

# Q2 2018 Earnings Key Metrics

LPL Financial Holdings Inc.

Q2 2018 Earnings

July 26, 2018

# 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 brokerage and advisory asset levels, deposit betas (and related Gross Profit benefit), Core G&A\* expenses (including outlook for 2018) and investments, 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 26, 2018. 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 interest rates and fees payable by banks participating in the Company's cash sweep program; the Company's success and strategy in managing cash sweep program fees; changes in general economic and financial market conditions, including retail investor sentiment; fluctuations in the levels and value of advisory and brokerage assets, and the related impact on revenue; effects of competition in the financial services industry and the success of the Company in attracting and retaining financial advisors and institutions; changes in the number of the Company's financial advisors and institutions, and their ability to market effectively financial products and services; whether retail investors served by newly-recruited advisors choose to open accounts and/or move their respective assets to a new account 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 changes in the retail retirement savings area and disciplinary actions imposed by federal and state securities regulators and self-regulatory organizations; the costs of settling and remediating issues related to pending or future regulatory matters or legal proceedings; changes made to the Company's offerings, 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 efficiencies expected to result from its initiatives and/or programs, including as a result of the acquisition of the broker-dealer network of National Planning Holdings, Inc. ("NPH"); and the other factors set forth in Part I, "Item 1A. Risk Factors" in the Company's 2017 Annual Report on Form 10-K, as may be amended or updated in the Company's Quarterly Reports on Form 10-Q or subsequent 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 July 26, 2018, 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 July 26, 2018.

## \*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 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. Management has also presented certain non-GAAP financial measures further adjusted to reflect the impact of the Company's acquisition of the broker/dealer network of National Planning Holdings, Inc. ("NPH"). Reconciliations and calculations of all such measures can be found on pages 23-26.**

Gross profit is calculated as net revenues, which were \$1,299 million for the three months ended June 30, 2018, less commission and advisory expenses and brokerage, clearing, and exchange fees, which were \$801 million and \$15 million, respectively, for the three months ended June 30, 2018. 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 23 of this presentation.

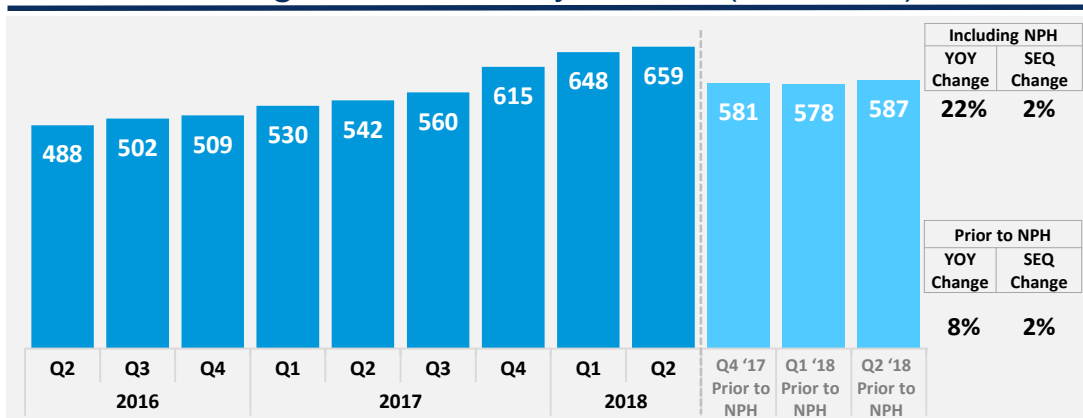
EBITDA is defined as net income plus interest expense, income tax expense, depreciation, amortization, and loss on extinguishment of debt. The Company presents EBITDA because management believes that it can be a useful financial metric in understanding the Company's earnings from operations. EBITDA is 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 24 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 is defined as GAAP EPS plus the per share impact of Amortization of Intangible Assets. The per share impact is calculated as Amortization of Intangible Assets expense, 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 because management believes the metric can provide investors with useful insight into the Company's core operating performance by excluding non-cash items that management does not believe impact the Company's ongoing operations. EPS Prior to Amortization of Intangible Assets 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 EPS Prior to Amortization of Intangible Assets to GAAP EPS, please see page 25 of this presentation.

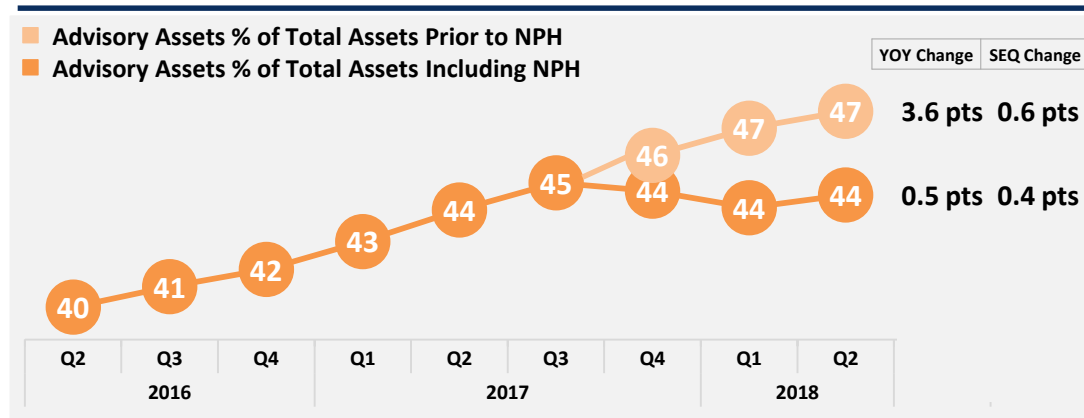
Core G&A consists of total operating expenses, excluding the following expenses: commission and advisory, regulatory charges, promotional, employee share-based compensation, depreciation and amortization, amortization of intangible assets, and brokerage, clearing, and exchange. Management presents Core 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 commission and advisory 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 26 of this presentation. The Company does not provide an outlook for its total operating expenses because it contains expense components, such as commission and advisory 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.

# Our business continued to grow and shift towards advisory

## Total Brokerage and Advisory Assets (\$ billions)



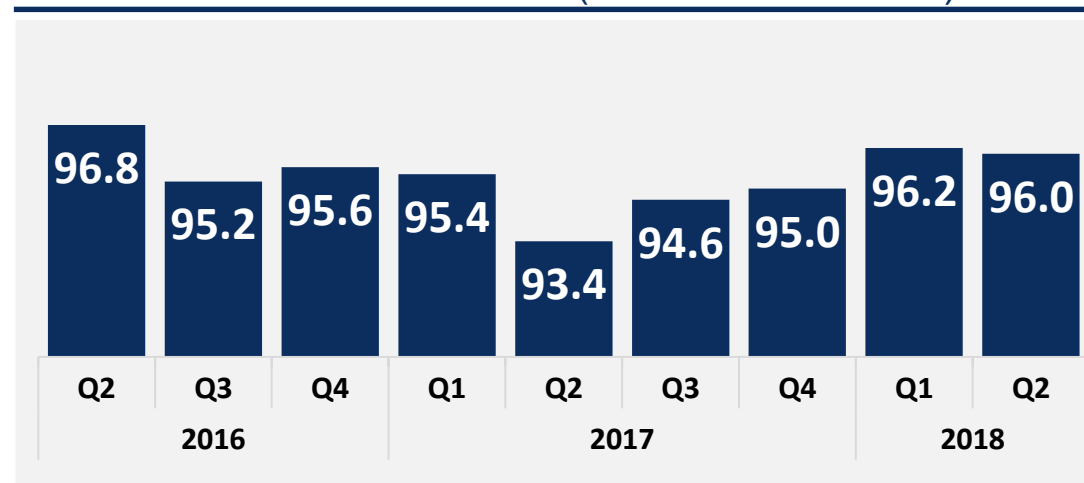
## Advisory Assets as a percent of Total Assets



## Recruited Assets<sup>†</sup> (\$ billions)



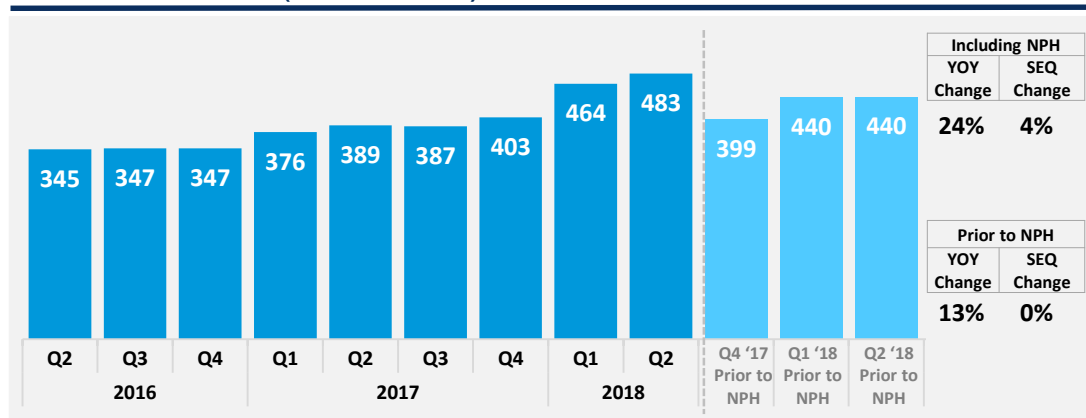
## Production Retention Rate<sup>(1)</sup> (YTD Annualized %)



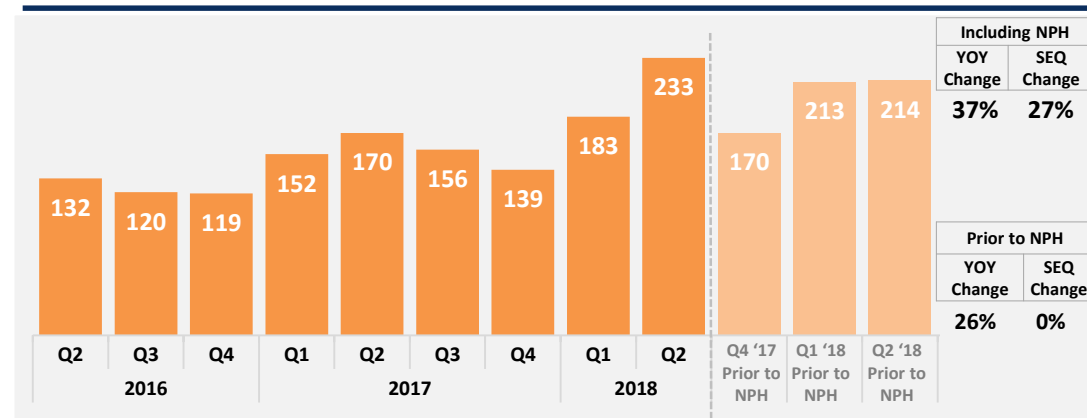
<sup>†</sup>Recruited Assets represents the estimated total brokerage and advisory assets expected to transition to LPL Financial LLC ("LPL") associated with advisors who have transferred their licenses to LPL during the period. The estimate is based on prior business reported by the advisors, which has not been independently and fully verified by LPL. The actual transition of assets to LPL generally occurs over several quarters including the initial quarter, and the actual amount received may vary from the estimate.

