LPL Financial

LPL FINANCIAL HOLDINGS INC.
Q2 2024 EARNINGS KEY METRICS

July 25, 2024

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, capabilities 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 2024), promotional, share-based compensation and depreciation and amortization expenses, Gross Profit* benefits, EBITDA* benefits, target leverage ratio, client cash balances and yields, service and fee revenue, transaction revenue, investments, acquisitions, capital returns, planned share repurchases, if any, the anticipated closing of pending transactions, and the amount and timing of the onboarding of acquired, recruited or transitioned brokerage and advisory assets, 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. They reflect the Company's expectations as of July 25, 2024 and are not guarantees that the expectations or objectives expressed or implied will be achieved. The achievement of such expectations and objectives involves risks and uncertainties that may cause actual results, levels of activity or the timing of events to differ materially from those expressed or implied by forward-looking statements. Important factors that could cause or contribute to such differences include: difficulties and delays in onboarding the assets of acquired or recruited advisors, including the receipt and timing of regulatory approvals that may be required; disruptions in the businesses of the Company that could make it more difficult to maintain relationships with advisors and their clients; the choice by clients of acquired or recruited advisors not to open brokerage and/or advisory accounts at the Company; changes in general economic and financial market conditions, including retail investor sentiment; changes in interest rates and fees payable by banks participating in the Company's client cash programs, including the Company's success in negotiating agreements with current or additional counterparties; the Company's strategy and success in managing client cash program fees; changes in the growth and profitability of the Company's fee-based offerings; fluctuations in the levels of advisory and brokerage assets, including net new 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, and their ability to market financial products and services effectively; whether the retail investors served by newly-recruited advisors choose to move their respective assets to new accounts at the Company; 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; the cost of settling and remediating issues related to regulatory matters or legal proceedings, including actual costs of reimbursing customers for losses in excess of our reserves; changes made to the Company's services and pricing, including in response to competitive developments and current, pending and future legislation, regulation and regulatory actions, and the effect that such changes may have on the Company's Gross Profit* streams and costs; execution of the Company's capital management plans, including its compliance with the terms of the Company's amended and restated credit agreement, the committed revolving credit facility and LPL Financial's committed revolving credit facility, and the indentures governing the Company's senior unsecured notes; strategic acquisitions and investments, including pursuant to the Company's liquidity and succession solution, and the effect that such acquisitions and investments may have on the Company's capital management plans and liquidity; the price, availability and trading volumes of shares of the Company's common stock, which will affect the timing and size of future share repurchases by the Company, if any; whether advisors affiliated with Prudential Financial, Inc. ("Prudential") or Atria Wealth Solutions, Inc. ("Atria") will transition registration to the Company and whether assets reported as serviced by such financial advisors will translate into assets of the Company; the failure to satisfy the closing conditions applicable to the Company's strategic relationship agreement with Prudential, or the Company's purchase agreement with Atria, including regulatory approvals; the SEC's approval of the settlement agreement in connection with the settlement of the industry-wide civil investigation into compliance with records preservation requirements for business-related electronic communications stored on personal devices applicable to broker-dealer firms and investment advisors; the execution of the Company's plans and its success in realizing the synergies, expense savings, service improvements or efficiencies expected to result from its investments, initiatives and acquisitions, expense plans and technology initiatives; the performance of third-party service providers to which business processes have been transitioned; the Company's ability to control operating risks, information technology systems risks, cybersecurity risks and sourcing risks; and the other factors set forth in the Company's most recent 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 Securities and Exchange Commission. 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 25, 2024 and you should not rely on statements contained herein as representing the Company's view as of any date subsequent to July 25, 2024.

THIS PRESENTATION INCLUDES DATA AS OF JUNE 30, 2024, UNLESS OTHERWISE INDICATED.

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 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 in the appendix of this presentation.**

Adjusted EPS is defined as adjusted net income, a non-GAAP measure defined as net income plus the after-tax impact of amortization of other intangibles, acquisition costs and a regulatory charge in the third quarter of 2023 related to an investigation of the Company's compliance with records preservation requirements for business-related electronic communications stored on personal devices or messaging platforms that have not been approved by the Company, divided by the weighted average number of diluted shares outstanding for the applicable period. The Company presents adjusted net income and adjusted EPS because management believes that these metrics can provide investors with useful insight into the Company's core operating performance by excluding non-cash items, acquisition costs and a regulatory charge that management does not believe impact the Company's ongoing operations. Adjusted net income and adjusted EPS are not measures of the Company's financial performance under GAAP and should not be considered as alternatives to net income, earnings per diluted share or any other performance measure derived in accordance with GAAP. For a reconciliation of net income and earnings per diluted share to adjusted net income and adjusted EPS, please see the appendix of this presentation.

Gross profit is calculated as total revenue less advisory and commission expense; brokerage, clearing and exchange expense ("BC&E"); and market fluctuations on employee deferred compensation. All other expense categories, including depreciation and amortization of property and equipment and amortization of other intangibles, 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 gross profit to be a non-GAAP financial measure that may not be comparable to similar measures used by others in its industry. Management believes that gross profit 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 the appendix of this presentation.

Core G&A consists of total expense less the following expenses: advisory and commission; depreciation and amortization; interest expense on borrowings; BC&E; amortization of other intangibles; market fluctuations on employee deferred compensation; promotional (ongoing); employee share-based compensation; regulatory charges; and acquisition costs. Management presents core G&A because it believes core G&A reflects the corporate 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, 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 expense as calculated in accordance with GAAP. For a reconciliation of the Company's total expense to core G&A, please see the appendix of this presentation. The Company does not provide an outlook for its total expense because it contains expense components, such as advisory and commission, that are market-driven and over which the Company cannot exercise control. Accordingly, a reconciliation of the Company's outlook for total expense to an outlook for core G&A cannot be made available without unreasonable effort.

EBITDA is defined as net income plus interest expense on borrowings, provision for income taxes, depreciation and amortization, and amortization of other intangibles. Adjusted EBITDA is defined as EBTIDA, a non-GAAP measure, plus acquisition costs and a regulatory charge in the third quarter of 2023 related to an investigation of the Company's compliance with records preservation requirements for business-related electronic communications stored on personal devices or messaging platforms that have not been approved by the Company. The Company presents EBITDA and adjusted EBITDA because management believes that they can be useful financial metrics in understanding the Company's earnings from operations. EBITDA and adjusted EBITDA are not measures of the Company's financial performance under GAAP and should not be considered as alternatives to net income or any other performance measure derived in accordance with GAAP. For a reconciliation of net income to EBITDA and adjusted EBITDA, please see the appendix of this presentation.

Credit Agreement EBITDA is defined in, and calculated by management in accordance with, the Company's amended and restated credit agreement ("Credit Agreement") as "Consolidated EBITDA," which is consolidated net income (as defined in the Credit Agreement) plus interest expense on borrowings, provision for income taxes, depreciation and amortization, and amortization of other intangibles, and is further adjusted to exclude certain non-cash charges and other adjustments, and to include future expected cost savings, operating expense reductions or other synergies from certain transactions. The Company presents Credit Agreement EBITDA because management believes that it can be a useful financial metric in understanding the Company's debt capacity and covenant compliance under its Credit Agreement. Credit Agreement 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. For a reconciliation of net income to Credit Agreement EBITDA, please see the appendix of this presentation.

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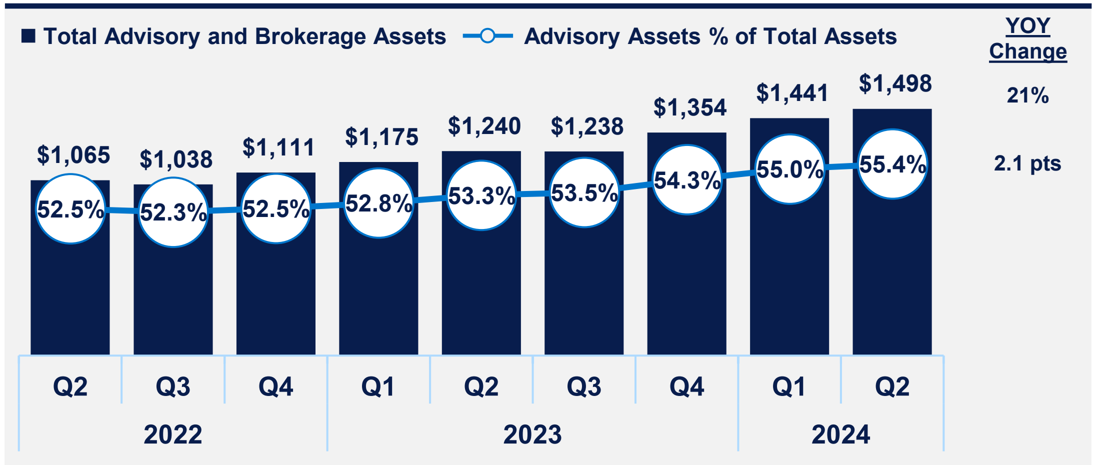
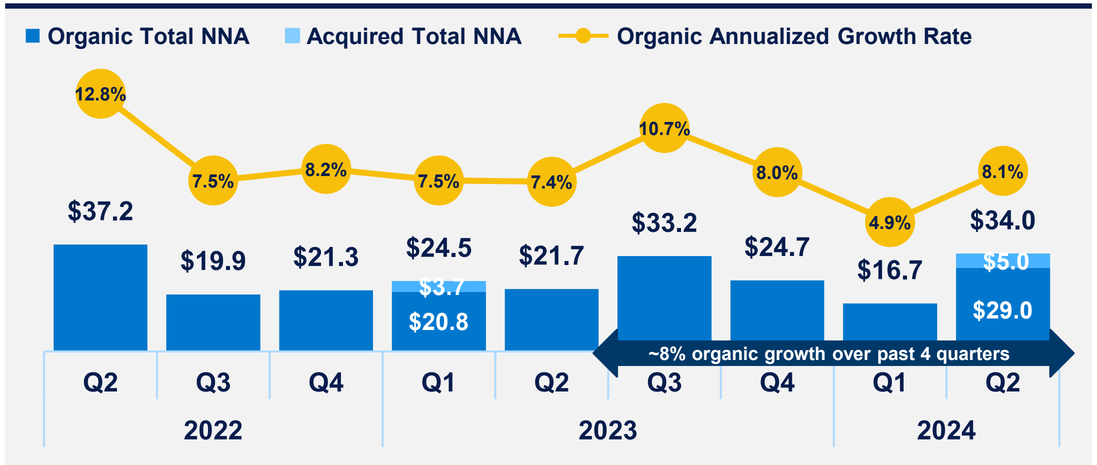
Operating Metrics

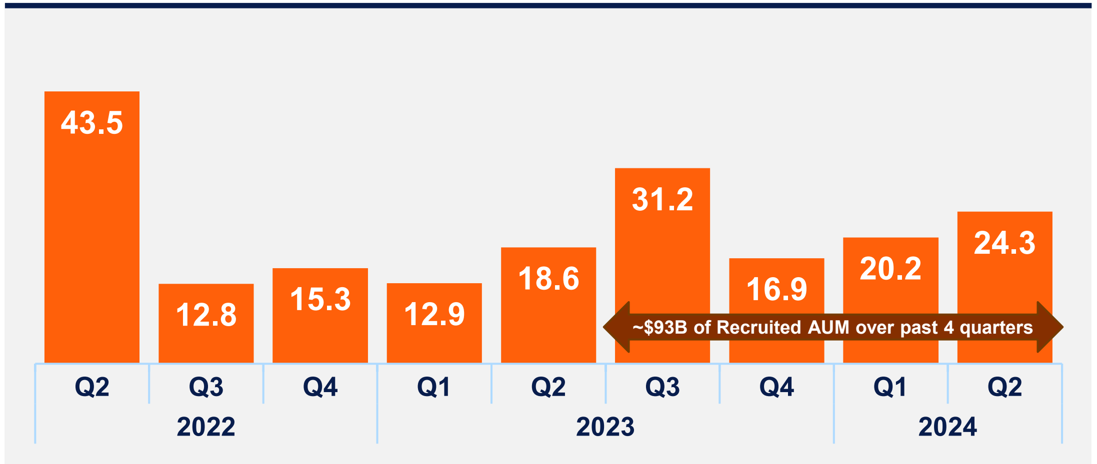
Total Advisory and Brokerage Assets ($B)



