TIME WARNER INC.
Form 425
October 24, 2016

Filed by Time Warner Inc.
Pursuant to Rule 425 under the Securities Act of 1933
and deemed filed pursuant to Rule 14a-12
under the Securities Exchange Act of 1934

Subject Company: Time Warner Inc.
Commission File No.: 1-15062

Important Information

Cautionary Language Concerning Forward-Looking Statements

Information set forth in this communication, including financial estimates and statements as to the expected timing, completion and effects of the proposed transaction between Time Warner Inc. ("Time Warner") and AT&T Inc. ("AT&T"), constitute forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and the rules, regulations and releases of the Securities and Exchange Commission. These forward-looking statements are subject to risks and uncertainties, and actual results might differ materially from those discussed in, or implied by, the forward-looking statements. Such forward-looking statements include, but are not limited to, statements about the benefits of the proposed transaction, including future financial and operating results, the combined company's plans, objectives, expectations and intentions, and other statements that are not historical facts. Such statements are based upon the current beliefs and expectations of the management of Time Warner and AT&T and are subject to significant risks and uncertainties outside of our control.

Among the risks and uncertainties that could cause actual results to differ from those described in the forward-looking statements are the following: (1) the occurrence of any event, change or other circumstances that could give rise to the termination of the Merger Agreement, (2) the risk that Time Warner's stockholders may not adopt the Merger Agreement, (3) the risk that the necessary regulatory approvals may not be obtained or may be obtained subject to conditions that are not anticipated, (4) risks that any of the closing conditions to the proposed transaction may not be satisfied in a timely manner, (5) risks related to disruption of management time from ongoing business operations due to the proposed transaction, (6) failure to realize the benefits expected from the proposed transaction, (7) the effect of the announcement of the proposed transaction on the ability of Time Warner and AT&T to retain customers and retain and hire key personnel and maintain relationships with their suppliers, and on their operating results and businesses generally and (8) potential litigation in connection with the proposed transaction. Discussions of additional risks and uncertainties are and will be contained in Time Warner's and AT&T's filings with the SEC. Neither Time Warner nor AT&T is under any obligation, and each expressly disclaim any obligation, to update, alter, or otherwise revise any forward-looking statements, whether written or oral, that may be made from time to time, whether as a result of new information, future events, or otherwise. Persons reading this communication are cautioned not to place undue reliance on these forward-looking statements which speak only as of the date hereof.

No Offer or Solicitation

This communication shall not constitute an offer to sell or the solicitation of an offer to buy any securities or a solicitation of any vote or approval, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. No offer of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the Securities Act of 1933, as amended.

Important Information and Where to Find It

In connection with the proposed transaction, AT&T will file with the SEC a registration statement that includes a preliminary prospectus regarding the transaction and Time Warner will file with the SEC a proxy statement with respect to a special meeting of Time Warner's stockholders to approve the transaction. The definitive proxy statement/prospectus will be mailed to the security holders of Time Warner. INVESTORS AND SECURITY HOLDERS ARE URGED TO READ THE REGISTRATION STATEMENT, THE PROXY STATEMENT/PROSPECTUS AND ANY OTHER RELEVANT DOCUMENTS WHEN THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT TIME WARNER, AT&T AND THE TRANSACTION.

Investors and security holders will be able to obtain these materials, when they are available, and other relevant documents filed with the SEC free of charge at the SEC's website, www.sec.gov. Copies of documents filed with the SEC by Time Warner will be made available free of charge on Time Warner's investor relations website. Copies of documents filed with the SEC by AT&T will be made available free of charge on AT&T's investor relations website.

Certain Information Regarding Participants

Time Warner, AT&T and certain of their respective directors, executive officers and other members of management and employees may be deemed to be participants in the solicitation of proxies in respect of the proposed transaction. Information regarding Time Warner's directors and executive officers is available in Time Warner's Annual Report on Form 10-K for the year ended December 31, 2015, which was filed with the SEC on February 25, 2016, and in its proxy statement for the 2016 Annual Meeting which was filed with the SEC on April 29, 2016. To the extent holdings of Time Warner securities have changed since the amounts printed in the proxy statement for the 2016 Annual Meeting, such changes have been or will be reflected on Statements of Change in Ownership on Form 4 filed with the SEC. Information regarding AT&T's directors and executive officers is available in AT&T's Annual Report on Form 10-K for the year ended December 31, 2015, which was filed with the SEC on February 18, 2016 and in its proxy statement for the 2016 Annual Meeting which was filed with the SEC on March 11, 2016. To the extent holdings of AT&T's securities have changed since the amounts printed in the proxy statement for the 2016 Annual Meeting, such changes have been or will be reflected on Statements of Change in Ownership on Form 4 filed with the SEC. Other information regarding the participants in the proxy solicitation and a description of their direct and indirect interests, by security holdings or otherwise, will be contained in the registration statement and proxy statement/prospectus and other relevant materials to be filed with the SEC when they become available. These documents will be available free of charge from the sources indicated above.

Final Transcript

AT&T INC.: AT&T Call

October 22, 2016/7:00 p.m. CDT

SPEAKERS
Randall Stephenson – Chairman and CEO, AT&T
Jeff Bewkes – Chairman and CEO, Time Warner
Larry Solomon – Senior Vice President of Corporate Communications, AT&T

NEWS MEDIA
Matthew Garrahan – Financial Times
Roger Cheng – CNET
Scott Moritz – Bloomberg
Jessica Toonkel – Reuters
Joe Belbruno – the Hollywood Reporter
Keach Hagey – Wall Street Journal
Meg James – The Los Angeles Times

PRESENTATION

Moderator Ladies and gentlemen, thank you for standing by and welcome to the AT&T/Time Warner acquisition. At this time, all lines are in a listen-only mode. Later, there will be an opportunity for your questions and instructions will be given at that time.

I will now turn the conference over to Larry Solomon, Senior Vice President of Corporate Communications at AT&T. Please go ahead, Sir.

L. Solomon: Good evening. Welcome, everyone. Thanks for joining us on a late Saturday night. Joining us are AT&T Chairman and CEO Randall Stephenson, and Time Warner Chairman and CEO Jeff Bewkes. Randall.

R. Stephenson: Thanks, Larry. Jeff is on the phone as well. I do appreciate everybody taking time on a Saturday evening to join us. I'm going to just make a few comments, and then what I will do is turn it over to Jeff and he can do the same.

When Jeff and I started talking, it became clear to us very quickly that we shared a very similar vision for what these two businesses were going to be able to do together. We talked about how we could shape the future of media in the communications industry, but more importantly, we talked about how we could deliver a very different video experience for our customers. We were starting, both of us, from a very basic premise; that regardless of how the media/telecom landscape evolved, we believe premium content was always going to win. And it has been true, when you think about the big screen, it has been true on the TV screen, and we are seeing that it is also true on the mobile screen.

Time Warner, we believe, is the global leader in premium content. They have really just terrific brands, like HBO and Warner Bros., obviously Turner. And with great content, we believe you can build a truly differentiated video service, and that's why there is traditional TV or whether it's over the top, and particularly mobile. So when you combine Time Warner's content with our scale and distribution, along with our customer insights, we think you are going to have something really, really special for putting these two companies together. And I personally could not be more excited about what we're about to do together.

With that, what I'll do is hand it to Jeff to make a few comments and then we will take some questions.

J. Bewkes Thanks, Randall. Thank you, everybody for joining us on a Saturday night.

From Time Warner's side of this, we really think this is a great thing for us, we think it's great for consumers, and we think it's very good for our stockholders. Why did we come to this from our side?

We look at AT&T, it's a unique company in terms of its capabilities, and joining forces with them is not just an excellent outcome for our shareholders, but it's also a stark, we think, I don't think anyone is going to have a combination of capabilities like AT&T/Time Warner. I think it's going to accelerate the evolution of both of our businesses and it's going to make our content that we are creating and distributing even more engaging, and I think more valuable for people and easier to use, easier to find, easier to fit into their lives. So, over the past several years, we have made a fair amount of progress in taking our leading brands, whether it be HBO or CNN or Harry Potter or the DC [ph] brand, and all of the individual pieces of content that we have, everywhere we've tried to put it on demand, we've tried to put it in every kind of package. So whether it's the movies and all the ways that movies get to you, whether it's television series from Warner's or whether it's picking an original show from HBO or Turner, or if you think of the many brands like CNN, Cartoon Network, we want our audiences to be able to access them wherever they are, whenever they want to. We want to make it easier for them to search and find what they're looking for. And we want to be able to use, and we've been trying to do this, I think you all know this, to evolve the existing ecosystem that audiences have used to watch television. But also, to move into new capabilities in terms of the way people can access video and go beyond traditional business models.

So, we think AT&T allows us tremendous capabilities that we don't have on our own to do that. And if you just think of AT&T's more than 100 million television, mobile and broadband subs; when you think of their direct consumer relationships; if you then think of the kinds of networks and products, individual shows war movies that we have, and the ability that the two of us have together to now attract and get people to find what they want and engage with them, we just think this is a unique combination.

We do also think, if you think of the culture and the histories and values of our companies, that they fit together very well culturally, we have very similar — even though it may not appear that way on the surface — of history, for example. I mean AT&T has this long history of innovation going back to Alexander Graham Bell and the creation of the telephone. Ours goes all the way back to either the first feature films with sound at Warner Bros. and with viewer supported, not ad supported, video that HBO, that they invented 24 hour news at CNN, and under Randall what we have seen at AT&T is that it has transformed itself way beyond its roots. That's what we have been trying to do at Time Warner, to kind of bring this 21st century of content creation, you have mass appeal stuff, you have more targeted stuff, and we just think that we need to have this kind of capability with AT&T in order to really fulfill the kinds of content that we think we can make.

So whether it's for our business people or whether it's our creative partners, it's about making the best stories and we think this combination is going to give us not only the kind of resources to do that, but we think it's going to attract the best creators, the best stories, because we have so many ways we are going to be able to evolve to deliver these stories to viewers. So that's why we both share this vision in both of our companies.

R. Stephenson	Operator, we're ready to take questions.
Moderator	Certainly. [Operator's instructions]. One moment for the first question.

First, we go to Matthew Garrahan at Financial Times. Please go ahead.

M. Garrahan	Good evening. My question is for Mr. Stephenson. Could you explain to us why you need to own this content to do the things that you want to do? Why you can't keep licensing it? And wouldn't you have to legally, wouldn't you be obligated to share it to other providers, other platforms? Will that necessarily make it less valuable than you may have thought?

R. Stephenson Hi, Matthew. Yes, I'd be glad to address it. I'm going to start with the second part of your question first, and that is whether we would be obligated to share the content.

Look, Time Warner has created an amazing franchise and business by distributing their content across all kinds of distributors, so we don't envision that changing. We think that's a big part of their value and we think it will be a big part of their value going forward.

In terms of why we think it's better to own the content, when you're trying to change business models like this — and we all go through these routinely — when you're trying to do just arm-linked negotiations and then trying to change the fundamental nature of the products you're bringing to your customers, there are always friction points in these endeavors. And as we try to think about curating content differently, and taking content and delivering it differently on the mobile device then it is delivered onto the TV, integrating social into the content that's being delivered, doing that at arms-length negotiations is really, really hard and it is really, really slow, and it takes a lot of time. And in an industry that is iterating as fast as this one is iterating, you will fall behind.

So, Jeff and I both had this view and this vision that if you put these two together, you can begin to iterate these types of new services and innovations much faster, and get these to market much faster. And so that's what this is about. And by the way, as we begin to iterate and develop content uniquely and differently for these new platforms, we think it probably creates an incentive for other content providers to do the same if we are successful here. And so, Jeff, you probably have some of your own views on this; you have more experience with that than I do even.

J. Bewkes	Let me add two proofs of what Randall is saying in terms of what you can do when you have it in the company, and it in no way either wants to or should disadvantage anybody else that wants to do the same thing. When we tried to launch TV Everywhere, and all of you on the call know because we've all had talks for the last six years about why it didn't go faster with the distribution industry, what we did at Time Warner is we went out and announced that we were going to make all of our networks VOD and we were going to offer them to all distributors equally, so long as they made it available to people with no costs. So we had a condition: yes, you can have VOD for our networks. You sign this page, you don't have to negotiate, you give it to every consumer provided that you don't charge for it, you don't have a first class and a second class section, and you give everybody VOD. And we had, if we had had the kind of tie up that we now could have with AT&T, we could have really implemented that in a way where viewers would have liked it.

Then I think every other distributor would have been able to adopt it and the whole country would have been better off, everybody would have been better off. But it took a long time, because a lot of other cable companies and a lot of other media companies did not do that; they basically kept whatever their VOD rights, even though they could have offered it, they kept it hostage to individual negotiations and step-by-step contract renewals, and that's not the way to bring a revolution to consumers and give them more choice. So, that's one case.

