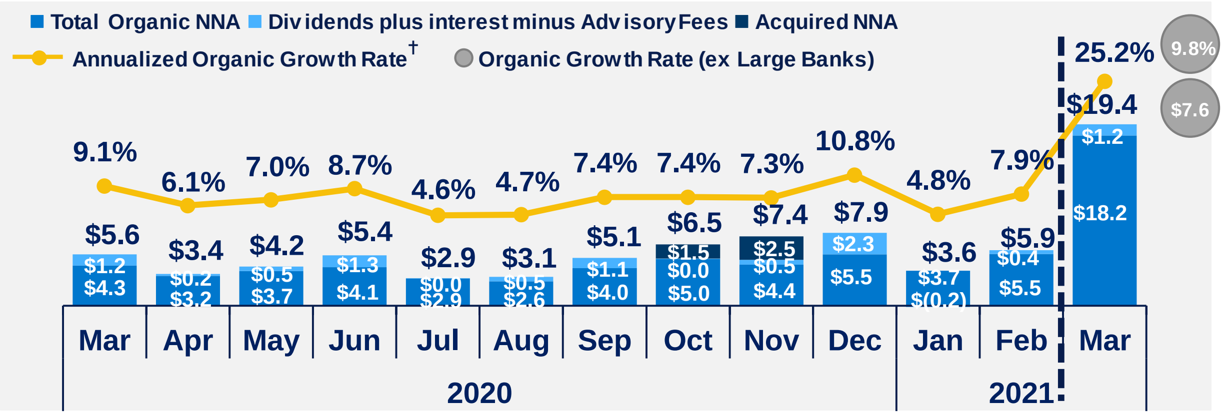
- In an effort to provide more clarity into our business results, we have evolved our retention metric
- Starting in Q1 2021, we will disclose retained assets in the quarter
- Previously, we disclosed year-to-date production
- This change aligns with how we evaluate our business results and simplifies our disclosure

Monthly metrics dashboard through March 2021

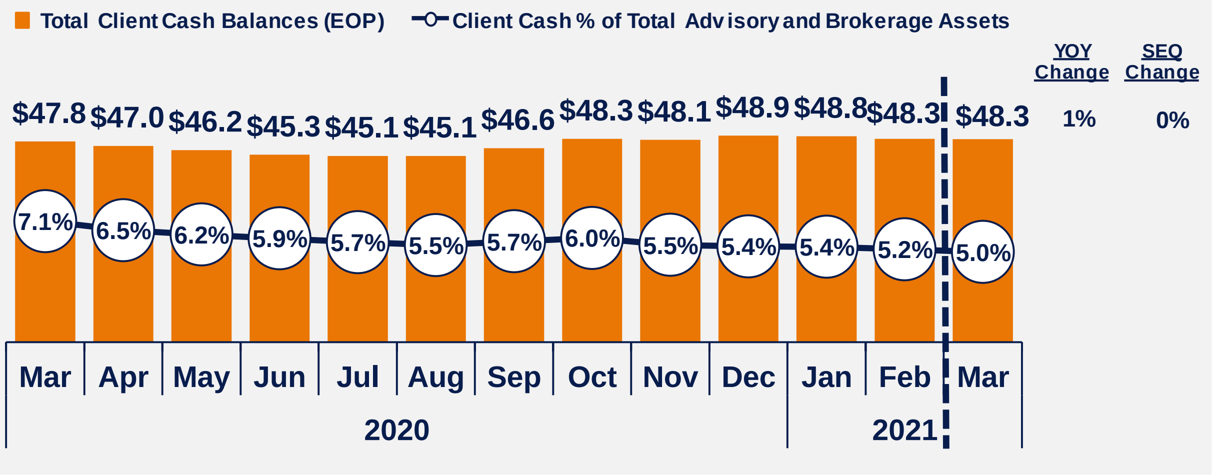
Total Advisory and Brokerage Assets ($ billions)