# Financial performance has steadily improved

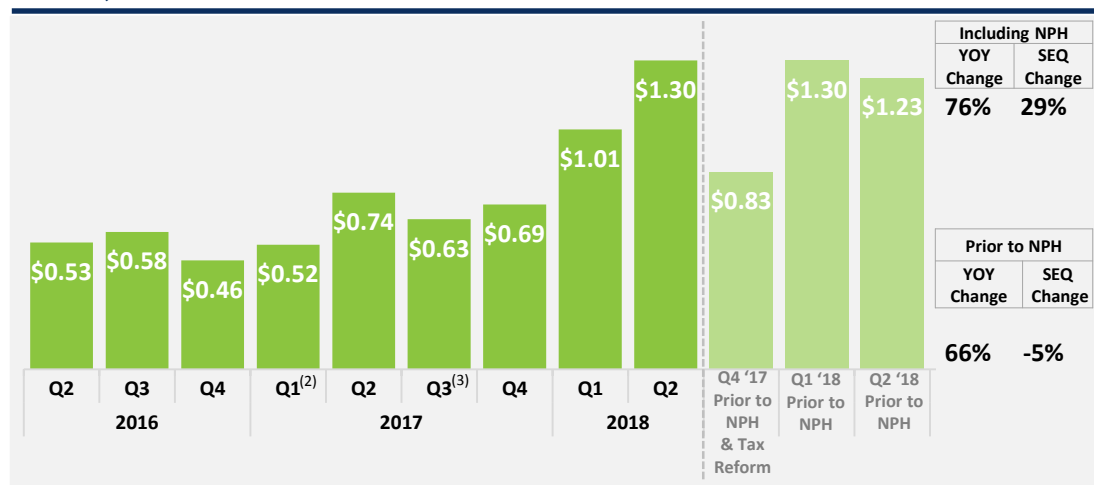
## Gross Profit\* (\$ millions)



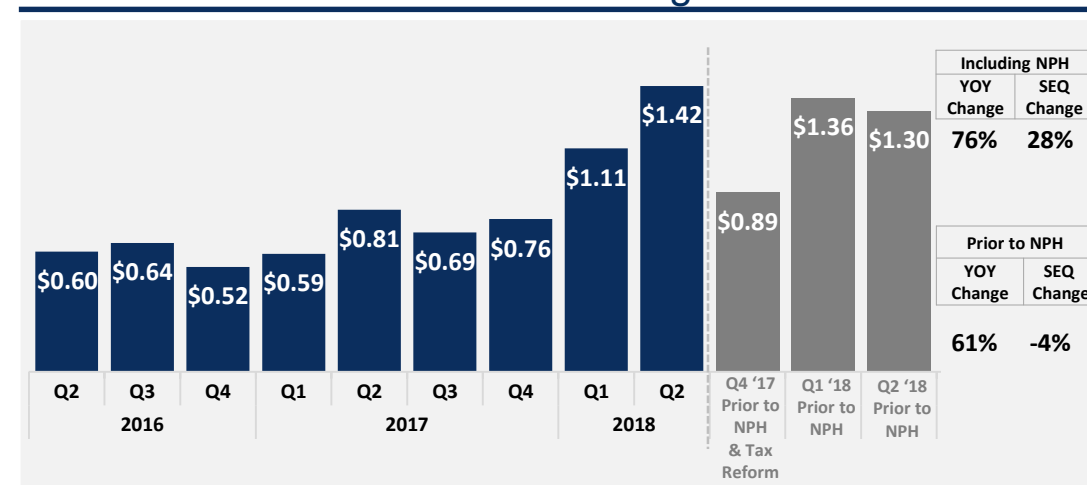
## EBITDA\* (\$ millions)



## EPS, Diluted



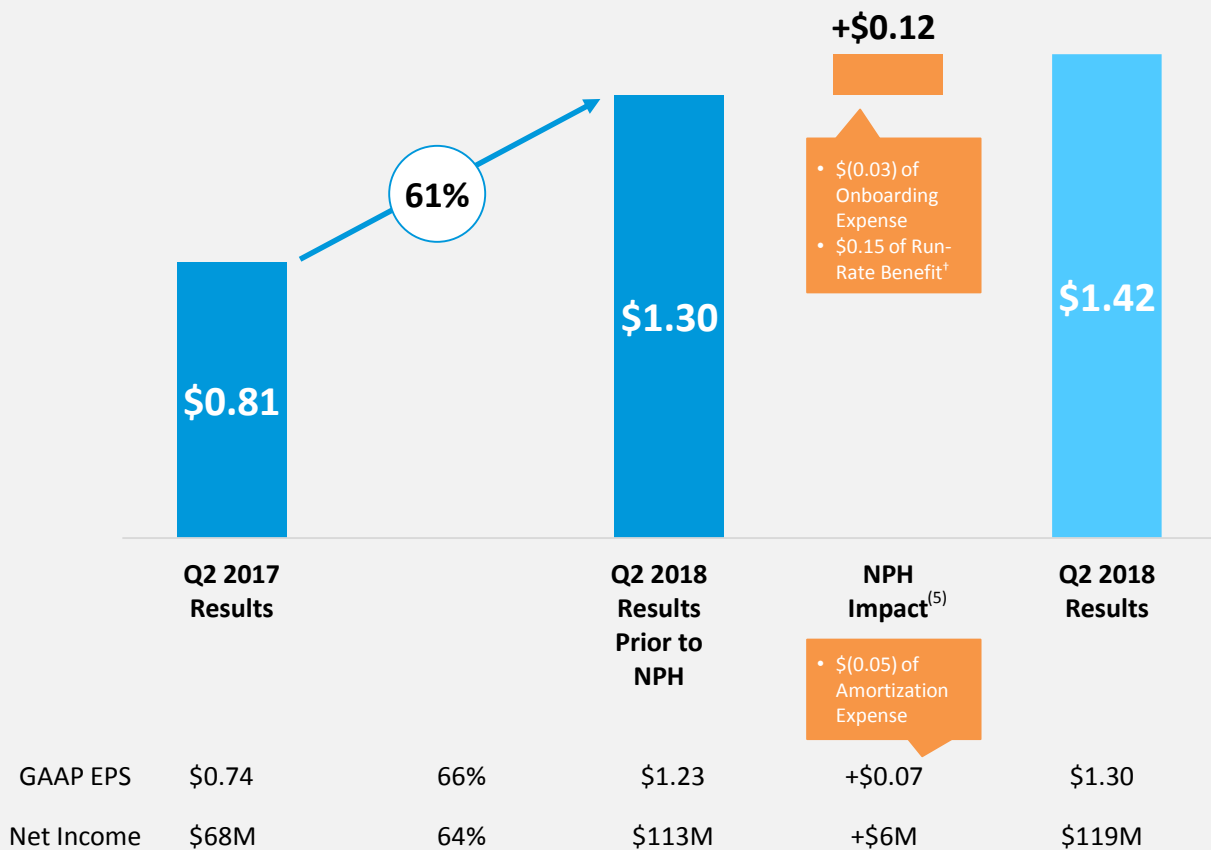
## EPS Prior to Amortization of Intangible Assets\*



# Q2 2018 EPS Prior to Amortization of Intangible Assets\* was up 61% year-over-year prior to certain items

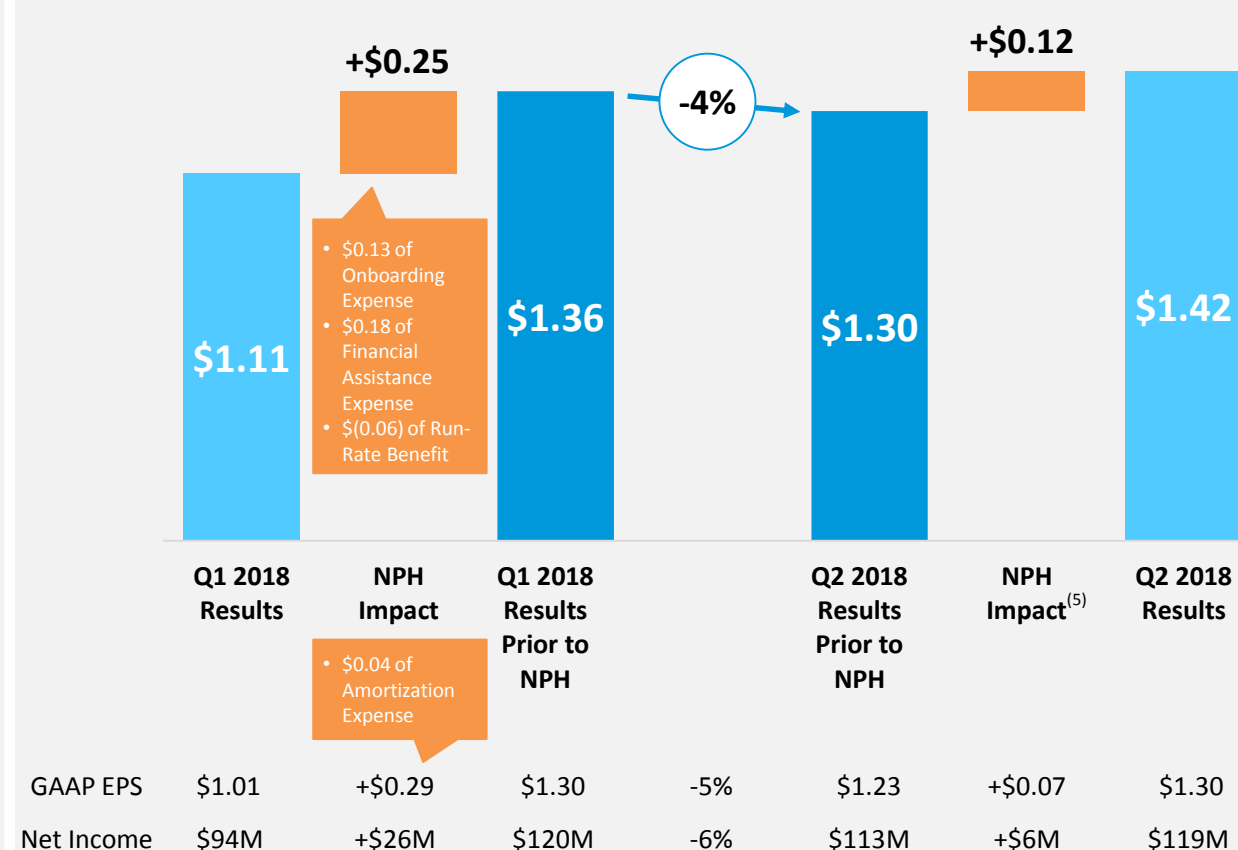
## Q2 2018 – Year-over-Year

EPS Prior to Amortization of Intangible Assets\* (\$) <sup>(4)</sup>



## Q2 2018 – Sequential

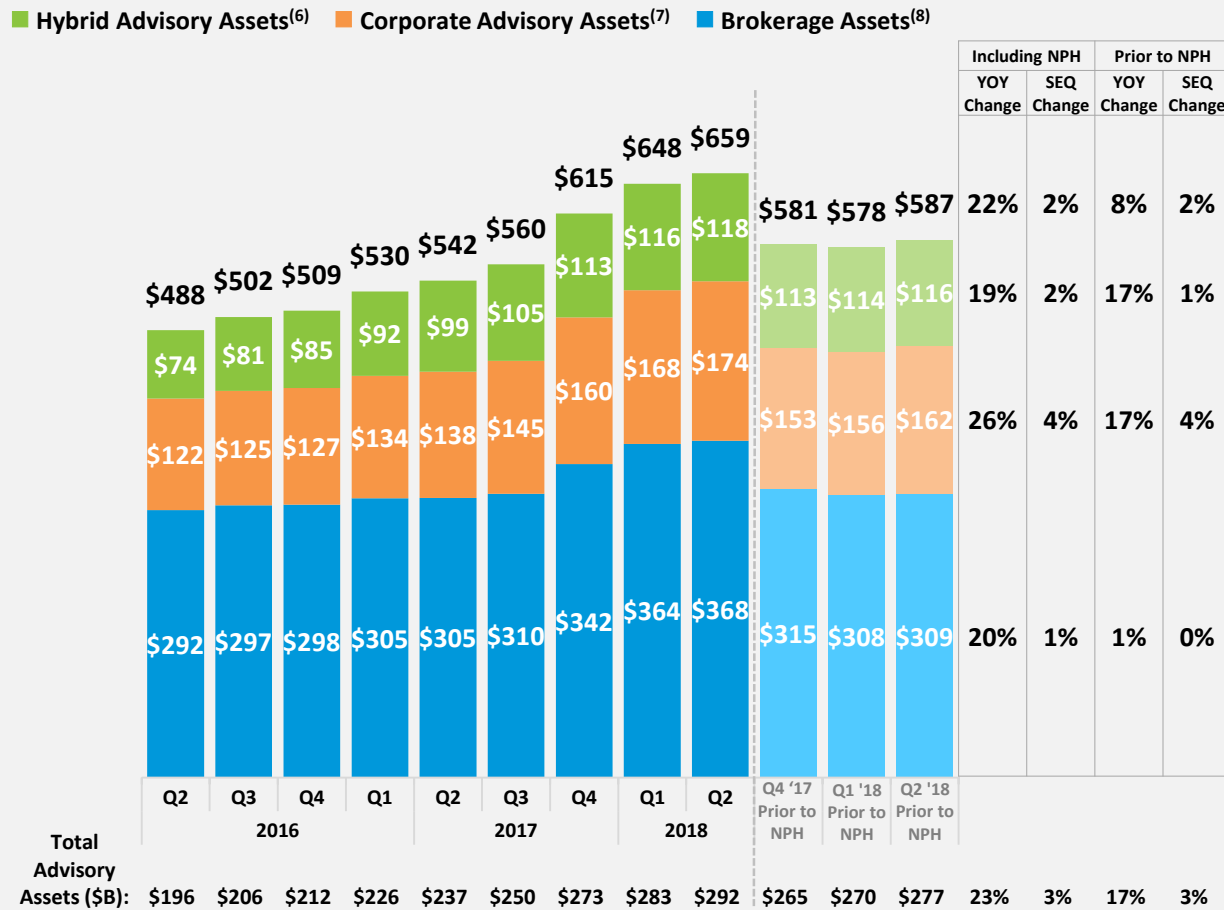
EPS Prior to Amortization of Intangible Assets\* (\$) <sup>(4)</sup>