The other one, if you go back to VOD, back in the days when we had Time Warner Cable, when we launched that at HBO in the early '90s, why did we do it? Because we had a cable company, we had the Warner library, we had the networks; we knew the kinds of things that an operator would need to do it. And even though we launched it using those capabilities and the knowledge from having distribution inside the company, we also knew what problems had to be solved at the companies like Cox and Comcast and all the other distributors, so that everyone would find it — you can't force companies you don't own to do something, but you can offer something consumers like. And if consumers like it, then it gets adopted and that's what this is about. It's doing something that works for consumers, and AT&T has the reach and the capability to make really good advances for consumers in terms of convenience, mobility, price and package in a way that I think once everyone sees how good it is, you are going to see all kinds of other distributors following, and then you end up with a kind of revolution in television.

Moderator	Thank you. Next, we go to Roger Cheng at CNET. Please go ahead.
R. Cheng	Hi, Randall and Jeff. Question about the regulatory concerns. Is there any concern that the deal would not pass regulatory muster, thinking back the T-Mobile deal? Even Donald Trump has come out to say he would block the deal if he were president. I know Comcast and NBC, that deal passed, but there were a lot of stipulations, so I'm just curious if AT&T would offer similar concessions to get this deal done as well?
R. Stephenson	I'd start off, Roger, by saying this is not the T-Mobile deal. This is not a horizontal merger. The T-Mobile deal was a horizontal merger. The Comcast/Time Warner deal was a horizontal merger. You can kind of go through a long list of deals that have been challenged by the government, and they were horizontal mergers.

In fact, what this is, is a vertical merger in its purest sense. Time Warner is a supplier to AT&T and we are combining with a supplier. It is a classic vertical merger. And I think you are hard-pressed to find many instances in the United States where vertical merger is the only remedy for the government if they had concerns was to block them. They are typically always dealt with by remedies, concessions if you will, and conditions imposed on a combination.

That's what we anticipate happening here, because in this particular merger, no competitor is being removed from the marketplace, there is no competitive harm that is being rendered by putting these two companies together, so any concerns by the regulators, we believe, will be adequately addressed by conditions. That's our anticipation.

Moderator Thank you. Next, we go to Scott Moritz with Bloomberg. Please go ahead.

S. Moritz Thanks, guys. I hope this isn't a precedent for future big news dumps on Saturday nights, but I assume it's a one-time thing.

R. Stephenson Yes, Oklahoma is playing right now, Scott. I'm missing the football game. Do you know the score?

S. Moritz No clue. The breakup fee is significant. Obviously you guys know the risks involved on the regulatory side. Have you had — just a follow-up on Roger's question — have you had enough discussions of comfort with DOJ to get a sense that this might go better than the T-Mobile deal?

R. Stephenson Scott, actually, we haven't released the deal itself. It's not out for public domain. It will be put in an 8-K Monday morning, so it will be out there then. But to my knowledge, in fact I know they have not been released. What I would tell you is, the deal conditions surrounding regulatory approval or interlopers, it's pretty standard. I don't think there's anything sensational about those conditions that warrant a lot of attention. Nobody out there Monday morning, you can evaluate, but the material adverse effects, provisions in the agreement are fairly standard for these types of deals. So, I don't think there's anything significant about it.

Moderator Thank you. Our next question is from Jessica Toonkel with Reuters. Please go ahead.

J. Toonkel I was wondering if you could provide any guidance about timing, how long you guys have been in talks. I was curious about with everything going on with Viacom and CBS, if that propelled the timeline at all?

R. Stephenson Jeff, do you want to start? Jeff is in New York and I'm in Dallas. We are kind of doing this tag team. But, Jeff, would you like to take that?

J. Bewkes Well, yes. To your Viacom/CBS — no. It has nothing to do with it.

Randall and I have known each other for a while through business and we periodically talk. We had a — Randall, was it late August — Randall and I were doing one of our periodic check-ins and he came to New York, as he was doing other things, and we spent several hours talking about the direction of both the distribution and mobile industry, broadband industry and our media industry. There's a fair amount of convergence in all of those, as you all know. And as we went and talked through it, we began to discuss, first philosophically and then the more we talked about it, the more it fell into place, that there would be benefits that might be significant and might allow us to evolve the ecosystem faster in a way that both supports content creation — because we've all seen an explosion of content investment, quality. I think everybody knows that a lot of quality in, let's say, video that goes on the screen, you have a lot more going on in television in relation to movies then you did 10-15 years ago. That needs to be supported, whether it's broad appeal content or whether it's narrower appeal content, with quality and, therefore, money.

Page 15

So if you think about the benefits in creating more flexibility in consumer subscription packages, whether mobile or at home on your big screen, and more innovation in advertising so that the ads become more effective and of interest to you in one house versus someone else in a different house, those things allow the support for content investment to be shared with effective advertising, not just that the consumers have to pay for. So we think this is great for continued innovation in content, we think it's great to support the investment in good content; we think it's good for giving consumers both more choice and probably, in fact for sure, they will end up with lower cost burdens because more of it can be borne by advertising. But that can be a win/win, because we all like advertising messages if the thing we are seeing is relevant to us.

Think of a magazine, you don't want a magazine that has no ads, because if you like some of the products or the ads, you want to see that, too. So I think given all of that, that's how we got to the view that this would be really a game changer. And we are both in the business of evolving our industries faster, not slower, and we thought that we had the scale in both of our companies to really make a difference.

Page 16

R. Stephenson A very common view of the world. I've been part of a lot of deals over my career, and this one was unique. From the first time Jeff and I had a conversation that he was describing about where we saw our two industries going and businesses going, this thing just had what I would call gravity. It just seemed to move along on its own and began negotiating out terms very quickly, and it was just a very natural process.

J. Bewkes Yes, I would say the same.

Moderator And we go now to Joe Belbruno with the Hollywood Reporter. Please go ahead.

J. Belbruno Hello, gentlemen. Thank you for my question. Can you tell me, we have some reports that Peter Chernin might become an integral part, absorbing or putting both the companies together. Can you confirm or talk about that?

R. Stephenson I read that, too. I think it was in your magazine.

J. Belbruno Good.

R. Stephenson Peter, I think he's pretty busy doing what he's doing — making movies and running Otter Media for AT&T, so I don't have any idea what Peter's plans are in this regard. He is a very bright executive and he knows this industry well. I speak to him a lot, but I think Peter has got his hands full right now.

Page 17

Moderator	Our next question is from Keach Hagey at Wall Street Journal. Please go ahead.
K. Hagey	Jeff, could you just talk a little bit about what your role is going to be going forward and how long?
J. Bewkes	Well, I'll start and Randall should comment on it. We have, as we said, a good year or so for the regulatory review and so forth, so we will be doing that and working together in the appropriate way during that time. After that, I have agreed to stay on through a transition period that Randall and I will work out for some period of time. Look, we're going to figure it out together as to how long I should be a part of that. It is probably a reasonable period of time. So, what's the best way to describe this? We're doing it together.

R. Stephenson That's a good way to describe it. When Jeff and I were talking about this deal, I made it clear to Jeff that the talent that he had assembled is a really important part of this deal and that it was going to be really critical that he help make sure that we have continuity of the team that he has built as we move forward and after this deal gets closed. And so, Jeff has agreed that to make sure that we have that in place and that we have the right people in the right seats and retain this talent that he has put together. So, I would tell you it's open-ended, but I really value Jeff. He's a big part of this deal, and having him a part of this transition is a really, really important to us.

J. Bewkes I should add something. Thanks, Randall. We both agree on all that.

We both have been very focused on keeping all the Time Warner executives — business executives, creative executives — going forward for the long term. And so, I expect basically all of our creative and business executives to go on for many years, and I'm planning to do this as long as I can help the company.

Moderator And for our final question, we go to Meg James with The Los Angeles Times. Please go ahead.

M. James Thank you, gentlemen. Jeff, I actually have two questions. One, Jeff, was there any bittersweet moment to all of this? And also, for Randall, was there any competitive pressure? Were there any other companies out there — Google, or Apple, or Amazon — sort of kicking the tires of Time Warner?

J. Bewkes I guess if you started with me, look, just as AT&T has a long history, we have had a long history, but the Time Warner company, you have all covered it, has gone through many combinations, many of them historic. The first one was Time & Warner, and then we added Turner, then we did have a misstep, of course, with the AOL one. I think we are kind of used to doing things and we feel very positive about this. All of our executives feel positive about this.

So, no, I don't think there's bitter — I think there is a lot of excitement at our company, because we're looking at a media landscape that has tremendous opportunity, but we also see that we need to add capabilities of the sort that AT&T is a leader in the world at providing. So we think what this is going to do is supercharge our creative abilities. We think it's going to allow us to experiment more. We think it gives us more financial heft. We think it gives us, because of the innovation we believe we can come up with, it will attract more cutting-edge projects and talent, so we are full steam ahead.

R. Stephenson	Concerning the competitive pressure, I don't know who else might have been interested. From the first time Jeff and I met and discussed this, he made it really clear to me that he wasn't selling his company, it wasn't up for sale. But as we talked about it, that this might be unique enough, that it was worthy of investigating, whether putting the two together would create something different and something unique that it would allow us to go faster for our customers and create something truly, truly unique. And so I think — Jeff, you can express whether there's anybody else interested, but from my perspective that was not what drove this.
J. Bewkes	No, no. We think this is a good, this is a fairly unique company that we're putting together here. So, no, we don't have any activity like that and we think this is where we are all going to be.
Moderator	And there are no further questions. Please continue.
L. Solomon	Operator, I think that's it. If there are no more questions, we appreciate everybody joining us this evening. Thank you.
Moderator	Ladies and gentlemen, that does conclude our conference for today. Thank you for your participation and for using AT&T Teleconference. You may now disconnect.

E=2>

Balance post-reorganization

18,763,664 36,746,041 79,610,490 1 63,261 63,262 392,291 455,553

Issuance of Common Stock, net of offering costs

19,012,112 327,366 327,366 327,366

Repurchase of Virtu Financial Units and corresponding number of Class A and C Common Stock

(3,470,724) (12,214,224) (277,153) (277,153) (277,153)

Share based compensation vested upon the IPO

45,677 45,677 45,677

Adjustments for changes in proportionate ownership in Virtu Financial

(22,513) (22,513) 22,513

Issuance of tax receivable agreements

(23,041) (23,041) (23,041)

Share based compensation after April 15, 2015

1,677 1,677 1,677

Comprehensive income, after April 15, 2015:

Net income

474 474 1,388 1,862

Foreign exchange translation adjustment

412 412 1,220 1,632

Distribution from Virtu Financial to non-controlling interest, after April 15, 2015

(28,909) (28,909)

Balance at June 30, 2015

34,305,052 $ 24,531,817 $ 79,610,490 $1 $115,274 $ $ $474 $412 $116,161 $388,503 $504,664 $

See accompanying notes to the unaudited condensed consolidated financial statements.

Table of Contents

Virtu Financial, Inc. and Subsidiaries

Condensed Consolidated Statements of Cash Flows

(Unaudited)

(in thousands)	For the Six Months Ended June 30, 2015	2014
Cash flows from operating activities		
Net Income	$ 85,009	$ 79,731
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	17,849	13,962
Amortization of purchased intangibles and acquired capitalized software	106	106
Amortization of debt issuance costs and deferred financing fees	823	704
Termination of office leases	2,729	849
Share based compensation	53,529	5,520
Other	2,441	612
Changes in operating assets and liabilities:		
Securities borrowed	(183,036)	91,178
Securities purchased under agreements to resell	413	109,408
Receivables from broker-dealers and clearing organizations	(303,511)	(204,079)
Trading assets, at fair value	(513,084)	(45,116)
Other assets ($9,162 and $8,205, at fair value, as of June 30, 2015 and December 31, 2014, respectively)	(2,126)	5,528
Securities loaned	378,920	830
Securities sold under agreements to repurchase	(1,760)	(10,883)
Payables to broker-dealers and clearing organizations	(117,744)	(170,645)
Trading liabilities, at fair value	747,994	216,563
Accounts payable and accrued expenses and other liabilities	14,369	11,368
Net cash provided by operating activities	182,921	105,636
Cash flows from investing activities		
Development of capitalized software	(4,207)	(4,113)
Acquisition of property and equipment	(13,571)	(10,595)
Net cash used in investing activities	(17,778)	(14,708)
Cash flows from financing activities		
Distribution to members through April 15, 2015	(130,000)	(90,652)
Distribution from Virtu Financial to non-controlling interest, after April 15, 2015	(28,909)	
Repurchase of Class A-2 interests	(1,097)	(44)
Repayment of short term borrowings		(12,800)
Repayment of senior secured credit facility	(364)	(2,550)
Debt issuance costs	(871)	

Issuance of Common Stock, net of offering costs	327,366	
Repurchase of Virtu Financial Units and corresponding number of Class A and C Common Stock	(277,153)	
Net cash used in financing activities	(111,028)	(106,046)
Effect of exchange rate changes on cash and cash equivalents	(3,001)	(163)
Net increase (decrease) in cash and cash equivalents	51,114	(15,281)
Cash and cash equivalents, beginning of period	75,864	66,010
Cash and cash equivalents, end of period	$ 126,978	$ 50,729
Supplementary disclosure of cash flow information		
Cash paid for interest	$ 32,837	$ 32,224
Cash paid for taxes	$ 2,006	$ 529
Non-cash investing activities		
Compensation to developers subject to capitalization of software (of which $10,565 and $903 were capitalized for the six months ended June 30, 2015 and 2014, respectively)	23,927	2,549
Non-cash financing activities		
Tax receivable agreement (Note 4)		

See accompanying notes to the unaudited condensed consolidated financial statements.