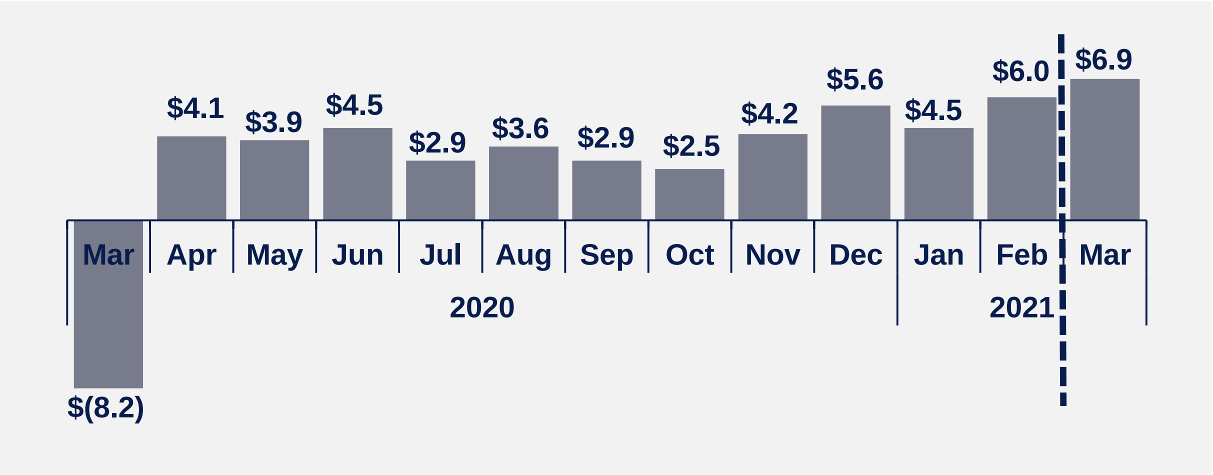
Total Net New Assets ($ billions)



Client Cash Balances ($ billions)



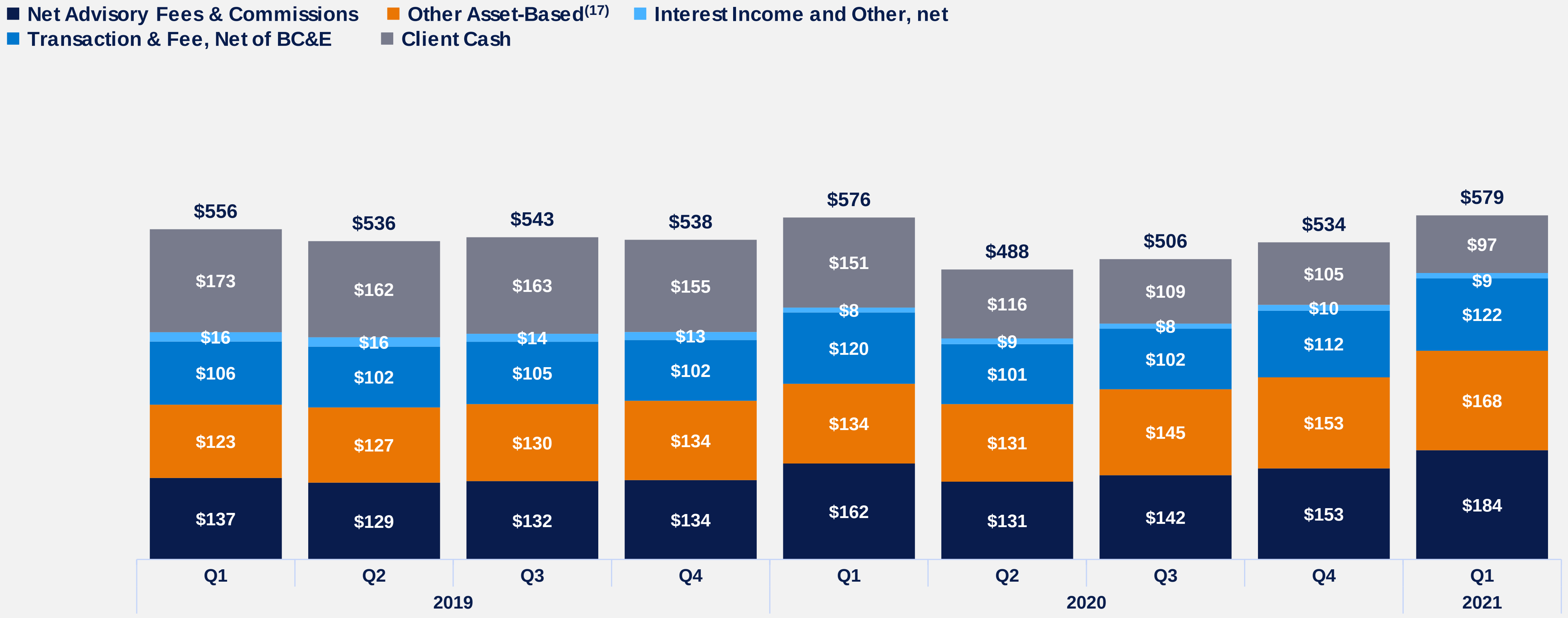
Net Buy (Sell) Activity ($ billions)