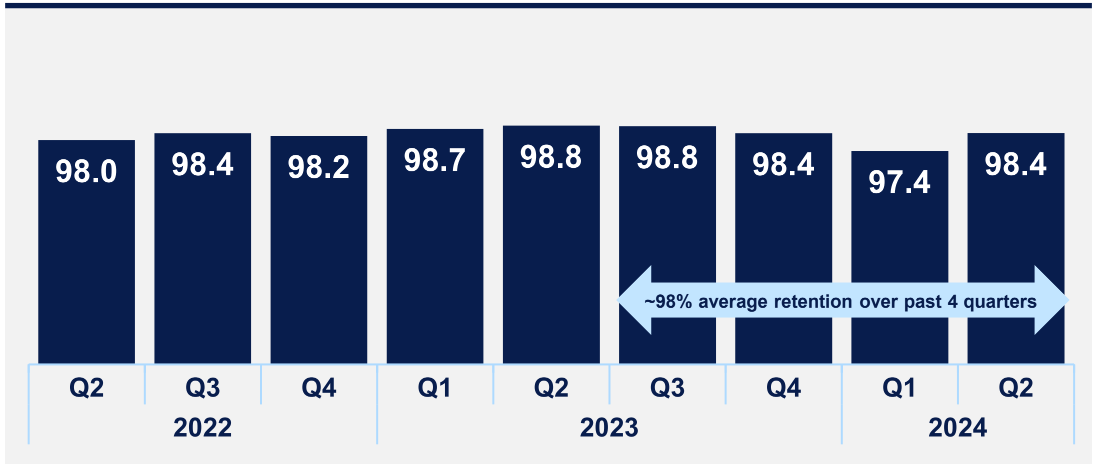
Total Net New Assets[1] ($B)



Recruited Assets[2][3] ($B)



AUM % Retention Rate[4] (Quarterly Annualized)

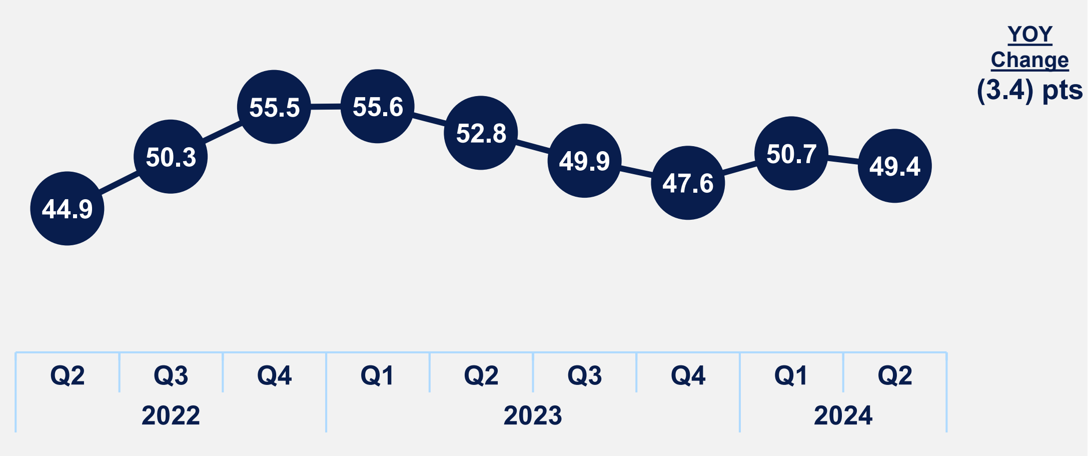


Financial Results

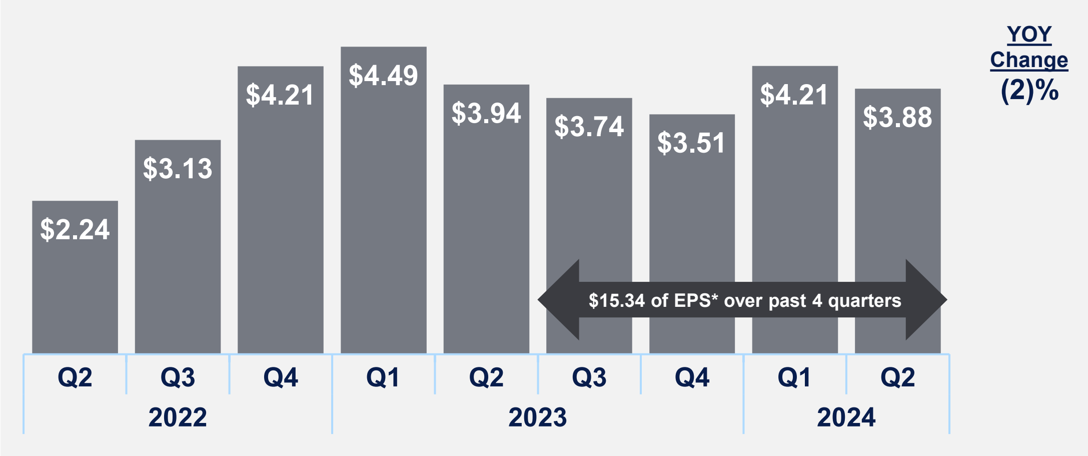
Gross Profit* ($M)

Adjusted EBITDA* ($M)

Adj. Operating Margin (Adj. EBITDA* as a % of Gross Profit*)

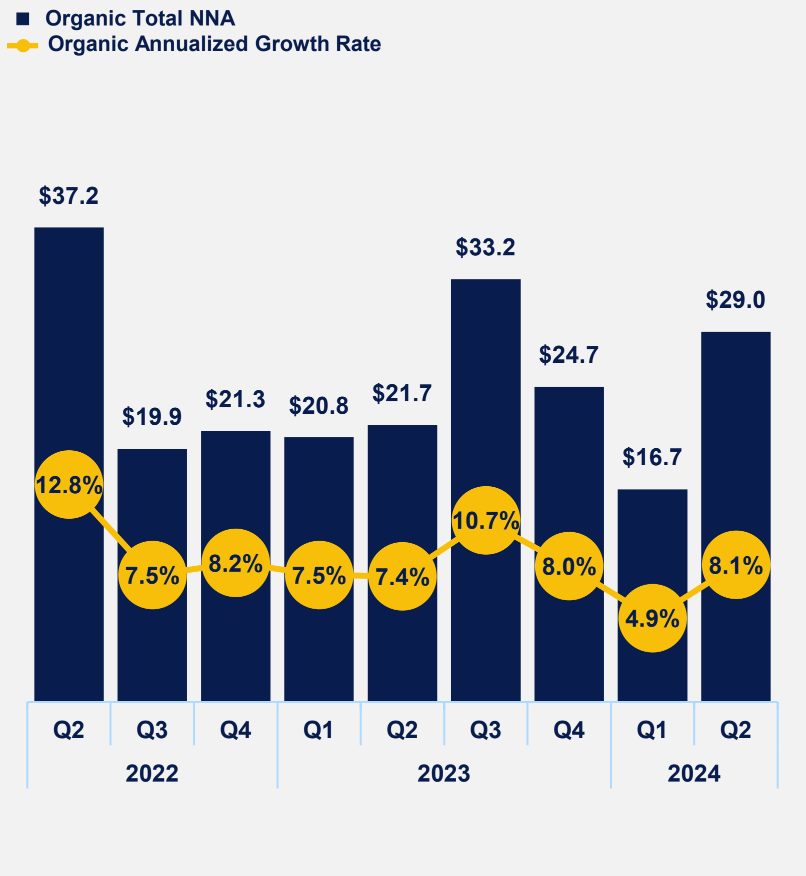


Adjusted EPS*

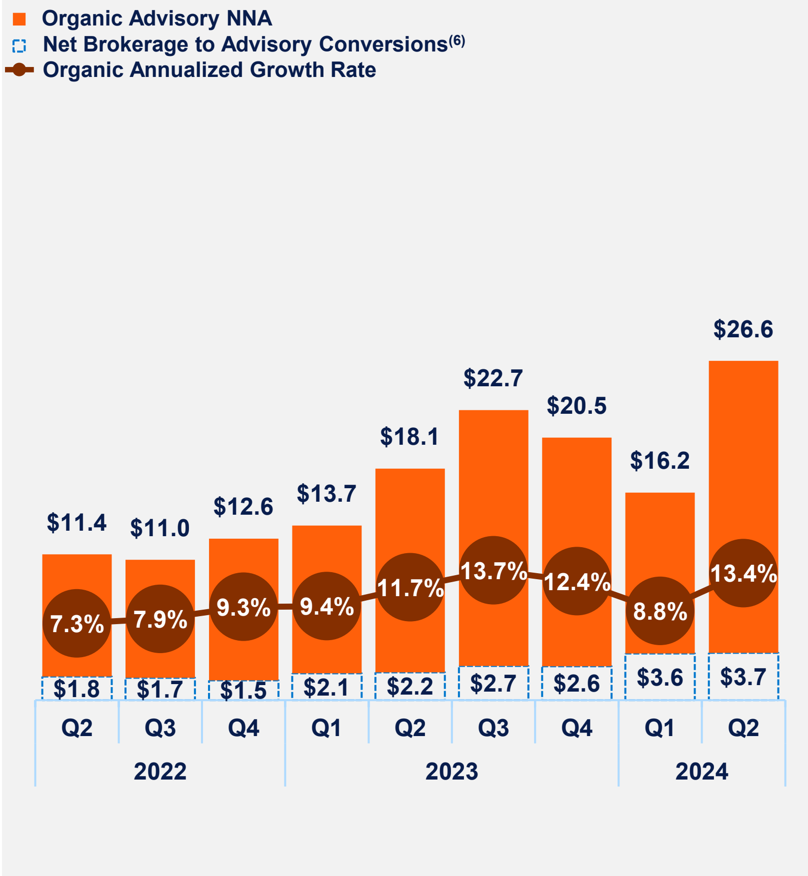


Net New Asset growth rate was ~8% in Q2 and ~8% over the past year

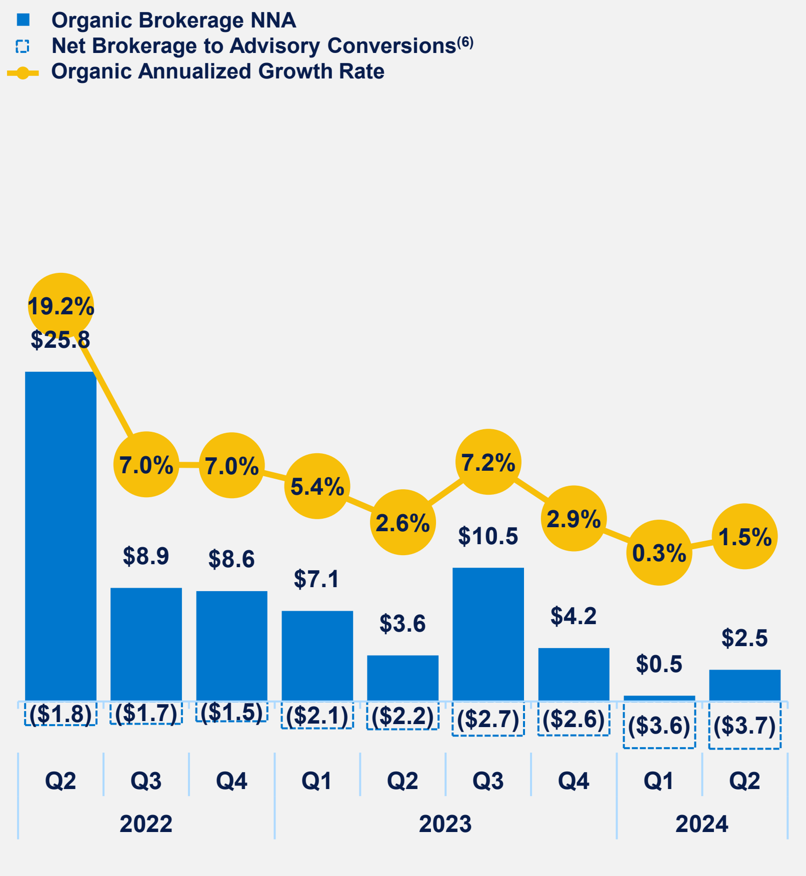
Total Organic Net New Assets[1] ($B)



Organic Net New Advisory Assets[1][5] ($B)