Table of Contents

Virtu Financial, Inc. and Subsidiaries

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Basis of Presentation

Organization

Virtu Financial, Inc. ("VFI" or, collectively with its wholly owned subsidiaries, the "Company") is a Delaware holding company whose primary asset is its ownership of approximately 24.8% of the membership interests of Virtu Financial LLC ("Virtu Financial"). The Company was formed on October 16, 2013 for the purpose of completing certain reorganization transactions (the "Reorganization Transactions"), in order to carry on the business of Virtu Financial LLC ("Virtu Financial") and to conduct a public offering. The Company is the sole managing member of Virtu Financial and operates and controls all of the businesses and affairs of Virtu Financial and, through Virtu Financial and its subsidiaries (the "Group"), continues to conduct the business now conducted by such subsidiaries. Virtu Financial was formed as a Delaware limited liability company on April 8, 2011 in connection with a corporate reorganization and acquisition of the outstanding equity interests of Madison Tyler Holdings, LLC ("MTH"), an electronic trading firm and market maker. In connection with the reorganization, the members of Virtu Financial's predecessor entity, Virtu Financial Operating LLC ("VFO"), a Delaware limited liability company formed on March 19, 2008, exchanged their interests in VFO for interests in Virtu Financial and the members of MTH exchanged their interests in MTH for cash and/or interests in Virtu Financial. Virtu Financial's principal subsidiaries include Virtu Financial BD LLC ("VFBD"), a self-clearing US broker-dealer, Virtu Financial Capital Markets LLC ("VFCM"), a self-clearing US broker-dealer and designated market maker on the New York Stock Exchange ("NYSE") and the NYSE MKT (formerly NYSE Amex), Virtu Financial Global Markets LLC ("VFGM"), a US trading entity focused on futures and currencies, Virtu Financial Ireland Limited ("VFIL"), formed in Ireland, Virtu Financial Asia Pty Ltd ("VFAP"), formed in Australia, and Virtu Financial Singapore Pte. Ltd. ("VFSing"), formed in Singapore.

The Company is a technology-enabled market maker and liquidity provider. The Company has developed a single, proprietary, multi-asset, multi-currency technology platform through which it provides quotations to buyers and sellers in equities, commodities, currencies, options, fixed income and other securities on numerous exchanges, markets and liquidity pools in numerous countries around the world.

The Company is managed and operated as one business. Accordingly, the Company operates under one reportable segment.

Basis of Presentation

These condensed consolidated financial statements are presented in U.S. dollars and have been prepared pursuant to the rules and regulations of the U.S. Securities and Exchange Commission ("SEC") regarding financial reporting with respect to Form 10-Q and accounting standards generally accepted in the United States of America ("U.S. GAAP") promulgated in the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC" or the "Codification"). These condensed consolidated financial statements are unaudited and include all adjustments of a normal, recurring nature necessary to present fairly the financial condition as of June 30, 2015 and December 31, 2014, the results of operations and comprehensive income for the six months ended June 30, 2015 and 2014 and cash flows for the six months ended June 30, 2015 and 2014. The condensed consolidated financial statement information as of December 31, 2014 has been derived from the 2014 audited consolidated financial statements. The results of operations

Virtu Financial, Inc. and Subsidiaries

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Organization and Basis of Presentation (Continued)

for interim periods are not necessarily indicative of results for the entire year. The condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's final prospectus filed with the SEC on April 16, 2015 (the "Prospectus") for the offering of Class A common stock, par value $0.00001 per share (the "Class A common stock"). See Note 13 to the condensed consolidated financial statements for information regarding the Reorganization Transactions (as defined in Note 13) and the Company's IPO.

Principles of Consolidation, including Noncontrolling Interests

The unaudited condensed consolidated financial statements include the accounts of VFI and its majority and wholly owned subsidiaries. As sole managing member of Virtu Financial, VFI exerts control over the Group's operations. In accordance with ASC 810, Consolidation, the Company consolidates Virtu Financial and its subsidiaries' consolidated financial statements and records the interests in Virtu Financial that VFI does not own as noncontrolling interests. All intercompany accounts and transactions have been eliminated in consolidation.

2. Summary of Significant Accounting Policies

Use of Estimates

The Company's condensed consolidated financial statements are prepared in conformity with US GAAP, which require management to make estimates and assumptions regarding fair value measurements including trading assets and liabilities, goodwill and intangibles, compensation accruals, capitalized software, and other matters that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ materially from those estimates.

Earnings Per Share

Earnings per share ("EPS") is computed in accordance with ASC 260, Earnings per Share. Basic EPS is computed by dividing the net income available for common stockholders by the weighted average number of shares outstanding for that period. Diluted EPS is calculated by dividing the net income available for common stockholders by the diluted weighted average shares outstanding for that period. Diluted EPS includes the determinants of the basic EPS and, in addition, reflects the dilutive effect of shares of common stock estimated to be distributed in the future under the Company's share based compensation plans, with no adjustments to net income available for common stockholders for dilutive potential common shares.

Cash and Cash Equivalents

The Company considers cash equivalents as highly liquid investments with original maturities of less than three months when acquired. The Company maintains cash in bank deposit accounts that, at times, may exceed federally insured limits.

Virtu Financial, Inc. and Subsidiaries

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Summary of Significant Accounting Policies (Continued)

Securities Borrowed and Securities Loaned

The Company conducts securities borrowing and lending activities with external counterparties. In connection with these transactions, the Company receives or posts collateral. These transactions are collateralized by cash or securities. In accordance with substantially all of its stock borrow agreements, the Company is permitted to sell or repledge the securities received. Securities borrowed or loaned are recorded based on the amount of cash collateral advanced or received. The initial collateral advanced or received generally approximates or is greater than 102% of the fair value of the underlying securities borrowed or loaned. The Company monitors the fair value of securities borrowed and loaned, and delivers or obtains additional collateral as appropriate. Receivables and payables with the same counterparty are not offset in the condensed consolidated statements of financial condition. For these transactions, the interest received or paid by the Company is recorded gross on an accrual basis under interest and dividends income or interest and dividends expense in the condensed consolidated statements of comprehensive income.

Securities Purchased Under Agreements to Resell and Securities Sold Under Agreements to Repurchase

In a repurchase agreement, securities sold under agreements to repurchase are treated as collateralized financing transactions and are recorded at contract value, plus accrued interest, which approximates fair value. It is the Company's policy that its custodian takes possession of the underlying collateral securities, the fair value of which exceeds the principal amount of the repurchase transaction, including accrued interest. For reverse repurchase agreements, the Company typically requires delivery of collateral with a fair value approximately equal to the carrying value of the relevant assets in the condensed consolidated statements of financial condition. To ensure that the fair value of the underlying collateral remains sufficient, the collateral is valued daily with additional collateral obtained or excess collateral returned, as permitted under contractual provisions.

The Company does not net securities purchased under agreements to resell transactions with securities sold under agreements to repurchase transactions entered into with the same counterparty.

Receivables from/Payables to Broker-Dealers and Clearing Organizations

Amounts receivable from broker-dealers and clearing organizations may be restricted to the extent that they serve as deposits for securities sold, not yet purchased. At June 30, 2015 and December 31, 2014, receivables from and payables to broker-dealers and clearing organizations primarily represent amounts due for unsettled trades, open equity in futures transactions, securities failed to deliver or failed to receive, deposits with clearing organizations or exchanges and balances due from or due to prime brokers in relation to the Company's trading. The Company also offsets the outstanding principal balances on all short term credit facilities against amounts receivable from and payable to broker-dealers and clearing organizations when the criteria for offsetting are met.

In the normal course of business, substantially all of the Company's securities transactions, money balances, and security positions are transacted with several brokers. The Company is subject to credit risk to the extent any broker with whom it conducts business is unable to fulfill

Table of Contents

Virtu Financial, Inc. and Subsidiaries

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Summary of Significant Accounting Policies (Continued)

contractual obligations on its behalf. The Company's management monitors the financial condition of such brokers and does not anticipate any losses from these counterparties.

Financial Instruments Owned Including Those Pledged as Collateral and Financial Instruments Sold, Not Yet Purchased

The Company carries financial instruments owned, including those pledged as collateral, and financial instruments sold, not yet purchased at fair value. Gains and losses arising from financial instrument transactions are recorded net on a trade-date basis in trading income on the condensed consolidated statements of comprehensive income.

Fair Value Measurements

At June 30, 2015 and December 31, 2014, substantially all of Company's financial assets and liabilities, except for long-term borrowings and certain exchange memberships, were carried at fair value based on published market prices and are marked to market daily or were short-term in nature and were carried at amounts that approximate fair value.

The Company's assets and liabilities have been categorized based upon a fair value hierarchy in accordance with ASC 820-10, *Fair Value Measurements and Disclosures*. ASC 820-10 defines fair value as the price that would be received to sell an asset or would be paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the measurement date. Fair value measurements are not adjusted for transaction costs. The recognition of "block discounts" for large holdings of unrestricted financial instruments where quoted prices are readily and regularly available in an active market is prohibited. ASC 820-10 requires a three level hierarchy which prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy level assigned to each financial instrument is based on the assessment of the transparency and reliability of the inputs used in the valuation of such financial instruments at the measurement date based on the lowest level of input that is significant to the fair value measurement. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements).

Financial instruments measured and reported at fair value are classified and disclosed in one of the following categories based on inputs:

Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 Quoted prices in markets that are not active and financial instruments for which all significant inputs are observable, either directly or indirectly;

Level 3 Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

Transfers in or out are recognized based on the beginning fair value of the period in which they occurred. There were no transfers of financial instruments between levels during the six months ended June 30, 2015 and 2014.

Virtu Financial, Inc. and Subsidiaries

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Summary of Significant Accounting Policies (Continued)

Derivative Instruments

Derivative instruments used for trading purposes, including economic hedges of trading instruments, are carried at fair value. Fair values for exchange-traded derivatives, principally futures, are based on quoted market prices. Fair values for over-the-counter derivative instruments, principally forward contracts, are based on the values of the underlying financial instruments within the contract. The underlying derivative instruments are currencies which are actively traded.

Derivative instruments used for economic hedging purposes include futures, forward contracts, and options. Unrealized gains or losses on these derivative instruments are recognized currently in the condensed consolidated statements of comprehensive income as trading income, net. The Company does not apply hedge accounting as defined in ASC 815, *Derivatives and Hedging*; accordingly all derivative instruments are recorded at fair value with changes in fair values reflected in earnings.

Property and Equipment

Property and equipment are carried at cost, less accumulated depreciation, except for the assets acquired in connection with the acquisition of MTH which were recorded at fair value on the date of acquisition. Depreciation is provided using the straight-line method over estimated useful lives of the underlying asset. Routine maintenance, repairs and replacement costs are expensed as incurred and improvements that appreciably extend the useful life of the assets are capitalized. When property and equipment are sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in income. Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable.

The useful lives of furniture and fixtures are as follows:

Furniture, fixtures and equipment	3 to 7 years
Leasehold improvements	7 years or length of lease term, whichever is shorter

Capitalized Software

The Company accounts for the costs of computer software developed or obtained for internal use in accordance with ASC 350-40, *Internal-Use Software*. The Company capitalizes costs of materials, consultants, and payroll and payroll related costs for employees incurred in developing internal-use software. Costs incurred during the preliminary project and post-implementation stages are charged to expense.

Management's judgment is required in determining the point at which various projects enter the stages at which costs may be capitalized, in assessing the ongoing value of the capitalized costs, and in determining the estimated useful lives over which the costs are amortized.

The Company's capitalized software development costs were approximately $5.5 million and $5.0 million for the six months ended June 30, 2015 and 2014, respectively. The related amortization expense was approximately $5.2 million and $5.0 million for the six months ended June 30, 2015 and 2014, respectively. Additionally, in connection with the compensation charge

Table of Contents

Virtu Financial, Inc. and Subsidiaries

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Summary of Significant Accounting Policies (Continued)

related to Class B and East MIP interests recognized upon the IPO (Note 13), the Company capitalized and amortized $9.5 million and $8.0 million of the costs, respectively, which were included within charges related to share based compensation at IPO, net, in the condensed consolidated statements of comprehensive income. Capitalized software development costs and related accumulated amortization are included in property, equipment and capitalized software on the accompanying condensed consolidated statements of financial condition and are amortized over a period of 1.4 to 2.5 years, which represents the estimated useful lives of the underlying software.