† Calculated as current period total organic net new assets multiplied by twelve, divided by preceding period Total Advisory and Brokerage Assets.

Q1 Gross Profit* increased 9% sequentially

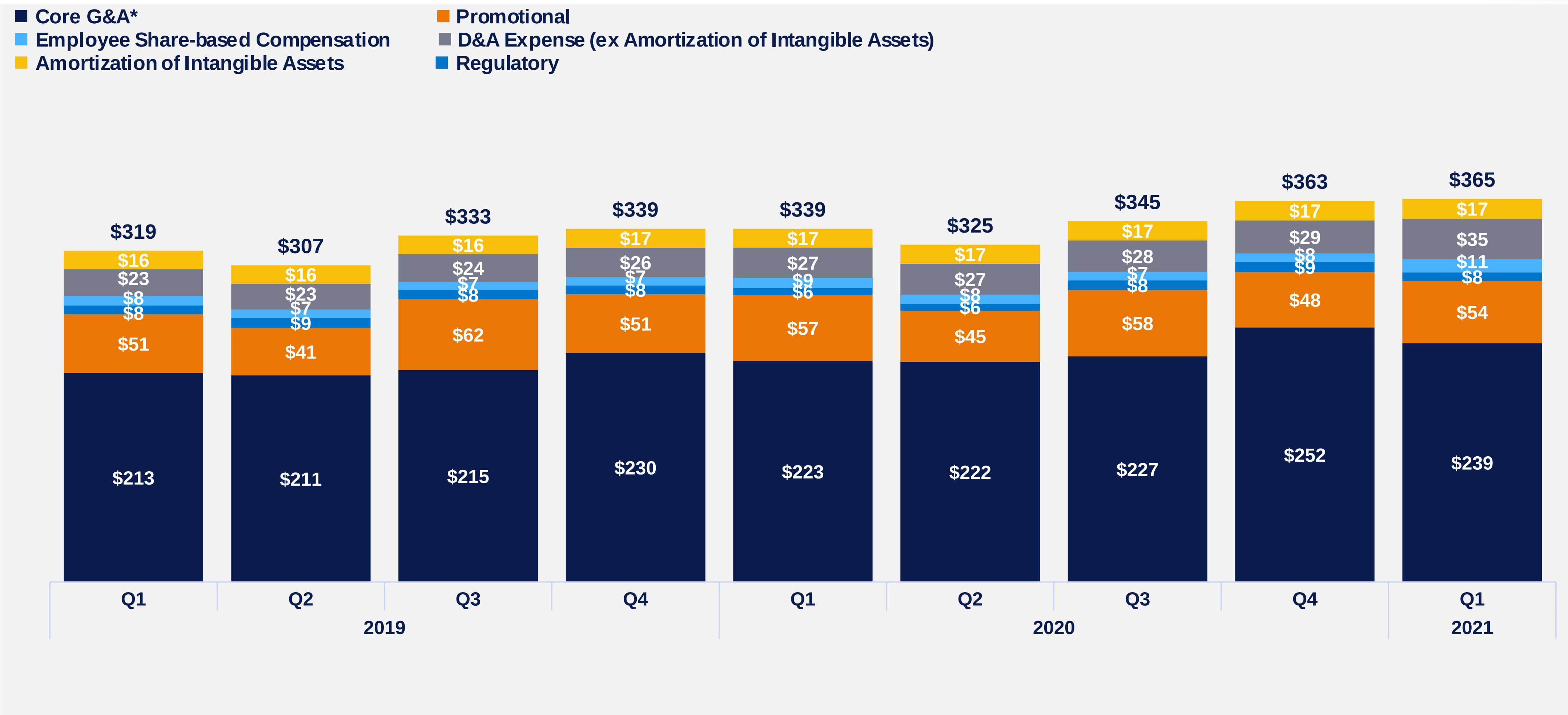
Gross Profit* ($ millions)