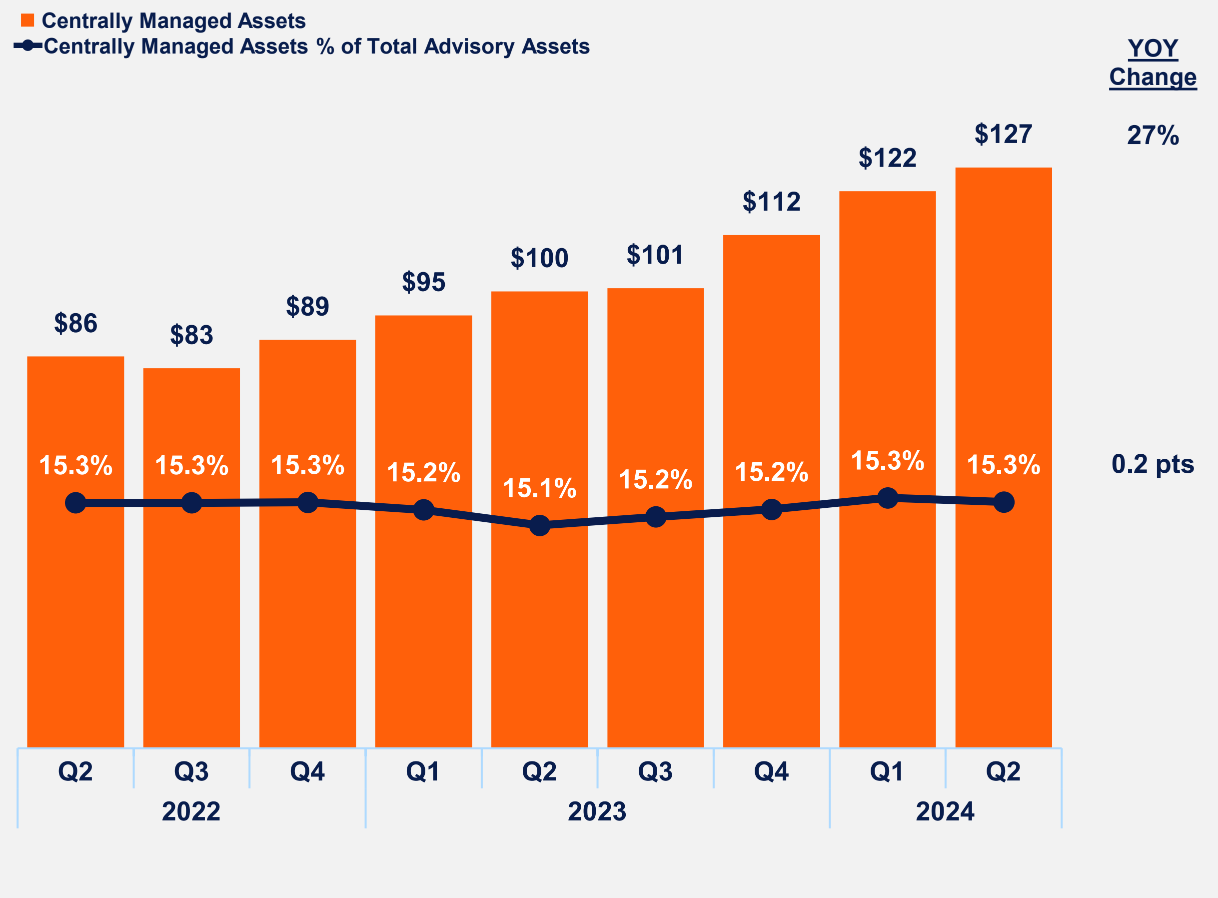


Organic Net New Brokerage Assets[1][5] ($B)

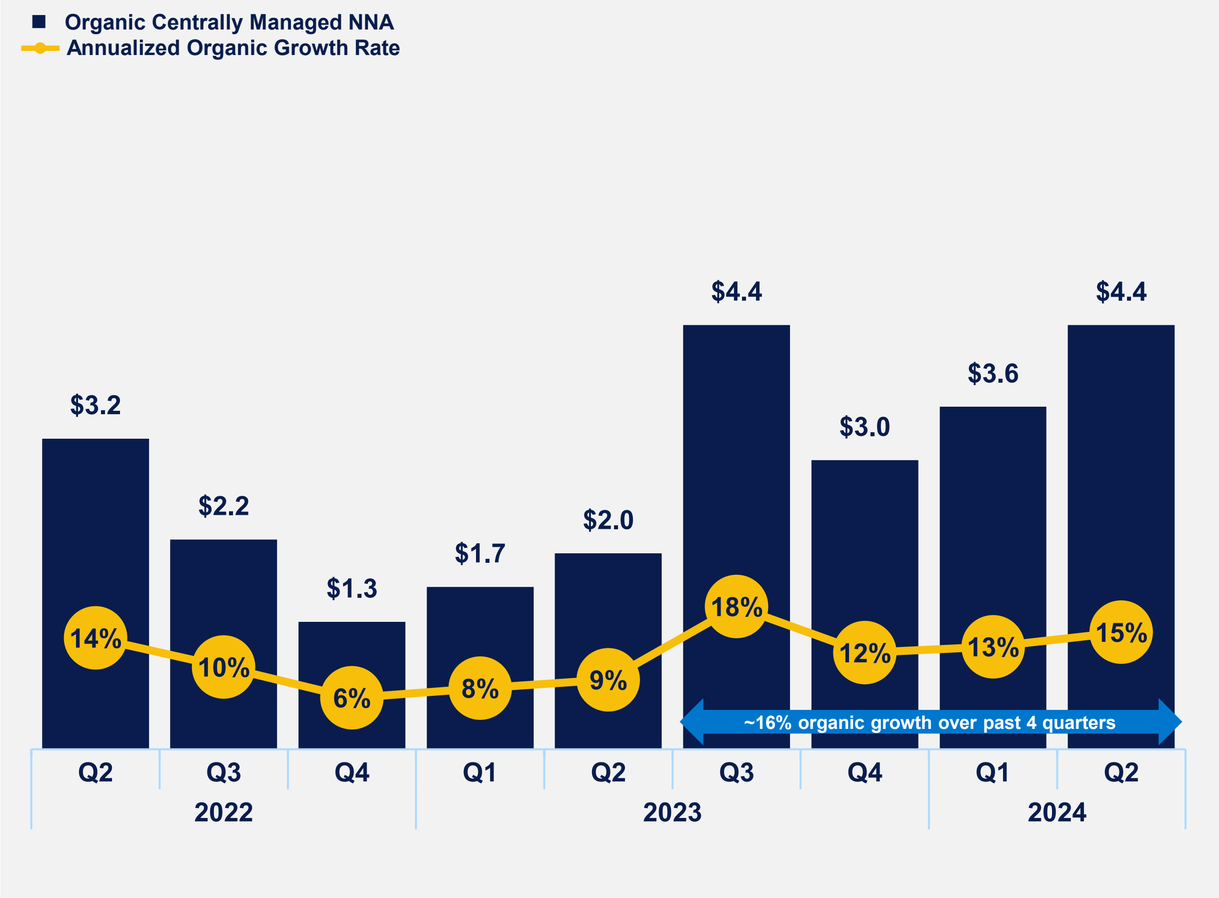


Centrally Managed Assets grew at a 16% organic growth rate over the past 4 quarters

Centrally Managed Assets(7) ($B)

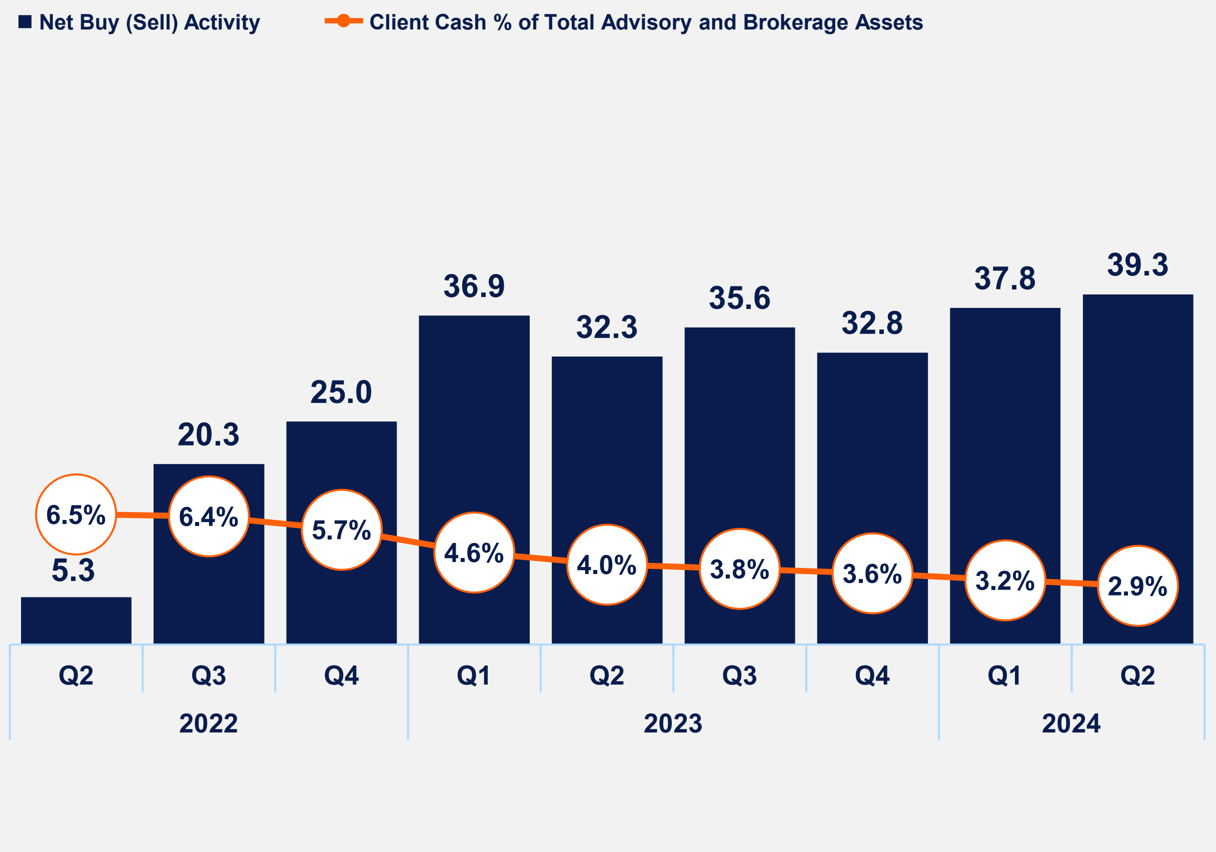


Centrally Managed Net New Assets(8) ($B)

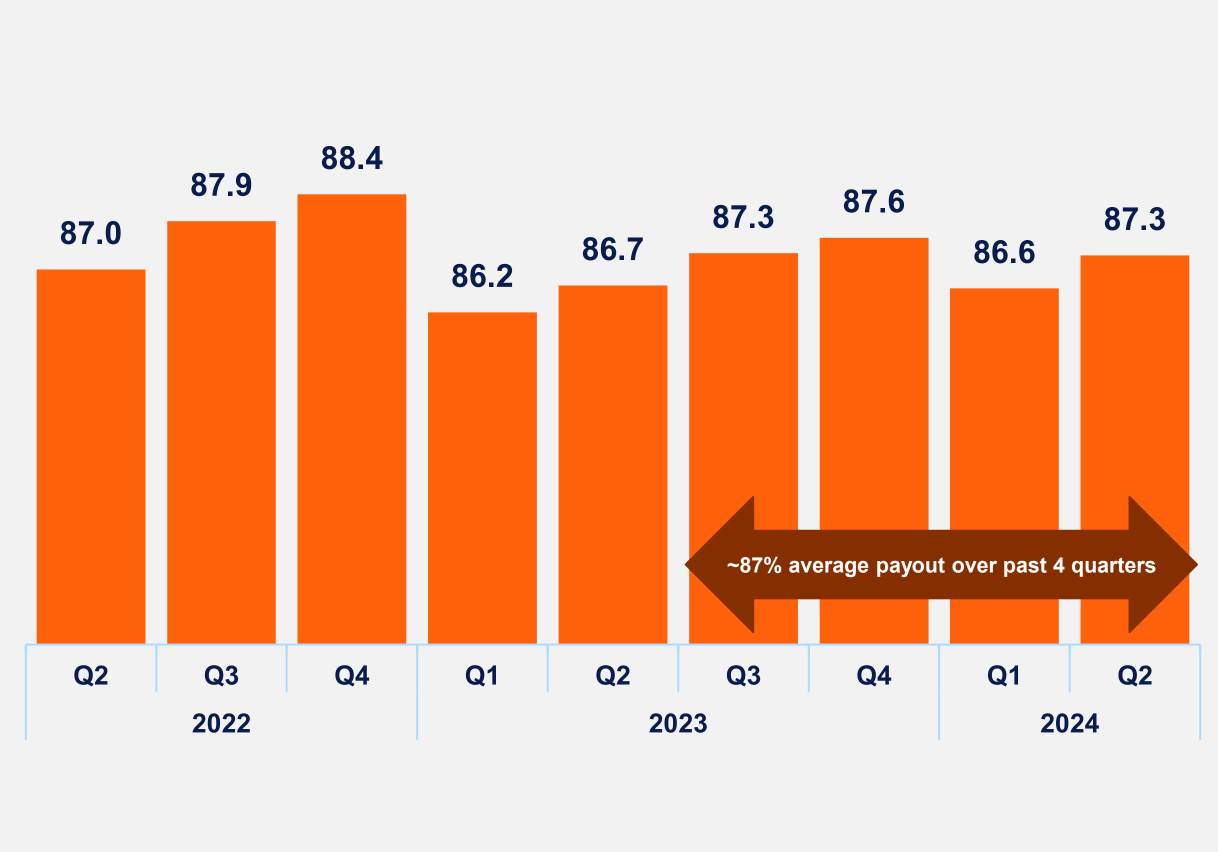


Net Buy (Sell) Activity was $39B in Q2; the Payout Rate was 87.3%

Net Buy (Sell) Activity[9] ($B)