Goodwill

Goodwill represents the excess of the purchase price over the underlying net tangible and intangible assets of our acquisitions. Goodwill is not amortized but is tested for impairment on an annual basis and between annual tests whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Goodwill is tested at the reporting unit level, which is defined as an operating segment or one level below the operating segment. We operate in one operating segment, which is our only reporting unit.

The goodwill impairment test is a two-step process. The first step is used to identify potential impairment and compares the fair value of a reporting unit with its carrying amount, including goodwill. If the carrying amount of a reporting unit exceeds its fair value, the second step of the goodwill impairment test must be performed. The second step is used to measure the amount of impairment loss, if any, and compares the implied fair value of reporting unit goodwill with the carrying amount of that goodwill. If the carrying amount of reporting unit goodwill exceeds the implied fair value of that goodwill, an impairment loss must be recognized in an amount equal to that excess.

The primary valuation methods we use to estimate the fair value of our reporting unit are the income and market approaches. In applying the income approach, projected available cash flows and the terminal value are discounted to present value to derive an indication of fair value of the business enterprise. The market approach compares the reporting unit to selected reasonably similar publicly-traded companies.

The Company tests goodwill for impairment on an annual basis on July 1 and on an interim basis when certain events or circumstances exist. There were no triggering events that would have caused the Company to assess goodwill for impairment during the six months ended June 30, 2015 and 2014, respectively.

Intangible Assets

The Company amortizes finite-lived intangible assets over their estimated useful lives. Finite-lived intangible assets are tested for impairment annually or when impairment indicators are present, and if impaired, written down to fair value.

Exchange Memberships and Stock

Exchange memberships are recorded at cost or, if any other than temporary impairment in value has occurred, at a value that reflects management's estimate of fair value, in accordance with

Virtu Financial, Inc. and Subsidiaries

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Summary of Significant Accounting Policies (Continued)

ASC 940-340, *Financial Services Broker and Dealers*. Exchange stock includes shares that entitles the Company to certain trading privileges. The shares are marked to market with the corresponding gain or loss recorded in the condensed consolidated statements of comprehensive income. The Company's exchange memberships and stock are included in other assets on the condensed consolidated statements of financial condition.

Trading Income

Trading income is comprised of changes in the fair value of trading assets and liabilities (i.e., unrealized gains and losses) and realized gains and losses on trading assets and liabilities. Trading gains and losses on financial instruments owned and financial instruments sold, not yet purchased are recorded on the trade date and reported on a net basis in the condensed consolidated statements of comprehensive income.

Interest and Dividends Income/Interest and Dividends Expense

Interest income and interest expense are accrued in accordance with contractual rates. Interest income consists of interest earned on collateralized financing arrangements and on cash held by brokers. Interest expense includes interest expense from collateralized transactions, margin and related lines of credit. Dividends on financial instruments owned including those pledged as collateral and financial instruments sold, not yet purchased are recorded on the ex-dividend date and interest is recognized on the accrual basis.

Technology Services

Technology services revenues consist of fees paid by third parties for licensing of our proprietary risk management and trading infrastructure technology and provision of associated management and hosting services. These fees include both upfront and annual recurring fees. Revenue from technology services is recognized once persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable and collectability is probable. Revenue is recognized ratably over the contractual service period.

Rebates

Rebates consist of volume discounts, credits or payments received from exchanges or other market places related to the placement and/or removal of liquidity from the order flow in the marketplace. Rebates are recorded on an accrual basis and included net within brokerage, exchange and clearance fees in the accompanying condensed consolidated statements of comprehensive income.

Income Taxes

Virtu Financial is a limited liability company and is treated as a pass-through entity for United States federal, state, and local income tax purposes. Accordingly, no provision for United States federal, state, and local income tax was required prior to the consummation of the Reorganization Transactions and the IPO. Subsequent to consummation of the Reorganization Transactions and the IPO, the Company is subject to U.S. federal, state and local income taxes on its taxable income,

Table of Contents

Virtu Financial, Inc. and Subsidiaries

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Summary of Significant Accounting Policies (Continued)

which is proportional to the percentage of Virtu Financial owned by the Company. The Company's subsidiaries are subject to income taxes in the respective jurisdictions in which they operate.

Certain of the Company's wholly owned subsidiaries are subject to income taxes in foreign jurisdictions. The provision for income tax is comprised of current tax and deferred tax. Current tax represents the tax on current year tax returns, using tax rates enacted at the balance sheet date. A deferred tax asset is recognized only to the extent that it is probable that future taxable income will be available against which the asset can be utilized.

The Company recognizes the tax benefit from an uncertain tax position, in accordance with ASC 740, *Income Taxes* only if it is more likely than not that the tax position will be sustained on examination by the applicable taxing authority, including resolution of the appeals or litigation processes, based on the technical merits of the position. The tax benefits recognized in the condensed consolidated financial statements from such a position are measured based on the largest benefit for each such position that has a greater than fifty percent likelihood of being realized upon ultimate resolution. Many factors are considered when evaluating and estimating the tax positions and tax benefits. Such estimates involve interpretations of regulations, rulings, case law, etc. and are inherently complex. The Company's estimates may require periodic adjustments and may not accurately anticipate actual outcomes as resolution of income tax treatments in individual jurisdictions typically would not be known for several years after completion of any fiscal year. The Company has determined that there are no uncertain tax positions that would have a material impact on the Company's financial position as of June 30, 2015 and December 31, 2014 or the results of operations for the six months ended June 30, 2015 and 2014.

Comprehensive Income and Foreign Currency Translation

The Company's operating results are reported in the condensed consolidated statements of comprehensive income pursuant to Accounting Standards Update 2011-05, *Comprehensive Income*.

Comprehensive income consists of two components: net income and other comprehensive income ("OCI"). OCI is comprised of revenues, expenses, gains and losses that are reported in the comprehensive income section of the consolidated statements of comprehensive income, but are excluded from reported net income. The Company's OCI is comprised of foreign currency translation adjustments. Assets and liabilities of operations having non-U.S. dollar functional currencies are translated at period-end exchange rates, and income statement accounts are translated at weighted average exchange rates for the period. Gains and losses resulting from translating foreign currency financial statements, net of related tax effects, are reflected in other comprehensive income, a separate component of members' equity.

Share-Based Compensation

The Company accounts for share-based compensation transactions with employees under the provisions of ASC 718, *Compensation: Stock Compensation*. ASC 718 requires a share-based payment transaction with employees to be measured based on the fair value of equity instruments issued. The fair value of awards issued for compensation prior to the Reorganization Transactions and the IPO was determined by management, with the assistance of an independent third party valuation firm, using a projected annual forfeiture rate, where applicable, on the date of grant. With respect to equity awards issued for compensation in connection with or subsequent to the

Virtu Financial, Inc. and Subsidiaries

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Summary of Significant Accounting Policies (Continued)

Reorganization Transaction and the IPO pursuant to the 2015 Management Incentive Plan, the fair value of the stock option grants are determined through the application of the Black-Scholes-Merton model. Similarly, the fair value of the restricted stock units is determined based on the IPO per share price or the market price at the time of grant. The fair value of share based awards granted to employees is expensed based on the vesting conditions.

Recent Accounting Pronouncements

Revenue In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 is a comprehensive new revenue recognition model that requires a company to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. ASU 2014-09 also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. ASU 2014-09 is effective for annual reporting periods, and interim periods within that period, beginning after December 15, 2016 (fiscal year 2018 for the Company) and early adoption is not permitted. Companies may use either a full retrospective or a modified retrospective approach to adopt ASU 2014-09. The Company has not yet determined the potential effects of the adoption of ASU 2014-09 on its condensed consolidated financial statements.

Repurchase Agreements In June, 2014, the FASB released ASU No. 2014-11, *Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures*. The amendment changes the accounting for repurchase financing transactions and for repurchase-to-maturity transactions to secured borrowing accounting. The accounting changes are effective for the Company beginning in the first quarter of 2015. The effect of the accounting changes on transactions outstanding as of the effective date are required to be presented as a cumulative effect adjustment to retained earnings as January 1, 2015. The Company currently does not enter into these types of repurchase transactions. The amendment also requires additional disclosures for repurchase agreements and securities lending transactions regarding the class of collateral pledged and the remaining contractual tenor of the agreements, as well as a discussion of the potential risks associated with the agreements and the related collateral pledged, and how those risks are managed. Additional disclosures are required for repurchase agreements, securities lending transactions, sales with a total return swap, and other similar transfers of financial assets that are accounted for as a sale.

Compensation In June 2014, the Emerging Issues Task Force (the "EITF") of the FASB issued ASU 2014-12, *Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period*. The amendment requires that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. The ASU is effective for annual periods and interim periods within those annual periods beginning after December 15, 2015 (fiscal year 2016 for the Company). Earlier adoption is permitted. The Company is currently evaluating the impact of this ASU on its condensed consolidated financial statements.

Going Concern In August 2014, the FASB issued ASU 2014-15, *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*. The guidance will explicitly require

Table of Contents

Virtu Financial, Inc. and Subsidiaries

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Summary of Significant Accounting Policies (Continued)

management to assess an entity's ability to continue as a going concern and to provide related footnote disclosures in certain circumstances. The new standard will be effective in the first annual period ending after December 15, 2016 (fiscal year 2017 for the Company). Earlier adoption is permitted. The Company will implement this new standard on the required effective date.

Hybrid Financial Instruments In November 2014, the EITF of the FASB issued ASU 2014-16, *Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share is More Akin to Debt or to Equity*. The ASU requires that for hybrid financial instruments issued in the form of a share, an entity should determine the nature of the host contract by considering all stated and implied substantive terms and features of the hybrid financial instrument, weighing each term and feature on the basis of relevant facts and circumstances. An entity should use judgment based on an evaluation of all the relevant terms and features, and should consider the economic characteristics and risks of the entire hybrid financial instrument, including the embedded derivative feature that is being evaluated for separate accounting from the host contract. The ASU is effective for public business entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. For all other entities, the amendments in this ASU are effective for fiscal years beginning after December 15, 2015 (fiscal year 2016 for the Company) and interim periods within fiscal years beginning after December 15, 2016. Early adoption, including adoption in an interim period, is permitted. The Company is currently evaluating the impact of this ASU on its condensed consolidated financial statements.

Debt Issuance Costs In April 2015, the FASB issued ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs*. The ASU requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts, rather than as a deferred charge asset. The ASU is effective for financial statements issued for fiscal years beginning after December 15, 2015 (fiscal year 2016 for the Company), and interim periods within those fiscal years. Early adoption of the amendment is permitted and the Company has elected to early adopt this ASU effective as of June 30, 2015. The new guidance has been applied on a retrospective basis, wherein the accompanying condensed consolidated statements of financial condition have been adjusted to reflect the period-specific effects of applying the new guidance. Refer to Note 8 for additional information regarding the impact of this guidance on the Company's condensed consolidated financial statements.

3. Earnings per Share

Historical earnings per share information is not applicable for reporting periods prior to the consummation of the IPO. Net income available for common stockholders of $0.5 million is the net income earned by VFI. on its approximate 24.8% interest in Virtu Financial for the period from April 16, 2015 through June 30, 2015, net of the provision for income taxes for the period.

Table of Contents

Virtu Financial, Inc. and Subsidiaries

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Earnings per Share (Continued)

The below table contains a reconciliation of net income before noncontrolling interest to net income available for common stockholders:

(in thousands)		Six Months Ended June 30, 2015
Income before income taxes and noncontrolling interest	$	89,734
Provision for (benefit from) income taxes		4,725
Net income		85,009
Net income allocable to members of Virtu Financial LLC (for the period January 1, 2015 through April 15, 2015)		(83,147)
Noncontrolling interest subsequent to April 15, 2015		(1,388)
Net income available for common stockholders	$	474

The calculation of basic and diluted earnings per share is described below:

Basic earnings per share are calculated utilizing net income available for common stockholders from April 16, 2015 through June 30, 2015 divided by the weighted average number of shares of common stock outstanding during the same period:

(in thousands, except for shares or per share amounts)		Period from April 16, 2015 through June 30, 2015
Basic earnings per share:		
Net income available for common stockholders	$	474
Weighted average shares of common stock outstanding:		
Class A		34,305,052
Basic Earnings per share	$	0.01

Diluted earnings per share are calculated utilizing net income available for common stockholders commencing on April 16, 2015, divided by the weighted average total number of shares of common stock outstanding during the period from April 16, 2015 through June 30, 2015

Table of Contents

Virtu Financial, Inc. and Subsidiaries

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Earnings per Share (Continued)

plus additional shares of common stock issued and issuable pursuant to the 2015 Management Incentive Plan (Note 13).