Gross Profit* prior to client cash:	$383	$374	$380	$383	$424	$372	$397	$429	$482

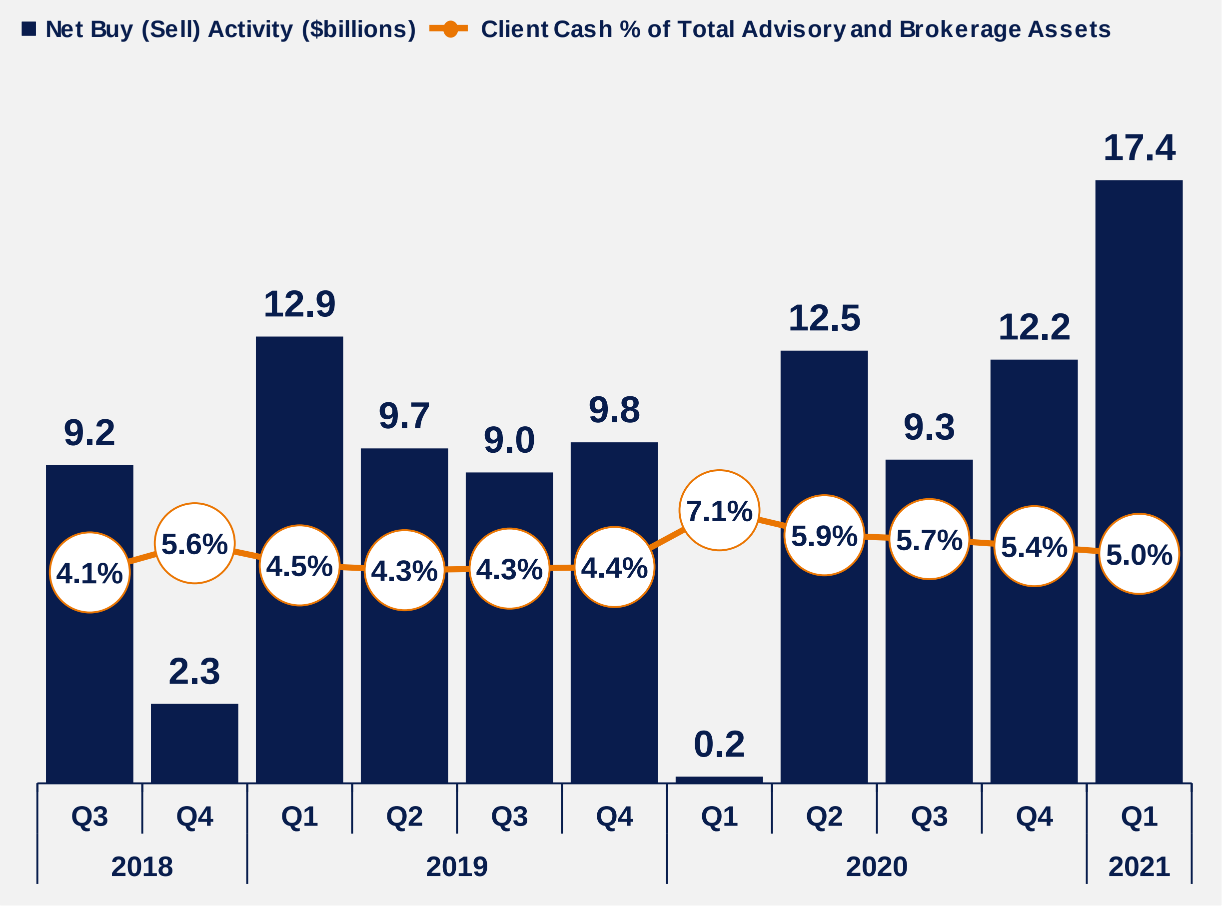
Q1 Total OPEX was flat sequentially, and increased 8% year-over-year

Total OPEX[20] ($ millions)