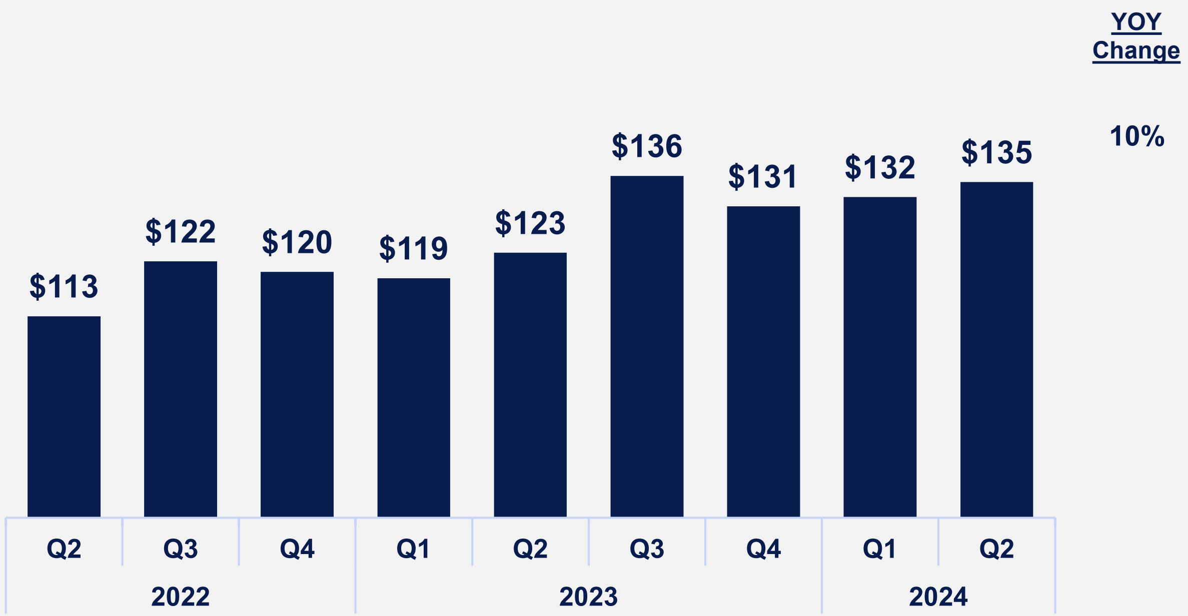


Payout Rate (%)



Service and Fee Revenue grew 10% year-over-year, as our advisor and account base continued to grow

Service and Fee Revenue ($M)



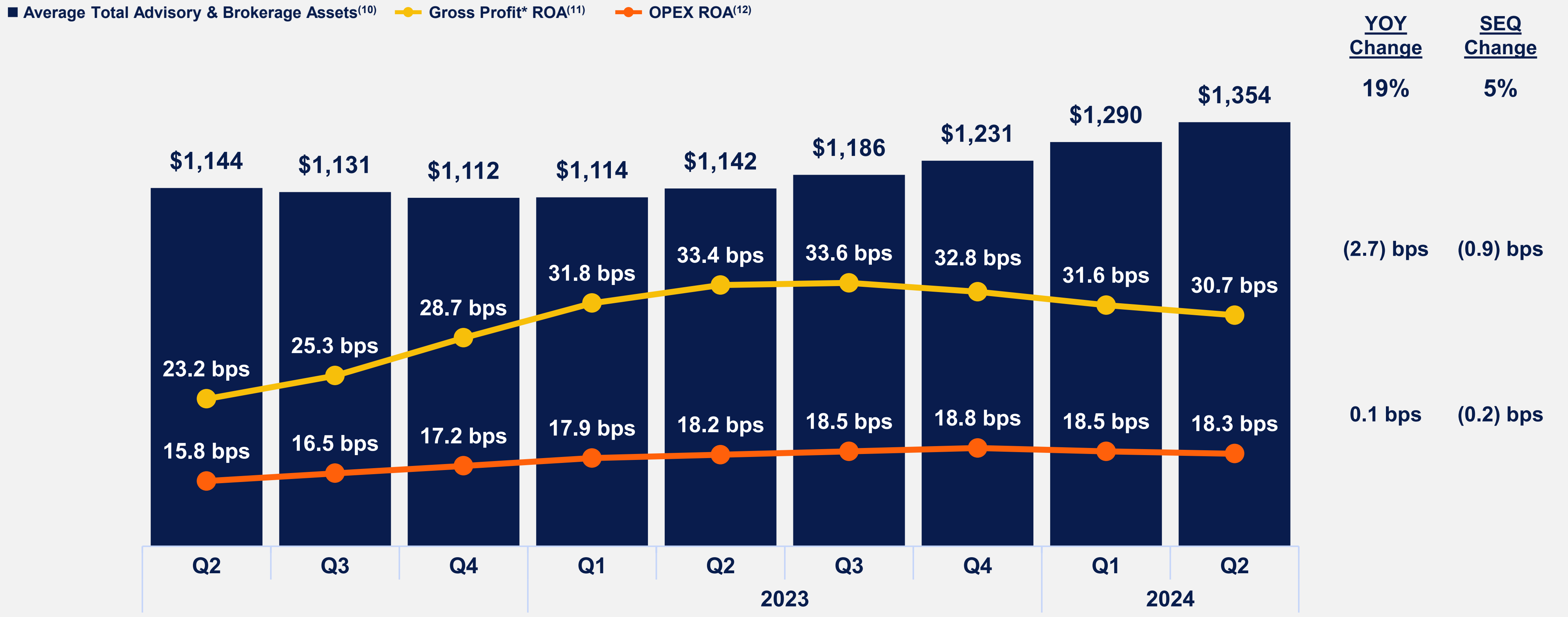
- Revenue from advisor and retail investor services, including: technology, insurance, conferences, licensing, Services Group solutions, and IRA-based fees
- Service and Fee revenue is a function of advisor and account growth and greater adoption of Services Group solutions

Transaction Revenue ($M)

- Transaction charges generated in both advisory and brokerage accounts from products including mutual funds, ETFs, and fixed income
- Transaction revenue is a function of trading activity, but is becoming less sensitive to equity market volatility over time as business moves towards No Transaction Fee platforms

EBIT ROA declined slightly

Average Total Advisory & Brokerage Assets ($B)

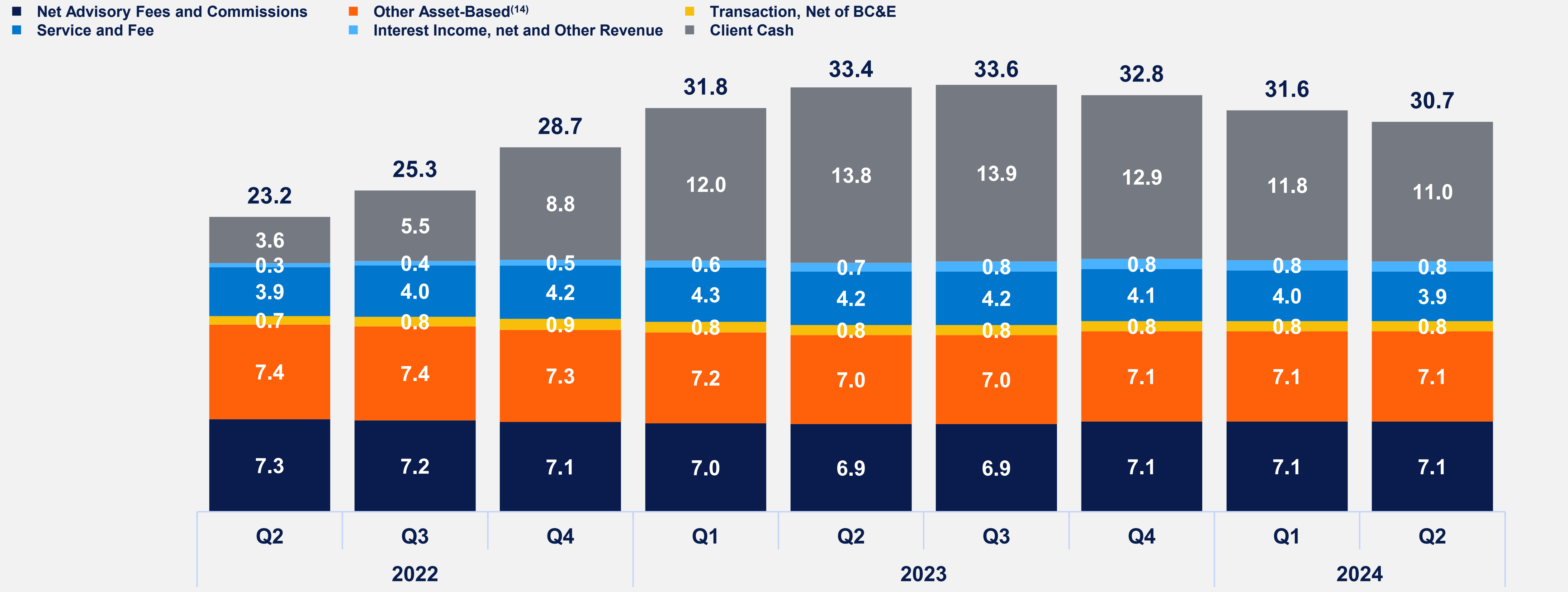


	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	YOY Change	SEQ Change
EBIT ROA(13):	7.4 bps	8.8 bps	11.5 bps	13.9 bps	15.2 bps	15.1 bps	14.0 bps	13.1 bps	12.4 bps	(2.8) bps	(0.7) bps

Note: All periods are based on the trailing twelve months. EBIT ROA excludes acquisition costs and regulatory charges that are excluded from Adjusted Net Income as outlined on slide 23.

Q2 Gross Profit* ROA decreased sequentially, driven by a decrease in client cash revenue

Gross Profit* ROA[11] (bps)

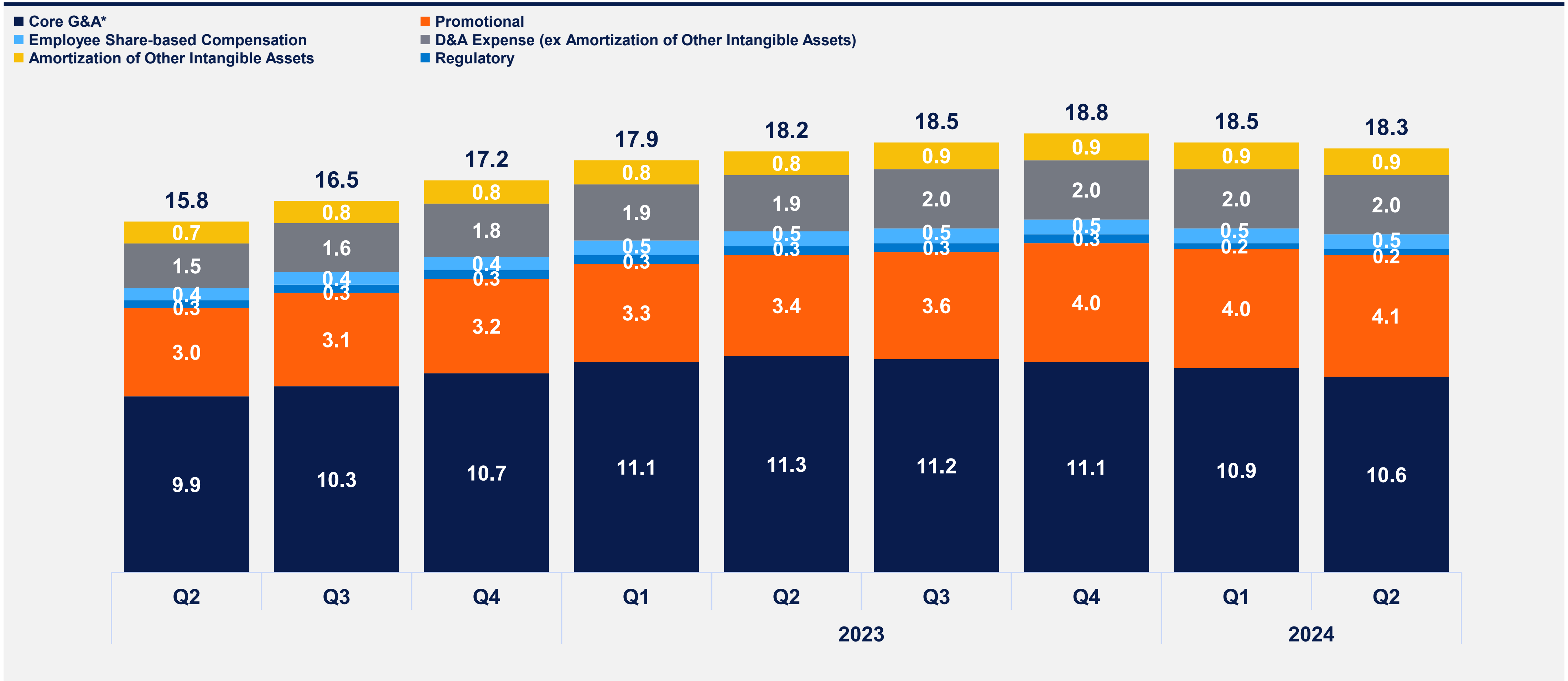


Gross Profit* ROA prior to client cash:	19.6	19.8	19.8	19.8	19.6	19.7	19.9	19.8	19.7