(in thousands, except for shares or per share amounts)	Period from April 16, 2015 through June 30, 2015
Diluted earnings per share:	
Net income available for common stockholders	$ 474
Weighted average shares of common stock outstanding:	
Class A	
Issued and outstanding	34,305,052
Issuable pursuant to 2015 Management Incentive Plan	224,297
	34,529,349
Diluted Earnings per share	$ 0.01

4. Tax Receivable Agreements

In connection with the IPO, on April 15, 2015, the Company entered into Tax Receivable Agreements ("TRAs") to make payments to the Virtu Post-IPO Members, as defined in Note 13, and the Investor Post-IPO Stockholders, as defined in Note 13, that are generally equal to 85% of the applicable cash tax savings, if any, realized as a result of favorable tax attributes that will be available to the Company as a result of the Reorganization Transactions, exchanges of Virtu Financial interests for Class A common stock or Class B common stock and payments made under the TRAs.

As a result of the exchange of units of Virtu Financial, the Company recorded a deferred tax asset of $161.6 million associated with the increase in tax basis. We expect that future payments to the Virtu Post-IPO Members and the Investor Post-IPO Stockholders in respect of the purchases, the exchanges and the Mergers described in the Registration Statement and Note 15 of the condensed consolidated financial statements of Virtu Financial included herein will aggregate to approximately $184.7 million in the aggregate, ranging from approximately $7.9 million to $13.6 million per year over the next 15 years. Payments will generally occur only after the filing of the U.S. federal and state income tax returns and realized the cash tax savings from the favorable tax attributes. The first payment is due 120 days after the filing of the Company's tax return for the year ended December 31, 2015, which is due March 15, 2016, but the due date can be extended until September 15, 2016. Future payments under the TRAs in respect of subsequent exchanges would be in addition to these amounts. The Company recorded a corresponding reduction to paid-in capital for the difference between the TRA liability and the related deferred tax asset. At June 30, 2015, the Company's remaining deferred tax asset and the payment liability pursuant to the TRAs were approximately $158.9 million and $184.7 million, respectively. The amounts recorded as of June 30, 2015 approximates the current estimate of expected tax savings and are subject to change after the filing of the Company's U.S. federal and state income tax returns for the year ended December 31, 2015.

Table of Contents

Virtu Financial, Inc. and Subsidiaries

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Tax Receivable Agreements (Continued)

For the TRA discussed above, the cash savings realized by the Company are generally computed by comparing the actual income tax liability of the Company to the amount of such taxes the Company would have been required to pay had there been no increase to the tax basis of the assets of Virtu Financial as a result of the purchase or exchange of Virtu Financial units, had there been no tax benefit from the tax basis in the intangible assets of Virtu Financial on the date of the IPO and had there been no tax benefit as a result of the Net Operating Losses ("NOLs") and other tax attributes at Virtu Financial. Subsequent adjustments of the TRA obligations due to certain events (e.g., changes to the expected realization of NOLs or changes in tax rates) will be recognized within operating expenses in the condensed consolidated statement of comprehensive income.

5. Goodwill and Intangible Assets

There were no changes in the carrying amount of goodwill for the six months ended June 30, 2015 and 2014.

No goodwill impairment was recognized in the six months ended June 30, 2015 and 2014.

Acquired intangible assets consisted of the following as of June 30, 2015 and December 31, 2014:

	As of June 30, 2015			
(in thousands)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Useful Lives (Years)
Purchased technology	$ 110,000	$ 110,000	$	1.4 to 2.5
ETF issuer relationships	950	296	654	9
ETF buyer relationships	950	296	654	9
	$ 111,900	$ 110,592	$ 1,308	

	As of December 31, 2014			
(in thousands)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Useful Lives (Years)
Purchased technology	$ 110,000	$ 110,000	$	1.4 to 2.5
ETF issuer relationships	950	243	707	9
ETF buyer relationships	950	243	707	9
	$ 111,900	$ 110,486	$ 1,414	

Amortization expense relating to finite-lived intangible assets was approximately $0.1 million and $0.1 million for the six months ended June 30, 2015 and 2014, respectively. This is included in amortization of purchased intangibles and acquired capitalized software in the accompanying condensed consolidated statements of comprehensive income.

Table of Contents

Virtu Financial, Inc. and Subsidiaries

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Receivables from/Payables to Broker-Dealers and Clearing Organizations

The following is a summary of receivables from and payables to brokers-dealers and clearing organizations at June 30, 2015 and December 31, 2014:

(in thousands)	June 30, 2015	December 31, 2014
Assets		
Due from prime brokers	$ 265,075	$ 67,556
Deposits with clearing organizations	33,790	29,595
Net equity with futures commission merchants	168,897	155,060
Unsettled trades	49,764	55,929
Securities failed to deliver	173,637	79,512
Total receivables from broker-dealers and clearing organizations	$ 691,163	$ 387,652
Liabilities		
Due to prime brokers	$ 25,436	$ 313,623
Net equity with futures commission merchants	52,614	60,973
Unsettled trades	474,013	311,322
Securities failed to receive	16,396	285
Total payables to broker-dealers and clearing organizations	$ 568,459	$ 686,203

Included as a deduction from "Due from prime brokers" and "Net equity with futures commission merchants" is the outstanding principal balance on all of the Company's short-term credit facilities of approximately $206.4 million and $183.0 million as of June 30, 2015 and December 31, 2014, respectively. The loan proceeds from the credit facilities are available only to meet the initial margin requirements associated with the Company's ordinary course futures and other trading positions, which are held in the Company's trading accounts with an affiliate of the respective financial institutions. The credit facilities are fully collateralized by the Company's trading accounts and deposit accounts with these financial institutions. "Securities failed to deliver" and "Securities failed to receive" include amounts with a clearing organization and other broker-dealers.

7. Collateralized Transactions

The Company is permitted to sell or repledge securities received as collateral and use these securities to secure repurchase agreements, enter into securities lending transactions or deliver these securities to counterparties or clearing organizations to cover short positions. At June 30, 2015 and December 31, 2014, substantially all of the securities received as collateral have been

Virtu Financial, Inc. and Subsidiaries

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Collateralized Transactions (Continued)

repledged. Amounts relating to collateralized transactions at June 30, 2015 and December 31, 2014 are summarized as follows:

(In thousands)	June 30, 2015	December 31, 2014
Securities received as collateral:		
Securities borrowed	$ 652,620	$ 470,553
Securities purchased under agreements to resell	31,038	31,472
	$ 683,658	$ 502,025

In the normal course of business, the Company pledges qualified securities with clearing organizations to satisfy daily margin and clearing fund requirements.

Financial instruments owned and pledged, where the counterparty has the right to repledge, at June 30, 2015 and December 31, 2014 consisted of the following:

(In thousands)	June 30, 2015	December 31, 2014
Equities	$ 376,583	$ 219,159
Exchange traded notes	22,723	17,216
	$ 399,306	$ 236,375

8. Borrowings

Broker-Dealer Credit Facilities

The Company is a party to two secured credit facilities with the same financial institution to finance overnight securities positions purchased as part of its ordinary course broker-dealer market making activities. One of the facilities (the "Uncommitted Facility"), is provided on an uncommitted basis and is available for borrowings by the Company's broker-dealer subsidiaries up to a maximum amount of $100.0 million. In connection with this credit facility, the Company has entered into demand promissory notes dated February 20, 2013. The loans provided under the Uncommitted Facility are collateralized by the Company's broker-dealer trading and deposit accounts with the same financial institution and, bear interest at a rate set by the financial institution on a daily basis (1.13% at June 30, 2015 and 1.12% at December 31, 2014). The Uncommitted Facility has a 364-day term. The Company is party to another facility (the "Committed Facility") with the same financial institution dated July 22, 2013 and subsequently amended on March 26, 2014, July 21, 2014 and April 24, 2015, which is provided on a committed basis and is available for borrowings by one of the Company's broker-dealer subsidiaries up to a maximum of the lesser of $75.0 million or an amount determined based on agreed advance rates for pledged securities. The Committed Facility is subject to certain financial covenants, including a minimum tangible net worth, a maximum total assets to equity ratio, and a minimum excess net capital, each as defined. The Committed Facility bears interest at a rate per annum at the Company's election equal to either an adjusted LIBOR rate or base rate, plus a margin of 1.25% per annum, and has a term of 364 days. As of June 30, 2015 and December 31, 2014, the Company did not have any outstanding principal

Virtu Financial, Inc. and Subsidiaries

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. Borrowings (Continued)

balance on the Uncommitted Facility or the Committed Facility. Interest expense for the six months ended June 30, 2015 and 2014 was approximately $0.4 million and $0.2 million, respectively. Interest expense is included within interest and dividends expense in the accompanying condensed consolidated statements of comprehensive income.

Short-Term Credit Facilities

The Company maintains short term credit facilities with various prime brokers and other financial institutions from which it receives execution or clearing services. The proceeds of these facilities are used to meet margin requirements associated with the products traded by the Company in the ordinary course, and amounts borrowed are collateralized by the Company's trading accounts with the applicable financial institution. The aggregate amount available for borrowing under these facilities was $476.0 million and $440.0 million, the outstanding principal was $228.9 million and $183.0 million, and borrowings bore interest at a weighted average interest rate of 2.30% and 1.80% per annum, as June 30, 2015 and December 31, 2014, respectively. Interest expense in relation to the facilities for the six months ended June 30, 2015 and June 30, 2014 was approximately $2.7 million and $1.6 million, respectively. Interest expense is recorded within interest and dividends expense in the accompanying condensed consolidated statements of comprehensive income.

Senior Secured Credit Facility

On July 8, 2011, Virtu Financial, its wholly owned subsidiary, VFH Parent LLC ("VFH"), and each of its unregulated domestic subsidiaries entered into the credit agreement (the "Credit Agreement") among the Borrower, Virtu Financial, Credit Suisse AG, as administrative agent, and the other parties thereto. The credit facility funded a portion of the MTH acquisition with a term loan in the amount of $320.0 million to VFH. The credit facility was issued at a discount of 2.0% or $313.6 million, net of $6.4 million discount. The credit facility was initially subject to quarterly principal payments beginning on December 31, 2011 with the unpaid principal payable on maturity on July 8, 2016. Under the terms of the loan, VFH is subject to certain financial covenants, including a total net leverage ratio and an interest coverage ratio, as defined in the Credit Agreement. VFH is also subject to contingent principal payments based on excess cash flow, as defined in the Credit Agreement, and certain other triggering events. Borrowings are collateralized by substantially all the assets of the Company, other than the equity interests in and assets of its registered broker-dealer, regulated and foreign subsidiaries, but including 100% of the non-voting stock and 65% of the voting stock of Virtu Financial's or its domestic subsidiaries' direct foreign subsidiaries.

The Credit Agreement was amended on February 5, 2013, May 1, 2013 and November 8, 2013. The amendments resulted in a decreased interest rate, changes in certain operating covenants, and an increase in principal amount outstanding by $150.0 million on May 1, 2013 and $106.7 million on November 8, 2013, respectively. Additionally, the amendments reduced the annual amortization obligation from 15% of the original principal amount to approximately 1% of the outstanding principal amount as of November 8, 2013, which was $510.0 million. The terms of the amended credit facility are otherwise substantially similar terms to the original credit facility, except as set forth below.

Table of Contents

Virtu Financial, Inc. and Subsidiaries

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. Borrowings (Continued)

Term loans outstanding under the Credit Agreement bear interest at a rate per annum at the Company's election equal to either (i) the greatest of (a) the prime rate in effect, (b) the federal funds effective rate (as defined in the Credit Agreement) plus 0.5% (c) the adjusted LIBOR rate (as defined in the Credit Agreement) for a Eurodollar borrowing with an interest period of one month plus 1%, and (d) 2.25% plus, in each case, 3.0%, or (ii) the greater of (x) the adjusted LIBOR rate for the interest period in effect and (y) 1.25%, plus 4.0%. Pursuant to the Amendment (as defined below), each incremental spread was reduced by 0.50% upon the consummation of the Company's IPO. The rate at June 30, 2015 was 5.25%.

Aggregate future required minimum principal payments based on the terms of this loan at June 30, 2015 were as follows:

(in thousands)		
2015	$	2,550
2016		5,100
2017		5,100
2018 and thereafter		489,600
Total maturities of long-term debt	$	502,350

Net carrying amount of deferred financing fees capitalized in connection with the financing were approximately $4.5 million and $5.1 million, respectively, as of June 30, 2015 and December 31, 2014, which are included as a deduction to senior secured credit facility in the accompanying condensed consolidated statements of financial condition. The Company retrospectively adopted ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs*, wherein the accompanying condensed consolidated statements of financial condition have been adjusted to reflect the period specific effects of applying the new guidance. After retrospectively applying the new guidance, the Company reclassified approximately $5.1 million in deferred financing fees as of December 31, 2014 previously included within other assets to senior secured credit facility in the accompanying condensed consolidated statements of financial condition. Amortization expense related to the deferred financing fees was approximately $0.6 million and $0.5 million for the six months ended June 30, 2015 and 2014, respectively. Amortization expense is included within financing interest expense on senior secured credit facility in the accompanying condensed consolidated statements of comprehensive income.