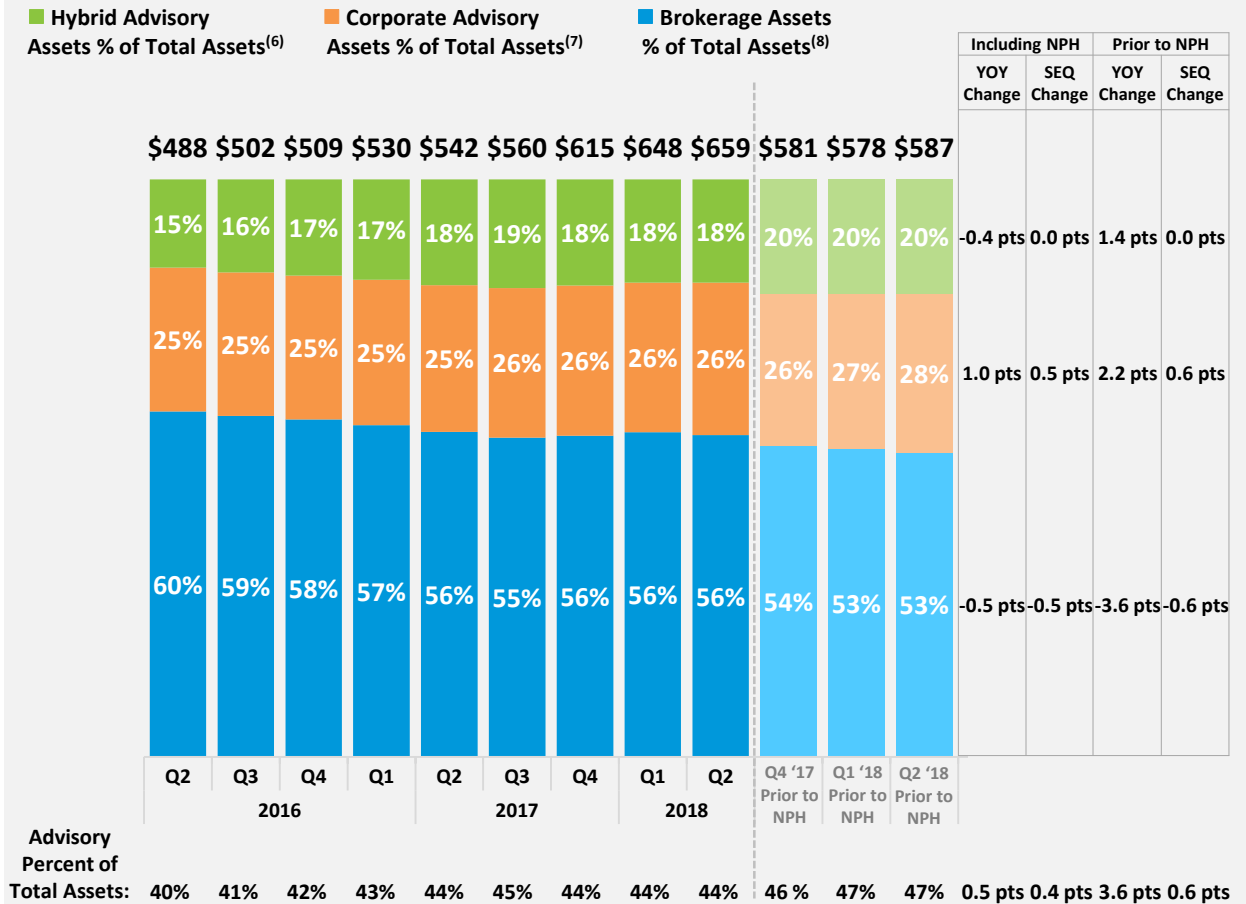
<sup>†</sup>Run-rate benefit includes \$0.18 cents of run-rate EBITDA\* less \$0.03 of interest and depreciation expense.

# Q2 Total Brokerage and Advisory Assets increased 22% year-over-year to \$659 billion, up 2% sequentially

## Total Brokerage and Advisory Assets (\$ billions)

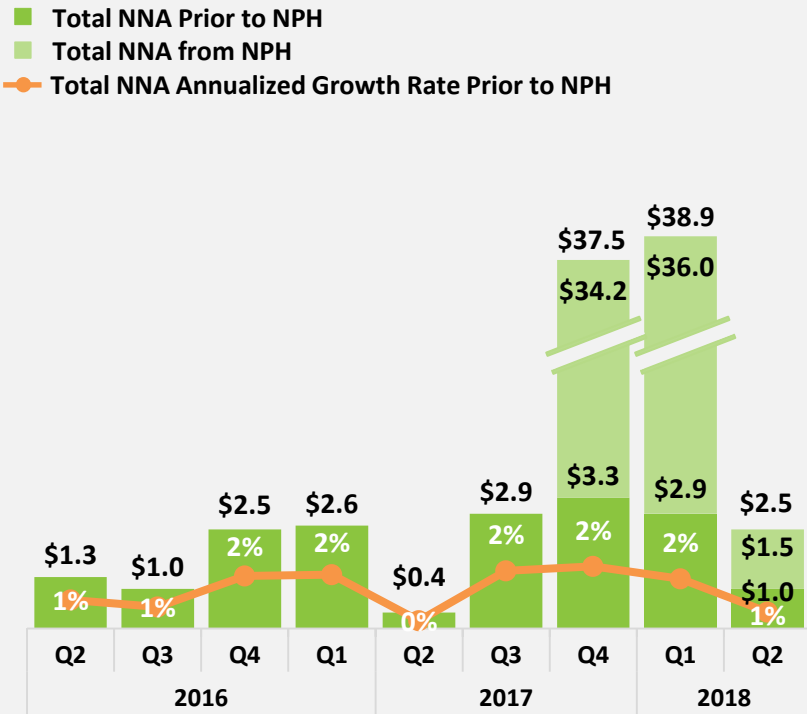


## Total Brokerage and Advisory Asset Mix

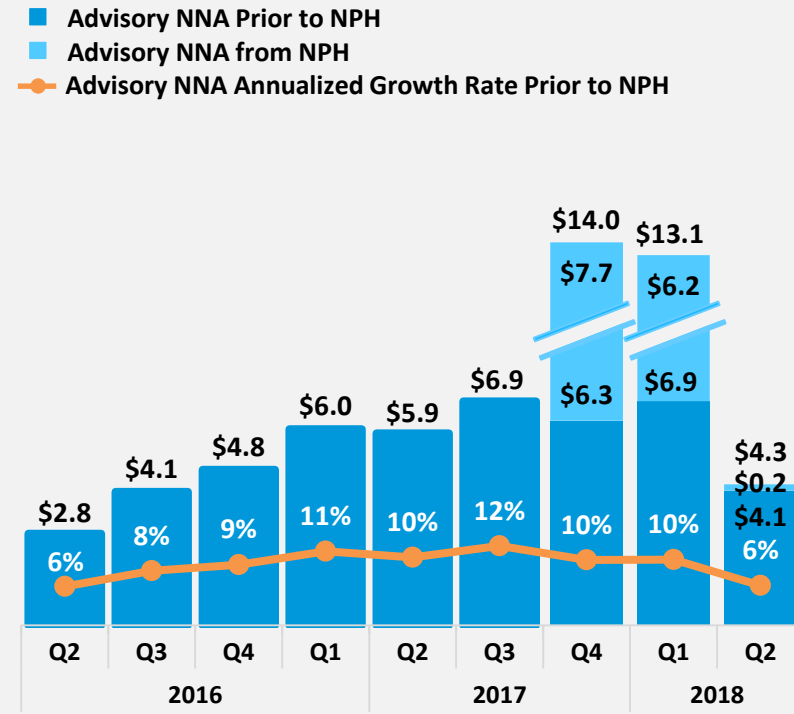


# Q2 Total Net New Assets were an inflow of \$2.5 billion overall, and \$1.0 billion prior to NPH

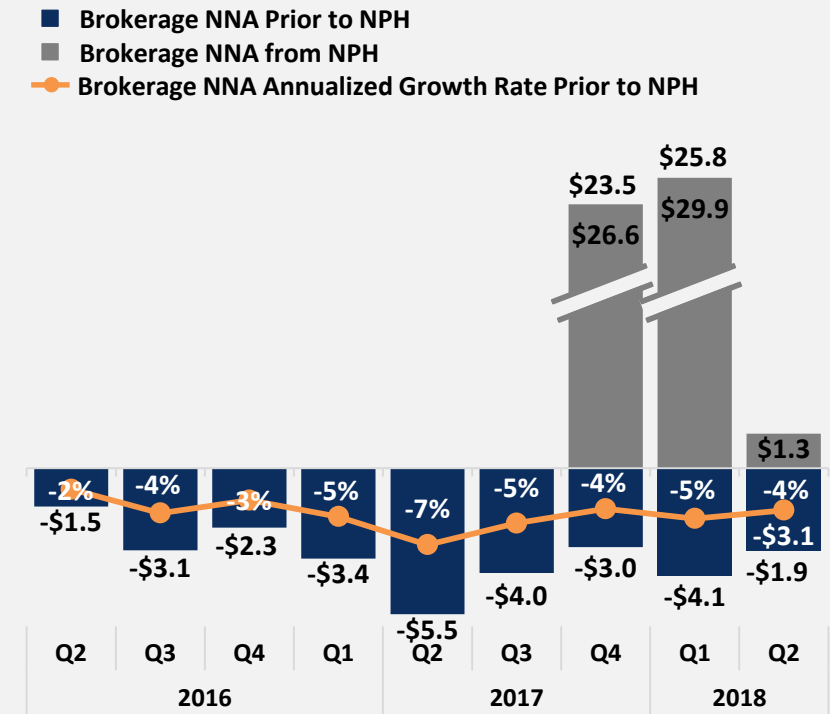
## Total Net New Assets (\$ billions)



## Net New Advisory Assets<sup>(9)</sup> (\$ billions)



## Net New Brokerage Assets<sup>(10)</sup> (\$ billions)

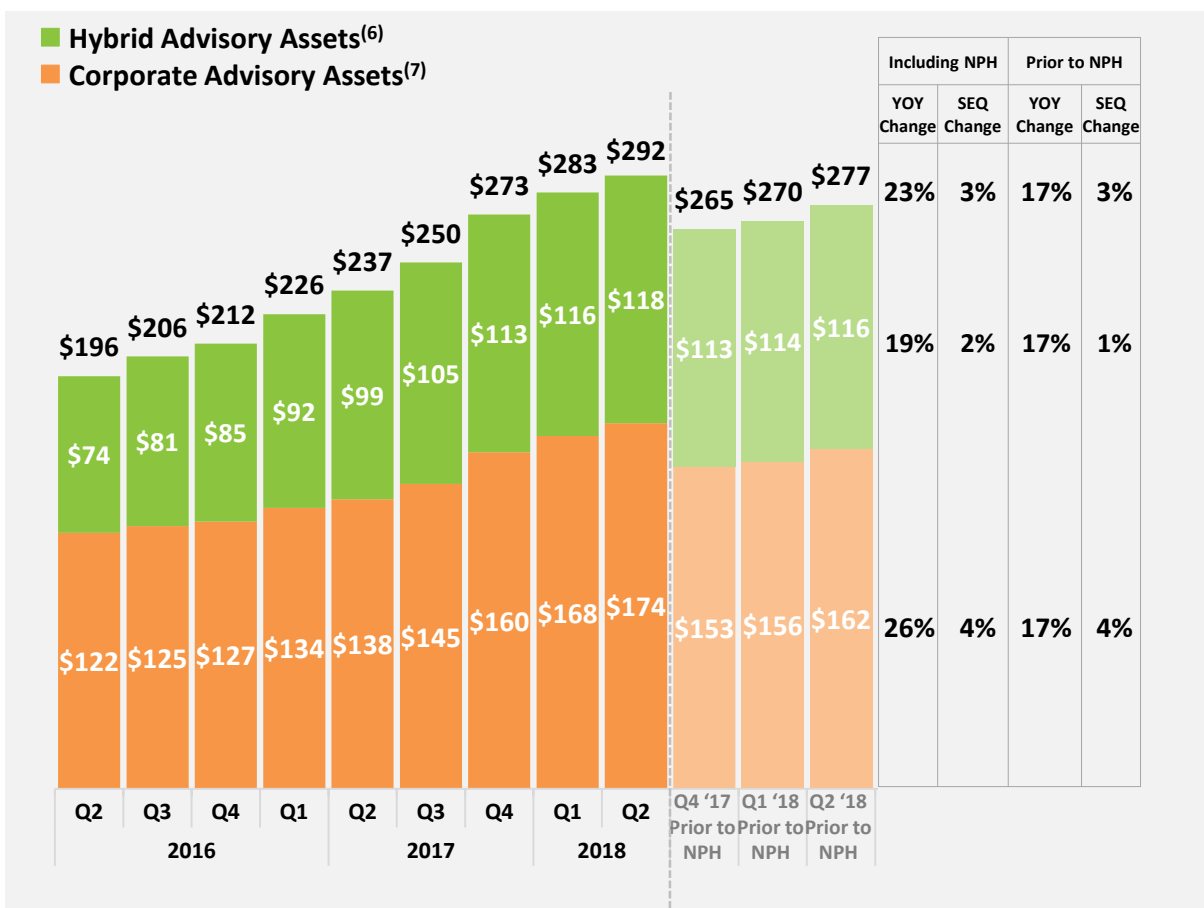


Net Brokerage to Advisory Conversions<sup>(11)</sup> (billions): \$1.4 \$1.3 \$1.7 \$2.3 \$2.0 \$1.9 \$2.1 \$2.5 \$1.8