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

OPEX ROA decreased sequentially in Q2

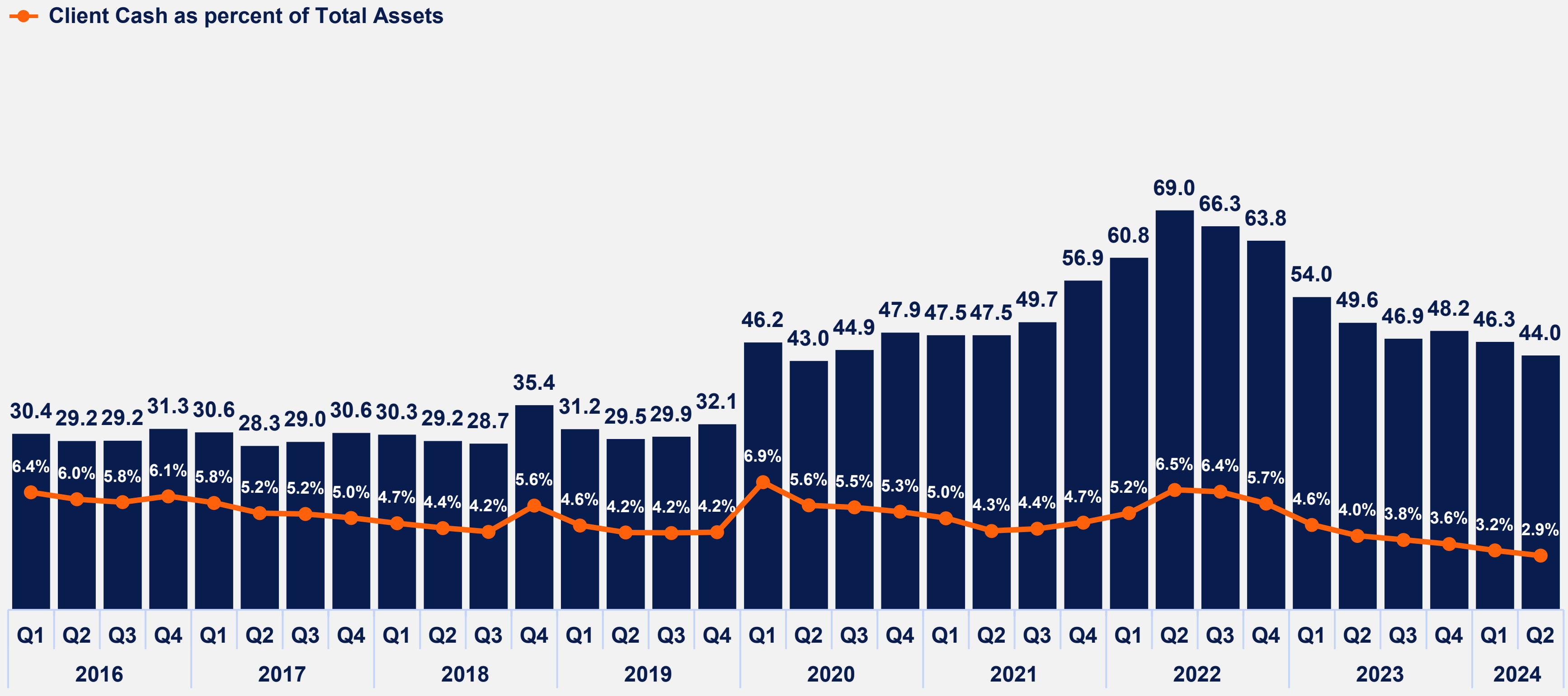
Total OPEX % of Assets(12) (bps)



Note: All periods are based on the trailing twelve months. OPEX ROA excludes regulatory charges that are excluded from Adjusted Net Income as outlined on slide 23.

Our client cash balances are largely operational and decreased to 2.9% of total assets in Q2

Client Cash Balances[15] ($B)



Fed Funds target (lower limit in bps)

25	25	25	50	75	100	100	125	150	175	200	225	225	225	175	150	0	0	0	0	0	0	0	0	25	150	300	425	475	500	525	525	525	525

We generate economics on client cash through a third-party bank network

- By establishing sweep relationships across our ICA and DCA programs, we can leverage the balance sheets of our third-party bank partners
- We do this through a combination of fixed and floating rate deposit agreements

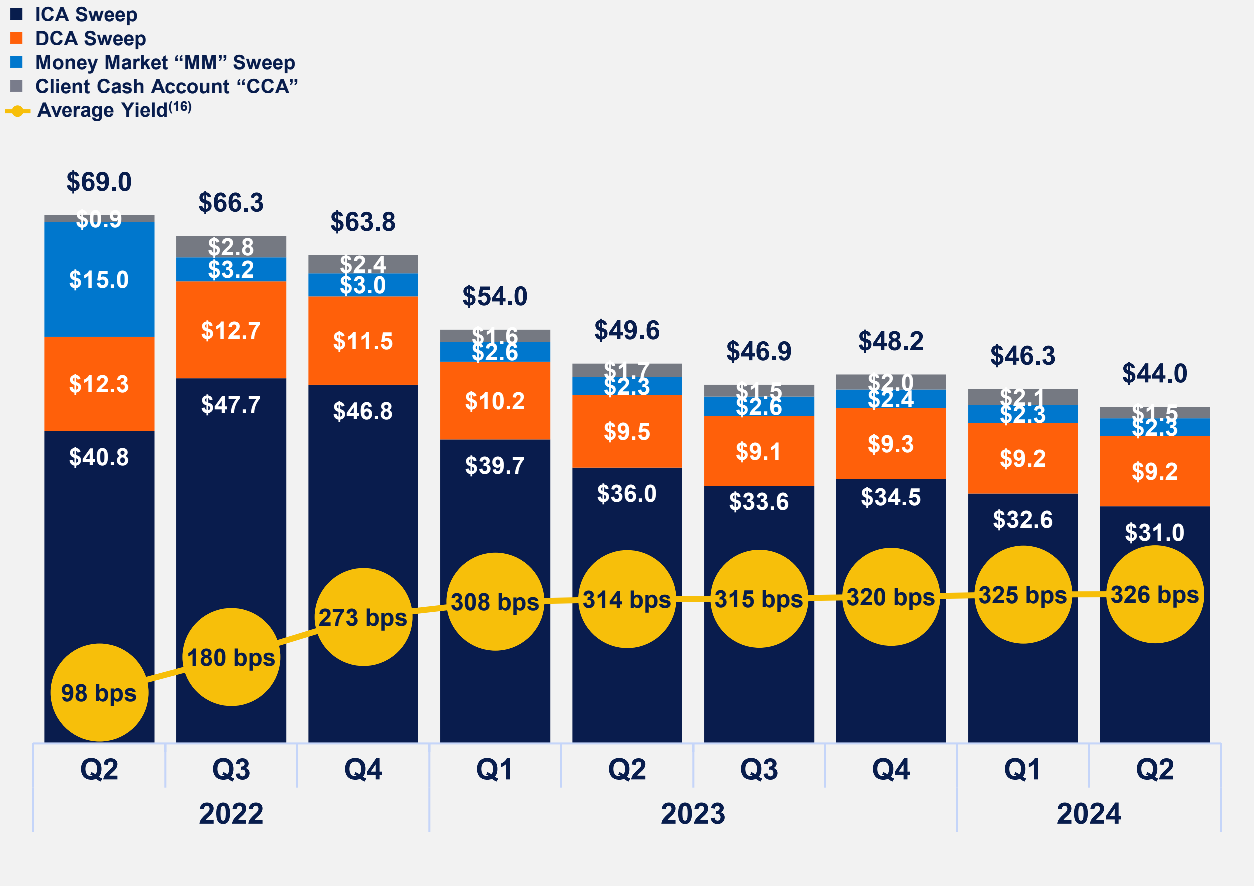
Client cash as a % of assets has averaged ~5%†

- Our client cash balances are largely operational
  - Typically small balances used for rebalancing, paying advisory fees, and customer withdrawals
  - This is reflected in the low client cash balances, which average ~5% or ~$7K per account
- We believe the primary factor that moves that % of client cash up or down is market sentiment rather than rate seeking behavior
  - When clients are fully deployed in the markets, the ratio has gone as low as ~3%
- In Q2 2024, cash was 2.9% of client assets
  - Cash balances declined in the quarter, driven by net buying of $39B

† Since the start of the last interest rate cycle in Q4'16

We generate compelling economics on client cash balances

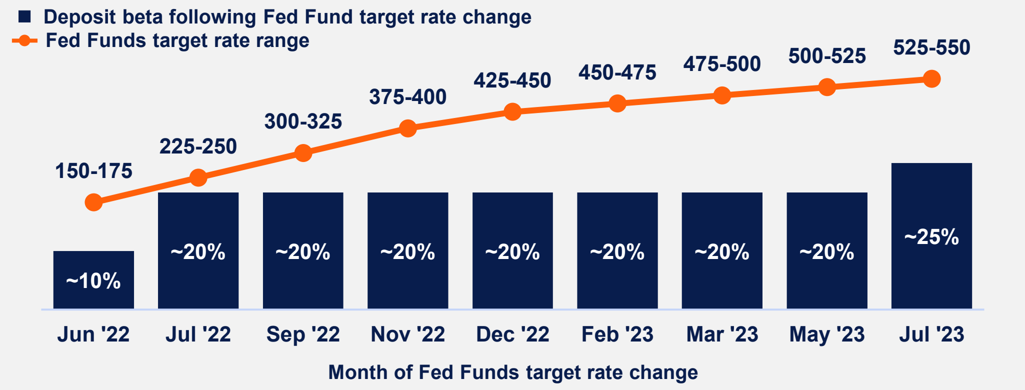
Client Cash Balances[15] (end of period, $B)



Interest Rate Impact

- Since Q1 2022, as the Fed started to increase interest rates, our deposit beta averaged ~15%
  - Deposit betas averaged ~2.5% over the first 4 hikes, and ~20% on subsequent hikes, including a peak of ~25% on the final hike
- Applying historical deposit betas to our current cash balances would yield:
  - ~$30M of Annual Gross Profit* per subsequent rate adjustment, at a ~25% deposit beta

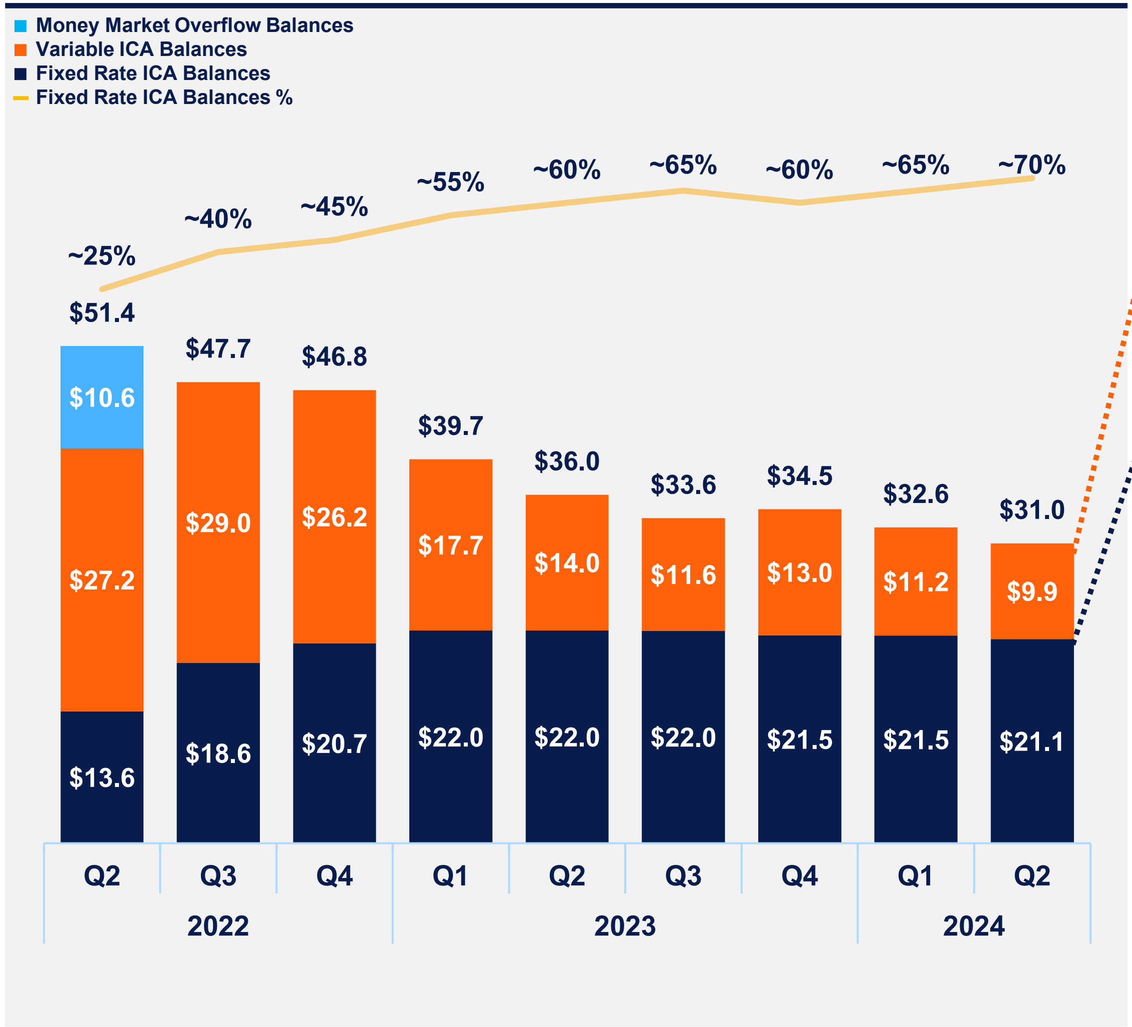
Deposit betas on recent Fed Funds rate changes