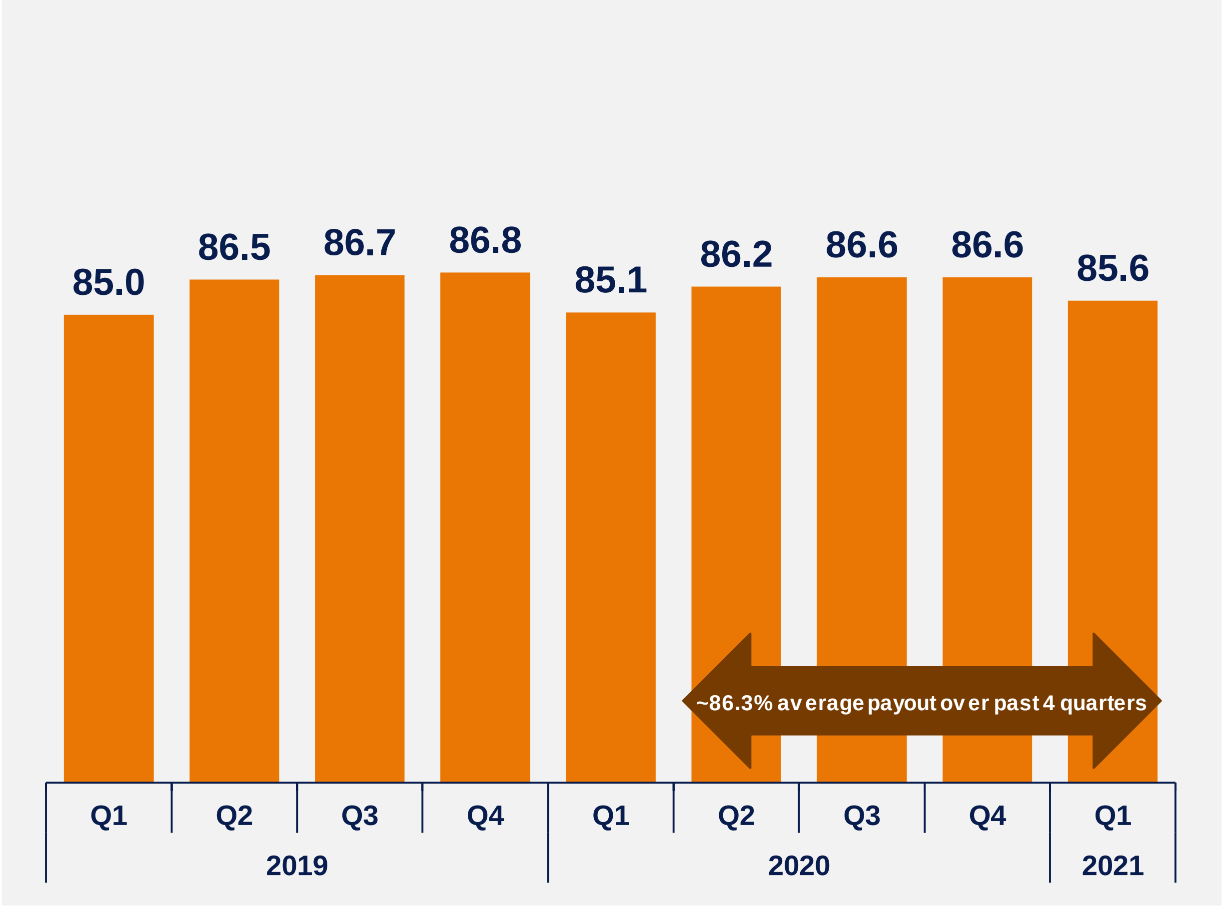


Net Buy (Sell) Activity was $17.4 billion in Q1, while Payout Ratio was 85.6%

Net Buy (Sell) Activity[21]



Payout Ratio (%)



Calculation of Gross Profit

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

Set forth below is a calculation of Gross Profit for the periods presented on pages 5, 12, 13 and 23.