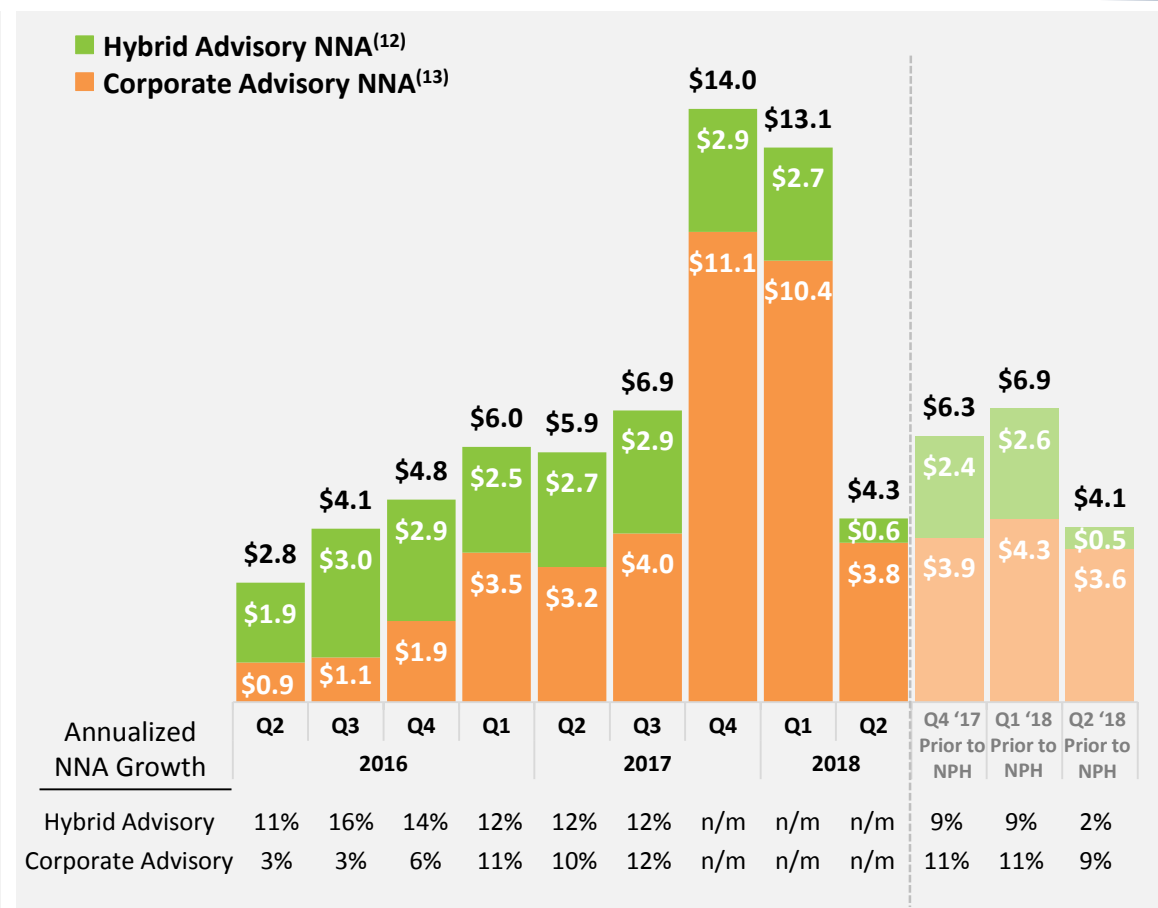


# Q2 Corporate Advisory Assets increased 26% year-over-year to \$174 billion, including \$12 billion from NPH

## Corporate and Hybrid Advisory Platform Mix (\$ billions)

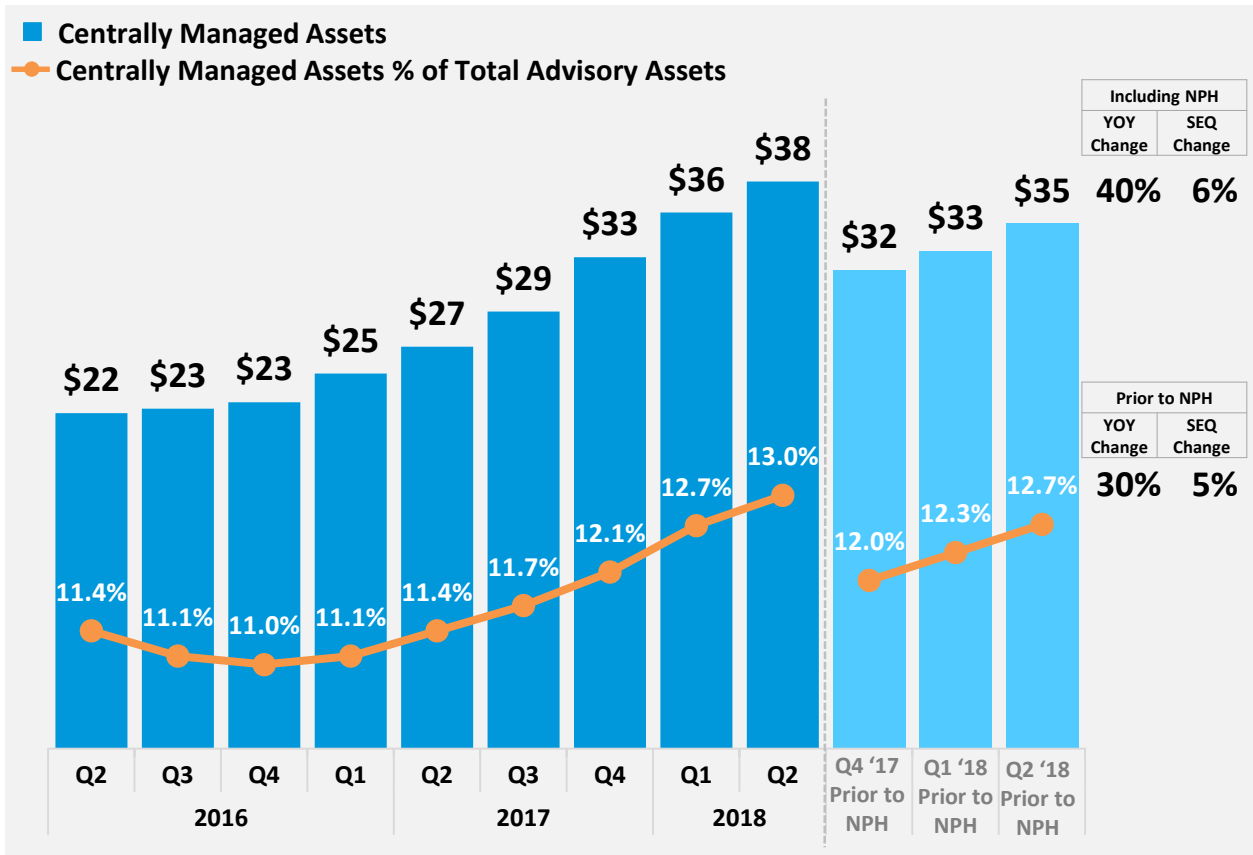


## Corporate and Hybrid Advisory NNA Mix (\$ billions)

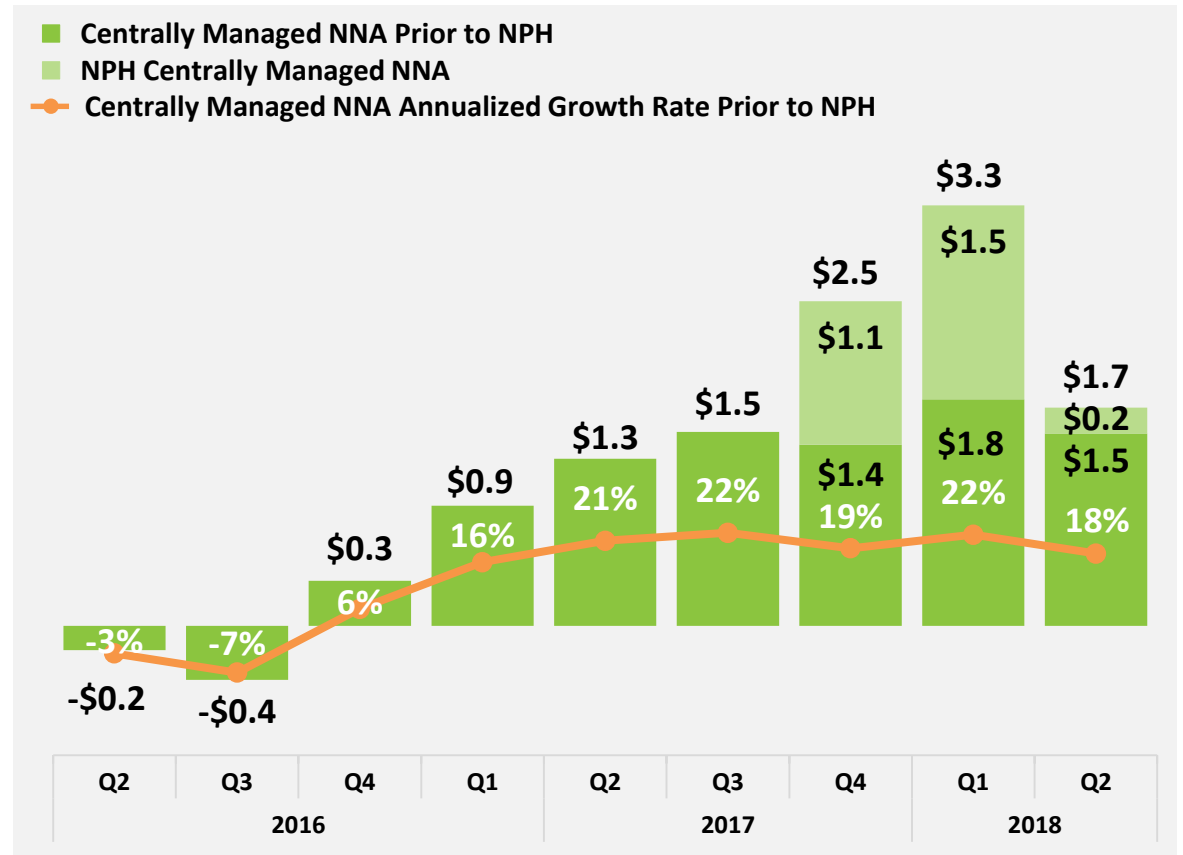


# Q2 Centrally Managed Assets increased 40% year over year to \$38 billion, including \$3 billion from NPH

## Centrally Managed Assets<sup>(14)</sup> (\$ billions)

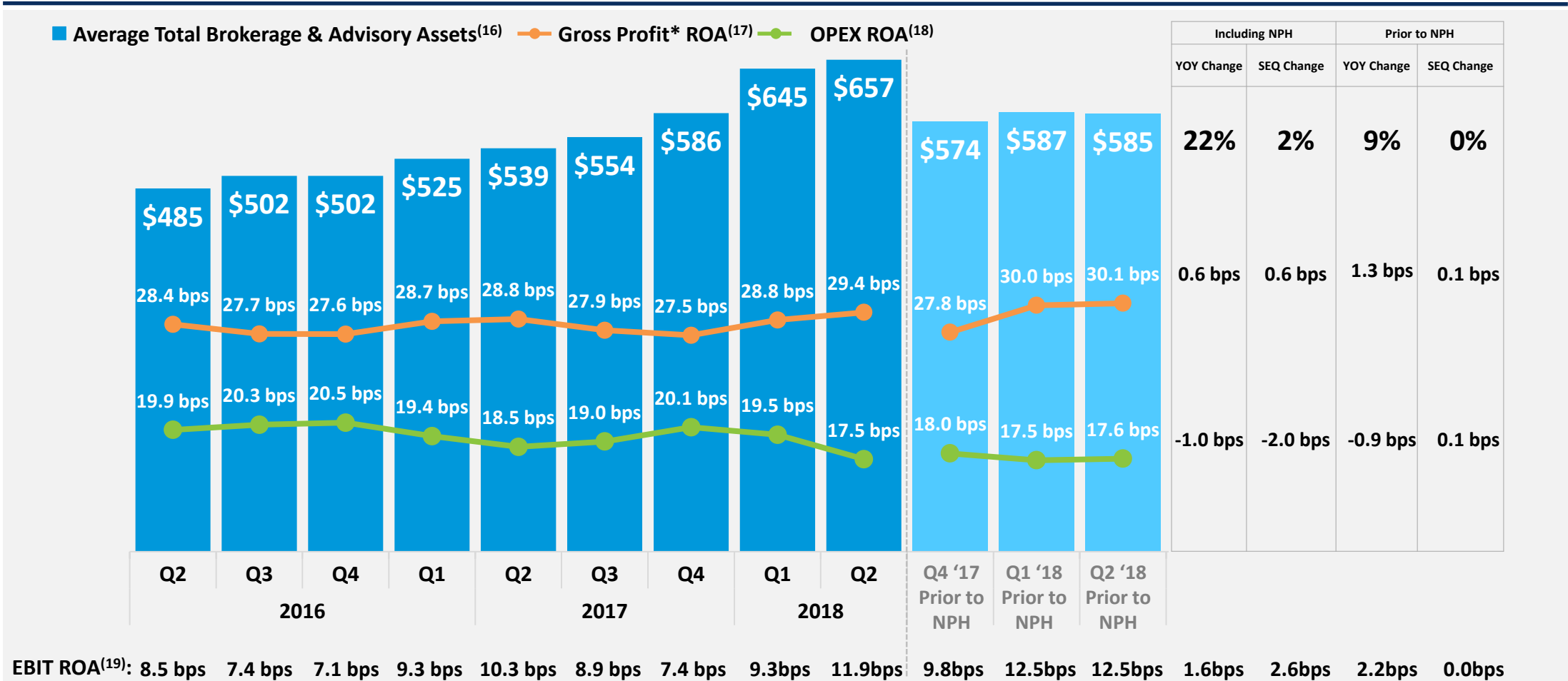


## Centrally Managed NNA<sup>(15)</sup> (\$ billions)



# Q2 EBIT ROA was 11.9 basis points, up 1.6 basis points year-over-year

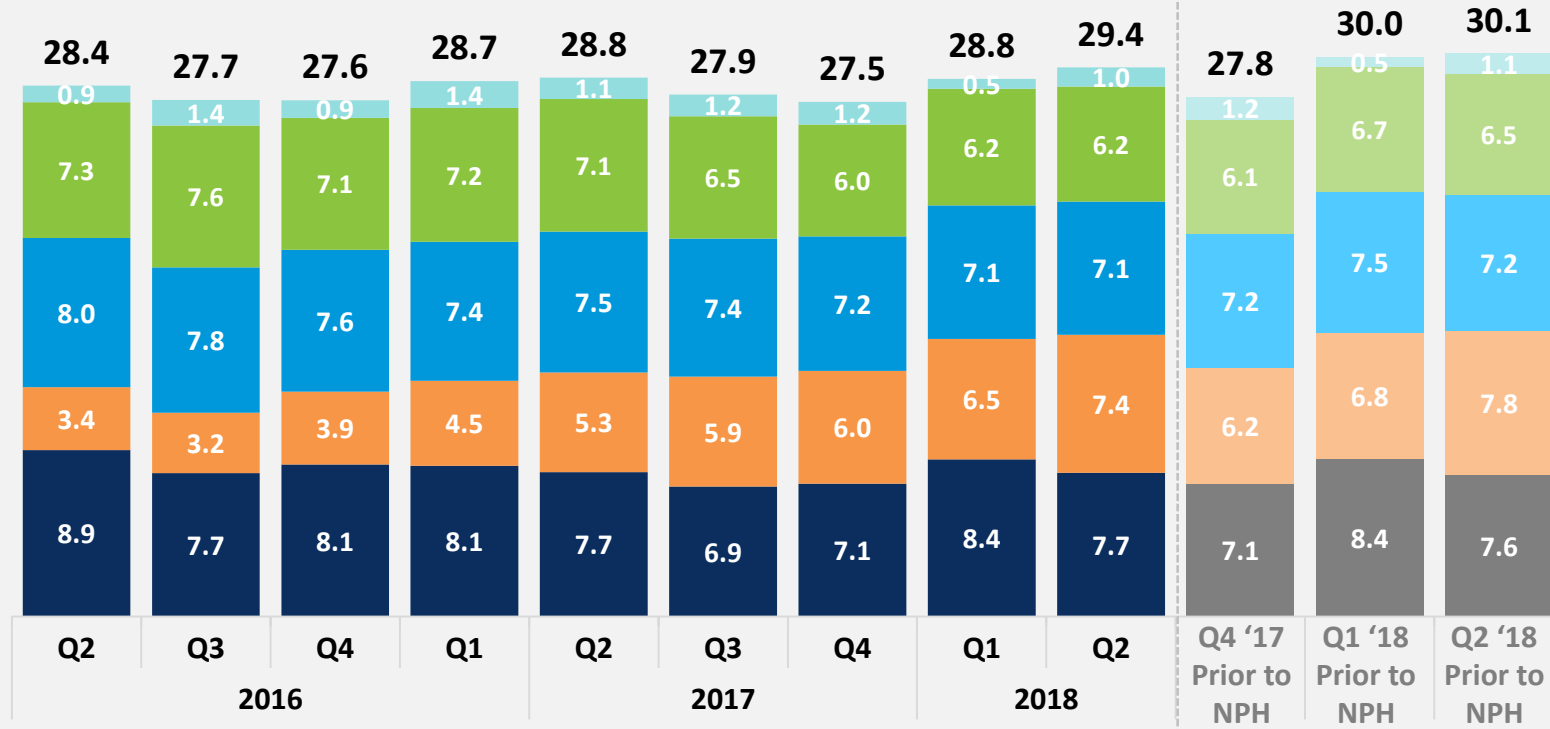