Accretion related to the net carrying amount of debt discount of $1.7 million and $1.9 million, respectively, as of June 30, 2015 and December 31, 2014, and for the six months ended June 30, 2015 and 2014 were approximately $0.2 million and $0.2 million, respectively. The accretion is included within financing interest expense on senior secured credit facility in the accompanying condensed consolidated statements of comprehensive income.

On April 15, 2015, the Company, Virtu Financial, and each unregulated domestic subsidiary of Virtu Financial, entered into an amendment agreement (the "Amendment") to the Credit Agreement. The Amendment provided for a revolving credit facility with aggregate commitments by revolving lenders of $100.0 million, available upon the consummation of the IPO and the payment of relevant fees and expenses. The revolving credit facility is secured pari passu with the term loans outstanding under the Credit Agreement and is subject to the same financial covenants and

Table of Contents

Virtu Financial, Inc. and Subsidiaries

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. Borrowings (Continued)

negative covenants. Borrowings under the revolving facility bear interest, at our election, at either (i) the greatest of (a) the prime rate in effect, (b) the federal funds effective rate plus 0.5% (c) an adjusted LIBOR rate for a Eurodollar borrowing with an interest period of one month plus 1% and (d) 2.25%, plus, in each case, 2.0%, or (ii) the greater of (x) an adjusted LIBOR rate for the interest period in effect and (y) 1.25%, plus, in each case, 3.0%. We will also pay a commitment fee of 0.50% per annum on the average daily unused portion of the facility.

Deferred financing fees capitalized in connection with the revolving credit facility were approximately $0.9 million, which is included as a deduction to senior secured credit facility in the accompanying condensed consolidated statement of financial condition. The net carrying amounts for the deferred financing fees capitalized in connection with the revolving credit facility were approximately $0.8 million and $0, respectively, as of June 30, 2015 and December 31, 2014, which are included as a deduction to senior secured credit facility in the accompanying condensed consolidated statements of financial condition. Amortization expenses related to the deferred financing fees in connection with the revolving credit facility were approximately $0.1 million, $0, $0.1 million and $0, for the six months ended June 30, 2015 and 2014, respectively.

9. Financial Assets and Liabilities

At June 30, 2015 and December 31, 2014, substantially all of Company's financial assets and liabilities, except for the senior secured credit facility and certain exchange memberships, were carried at fair value based on published market prices and are marked to market daily or were short-term in nature and were carried at amounts that approximate fair value. The Company determined that the carrying value of the Company's senior secured credit facility approximates fair value as of June 30, 2015 and December 31, 2014 based on the quoted over-the-counter market prices provided by the issuer of the senior secured credit facility, which was categorized as Level 2.

The fair value of equities, U.S. government obligations and exchange traded notes is estimated using recently executed transactions and market price quotations in active markets and are categorized as Level 1 with the exception of inactively traded equities which are categorized as Level 2. Fair value of the Company's derivative contracts is based on the indicative prices obtained from the banks that are counterparties to these contracts, as well as management's own analyses. The indicative prices have been independently validated through the Company's risk management systems, which are designed to check prices with information independently obtained from exchanges and venues where such financial instruments are listed or to compare prices of similar instruments with similar maturities for listed financial futures in foreign exchange. At June 30, 2015 and December 31, 2014, the Company's derivative contracts and non-U.S. government obligations have been categorized as Level 2.

Transfers in or out of levels are recognized based on the beginning fair value of the period in which they occurred. There were no transfers of financial instruments between levels during the six months ended June 30, 2015 and 2014.

Table of Contents

Virtu Financial, Inc. and Subsidiaries

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. Financial Assets and Liabilities (Continued)

Fair value measurements for those items measured on a recurring basis are summarized below as of June 30, 2015:

	June 30, 2015				
(in thousands)	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Counter-Party Netting**	**Total Fair Value**
Assets					
Financial instruments owned, at fair value:					
Equity securities	$ 1,562,612	$ 35,360	$	$	$ 1,597,972
U.S. and Non-U.S. government obligations	5,172	9,264			14,436
Exchange traded notes	45,064				45,064
Interest rate swaps		424			424
Currency forwards		361,506		(361,506)	
Options		190			190
	$ 1,612,848	$ 406,744	$	$ (361,506)	$ 1,658,086
Financial instruments owned, pledged as collateral:					
Equity securities	$ 376,583	$	$	$	$ 376,583
Exchange traded notes	22,723				22,723
	$ 399,306	$	$	$	$ 399,306
Other Assets					
Exchange stock	$ 9,162	$	$	$	$ 9,162
	$ 9,162	$	$	$	$ 9,162
Liabilities					
Financial instruments sold, not yet purchased, at fair value:					
Equity securities	$ 1,668,114	$ 1,499	$	$	$ 1,669,613
U.S. and Non-U.S. government obligations	34,033				34,033
Exchange traded notes	68,970				68,970
Interest rate swaps		434			434
Currency forwards		373,870		(361,506)	12,364
Options		214			214
	$ 1,771,117	$ 376,017	$	$ (361,506)	$ 1,785,628

F-30

Table of Contents

Virtu Financial, Inc. and Subsidiaries

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. Financial Assets and Liabilities (Continued)

Fair value measurements for those items measured on a recurring basis are summarized below as of December 31, 2014:

(in thousands)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Counter-Party Netting	Total Fair Value
Assets					
Financial instruments owned, at fair value:					
Equity securities	$ 1,216,532	$ 17,166	$	$	$ 1,233,698
U.S. and non-U.S. government obligations		8,222			8,222
Exchange traded notes	65,684				65,684
Currency forwards		1,629,637		(1,629,629)	8
Options		321			321
	$ 1,282,216	$ 1,655,346	$	$ (1,629,629)	$ 1,307,933
Financial instruments owned, pledged as collateral:					
Equity securities	$ 219,159	$	$	$	$ 219,159
Exchange traded notes	17,216				17,216
	$ 236,375	$	$	$	$ 236,375
Other Assets					
Exchange stock	$ 8,205	$	$	$	$ 8,205
	$ 8,205	$	$	$	$ 8,205

(in thousands)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Counter-Party Netting	Total Fair Value
Liabilities					
Financial instruments sold, not yet purchased, at fair value:					

Equity securities	$ 859,836	$ 47,896	$	$	$ 907,732
U.S. and non-U.S. government obligations	21,107				21,107
Exchange traded notes	92,513				92,513
Currency forwards		1,645,820		(1,629,629)	16,191
Options		79			79
Interest rate swaps		12			12
	$ 973,456	$ 1,693,807	$	$ (1,629,629)	$ 1,037,634

The Company does not net securities borrowed and securities loaned, or securities purchased under agreements to resell and securities sold under agreements to repurchase. These financial instruments are presented on a gross basis in the condensed consolidated statements of financial condition. In the tables below, the amounts of financial instruments owned that are not offset in the condensed consolidated statements of financial condition, but could be netted against financial liabilities with specific counterparties under legally enforceable master netting agreements in the

Table of Contents

Virtu Financial, Inc. and Subsidiaries

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. Financial Assets and Liabilities (Continued)

event of default, are presented to provide financial statement readers with the Company's estimate of its net exposure to counterparties for these financial instruments.

The following tables set forth the netting of certain financial assets and financial liabilities as of June 30, 2015 and December 31, 2014, pursuant to the requirements of ASU 2011-11 and ASU 2013-01.

	June 30, 2015					
				Gross Amounts Not Offset in the Condensed Consolidated Statement of Financial Condition		
(in thousands)	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Condensed Consolidated Statement of Financial Condition	Net Amounts of Assets Presented in the Condensed Consolidated Statement of Financial Condition	Financial Instruments	Cash Collateral Received	Net Amount
Offsetting of Financial Assets:						
Securities borrowed	$ 667,970		$ 667,970	$ (660,393)	$	$ 7,577
Securities purchased under agreements to resell	31,050		31,050	(31,050)		
Trading assets, at fair value:						
Currency forwards	361,506	(361,506)				
Options	190		190	(180)		10
Interest rate swaps	424		424	(424)		
Total	$ 1,061,140	$ (361,506)	$ 699,634	$ (692,047)	$	$ 7,587

				Gross Amounts Not Offset in the Condensed Consolidated Statement of Financial Condition		
	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Condensed Consolidated Statement of Financial Condition	Net Amounts of Liabilities Presented in the Condensed Consolidated Statement of Financial Condition	Financial Instruments	Cash Collateral Pledged	Net Amount
Offsetting of Financial Liabilities:						
Securities loaned	$ 876,782		$ 876,782	$ (874,615)	$ (757)	$ 1,410
Securities sold under agreements to repurchase	246		246	(246)		
Trading liabilities, at fair value:						

Currency forwards	373,870	(361,506)	12,364		(12,364)	
Options	214		214	(214)		
Interest rate swaps	434		434	(424)	(10)	
Total	$ 1,251,546	$ (361,506)	$ 890,040	$ (875,499)	$ (13,131)	$ 1,410

Table of Contents

Virtu Financial, Inc. and Subsidiaries

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. Financial Assets and Liabilities (Continued)

	December 31, 2014					
				Gross Amounts Not Offset in the Condensed Consolidated Statement of Financial Condition		
(in thousands)	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Condensed Consolidated Statement of Financial Condition	Net Amounts of Assets Presented in the Condensed Consolidated Statement of Financial Condition	Financial Instruments	Cash Collateral Received	Net Amount
Offsetting of Financial Assets:						
Securities borrowed	$ 484,934	$	$ 484,934	$ (477,559)	$	$ 7,375
Securities purchased under agreements to resell	31,463		31,463	(31,463)		
Trading assets, at fair value:						
Currency forwards	1,629,637	(1,629,629)	8			8
Options	321		321	(76)		245
Total	$ 2,146,355	$ (1,629,629)	$ 516,726	$ (509,098)	$	$ 7,628

				Gross Amounts Not Offset in the Condensed Consolidated Statement of Financial Condition		
(in thousands)	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Condensed Consolidated Statement of Financial Condition	Net Amounts of Liabilities Presented in the Condensed Consolidated Statement of Financial Condition	Financial Instruments	Cash Collateral Pledged	Net Amount
Offsetting of Financial Liabilities:						
Securities loaned	$ 497,862	$	$ 497,862	$ (490,768)	$ (2,812)	$ 4,282
Securities sold under agreements to repurchase	2,006		2,006	(2,006)		
Trading liabilities, at fair value:						
Currency forwards	1,645,820	(1,629,629)	16,191		(16,191)	
Options	79		79	(79)		
Interest rate swaps	12		12		(12)	
Total	$ 2,145,779	$ (1,629,629)	$ 516,150	$ (492,853)	$ (19,015)	$ 4,282

Excluded from the fair value and offsetting tables above is net variation margin on long and short futures contracts in the amounts of $90.2 million and $46.4 million, which are included within receivables from broker-dealers and clearing organizations as of June 30, 2015 and December 31, 2014, respectively, and $89.8 million and $(3.6) million, which are included within payables to broker-dealers and clearing organizations as of June 30, 2015 and December 31, 2014, respectively.

Table of Contents

Virtu Financial, Inc. and Subsidiaries

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. Derivative Instruments

The fair value of the Company's derivative instruments on a gross basis consisted of the following at June 30, 2015 and December 31, 2014:

(in thousands)	**Balance Sheet**	**June 30, 2015**		**December 31, 2014**	
Derivatives Assets	**Classification**	**Fair Value**	**Notional**	**Fair Value**	**Notional**
Equities futures	Receivables from broker-dealers and clearing organizations	$ (10,046)	$ 1,441,389	$ 241	$ 561,029
Commodity futures	Receivables from broker-dealers and clearing organizations	86,901	6,668,358	42,489	28,823,081
Currency futures	Receivables from broker-dealers and clearing organizations	13,333	2,600,729	3,180	2,916,222
Treasury futures	Receivables from broker-dealers and clearing organizations	(15)	523,513	504	857,363
Options	Financial instruments owned	190	17,153	321	39,802
Currency forwards	Financial instruments owned	361,506	22,576,627	1,629,637	127,021,198
Interest rate swaps	Financial instruments owned	424	82,010		

Table of Contents

Virtu Financial, Inc. and Subsidiaries

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. Derivative Instruments (Continued)

Derivatives Liabilities	Balance Sheet Classification	Fair Value	Notional	Fair Value	Notional
Equities futures	Payables to broker dealers and clearing organizations	$	$	$ (268)	$ 122,948
Commodity futures	Payables to broker dealers and clearing organizations	90,322	22,614,981	(295)	15,727
Currency futures	Payables to broker dealers and clearing organizations	(519)	2,131,257	(3,077)	2,123,341
Treasury futures	Payables to broker dealers and clearing organizations				
Custom equity based swap	Payables to broker dealers and clearing organizations				
Options	Financial instruments sold, not yet purchased	214	17,909	79	12,913
Currency forwards	Financial instruments sold, not yet purchased	373,870	24,557,934	1,645,820	125,152,639
Interest rate swaps	Financial instruments sold, not yet purchased	434	82,010	12	164,020

Amounts included in receivables from and payables to broker-dealers and clearing organizations represent variation margin on long and short futures contracts.