Note: Totals may not foot due to rounding

Fixed rate balances make up ~70% of the ICA portfolio, reducing our sensitivity to movement in short-term interest rates

ICA Balances, including Overflow (end of period, $B)



Variable balances are primarily indexed to Fed Funds

- Our variable ICA balances declined in Q2’24, driven by net buying of $39B
- Most variable balances are indexed to Fed Funds + a spread (~10 to ~15 bps)
- Currently, new variable contracts are averaging Fed Funds plus 20 to 30 bps

Fixed rate ICA balances are ~70% of the ICA portfolio

- Management target range for the ICA portfolio is 50-75% fixed rate contracts
- In Q2’24, there were $2.1B of fixed rate balances that matured. We renewed $1.7B into new fixed rate contacts at ~420 bps, an increase of ~220 bps over the prior rate

Maturing ICA Contracts ($B)
as of end of Q2 2024

† *Weighted average yield across ladder is ~350 bps*

Note: Yields shown on this page are prior to client deposit rates (~83 bps) and administrator fees (~4 bps). Money market sweep balances are not subject to these costs. Given improved bank deposit demand and the launch of CCA, we no longer have any money market overflow balances.

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

Long-term cost strategy

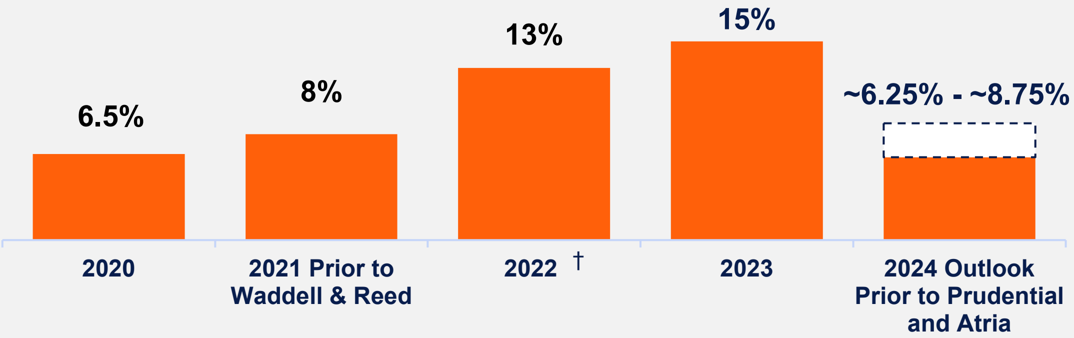
- Deliver operating leverage in core business
- Prioritize investments that drive additional growth
- Drive productivity and efficiency
- Adapt cost trajectory as environment evolves

2024 Core G&A* context

- Our 2024 Core G&A* outlook range is ~6.25% to ~8.75% year-over-year growth or $1,455M to $1,490M
  - This is prior to expenses associated with Prudential, which we expect to onboard towards the end of this year, and Atria, which we expect to close in the second half of 2024
  - We expect Core G&A related to Prudential to build late in 2024 and primarily be incurred in 2025
- If our strong levels of organic growth continue into the second half of the year, we would expect to be in the upper half of our 2024 outlook range

Recent expense trajectory, prior to acquisitions

Annual Core G&A* Growth



Core G&A* outlook

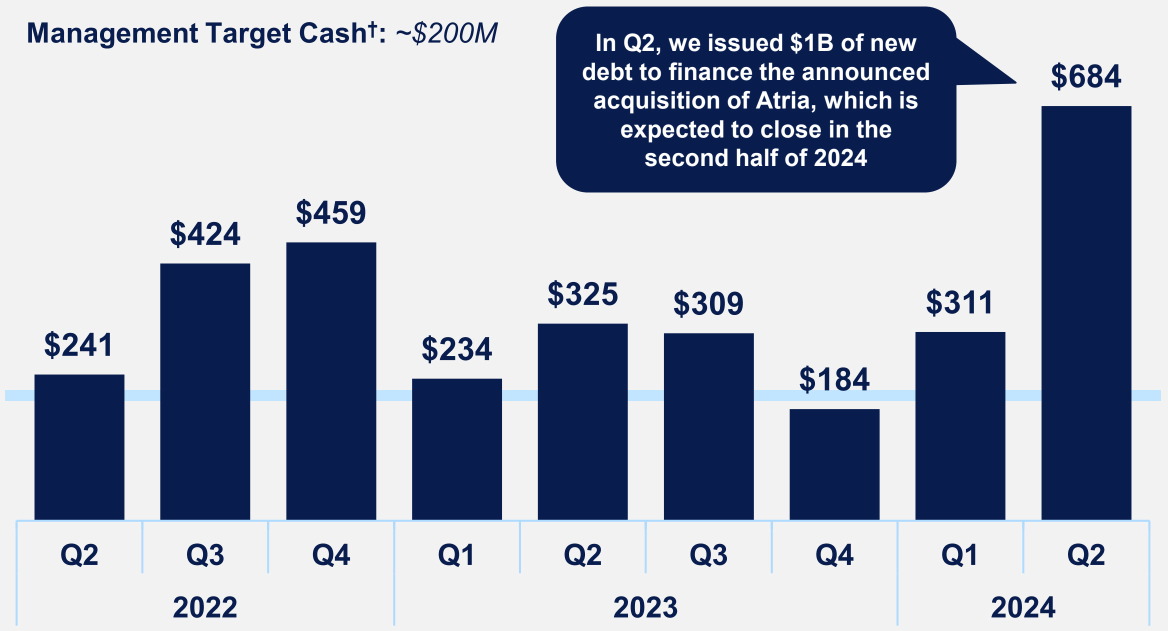
1H 2024	**$734M**
1H 2024 Annualized	**$1,468M**
2024 Outlook Prior to Prudential and Atria	**$1,455M to $1,490M**

† 2022 Core G&A* growth is based on the Company's total 2021 Core G&A*

Our balance sheet remains strong...

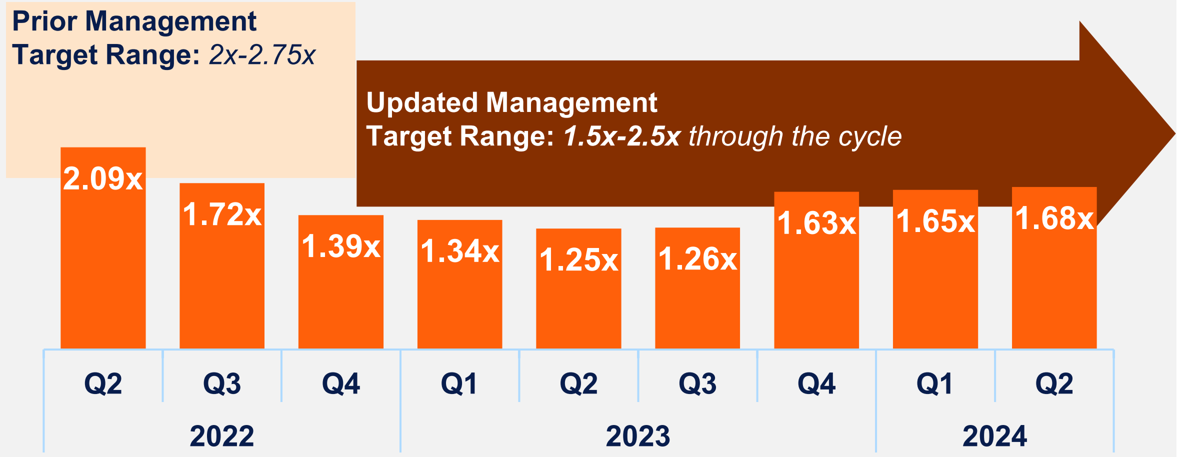
Corporate Cash(17) ($M)

- Our strategy is to maintain a strong balance sheet that can absorb market volatility while having the capacity to invest for growth



Leverage Ratio(18)

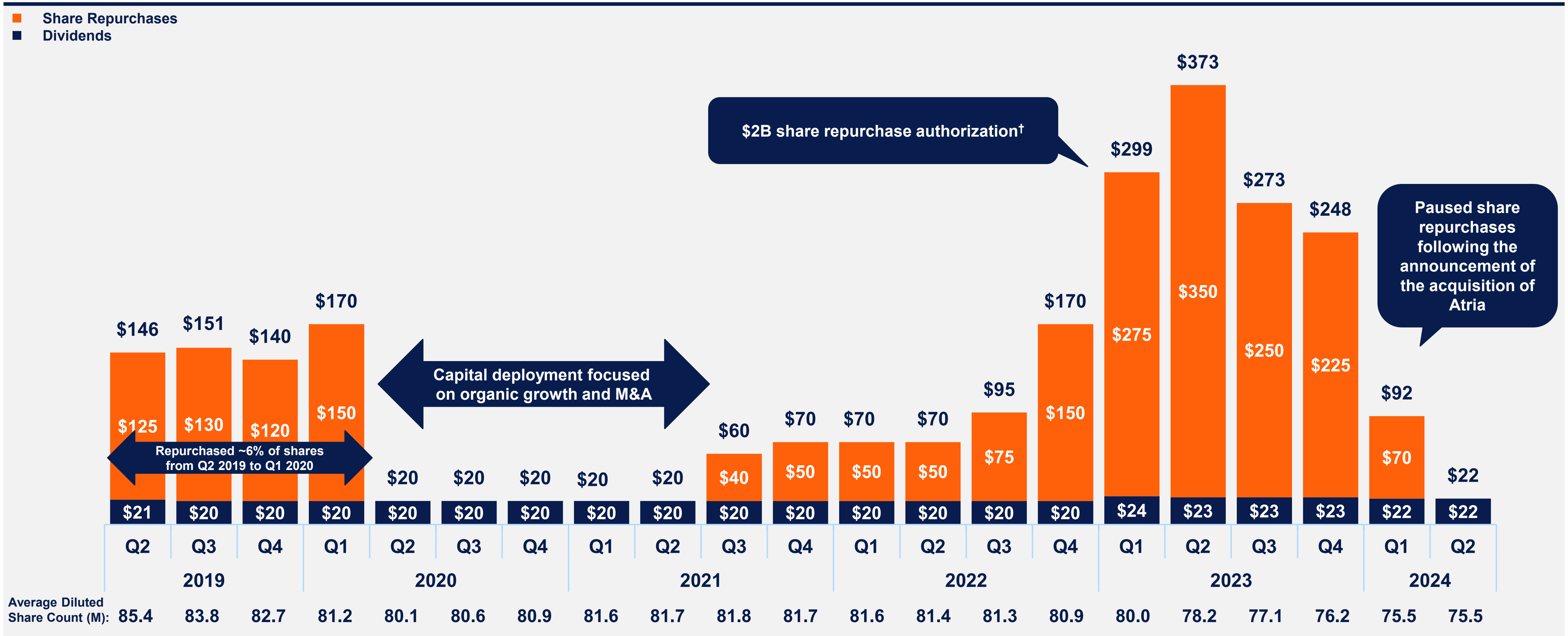
- A long-term target leverage range of 1.5x to 2.5x positions our balance sheet well over a range of cycles
- We are willing to operate temporarily above or below our target range if conditions warrant



† Management's corporate cash target reflects a level sufficient to meet our near-term corporate debt obligations

...And we have continued to return capital to shareholders

Share Repurchases and Dividends ($M)