## Average Total Brokerage & Advisory Assets (\$ billions)



# Q2 Gross Profit\* ROA increased 0.5 basis points year-over-year

Gross Profit\* ROA<sup>(17)</sup> (bps)

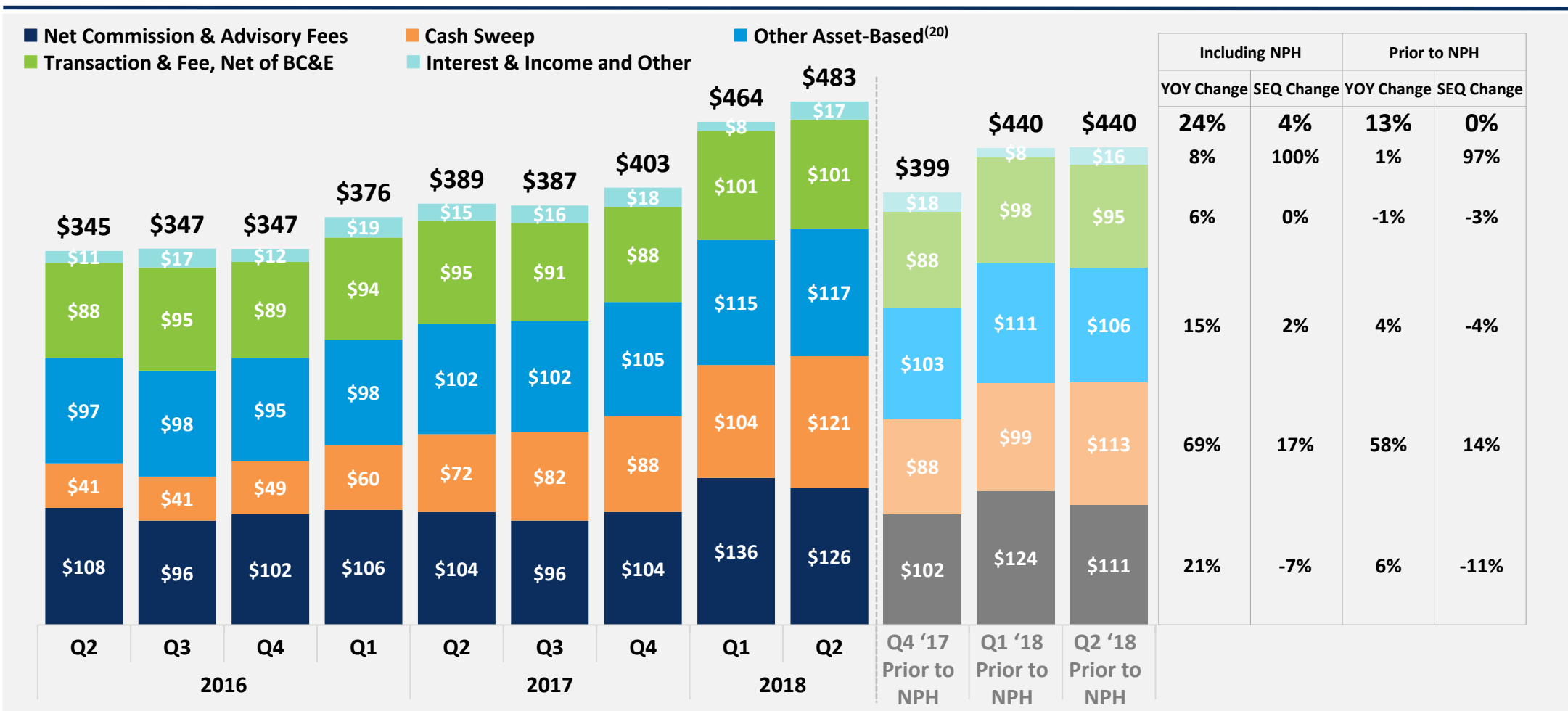
■ Net Commission & Advisory Fees     
 ■ Cash Sweep     
 ■ Other Asset-Based<sup>(20)</sup>  
■ Transaction & Fee, Net of BC&E     
 ■ Interest & Income and Other



Including NPH		Prior to NPH	
YOY Change	SEQ Change	YOY Change	SEQ Change
<b>0.5</b>	<b>0.6</b>	<b>1.3</b>	<b>0.1</b>
-0.1	0.5	-0.1	0.5
-0.9	-0.1	-0.6	-0.2
-0.4	0.0	-0.3	-0.3
2.1	0.9	2.4	1.0
0.0	-0.7	-0.2	-0.9

# Q2 Gross Profit\* increased 24% year-over-year

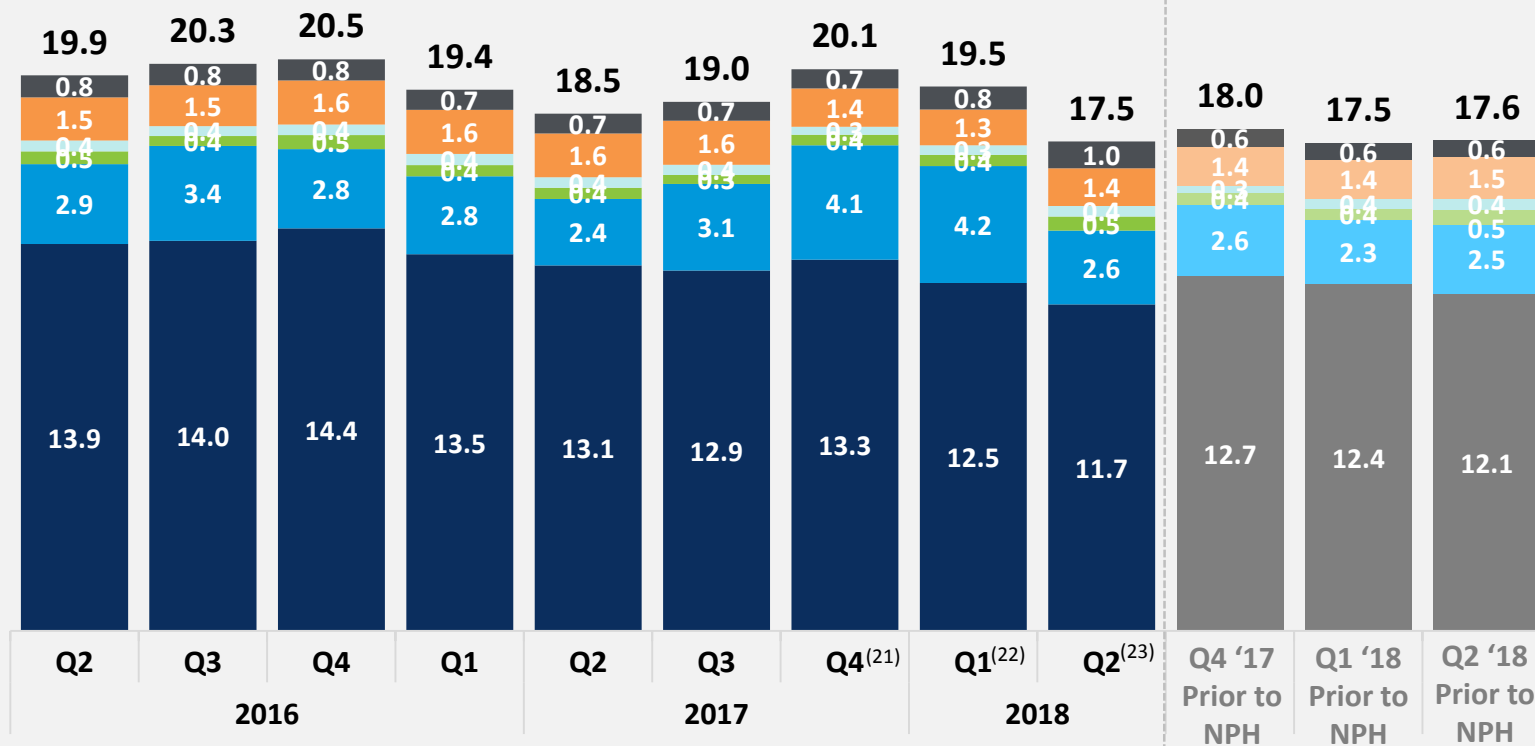
Gross Profit\* (\$ millions)