$ in millions	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Total revenues	$1,708	$1,581	$1,460	$1,367	$1,463	$1,448	$1,416	$1,390	$1,372
Advisory and commission expense	1,109	1,030	937	860	871	894	857	838	800
Brokerage, clearing and exchange fees	19	18	18	19	17	16	16	16	16
Gross Profit	**$579**	**$534**	**$506**	**$488**	**$576**	**$538**	**$543**	**$536**	**$556**

Reconciliation of Net Income to EBITDA

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

Below are reconciliations of the Company's net income to EBITDA for the periods presented on page 5:

$ in millions	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
NET INCOME	**$130**	**$112**	**$104**	**$102**	**$156**	**$127**	**$132**	**$146**	**$155**
Non-operating interest expense and other	25	25	25	26	29	31	32	34	33
Provision for income taxes	36	34	32	36	52	38	46	49	48
Depreciation and amortization	35	29	28	27	27	26	24	23	23
Amortization of intangible assets	17	17	17	17	17	17	16	16	16
Loss on extinguishment of debt	24	0	0	0	0	3	0	0	0
EBITDA	**$268**	**$217**	**$205**	**$207**	**$280**	**$242**	**$250**	**$268**	**$276**

Reconciliation of GAAP EPS to EPS Prior to Amortization of Intangible Assets and Acquisition Costs

EPS Prior to Amortization of Intangible Assets and Acquisition Costs is a non-GAAP financial measure. Please see a description of EPS Prior to Amortization of Intangible Assets and Acquisition Costs under "Non-GAAP Financial Measures" on page 3 of this presentation for additional information.

Below are the following reconciliations of EPS Prior to Amortization of Intangible Assets and Acquisition Costs to GAAP EPS for the periods presented on page 5:

in millions, except per share data	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
GAAP EPS	$1.59	$1.38	$1.29	$1.27	$1.92	$1.53	$1.57	$1.71	$1.79
Amortization of intangible assets	$17	$17	$17	$17	$17	$17	$16	$16	$16
Acquisition Costs	$2	$0	$0	$0	$0	$0	$0	$0	$0
Tax benefit	($5)	($5)	($5)	($5)	($5)	($5)	($4)	($5)	($5)
Amortization of intangible assets and acquisition costs, net of tax benefit	$15	$12	$12	$12	$12	$12	$12	$12	$12
Diluted share count	81.6	80.9	80.6	80.1	81.2	82.7	83.8	85.4	86.7
EPS impact	$0.18	$0.15	$0.15	$0.15	$0.15	$0.15	$0.14	$0.14	$0.13
EPS prior to amortization of intangible assets and acquisition costs	**$1.77**	**$1.53**	**$1.44**	**$1.42**	**$2.06**	**$1.68**	**$1.71**	**$1.85**	**$1.93**

Reconciliation of Core G&A to Total Operating Expenses

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

Below are reconciliations of Core G&A to the Company’s total operating expenses for the periods presented on pages 14, 17 and 24:

$ in millions	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Core G&A	$236	$252	$227	$222	$223	$230	$215	$211	$213
Regulatory charges	8	9	8	6	6	8	8	9	8
Promotional	54	48	58	45	57	51	62	41	51
Acquisition Costs	2	0	0	0	0	0	0	0	0
Employee share-based compensation	11	8	7	8	9	7	7	7	8
Total G&A	**$312**	**$317**	**$301**	**$281**	**$295**	**$296**	**$292**	**$268**	**$280**
Advisory and commissions	1,109	1,030	937	860	871	894	857	838	800
Depreciation and amortization	35	29	28	27	27	26	24	23	23
Amortization of intangible assets	17	17	17	17	17	17	16	16	16
Brokerage, clearing and exchange fees	19	18	18	19	17	16	16	16	16
Total operating expenses	**$1,493**	**$1,410**	**$1,300**	**$1,203**	**$1,226**	**$1,248**	**$1,205**	**$1,161**	**$1,135**