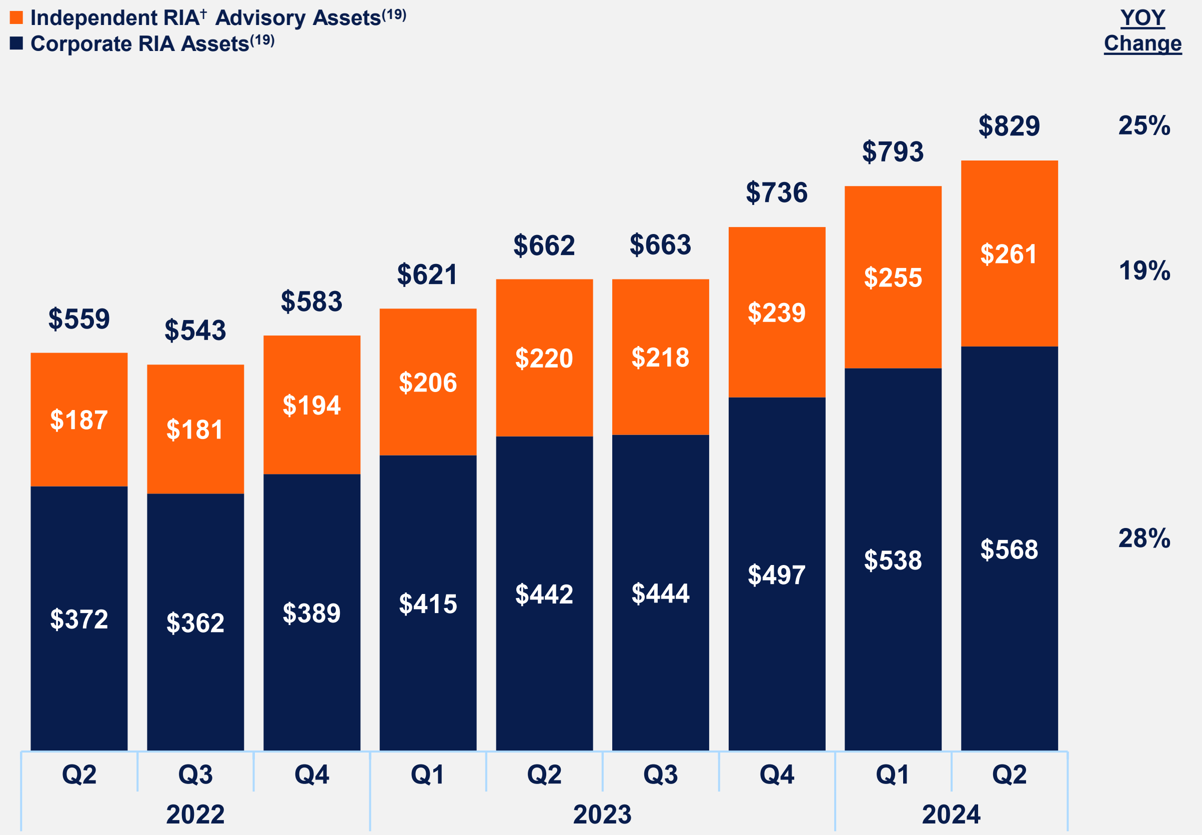


† Increased share repurchase authorization by $2B as of 09/21/2022, which we started to utilize in 2023

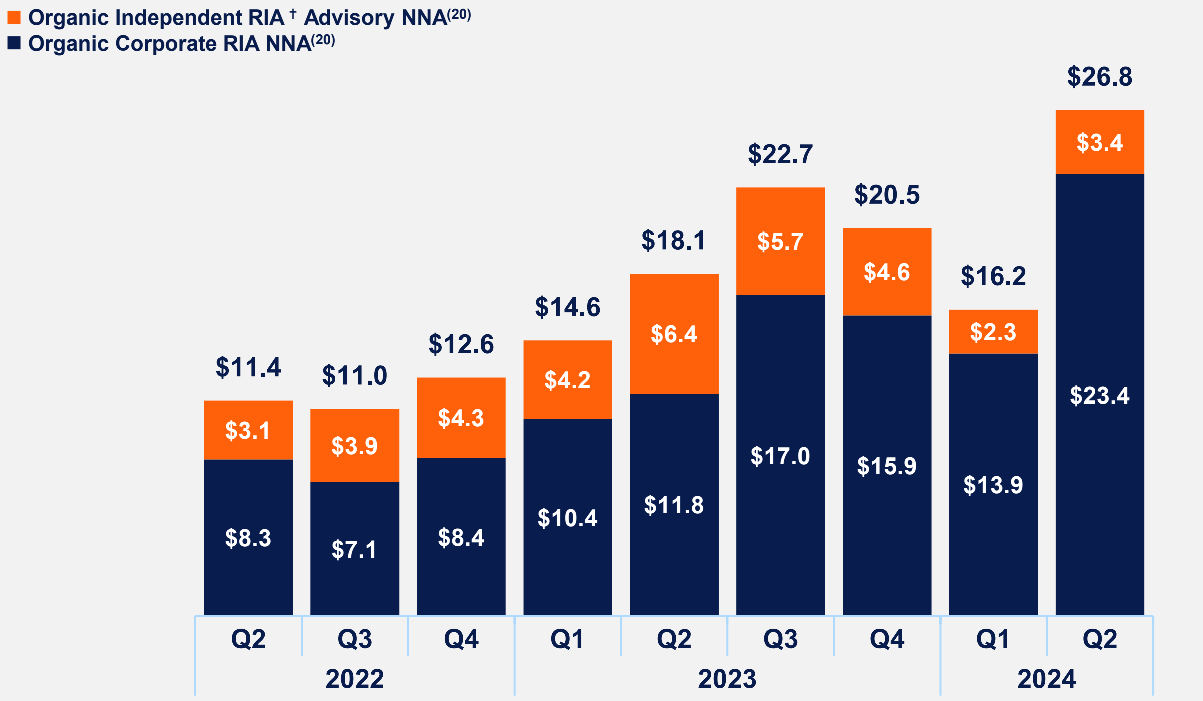
APPENDIX

Corporate and Independent RIA† Advisory assets

Corporate and Independent RIA† Advisory Asset Mix ($B)



Corporate and Independent RIA† Advisory NNA Mix ($B)



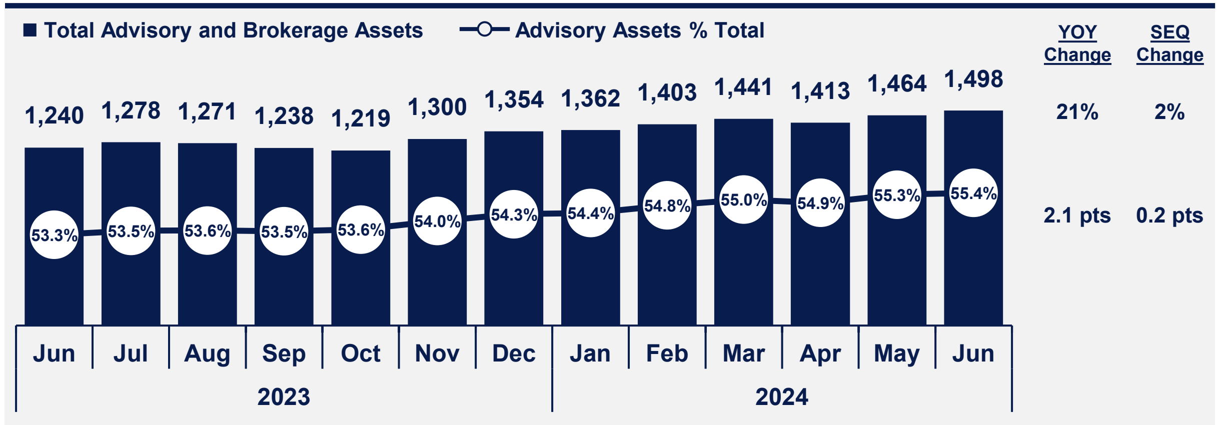
Annualized Organic NNA Growth:

Independent RIA† Advisory	6%	8%	9%	9%	12%	10%	8%	4%	5%
Corporate RIA	8%	8%	9%	11%	11%	15%	14%	11%	17%

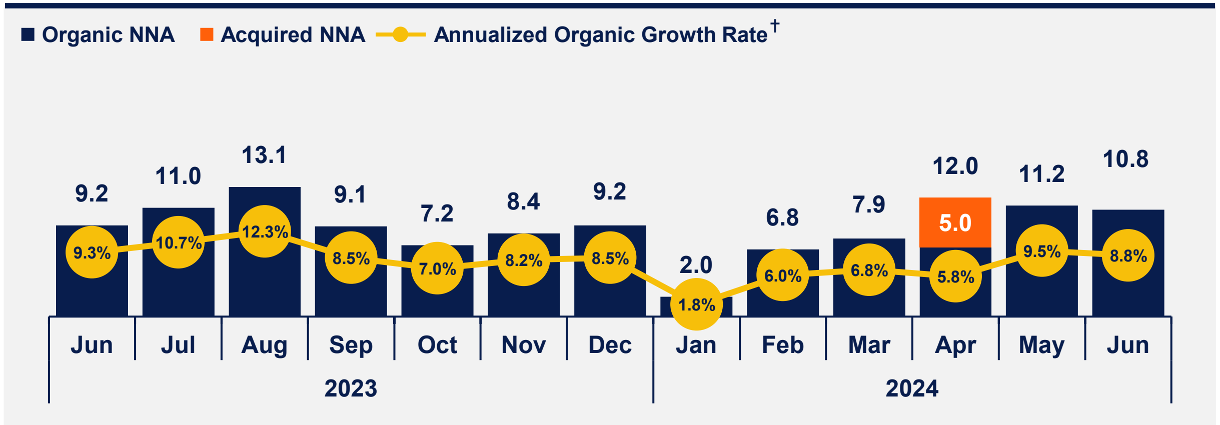
† Independent RIA assets consist of the advisory assets of Independent RIA advisors who have their own independent RIA license and also manage brokerage assets, as well as the advisory assets of fee-only Independent RIAs

Monthly Metrics Dashboard through June 2024

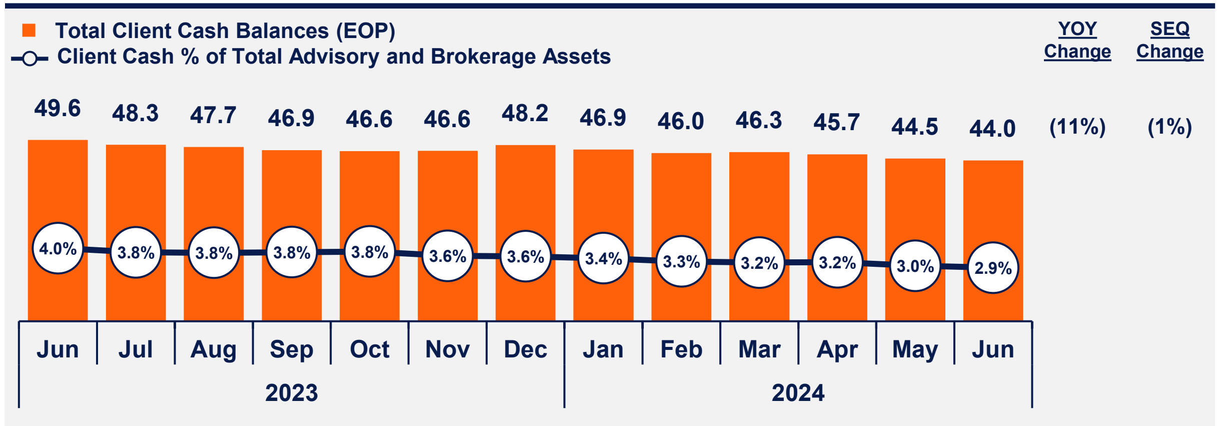
Total Advisory and Brokerage Assets ($B)



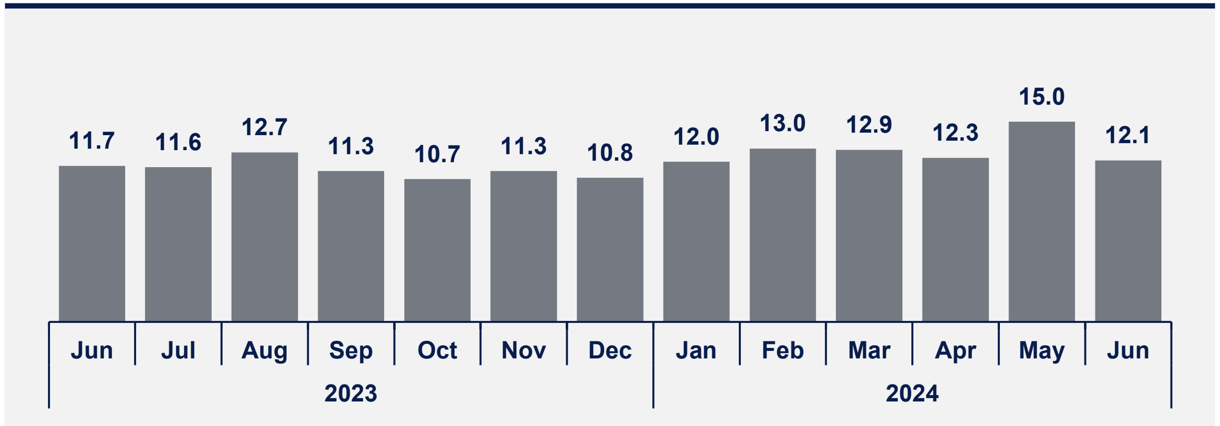
Total Net New Assets ($B)



Client Cash Balances ($B)



Net Buy (Sell) Activity ($B)



† Calculated as current period total organic net new assets multiplied by twelve, divided by preceding period total advisory and brokerage assets

Reconciliation

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.