The following table summarizes the gain from derivative instruments not designated as hedging instruments under ASC 815, which are recorded in trading income, net in the

Table of Contents

Virtu Financial, Inc. and Subsidiaries

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. Derivative Instruments (Continued)

accompanying condensed consolidated statements of comprehensive income for the six months ended June 30, 2015 and 2014:

(in thousands)	For the Six Months Ended June 30, 2015	2014
Futures	$ 640,873	$ 82,058
Currency forwards	(20,697)	53,833
Options	(373)	805
Interest rate swaps	2	
	$ 619,805	$ 136,696

11. Income Taxes

Income tax expense for the six months ended June 30, 2015 and 2014 differs from the U.S. federal statutory rate primarily due to the taxation treatment of income attributable to noncontrolling interests in Virtu Financial. These noncontrolling interests are subject to U.S. taxation as partnerships. Accordingly, the income attributable to these noncontrolling interests is reported in the condensed consolidated statements of comprehensive income, but the related U.S. income tax expense attributable to these noncontrolling interests is not reported by the Company as it is the obligation of the individual partners. Income tax expense is also affected by the differing effective tax rates in foreign, state and local jurisdictions where certain of the Company's subsidiaries are subject to corporate taxation.

Deferred income taxes arise primarily due to the amortization of the deferred tax assets recognized in connection with the IPO (Note 13), differences in the valuation of financial assets and liabilities, and for other temporary differences arising from the deductibility of compensation and depreciation expenses in different time periods for book and income tax return purposes.

There are no expiration dates on the deferred tax assets. The provisions of ASC 740 require that carrying amounts of deferred tax assets be reduced by a valuation allowance if, based on the available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Accordingly, the need to establish valuation allowances for deferred tax assets is assessed periodically with appropriate consideration given to all positive and negative evidence related to the realization of the deferred tax assets. A valuation allowance against deferred tax assets at the balance sheet date is not considered necessary because it is more likely than not the deferred tax asset will be fully realized. There are no unrecognized tax benefits as of June 30, 2015 and December 31, 2014.

12. Commitments, Contingencies and Guarantees

Litigation

The Company is subject to various legal proceedings and claims that arise in the ordinary course of business. The Company has also been, is currently, and may in the future be, the subject of one or more regulatory or self-regulatory organization enforcement actions, including but not limited to targeted and routine regulatory inquiries and investigations involving Regulation NMS, Regulation SHO, capital requirements and other domestic and foreign securities rules and

Virtu Financial, Inc. and Subsidiaries

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. Commitments, Contingencies and Guarantees (Continued)

regulations which may from time to time result in the imposition of penalties or fines. In addition, the Autorité des marchés financiers ("AMF") has brought an enforcement action in connection with the trading activities of a subsidiary of MTH in certain French listed equity securities on or around 2009. The Company has also been the subject of requests for information and documents from the SEC and the State of New York Office of the Attorney General ("NYAG"). Certain of these matters may result in adverse judgments, settlements, fines, penalties, injunctions or other relief, and the Company's business or reputation could be negatively impacted if it were determined that disciplinary or other enforcement actions were required. The ultimate effect on the Company from the pending proceedings and claims, if any, is presently unknown. Where available information indicates that it is probable a liability had been incurred at the date of the financial statements and the Company can reasonably estimate the amount of that loss, the Company accrues the estimated loss by a charge to income. Based on information currently available, management believes that the resolution of any known matters will not result in any material adverse effect on the Company's financial position, results of operations or cash flows.

Indemnification Arrangements

Consistent with standard business practices in the normal course of business, the Company has provided general indemnifications to its managers, officers, employees, and agents against expenses, judgments, fines, settlements, and other amounts actually and reasonably incurred by such persons under certain circumstances as more fully disclosed in its operating agreement. The overall maximum amount of the obligations (if any) cannot reasonably be estimated as it will depend on the facts and circumstances that give rise to any future claims.

13. Capital Structure

Capital Structure prior to the Company's Reorganization Completed on April 15, 2015 and IPO Completed on April 16, 2015:

Virtu Financial had three classes of members interests: Class A-1 members interests; Class A-2 members interests; and Class B members interests. Class A-2 members interests included both Class A-2 capital interests and Class A-2 profits interests.

Class A-1 Interests

On July 8, 2011, 25,000,000 Class A-1 redeemable interests were issued to an affiliate of Silver Lake ("the Silver Lake Member") and 1,964,826 Class A-1 interests were issued to an affiliate of Vincent Viola, which Class A-1 interests had an aggregate capital balance of approximately $270 million. On December 31, 2014, through a series of transactions, 5,376,603 and 12,242,173 of the Class A-1 redeemable interests previously held by the Silver Lake Member were transferred to Wilbur Investments LLC (the "Temasek Member"), an indirect wholly owned subsidiary of Temasek Holdings (Private) Limited, ("Temasek"), and an affiliate of Silver Lake and Temasek, 57.9% of which is indirectly owned by affiliates of Silver Lake Partners and 42.1% of which is indirectly owned by an affiliate of Temasek (the "SLT Member" and together with the Silver Lake Member and the Temasek Member, the "Investor Members"), respectively, with the Silver Lake Member retaining 7,381,224 Class A-1 redeemable interests. Class A-1 interests that the holder thereof has the right to call for redemption were held by three members: (i) the Silver Lake Member, (ii) the Temasek Member and (iii) the SLT Member. The Silver Lake Member had the right to appoint one member on Virtu Financial's board of directors and the Temasek Member had the right to either appoint one member

Virtu Financial, Inc. and Subsidiaries

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. Capital Structure (Continued)

on Virtu Financial's board of directors (subject to obtaining certain regulatory approvals) or elect that the other members of the board of directors designate one member of Virtu Financial's board of directors in consultation with the Temasek Member. The Silver Lake Member and the Temasek Member also possessed approval rights with respect to certain board actions and corporate events. Additionally, as part of the transaction consideration, a contingent payment agreement was entered into among Temasek, Silver Lake Partners, the Employee Holdco and the Company whereby additional payments will be made from Temasek to Silver Lake Partners and the selling members of management in the aggregate maximum amount of $3.9 million if the value of the interests acquired exceeds 1.7 times the transaction price prior to December 31, 2018, or December 31, 2019, the date depending on whether certain liquidity events occur.

There were no additional Class A-1 interests granted, forfeited, distributed or redeemed during the six months ended June 30, 2015 and 2014.

Class A-2 Interests

Class A-2 interests included both Class A-2 capital interests and Class A-2 profits interests. No Class A-2 capital interests were issued and outstanding as of June 30, 2015, and approximately 93,786,659 were issued and outstanding as of December 31, 2014. On December 31, 2014, through a series of transactions, 1,614,322 of the Class A-2 capital interests previously held by certain members of the Company's management were transferred to the Temasek Member, and 214,433 new Class A-2 capital interests were issued to the Temasek Member, with the proceeds of such issuance being used to redeem the same number of Class A-2 profits interests held by Employee Holdco LLC ("Employee Holdco"). Class A-2 profits interests were issued to Employee Holdco, a holding company which held the interests on behalf of certain key employees or stakeholders. Employee Holdco issued Class A-2 profits interests of Employee Holdco to such employees and stakeholders which corresponded to the underlying Class A-2 profits interests held by Employee Holdco. There were no Class A-2 profits interests issued and outstanding as of June 30, 2015 and 6,069,007 Class A-2 profits interests issued and outstanding as of December 31, 2014. There were 6,418 and 0 Class A-2 profits interests issued during the six months ended June 30, 2015 and 2014, respectively. There were 13,495 and 6,795 Class A-2 profits interests redeemed during the six months ended June 30, 2015 and 2014, respectively. Holders of Class A-2 profits interests shared in distributions of available cash flow based on the ratio of interests held to the total number of Class A-1 and Class A-2 interests outstanding, and also shared on a pro rata basis in the proceeds of a liquidity event, subject to a valuation hurdle determined by Virtu Financial at the time of the grant based on a valuation performed by a third party valuation firm. Holders of the Class A-2 profits interests shared in the proceeds of a liquidity event above such valuation hurdle, and received a preference on such distributions above such valuation threshold until all holders of Class A-2 profits interests subject to such valuation threshold had been allocated capital proceeds equal to the deemed capital contribution attributable to such Class A-2 profits interests as determined by the Company at the time of the grant.

Class B Interests

Virtu Financial previously approved the Virtu Financial LLC Management Incentive Plan (the "MIP"). Participants of the MIP were entitled to receive either Class B interests of Virtu Financial or Class B interests of Employee Holdco, which holds directly the corresponding Class B interests in Virtu Financial. Upon a liquidity event, Class B interests under the MIP were entitled to share proportionately in distributions in excess of the applicable profits interest valuation hurdle, which

Table of Contents

Virtu Financial, Inc. and Subsidiaries

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. Capital Structure (Continued)

was determined by Virtu Financial based on a valuation at the time of the grant performed by a third party valuation firm. Class B interests were non-voting interests which vested over a four year period and upon a sale, IPO or certain other capital transactions of Virtu Financial. Class B interests were subject to forfeiture and repurchase provisions upon certain termination events. There were no Class B interests outstanding as of June 30, 2015 and Class B interests representing a right to share in 12.915% of capital proceeds (on a fully diluted basis) were issued and outstanding as of December 31, 2014. No Class B interests were issued during the six months ended June 30, 2015 and 2014.

Distribution and Liquidation Rights

Holders of Class A-1 and Class A-2 interests shared in distributions of available cash flow based on the ratio of interests held to the total number of Class A-1 and Class A-2 interests outstanding. Holders of Class B interests were not entitled to share in such distributions.

As of December 31, 2014, unless and until converted to Class A-2 members' interests, upon occurrence of a capital transaction, Class A-1 interests were entitled to distributions of capital proceeds until Class A-1 members' unrecovered capital balance (as defined) was reduced to zero. After distributions to Class A-1 members, capital proceeds would have been provided to Class A-2 capital members until Class A-2 capital members' unrecovered capital balance (as defined) were reduced to zero. After distributions to Class A-1 and Class A-2 members, distributions of capital proceeds would have been provided to members in respect to their respective capital proceeds percentages (as defined), subject to the valuation hurdles and distribution preferences applicable to holders of Class A-2 profits interests. Holders of vested Class B interests would have shared in distributions of capital proceeds above the applicable valuation hurdle proportionately based on their capital proceeds percentages.

In the event of any voluntary or involuntary liquidation, dissolution, winding up, merger or company sale, distributions would have been made, first, to Class A-1 members' unrecovered capital balance (as defined) until they have been reduced to zero. Second, to Class A-2 capital members, in proportion to their unrecovered capital balance (as defined) until reduced to zero and then to members in respect to their capital proceeds percentages (as defined), subject to the valuation hurdles and distribution preferences applicable to holders of Class A-2 profits interests.

Conversion Rights

As of December 31, 2014, the Class A-1 interests were convertible into Class A-2 interests at any time at the option of the Class A-1 member on a one-for-one basis. The Class A-1 interests automatically converted upon a qualified IPO or qualified sale. Qualified IPO was defined as an initial public offering on the New York Stock Exchange or NASDAQ National Market in which the gross proceeds raised equal or exceed $100.0 million and the valuation of the Company implies a return to the Silver Lake Member equal to at least (after taking into account previous distributions) 1.75 times the invested amount. Qualified sale was defined as a sale of all or a majority of the assets of the Company or all or a majority of the limited liability company interests of the Company to a third party that is not an affiliate or other permitted transferee of any member as long as the sale (i) is for consideration consisting entirely of cash and/or marketable securities and would satisfy certain minimum return requirements applicable to Silver Lake Partners and Temasek or (ii) was approved by the Silver Lake Member or, in certain circumstances, the Temasek Member.

Virtu Financial, Inc. and Subsidiaries

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. Capital Structure (Continued)

Redemption Rights

Unless and until conversion occurred, the Investor Members were entitled to a number of rights and benefits, including the right to call for redemption of their Class A-1 interests. Any time on or after November 24, 2016, the Silver Lake Member could have exercised such redemption right in order to cause the Company to purchase all of the Class A-1 interests owned directly or indirectly by affiliates of Silver Lake Partners. Any time on or after May 16, 2020, the Temasek Member could have exercised such redemption right in order to cause the Company to purchase all of the Class A-1 interests owned directly or indirectly by affiliates of Temasek.