# Q2 Total OPEX ROA was down 1.0 basis point year-over-year

Total OPEX ROA<sup>(18)</sup> (bps)

- Core G&A\*
- Employee Share-based Compensation
- Amortization of Intangible Assets
- Promotional
- D&A Expense (ex Amortization of Intangible Assets)
- Regulatory

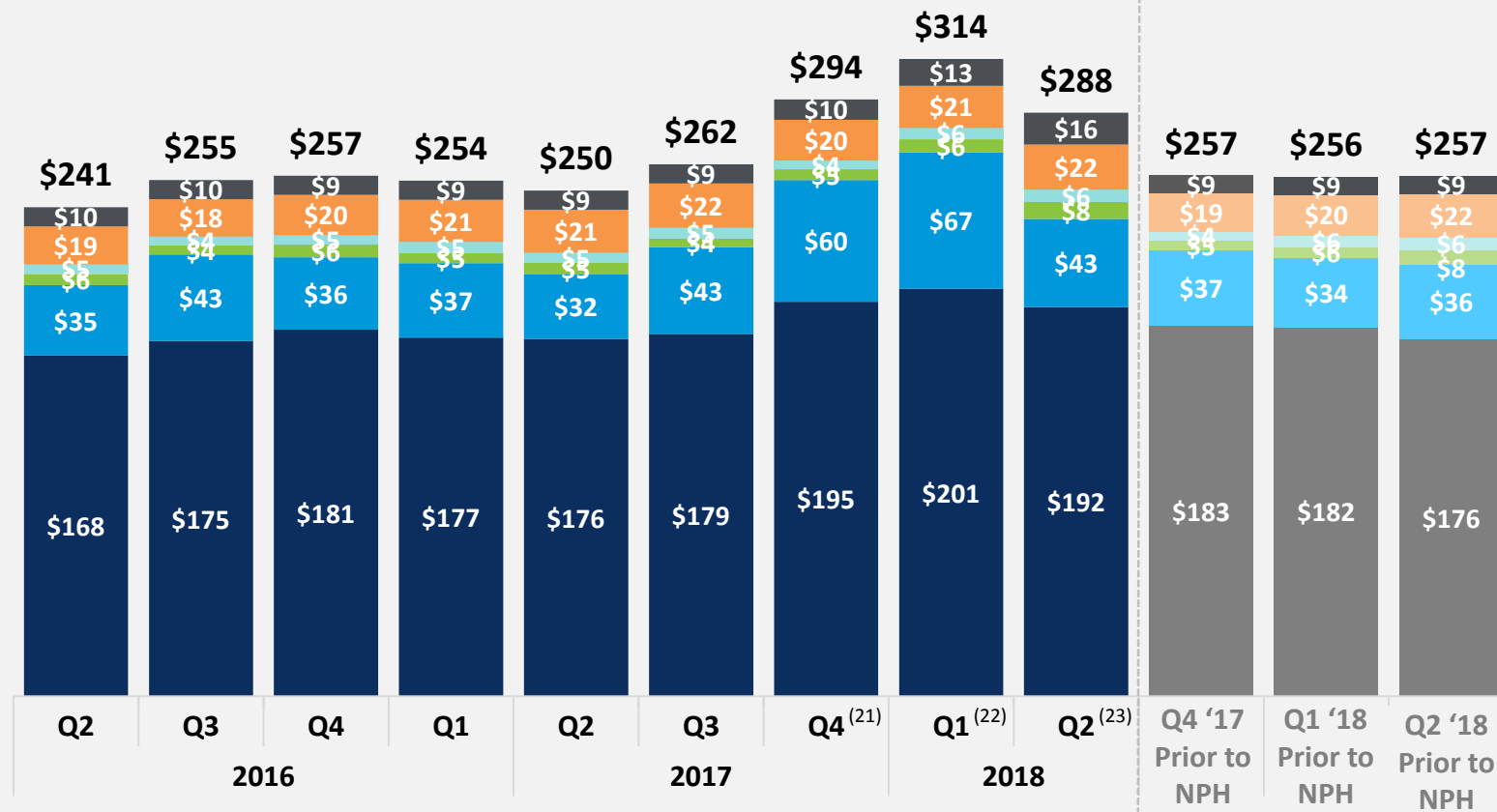


Including NPH		Prior to NPH	
YOY Change	SEQ Change	YOY Change	SEQ Change
-1.0	-2.0	-1.0	0.1
0.3	0.1	-0.1	0.0
-0.2	0.1	-0.1	0.1
0.0	0.0	0.0	0.0
n/m	n/m	n/m	n/m
0.3	-1.5	0.1	0.2
-1.4	-0.8	-1.0	-0.4

# Q2 Total OPEX increased 15% year-over-year

Total OPEX<sup>(18)</sup> (\$ millions)

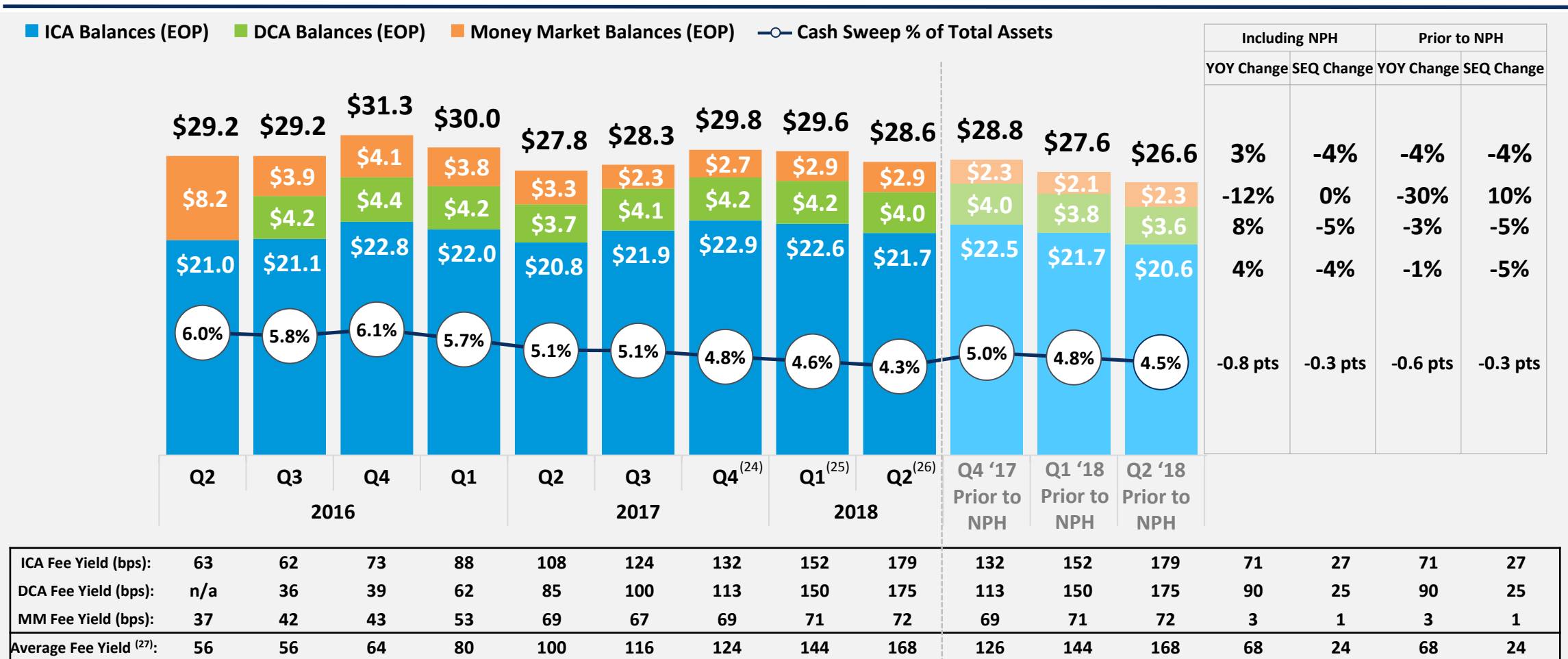
- Core G&A\*
- Employee Share-based Compensation
- Amortization of Intangible Assets
- Promotional
- D&A Expense (ex Amortization of Intangible Assets)
- Regulatory



Including NPH		Prior to NPH	
YOY Change	SEQ Change	YOY Change	SEQ Change
15%	-8%	3%	0%
66%	19%	-8%	0%
5%	7%	2%	7%
22%	9%	21%	10%
n/m	n/m	n/m	n/m
36%	-36%	14%	7%
9%	-4%	0%	-3%

# Q2 Cash Sweep yields increased 68 basis points year-over year, and balances increased 3% year-over-year

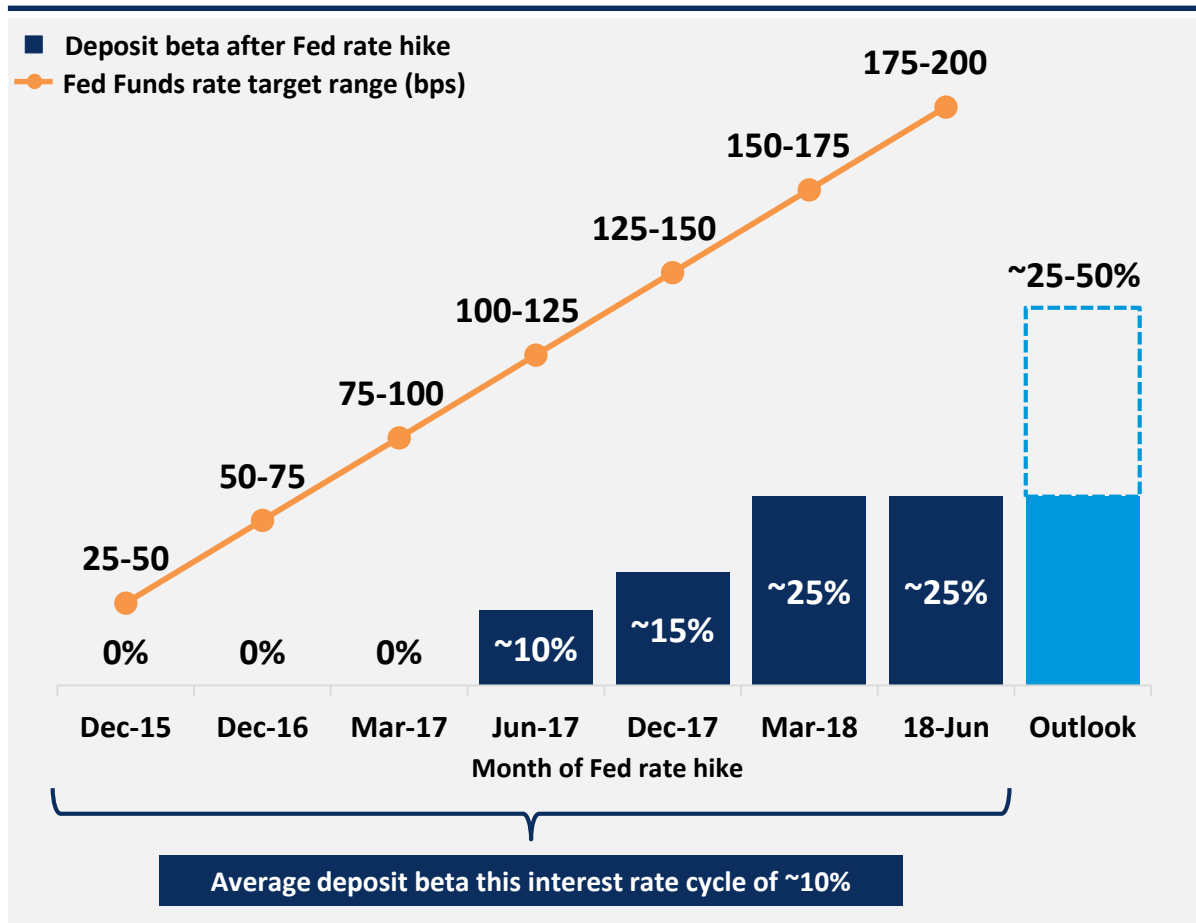
Client Cash Sweep balances (\$ billions)