Below is a calculation of gross profit* for the periods presented herein:

$ in millions	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022
Total revenue	**$2,932**	**$2,833**	**$2,644**	**$2,522**	**$2,469**	**$2,418**	**$2,333**	**$2,163**	**$2,039**
Advisory and commission expense	1,819	1,733	1,608	1,488	1,449	1,371	1,342	1,305	1,304
Brokerage, clearing and exchange expense	33	31	26	25	29	26	19	21	23
Employee deferred compensation[21]	1	2	3	(1)	1	1	-	-	-
Gross Profit	**$1,079**	**$1,066**	**$1,007**	**$1,010**	**$990**	**$1,020**	**$972**	**$838**	**$711**

Net Income to EBITDA*, Adjusted EBITDA*, and Credit Agreement EBITDA*

EBITDA*, Adjusted EBITDA*, and Credit Agreement EBITDA* are non-GAAP financial measures. Please see a description of EBITDA*, Adjusted EBITDA*, and Credit Agreement 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*, Adjusted EBITDA*, and Credit Agreement EBITDA* for the periods presented herein:

$ in millions	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022
Net income	**$244**	**$289**	**$218**	**$224**	**$286**	**$339**	**$319**	**$232**	**$161**
Interest expense on borrowings	64	60	54	48	45	39	37	33	29
Provision for income taxes	86	85	76	93	103	106	100	74	52
Depreciation and amortization	71	67	68	65	58	56	54	52	48
Amortization of other intangibles	31	30	29	28	27	24	23	23	21
EBITDA	**$496**	**$531**	**$445**	**$458**	**$519**	**$564**	**$533**	**$414**	**$311**
Acquisition costs[22]	37	10	35	6	4	3	6	7	9
Off-channel investigation[23]	-	-	-	40	-	-	-	-	-
Adjusted EBITDA	**$533**	**$541**	**$480**	**$504**	**$523**	**$567**	**$540**	**$422**	**$320**

	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022
EBITDA (trailing twelve months)	**$1,930**	**$1,953**	**$1,986**	**$2,074**	**$2,030**	**$1,822**	**$1,525**	**$1,217**	**$1,028**
Credit Agreement adjustments	330	208	209	1,175	133	142	114	127	167
Credit Agreement EBITDA	**$2,260**	**$2,160**	**$2,195**	**$2,249**	**$2,163**	**$1,964**	**$1,639**	**$1,345**	**$1,195**
Total debt	4,472	3,876	3,757	3,142	3,020	2,870	2,738	2,741	2,743
Total corporate cash	684	311	184	309	325	234	459	424	241
Credit Agreement Net Debt	**$3,788**	**$3,564**	**$3,574**	**$2,833**	**$2,694**	**$2,636**	**$2,279**	**$2,316**	**$2,502**
Leverage Ratio	**1.68x**	**1.65x**	**1.63x**	**1.26x**	**1.25x**	**1.34x**	**1.39x**	**1.72x**	**2.09x**

Note: Totals may not foot due to rounding

Reconciliation

Adjusted EPS* and Adjusted Net Income*

Adjusted EPS* and adjusted net income* are non-GAAP financial measures. Please see a description of adjusted EPS* and adjusted net income* under “Non-GAAP Financial Measures” on page 3 of this presentation for additional information.

Below are the reconciliations of net income and earnings per diluted share to adjusted net income* and adjusted EPS* for the periods presented herein:

	Q2 2024		Q1 2024		Q4 2023		Q3 2023		Q2 2023		Q1 2023		Q4 2022		Q3 2022		Q2 2022	
in millions, except per share data	Amount	Per Share	Amount	Per Share	Amount	Per Share	Amount	Per Share	Amount	Per Share	Amount	Per Share	Amount	Per Share	Amount	Per Share	Amount	Per Share
Net income / earnings per diluted share	**$244**	**$3.23**	**$289**	**$3.83**	**$218**	**$2.85**	**$224**	**$2.91**	**$286**	**$3.65**	**$339**	**$4.24**	**$319**	**$3.95**	**$232**	**$2.86**	**$161**	**$1.97**
Amortization of other intangibles	31	0.41	30	0.39	29	0.38	28	0.36	27	0.34	24	0.30	23	0.28	23	0.28	21	0.26
Acquisition costs[22]	37	0.49	10	0.13	35	0.46	6	0.08	4	0.05	3	0.04	6	0.08	7	0.09	9	0.11
Off-channel investigation[23]	-	-	-	-	-	-	40	0.52	-	-	-	-	-	-	-	-	-	-
Tax benefit	(18)	(0.24)	(10)	(0.14)	(14)	(0.18)	(9)	(0.12)	(8)	(0.10)	(7)	(0.09)	(8)	(0.10)	(8)	(0.10)	(8)	(0.10)
Adjusted net income / adjusted EPS	**$293**	**$3.88**	**$318**	**$4.21**	**$267**	**$3.51**	**$289**	**$3.74**	**$308**	**$3.94**	**$359**	**$4.49**	**$340**	**$4.21**	**$255**	**$3.13**	**$183**	**$2.24**
Average diluted share count	75.5		75.5		76.2		77.1		78.2		80.0		80.9		81.3		81.4	

Core G&A* to Total Expense

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 is a reconciliation of total expense to Core G&A* for the periods presented herein:

$ in millions	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022
Total expense	**$2,602**	**$2,458**	**$2,350**	**$2,205**	**$2,080**	**$1,973**	**$1,914**	**$1,856**	**$1,827**
Advisory and commission	1,819	1,733	1,608	1,488	1,449	1,371	1,342	1,305	1,304
Depreciation and amortization	71	67	68	65	58	56	54	52	48
Interest expense on borrowings	64	60	54	48	45	39	37	33	29
Brokerage, clearing and exchange	33	31	26	25	29	26	19	21	23
Amortization of other intangibles	31	30	29	28	27	24	23	23	21
Employee deferred compensation[21]	1	2	3	(1)	1	1	0	0	0
Total G&A	**$583**	**$535**	**$562**	**$552**	**$471**	**$456**	**$439**	**$423**	**$400**
Promotional (ongoing)[22]	148	132	138	140	107	101	84	99	84
Employee share-based compensation	20	23	16	16	17	18	12	11	14
Acquisition costs[22]	37	10	35	6	4	3	6	7	9
Regulatory charges	8	7	9	48	7	8	9	8	8
Core G&A	**$371**	**$364**	**$364**	**$342**	**$337**	**$326**	**$327**	**$298**	**$286**

Note: Totals may not foot due to rounding

Endnotes

(1) Organic Net New Assets include assets from Large Institutions. Below are Net New Assets from Large Institutions for the periods presented:

$ in billions	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022
Net new organic advisory assets	-	-	-	$2.3	-	-	-	$0.2	$1.3
Net new organic brokerage assets	-	-	0.3	8.5	-	-	0.6	5.1	24.0
Total Organic Net New Assets from Large Institutions	**-**	**-**	**$0.3**	**$10.8**	**-**	**-**	**$0.6**	**$5.3**	**$25.3**

(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 and the actual amount transitioned may vary from the estimate.

(3) Recruited assets include assets from Large Institutions. Below are recruited assets from Large Institutions for the periods presented:

$ in billions	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022
Recruited assets from Large Institutions	-	-	-	$12.3	-	-	-	$5.0	$32.0

(4) 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.

(5) Consists of total client deposits into advisory or brokerage accounts less total client withdrawals from advisory or brokerage accounts, plus dividends, plus interest, minus advisory fees. The Company considers conversions from and to brokerage or advisory accounts as deposits and withdrawals, respectively. Annualized growth is calculated as the current period organic net new advisory or brokerage assets divided by preceding period total advisory or 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 advisory assets in LPL Financial's Model Wealth Portfolios, Optimum Market Portfolios, Personal Wealth Portfolios and Guided Wealth Portfolios platforms.

(8) Consists of total client deposits into centrally managed assets (see EN 7) 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.

(9) Represents the amount of securities purchased less the amount of securities sold in client accounts custodied with LPL Financial.

(10) Represents the average month-end total advisory and brokerage assets for the period.

(11) Represents total trailing twelve-month Gross Profit* for the period, divided by average month-end total advisory and brokerage assets for the period (see EN 10).

(12) 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 EN 10). 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 other intangibles.

(13) EBIT ROA is calculated as Gross Profit ROA (see EN 11) less OPEX ROA (see EN 12).

(14) 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 consolidated statements of income.

(15) During the second quarter of 2022, the Company updated its definition of client cash balances to include client cash accounts and exclude purchased money market funds. Client cash accounts include cash that clients have deposited with LPL Financial that is included in client payables in the consolidated balance sheets. During the first quarter of 2024, the company updated its definition of the client cash account balances to exclude other client payables. Prior period disclosures have been updated to reflect this change as applicable.

(16) Calculated by dividing revenue for the period by the average balance during the quarter.

Note: Totals may not foot due to rounding

Endnotes

(17) Corporate cash, a component of cash and equivalents, is the sum of cash and equivalents from the following: (1) cash and equivalents held at LPL Holdings, Inc., (2) cash and equivalents held at regulated subsidiaries as defined by the Company's Credit Agreement, which include LPL Financial and The Private Trust Company, N.A., in excess of the capital requirements of the Company's Credit Agreement (which, in the case of LPL Financial is net capital in excess of 10% of its aggregate debits, or five times the net capital required in accordance with Exchange Act Rule 15c3-1) and (3) cash and equivalents held at non-regulated subsidiaries. Cash and equivalents held at regulated subsidiaries as of March 31, 2023, June 30, 2023 and September 30, 2023 included that of Financial Resources Group Investment Services, LLC; however, the broker-dealer registration for this entity was terminated during the fourth quarter of 2023. As a result, it is reflected in cash and equivalents held at non-regulated subsidiaries at December 31, 2023.

(18) The Company calculates its leverage ratio as total debt less total corporate cash, divided by Credit Agreement EBITDA for the trailing twelve months.

(19) Assets on the Company's corporate RIA platform are serviced by investment advisor representatives of LPL Financial or Allen & Company. Assets on the Company's independent RIA advisory platform are serviced by investment advisor representatives of separate registered investment advisor firms rather than representatives of LPL Financial.

(20) Consists of total client deposits into advisory accounts on LPL Financial's independent RIA advisory platform or corporate RIA platform less total client withdrawals from advisory accounts on its independent RIA advisory platform or its corporate RIA platform. Annualized growth is calculated as the current period net new independent RIA Advisory Assets or corporate RIA assets divided by preceding period total independent RIA Advisory Assets or corporate RIA assets, multiplied by four.

(21) During the first quarter of 2023, the Company updated its presentation of employee deferred compensation to be consistent with its presentation of advisor deferred compensation. As a result, gains or losses related to market fluctuations on advisor and employee deferred compensation plans are presented in the same line item as the related increase or decrease in compensation expense for purposes of Management's Statements of Operations. This change has not been applied retroactively as the impact on prior periods was not material.

(22) Acquisition costs include the costs to setup, onboard and integrate acquired entities and other costs that were incurred as a result of the acquisitions. The below table summarizes the primary components of acquisition costs for the periods presented:

$ in millions	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022
Compensation and benefits	$6.8	$3.9	$2.8	$1.3	$1.0	$0.9	$3.5	$4.7	$6.7
Professional services	3.6	3.2	3.7	2.2	2.6	1.6	2.4	2.1	1.9
Promotional	0.5	2.3	0.9	2.3	0.3	0.2	0.1	0.3	0.0
Fair value mark on contingent consideration(24)	24.6	-	26.7	-	-	-	-	-	-
Other	1.3	0.2	0.9	0.2	0.2	0.4	0.4	0.4	0.3
Acquisition costs	**$36.9**	**$9.5**	**$34.9**	**$6.0**	**$4.1**	**$3.1**	**$6.4**	**$7.5**	**$8.9**

(23) In 2023, the SEC proposed a potential settlement with the Company to resolve its civil investigation of the Company's compliance with records preservation requirements for business-related electronic communications stored on personal devices or messaging platforms that have not been approved by the Company. Under the SEC's proposed resolution, the Company would pay a $50.0 million civil monetary penalty. As a result, the Company recorded $40.0 million in regulatory charges during the three months ended September 30, 2023 to reflect the amount of the penalty that is not covered by the Company's captive insurance subsidiary. On March 22, 2024, the Company reached a settlement in principle with the staff of the SEC to resolve its civil investigation. The Company expects to pay the civil monetary penalty of $50 million during the second half of 2024. The settlement in principle remains subject to approval by the SEC.

(24) Represents a fair value adjustment to our contingent consideration liabilities that is reflected in other expense in the condensed consolidated statements of income.

Note: Totals may not foot due to rounding