Footnotes

(1) In April 2020, the Company updated its definition of net new assets to include dividends plus interest, minus advisory fees (see FNs 4 and 5). Net new assets figures for periods prior to Q2 2020 appearing in this presentation have been recast using the updated definition.
(2) Represents the estimated Total Advisory and Brokerage Assets expected to transition to the Company's broker-dealer subsidiary, LPL Financial LLC ("LPL Financial"), associated with advisors who transferred their licenses to LPL Financial during the period. The estimate is based on prior business reported by the advisors, which has not been independently and fully verified by LPL Financial. The actual transition of assets to LPL Financial generally occurs over several quarters including the initial quarter of the transition, and the actual amount transitioned may vary from the estimate.
(3) Reflects retention of total advisory and brokerage assets, calculated by deducting quarterly annualized attrition from total advisory and brokerage assets, over the prior-quarter total advisory and brokerage assets.
(4) Consists of total client deposits into advisory accounts (including advisory assets serviced by Allen & Company advisors) less total client withdrawals from advisory accounts, plus dividends, plus interest, minus advisory fees (see FN 1). The Company considers conversions to and from advisory accounts as deposits and withdrawals respectively. Annualized growth is calculated as the current period organic Net New Advisory Assets divided by preceding period total Advisory Assets, multiplied by four.
(5) Consists of total client deposits into brokerage accounts (including brokerage accounts serviced by Allen & Company advisors) less total client withdrawals from brokerage accounts, plus dividends, plus interest (see FN 1). The Company considers conversions to and from brokerage accounts as deposits and withdrawals respectively. Annualized growth is calculated as the current period organic Net New Brokerage Assets divided by preceding period total Brokerage Assets, multiplied by four.
(6) Consists of existing custodied assets that converted from brokerage to advisory, less existing custodied assets that converted from advisory to brokerage.
(7) Consists of total assets on LPL Financial's independent advisory platform serviced by investment advisor representatives of separate investment advisor firms ("Hybrid RIAs"), rather than of LPL Financial.
(8) Consists of total assets on LPL Financial's corporate advisory platform serviced by investment advisor representatives of LPL Financial or Allen & Company of Florida LLC ("Allen & Company").
(9) Consists of total client deposits into advisory accounts on LPL Financial's independent advisory platform less total client withdrawals from advisory accounts on its independent advisory platform. Annualized growth is calculated as the current period Net New Hybrid Advisory Assets divided by preceding period total Hybrid Advisory Assets, multiplied by four.
(10) Consists of total client deposits into advisory accounts on LPL Financial's corporate advisory platform less total client withdrawals from advisory accounts on its corporate advisory platform. Annualized growth is calculated as the current period Net New Corporate Advisory Assets divided by preceding period total Corporate Advisory Assets, multiplied by four.
(11) Represents those advisory assets in LPL Financial's Model Wealth Portfolios, Optimum Market Portfolios, Personal Wealth Portfolios and Guided Wealth Portfolios platforms.
(12) Consists of total client deposits into Centrally Managed Assets (see FN 11) accounts less total client withdrawals from Centrally Managed Assets accounts. Annualized growth is calculated as the current period Net New Centrally Managed Assets divided by preceding period total Centrally Managed Assets, multiplied by four.
(13) Represents the average month-end Total Advisory and Brokerage Assets for the period.
(14) Represents total trailing twelve-month Gross Profit* for the period, divided by average month-end Total Advisory and Brokerage Assets for the period (see FN 13).
(15) Represents total trailing twelve-month operating expenses for the period, excluding production-related expense ("OPEX"), divided by average month-end Total Advisory and Brokerage Assets for the period (see FN 13). Production-related expense includes advisory and commissions expense and brokerage, clearing and exchange expense. For purposes of this metric, operating expenses includes Core G&A*, Regulatory, Promotional, Employee Share-Based Compensation, Depreciation & Amortization and Amortization of Intangible Assets.
(16) EBIT ROA is calculated as Gross Profit ROA (see FN 14) less OPEX ROA (see FN 15).
(17) Consists of revenues from the Company's sponsorship programs with financial product manufacturers and omnibus processing and networking services, but not including fees from client cash programs. Other asset-based revenues are a component of asset-based revenues and are derived from the Company's Unaudited Condensed Consolidated Statements of Income.
(18) Calculated by dividing revenue for the period by the average balance during the quarter.
(19) Reflects retention of advisory and commission revenues, calculated by deducting the prior year production of the annualized year-to-date attrition rate, over the prior year total production.
(20) Represents operating expenses for the period, excluding production-related expense. Production-related expense includes advisory and commissions expense and brokerage, clearing and exchange expense. For purposes of this metric, operating expenses includes Core G&A*, Regulatory, Promotional, Employee Share-Based Compensation, Depreciation & Amortization and Amortization of Intangible Assets.
(21) Represents the amount of securities purchased less the amount of securities sold in client accounts custodied with LPL Financial. Reported activity does not include any other cash activity, such as deposits, withdrawals, dividends received or fees paid.