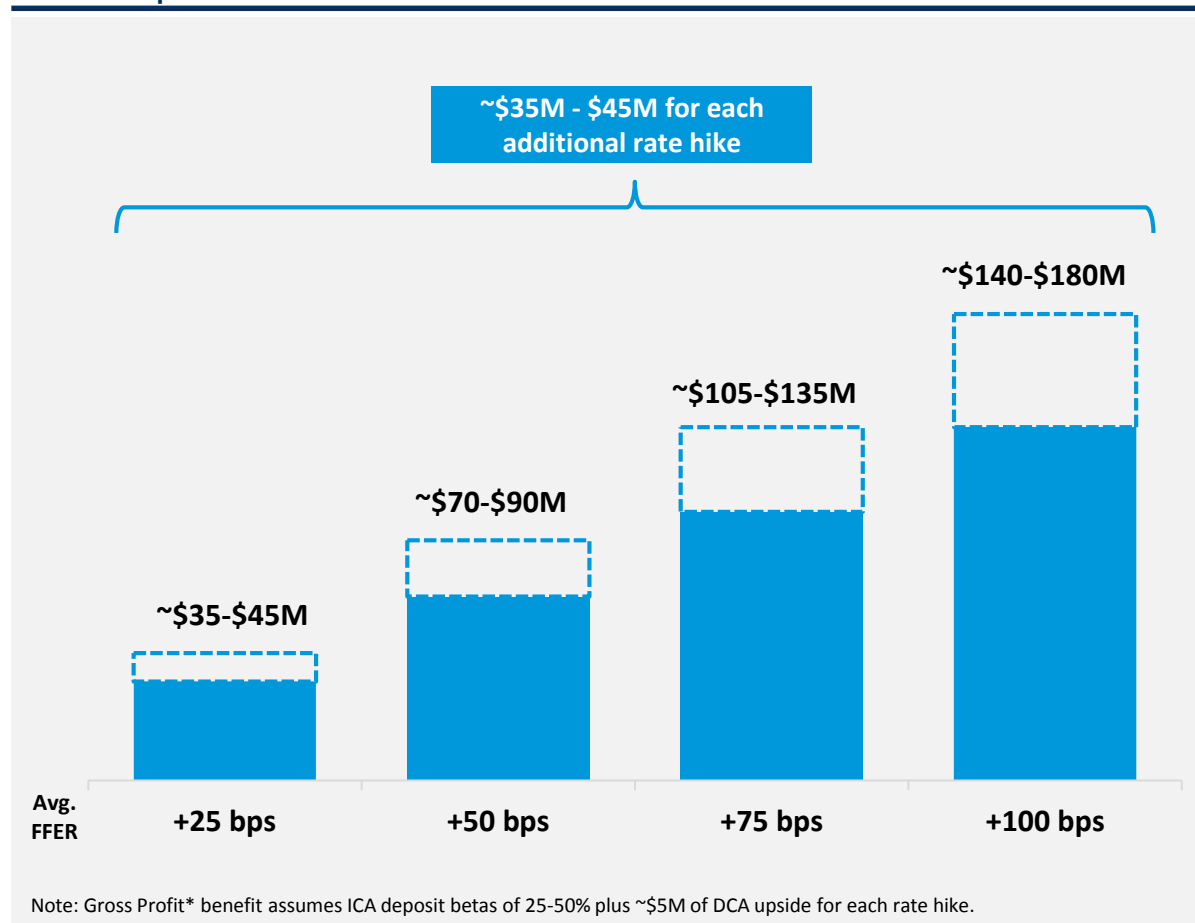


# Our deposit beta has remained low through this interest rate cycle, and was ~25% for the June 2018 rate hike

## ICA deposit beta history and outlook



## Annual potential ICA Gross Profit\* benefit



# Our updated outlook for 2018 Core G&A\* is \$805 to \$825 million

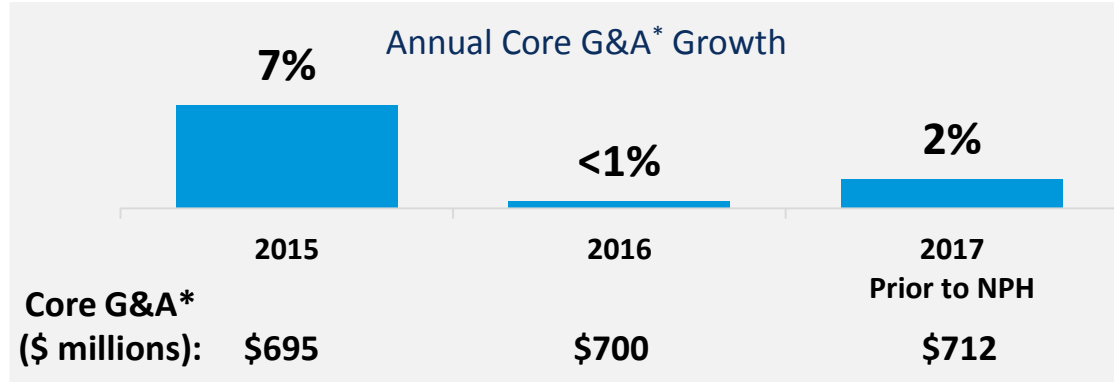
## Long-term cost strategy

- Focus on delivering operating leverage
- Prioritize investments that drive organic growth
- Drive productivity and efficiency
- Adapt cost trajectory as environment evolves

## 2018 Core G&A\* outlook

- First half 2018 Core G&A\* averaged \$197 million per quarter
  - Prior to NPH, first half 2018 Core G&A\* averaged \$179 per quarter
  - This translates to a 1% year-over-year growth rate vs. the first half of 2017
- As we look to second half 2018, we are increasing investments in service and technology

## Lower recent expense trajectory, prior to NPH



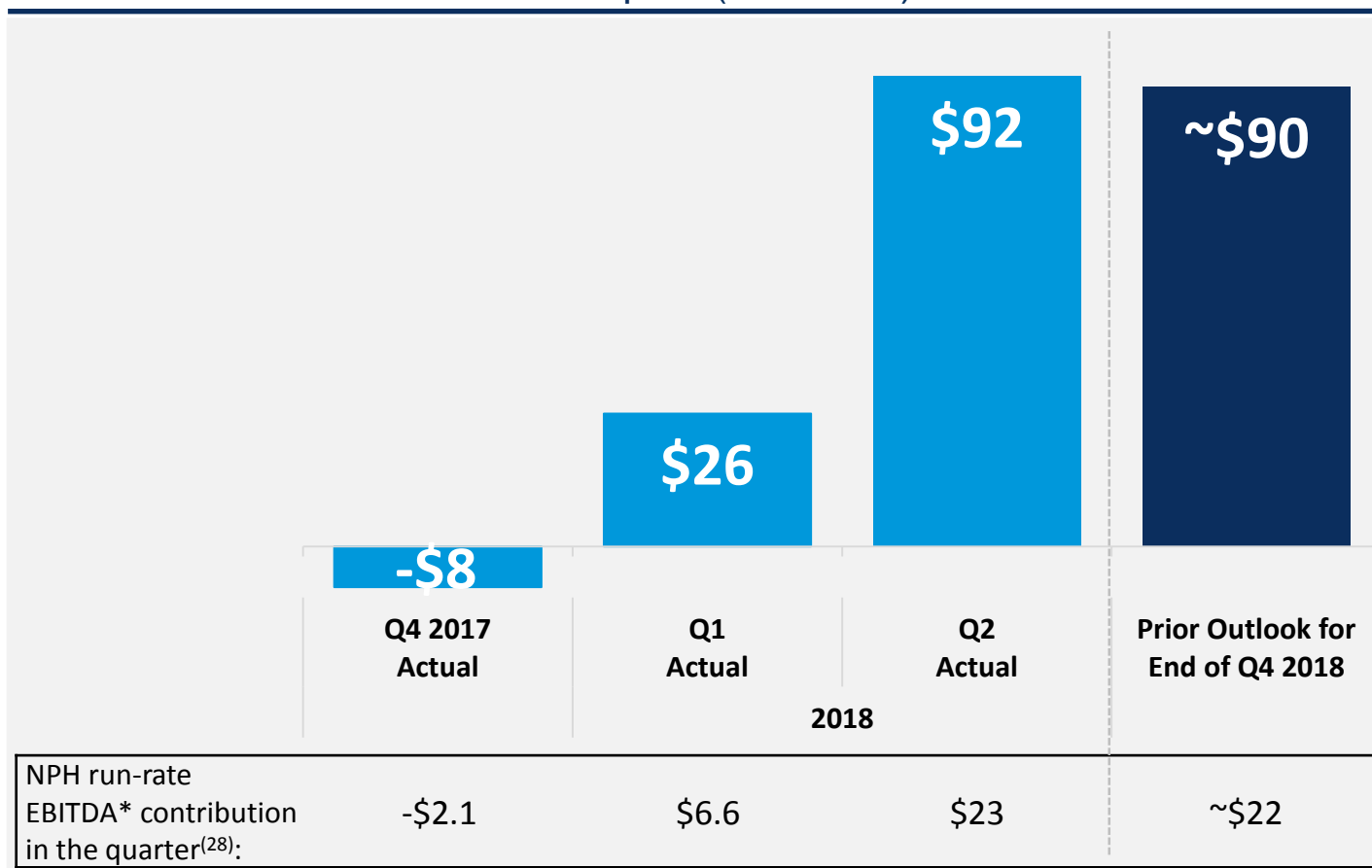
## Updated 2018 Core G&A\* outlook, including NPH

**Prior Outlook:** ~\$800 to \$830 million

**Updated Outlook:** ~\$805 to \$825 million

# In Q2, we reached our NPH year-end outlook of \$90 million run-rate EBITDA accretion

Annualized run-rate EBITDA\* Impact (\$ millions)



## Onboarding Costs

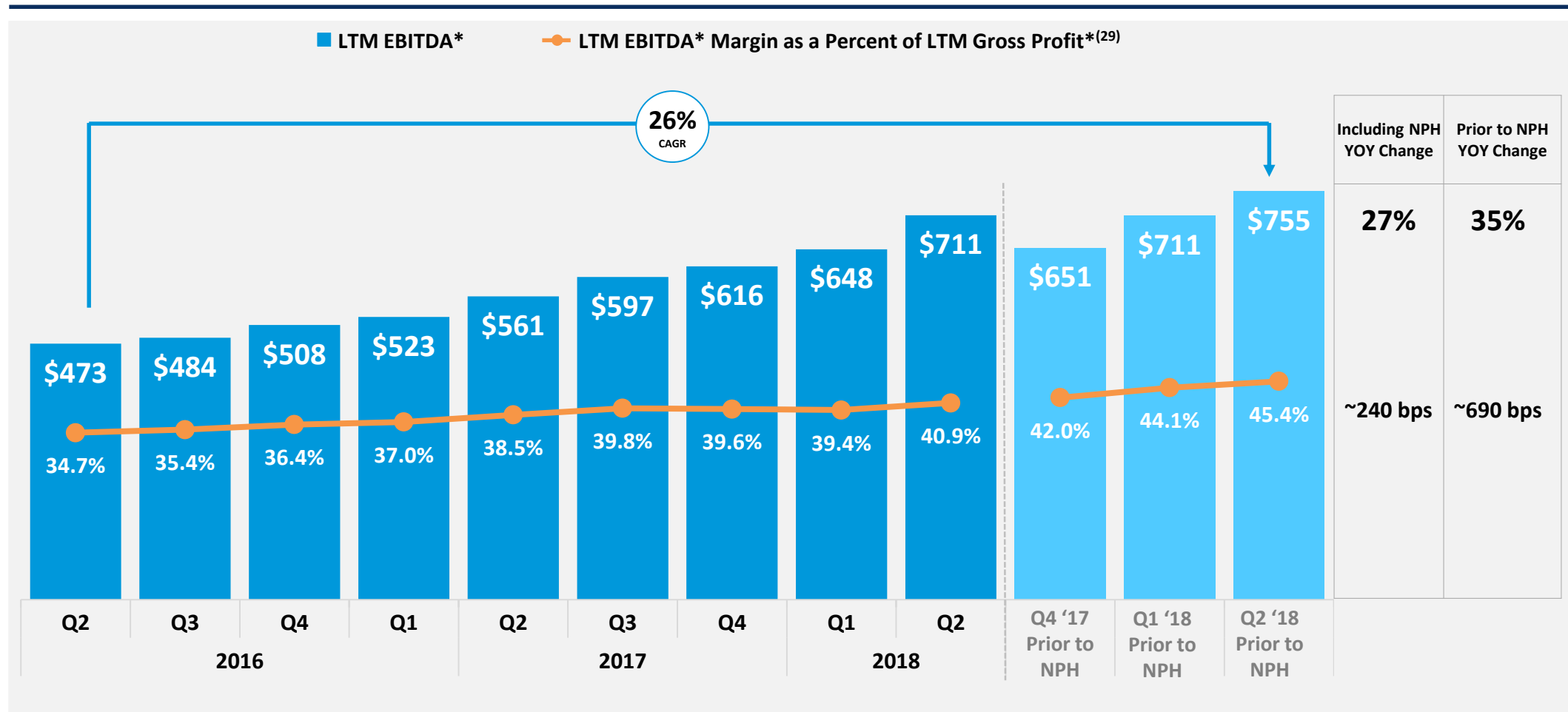
- Q2 onboarding costs were \$4 million of Core G&A\*
- Total onboarding costs through Q2 were \$40 million
- This is at the low end of our \$40-\$60 million outlook

## Financial Assistance

- Q2 financial assistance was less than \$1 million
- Total financial assistance is complete at \$97 million
- This was in line with our original outlook of roughly \$100 million

# LTM EBITDA\* has grown steadily over the past two years

LTM EBITDA\* (\$ millions)



# Appendix

## Q2 Key Metrics prior to and including NPH

	Q2 2018				
	Results Prior to NPH	+	NPH Impact	=	Results Including NPH
<b>Assets (\$ billions):</b>					
Total Brokerage & Advisory Assets	\$586.8		\$72.3		\$659.1
Advisory Assets	\$277.4		\$14.1		\$291.5
Brokerage Assets	\$309.4		\$58.1		\$367.5
Total Net New Assets	\$1.0		\$1.5		\$2.5
Advisory Net New Assets	\$4.1		\$0.2		\$4.3
Brokerage Net New Assets	(\$3.1)		\$1.3		(\$1.9)
<b>Advisors:</b>					
Advisors	14,208		1,841		16,049
Net New Advisors	35		(53)		(18)

# 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 and 12-13.

\$ in millions	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016
Total Net Revenue	\$1,299	\$1,242	\$1,116	\$1,064	\$1,066	\$1,035	\$1,007	\$1,017	\$1,019
Commission & Advisory Expense	801	762	698	664	663	645	647	657	661
Brokerage, Clearing, & Exchange	15	16	15	13	14	14	14	13	14
Gross Profit	\$483	\$464	\$403	\$387	\$389	\$376	\$347	\$347	\$345
NPH Gross Profit	42	24	4						
Gross Profit Prior to NPH	<b>\$440</b>	<b>\$440</b>	<b>\$399</b>						

# 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, and of the Company’s net income prior to the impact of the acquisition of NPH to EBITDA for Q4 2017, Q1 2018, and Q2 2018 as presented on page 5:

\$ in millions	Q2 2018	Q1 2018	Q4 2017	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016
	Prior to NPH	Prior to NPH	Prior to NPH									
<b>NET INCOME</b>	<b>\$113</b>	<b>\$120</b>	<b>\$86</b>	<b>\$119</b>	<b>\$94</b>	<b>\$64</b>	<b>\$58</b>	<b>\$68</b>	<b>\$48</b>	<b>\$42</b>	<b>\$52</b>	<b>\$48</b>
Non-operating interest expense	29	27	26	32	30	29	27	26	25	25	24	24
Provision for Income Taxes	42	37	30	44	26	16	38	44	27	23	16	32
Depreciation and amortization	22	20	19	22	21	20	22	21	21	20	18	19
Amortization of intangible assets	9	9	9	16	13	10	9	9	9	9	10	10
Loss on Extinguishment of debt	0	0	0	0	0	0	1	0	21	0	0	0
<b>EBITDA</b>	<b>\$214</b>	<b>\$213</b>	<b>\$170</b>	<b>\$233</b>	<b>\$183</b>	<b>\$139</b>	<b>\$156</b>	<b>\$170</b>	<b>\$152</b>	<b>\$119</b>	<b>\$120</b>	<b>\$132</b>
<b>NPH impact</b>	<b>\$19</b>	<b>(\$29)</b>	<b>(\$31)</b>									
<b>EBITDA including NPH</b>	<b>\$233</b>	<b>\$183</b>	<b>\$139</b>									



# Reconciliation of EPS Prior to Amortization of Intangible Assets to GAAP EPS

EPS Prior to Amortization of Intangible Assets is a non-GAAP financial measure. Please see a description of EPS Prior to Amortization of Intangible Assets 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 to GAAP EPS for the periods presented on page 5, and:

- For Q2 2018, as further adjusted to reflect the impact of the NPH acquisition as presented on pages 5 and 6
- For Q1 2018, as further adjusted to reflect the impact of the NPH acquisition as presented on pages 5 and 6
- For Q4 2017, as further adjusted to reflect the impact of the NPH acquisition and tax reform as presented on page 5

	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016
GAAP EPS	\$1.30	\$1.01	\$0.69	\$0.63	\$0.74	\$0.52	\$0.46	\$0.58	\$0.53
Amortization of Intangible Assets (\$ in millions)	\$16	\$13	\$10	\$9	\$9	\$9	\$9	\$10	\$10
Tax Expense (\$ in millions)	(\$4)	(\$4)	(\$4)	(\$4)	(\$4)	(\$4)	(\$4)	(\$4)	(\$4)
Amortization of Intangible Assets Net of Tax (\$ in millions)	\$11	\$10	\$6	\$6	\$6	\$6	\$6	\$6	\$6
Diluted Share Count	91.7	92.8	92.4	92.0	92.0	92.0	91.0	90.0	89.7
EPS Impact	\$0.12	\$0.10	\$0.07	\$0.06	\$0.06	\$0.06	\$0.06	\$0.06	\$0.06
EPS Prior to Amortization of Intangible Assets	<b>\$1.42</b>	<b>\$1.11</b>	<b>\$0.76</b>	<b>\$0.69</b>	<b>\$0.81</b>	<b>\$0.59</b>	<b>\$0.52</b>	<b>\$0.64</b>	<b>\$0.60</b>

	Q2 2018	Q1 2018	Q4 2017
EPS Prior to Amortization of Intangible Assets	<b>\$1.42</b>	<b>\$1.11</b>	<b>\$0.76</b>
Net Income Impact of NPH (\$ in millions)	(\$11)	\$23	\$21
Diluted Share Count	91.7	92.8	92.4
EPS Impact	(\$0.12)	\$0.25	\$0.13
EPS Prior to Amortization of Intangible Assets and NPH	<b>\$1.30</b>	<b>\$1.36</b>	<b>\$0.89</b>
			Net Income Impact of Tax Reform (\$ in millions)
			Diluted Share Count
			EPS Impact
			EPS Prior to Amortization of Intangible Assets, NPH, and Tax Reform

# 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 14-15, including Core G&A prior to the impact of the acquisition of NPH to the Company’s total operating expense for Q4 2017, Q1 2018, and Q2 2018. Also included is a reconciliation of Core G&A prior to the impact of the acquisition of NPH to the Company’s total operating expense for Full Year 2017 as presented on page 18:

\$ in millions	FY 2017 Prior to NPH	Q2 2018 Prior to NPH	Q1 2018 Prior to NPH	Q4 2017 Prior to NPH	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016
Core G&A	\$712	\$176	\$182	\$183	\$192	\$201	\$195	\$179	\$176	\$177	\$181	\$175	\$168
Regulatory charges	21	8	6	5	8	6	5	4	5	5	6	4	6
Promotional	162	36	34	37	43	67	60	43	32	37	36	43	35
Employee share-based compensation	19	6	6	4	6	6	4	5	5	5	5	4	5
<b>Total G&amp;A</b>	<b>914</b>	<b>226</b>	<b>227</b>	<b>229</b>	<b>250</b>	<b>281</b>	<b>264</b>	<b>231</b>	<b>219</b>	<b>224</b>	<b>228</b>	<b>227</b>	<b>213</b>
Commissions and advisory	2,670	702	708	688	801	762	698	664	663	645	647	657	661
Depreciation & amortization	84	22	20	19	22	21	20	22	21	21	20	18	19
Amortization of intangible assets	38	9	9	9	16	13	10	9	9	9	9	10	10
Brokerage, clearing and exchange	57	15	15	15	15	16	15	13	14	14	14	13	14
<b>Total operating expenses</b>	<b>\$3,763</b>	<b>\$974</b>	<b>\$979</b>	<b>\$960</b>	<b>\$1,104</b>	<b>\$1,092</b>	<b>\$1,008</b>	<b>\$940</b>	<b>\$926</b>	<b>\$914</b>	<b>\$918</b>	<b>\$925</b>	<b>\$916</b>

# Footnotes

- (1) 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.
- (2) EPS for Q1 2017 includes a charge related to the Company's March 2017 debt refinancing that reduced its EPS by \$0.14. Prior to this charge, EPS was \$0.66.
- (3) EPS for Q3 2017 includes items related to the Company's August 2017 acquisition of NPH and September 2017 debt refinancing that reduced its EPS by \$0.03. Prior to these items, EPS was \$0.66.
- (4) The Company calculates pro forma EPS amounts using a 28% effective tax rate for 2018 amounts, which is the mid-point of its long-term guidance of 27-29%, and 39% for 2017 amounts, which was the Company's prior long term tax rate.
- (5) Represents the per share impact that management estimates to be attributable to the NPH acquisition.
- (6) Consists of total assets on the independent advisory platform of the Company's broker-dealer subsidiary, LPL Financial LLC ("LPL Financial"), serviced by investment advisor representatives of separate investment advisor firms ("Hybrid RIAs"), rather than of LPL Financial.
- (7) Consists of total assets on LPL Financial's corporate advisory platform serviced by investment advisor representatives of LPL Financial.
- (8) Consists of brokerage assets serviced by advisors licensed with LPL Financial.
- (9) Consists of total client deposits into advisory accounts less total client withdrawals from advisory accounts. The Company considers conversions to and from advisory accounts as deposits and withdrawals respectively. Annualized growth is calculated as the current period Net New Advisory Assets divided by preceding period total Advisory Assets, multiplied by four.
- (10) Consists of total client deposits into brokerage accounts less total client withdrawals from brokerage accounts. The Company considers conversions to and from brokerage accounts as deposits and withdrawals respectively. Annualized growth is calculated as the current period Net New Brokerage Assets divided by preceding period total Brokerage Assets, multiplied by four.
- (11) Consists of existing custodied assets that converted from brokerage to advisory, less existing custodied assets that converted from advisory to brokerage. This included \$0.2 billion of assets from NPH in Q4 2017, and \$0.3 billion of assets from NPH in each Q1 and Q2 2018.
- (12) 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.
- (13) 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.
- (14) Represents those advisory assets in LPL Financial's Model Wealth Portfolios, Optimum Market Portfolios, Personal Wealth Portfolios, and Guided Wealth Portfolios platforms.
- (15) Consists of total client deposits into Centrally Managed Assets (see FN14) 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.
- (16) Represents the average month-end Total Brokerage and Advisory Assets for the period.
- (17) Represents annualized Gross Profit\* for the period, divided by average month-end Total Brokerage and Advisory Assets for the period (see FN16).
- (18) Represents annualized operating expenses for the period, excluding production-related expense ("OPEX"), divided by average month-end Total Brokerage and Advisory Assets for the period (see FN16). Production-related expense includes commissions and advisory 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.
- (19) EBIT ROA is calculated as Gross Profit ROA (see FN17) less OPEX ROA (see FN18).
- (20) Consist of revenues from the Company's sponsorship programs with financial product manufacturers and omnibus processing and networking services, but not including fees from cash sweep 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.
- (21) These results include NPH expense of \$12M in Core G&A, \$23M in Promotional expense, \$1M of Amortization of Intangible Assets expense, and \$1M of Depreciation expense.
- (22) These results include NPH expense of \$19M in Core G&A, \$33M in Promotional expense, and \$5M of Amortization of Intangible Assets expense.
- (23) These results include NPH expense of \$16M in Core G&A, \$7M in Promotional expense, and \$7M of Amortization of Intangible Assets expense.
- (24) These results include \$1.0 billion in cash sweep balances attributable to the NPH acquisition, including \$0.4 billion of ICA balances, \$0.4 billion of Money Market balances, and \$0.2 billion of DCA balances.
- (25) These results include \$2.0 billion in cash sweep balances attributable to the NPH acquisition, including \$0.9 billion of ICA balances, \$0.7 billion of Money Market balances, and \$0.4 billion of DCA balances.
- (26) These results include \$2.0 billion in cash sweep balances attributable to the NPH acquisition, including \$1.1 billion of ICA balances, \$0.6 billion of Money Market balances, and \$0.4 billion of DCA balances.
- (27) Calculated by dividing revenue for the period by the average balance during the quarter.
- (28) Represents the portion of EBITDA\* that management estimates to be attributable to the NPH acquisition.
- (29) Represents LTM EBITDA\* divided by LTM Gross Profit\*.