As of December 31, 2014, the redemption price for each unit of Class A-1 interests owned by the Investor Members was the greater of (i) a minimum purchase price and (ii) the fair market value of the Class A-1 interests on the date of redemption. The minimum purchase price with respect to the Class A-1 interests owned directly or indirectly by affiliates of Silver Lake Partners was equal to the purchase price paid by affiliates of Silver Lake Partners for such Class A-1 interests and the minimum purchase price with respect to the Class A-1 interests owned directly or indirectly by affiliates (as defined in the Second Amended and Restated Limited Liability Company Agreement of Virtu Financial) of Temasek was equal to the purchase price paid by affiliates (as defined in the Second Amended and Restated Limited Liability Company Agreement of Virtu Financial) of Temasek for such Class A-1 interests (in each case, less distributions received in respect of such Class A-1 interests). The Company could have redeemed the Class A-1 interests using redemption notes provided that all available cash flow and all capital proceeds were used to pay down the redemption note.

In lieu of redemption, the Silver Lake Member or the Temasek Member could require the Company to purchase all of the equity securities of the affiliated entity or entities that directly or indirectly owned their Class A-1 interests on behalf of affiliates of Silver Lake Partners or Temasek, respectively, provided that any such entity had not conducted any business or operations since inception other than the direct or indirect ownership of the interests of the Company.

The redeemable equity instrument is classified outside of permanent equity on the condensed consolidated statements of financial condition.

East Management Incentive Plan

On July 8, 2011, 2,625,000 Class A-2 capital interests were contributed by Class A-2 members to Virtu East MIP LLC ("East MIP"). East MIP issued Class A interests to the members who contributed the Class A-2 capital interests, and Class B interests ("East MIP Class B interests") to certain key employees. East MIP Class B interests were non-voting interests which vested over the four year period ending July 8, 2015, but in any event no earlier than upon the occurrence of a sale, IPO or certain other capital transactions of Virtu Financial. Vested East MIP Class B interests were entitled to participate in distributions of the proceeds received in respect of the Class A-2 capital interests held by East MIP upon a sale or certain other capital transactions of Virtu Financial. East MIP Class B interests were subject to forfeiture and repurchase provisions upon certain termination events.

Virtu Financial, Inc. and Subsidiaries

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. Capital Structure (Continued)

Capital structure after the Company's Reorganization Completed on April 15, 2015 and IPO Completed on April 16, 2015:

Initial Public Offering

On April 21, 2015, the Company completed its IPO of 19,012,112 shares of its Class A common stock, par value $0.00001 per share, including 2,479,840 shares of Class A common stock sold in connection with the full exercise of the option to purchase additional shares granted to the underwriters, at a price to the public of $19.00 per share. The shares began trading on NASDAQ on April 16, 2015 under the ticker symbol "VIRT." As a result of the completion of the Reorganization Transactions and the IPO, VFI holds approximately 24.8% interest in Virtu Financial.

Reorganization Transactions

In connection with the IPO, a series of reorganization transactions was completed on April 15, 2015 (the "Reorganization Transactions") among the Company, subsidiaries of Virtu Financial and equityholders of Virtu Financial which include the following persons (the "Virtu Pre-IPO Members"):

- three affiliates of the founding member, (collectively the "Founder Pre-IPO Members");
- the Silver Lake Member;
- the Temasek Member;
- the SLT Member;
- two entities, one of which was and the other of which is managed by the founding member, whose equityholders include certain members of the management of Virtu Financial, (the "Management Vehicles"); and
- certain current and former members of the management of the Company. and Madison Tyler Holdings and their affiliates, (the "Management Members").

The Reorganization Transactions are further described in the Company's Registration Statement filed on Form S-1 (File No. 333-194473) (as amended the "Registration Statement").

In the Reorganization Transactions:

- the Company. became the sole managing member of Virtu Financial;
- in a series of transactions, one of the Management Vehicles liquidated, with its equity interests in Virtu Financial either being distributed to its members, including certain members of management, or contributed to the other Management Vehicle ("Virtu Employee Holdco") and certain employees of Virtu Financial based outside the United States were distributed equity interests in Virtu Financial held by Virtu Employee Holdco on behalf of such employees and such equity

interests were contributed to a trust (the "Employee Trust"), whose trustee is one of Virtu Financial's subsidiaries;

two of the Founder Pre-IPO Members liquidated and distributed their equity interests in Virtu Financial to their equityholders, one of whom is TJMT Holdings LLC, the third Founder Pre-IPO Member;

the SLT Member distributed its equity interests in Virtu Financial to its equityholders, which consist of investment funds and other entities affiliated with Silver Lake Partners and Temasek;

Table of Contents

Virtu Financial, Inc. and Subsidiaries

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. Capital Structure (Continued)

following a series of transactions, the Company acquired equity interests in Virtu Financial as a result of certain mergers involving wholly owned subsidiaries of Virtu Financial, an affiliate of Silver Lake Partners and Temasek, and the Temasek Member (the "Mergers"), and in exchange the Company issued to an affiliate of Silver Lake Partners (the "Silver Lake Post-IPO Stockholder") and an affiliate of Temasek (the "Temasek Post-IPO Stockholder", collectively with the Silver Lake Post-IPO Stockholder, the "Investor Post-IPO Stockholders") shares of Class A common stock and rights to receive payments under a tax receivable agreement described below. The number of shares of Class A common stock issued to the Investor Post-IPO Stockholders was based on the value of the Virtu Financial equity interests that we acquired, which was determined based on a hypothetical liquidation of Virtu Financial and the initial public offering price per share of the Company's Class A common stock in the IPO;

all of the existing equity interests in Virtu Financial were reclassified into non-voting common interest units ("Virtu Financial Units"). The number of Virtu Financial Units issued to each member of Virtu Financial was determined based on a hypothetical liquidation of Virtu Financial and the IPO price of $19 per share of the Company's Class A common stock in our initial public offering. The Virtu Financial Units received by Virtu Employee Holdco, the Employee Trust and the Management Members have the same vesting restrictions as the equity interests which were reclassified. Vested Virtu Financial Units will be entitled to receive distributions, if any, from Virtu Financial. Subject to certain exceptions, unvested Virtu Financial Units are not entitled to receive such distributions (other than tax distributions).
If any unvested Virtu Financial Units are forfeited, they will be cancelled by Virtu Financial for no consideration (and the Company will cancel the related shares of Class C common stock (described below) for no consideration);

the Company amended and restated its certificate of incorporation and issued four classes of common stock: Class A common stock, Class B common stock, Class C common stock and Class D common stock ("common stock"). The Class A common stock and Class C common stock each provide holders with one vote on all matters submitted to a vote of stockholders, and the Class B common stock and Class D common stock each provide holders with 10 votes on all matters submitted to a vote of stockholders. The holders of Class C common stock and Class D common stock do not have any of the economic rights (including rights to dividends and distributions upon liquidation) provided to holders of Class A common stock and Class B common stock. Shares of the Company's common stock will generally vote together as a single class on all matters submitted to a vote of stockholders. The remaining members of Virtu Financial after giving effect to the Reorganization Transactions, other than the Company, (collectively as the "Virtu Post-IPO Members"), subscribed for and purchased shares of the Company's common stock as follows, in each case at a purchase price of $0.00001 per share and in an amount equal to the number of Virtu Financial Units held by each such Virtu Post-IPO Member;

TJMT Holdings LLC ("Founder Post-IPO Member"), purchased 79,610,490 shares of the Company's Class D common stock; and

affiliates of Silver Lake Partners (the "Silver Lake Post-IPO Members"), Virtu Employee Holdco, the Employee Trust, the Management Members and the other Virtu Post-IPO Members purchased 36,746,041 shares of the Company's Class C common stock; and the

Table of Contents

Virtu Financial, Inc. and Subsidiaries

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. Capital Structure (Continued)

Founder Post-IPO Member was granted the right to exchange its Virtu Financial Units, together with a corresponding number of shares of the Company's Class D common stock, for shares of the Company's Class B common stock, and the other Virtu Post-IPO Members was granted the right to exchange their Virtu Financial Units, together with a corresponding number of shares of the Company's Class C common stock, for shares of the Company's Class A common stock. Each share of VFI's Class B common stock and Class D common stock is convertible at any time, at the option of the holder, into one share of Class A common stock or Class C common stock, respectively.

Distributions in Connection with the IPO

On June 12, 2015, Virtu Financial made a cash distribution of $5.0 million to certain of the holders of its outstanding equity interests prior to the consummation of the Reorganization Transactions (such holders, the "Virtu Financial Pre-IPO Members") (funded from cash on hand). Additionally, Virtu Financial intends to make further cash distributions of up to $45.0 million to the Virtu Financial Pre-IPO Members. The Company expects that these further distributions will be funded from cash on hand and excess cash held as clearing deposits with broker-dealers and clearing organizations.

Use of Proceeds

Upon consummation of the IPO, the total gross proceeds of the offering were approximately $361.2 million. Of the proceeds, approximately $25.2 million was used to pay underwriting discounts and commissions, approximately $277.2 million was used to purchase 3,470,724 shares of Class A common stock from the Silver Lake Post-IPO Stockholder and 12,214,224 Virtu Financial Units and corresponding shares of Class C common stock from certain of the Virtu Post-IPO Members, including 4,862,609 Virtu Financial Units and corresponding shares of Class C common stock from the Silver Lake Post-IPO Members and 7,351,615 Virtu Financial Units and corresponding shares of Class C common stock from certain employees. The remaining $58.8 million of net proceeds was contributed by the Company to Virtu Financial, the operating company, which will be used for working capital and general corporate purposes. Other offering costs incurred were approximately $8.6 million and were paid by Virtu Financial.

2015 Management Incentive Plan

VFI's Board of Directors and stockholders adopted the Virtu Financial 2015 Management Incentive Plan (the "2015 Management Incentive Plan"), which became effective upon consummation of the IPO. The 2015 Management Incentive Plan provides for the grant of stock options, restricted stock units, and other awards based on an aggregate of 12,000,000 shares of Class A common stock, subject to additional sublimits, including limits on the total option grant to any one participant in a single year and the total performance award to any one participant in a single year.

In connection with the IPO, non-qualified stock options to purchase 9,228,000 shares were granted at the IPO per share price, each of which vests in equal annual installments over a period of four years from grant date and expires not later than 10 years from the date of grant. In connection with and subsequent to the IPO, 25,647 restricted stock units were granted, each of which vest on the one year anniversary of date of grant and are settled in shares of Class A common stock. For the purpose of calculating equity-based compensation expense, the fair value

Table of Contents

Virtu Financial, Inc. and Subsidiaries

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. Capital Structure (Continued)

of the stock option grants was determined through the application of the Black-Scholes-Merton model and will be recognized on a straight line basis over the vesting period. Similarly, the fair value of the restricted stock units was determined based on the IPO per share price and will be recognized on a straight line basis over the vesting period.

14. Share-based Compensation

During the six months ended June 30, 2015 and 2014, the Company recorded expense relating to Class A-2 profits interests granted in prior periods to certain employees, which vest immediately or over a period of up to four years, in each case subject to repurchase provisions upon certain termination events, as described above (Note 13). These awards are accounted for as equity awards and are measured at the date of grant. The Company accrued compensation expense of $8.7 million and $7.2 million for the six months ended June 30, 2015 and 2014, respectively, related to the Class A-2 profits interests and other equity interests expected to be granted as part of year-end compensation. As of June 30, 2015, total unrecognized share-based compensation expense related to unvested Class A-2 profits interests, which, as described above (Note 13), were reclassified into non-voting common interest units subject to the same vesting schedule as their corresponding Class A-2 profits interests in connection with the Reorganization Transactions, was $2.9 million, and this amount is expected to be recognized over a weighted average period of 2.1 years.

Activity in the Class A-2 profits interests, which, as indicated, have been reclassified into non-voting common units pursuant to the Reorganization Transactions, is as follows:

	Number of Interests	Weighted Average Fair Value	Weighted Average Remaining Life
Outstanding December 31, 2013	4,434,452	$ 6.82	3.40
Interests granted		$	
Interests repurchased	(6,796)	$ 6.46	
Outstanding June 30, 2014	4,427,656	$ 6.82	2.90
Outstanding December 31, 2014	6,069,007	$ 7.05	2.54
Interests granted	6,418	$ 7.52	3.00
Interests repurchased	(13,495)	$ 7.17	
Outstanding June 30, 2015	6,061,930	$ 7.05	2.07

As indicated in Note 13, East MIP Class B interests are subject to time based vesting over four years and only fully vest upon the consummation of a qualifying capital transaction by the Company, including an IPO. Upon the consummation of the IPO, certain East MIP Class B interests became vested, resulting in a compensation expense of $11.8 million, which reflects the fair value of the outstanding time-vested East MIP Class B interests measured at the date of grant. Additional compensation expense in respect of East MIP Class B interests still subject to time vesting of $0.6 million was recognized ratably over the remainder of the period ended June 30, 2015, resulting in a total expense for the period of $12.4 million relating to the East MIP Class B interests which was included within charges related to share based compensation at IPO in the condensed consolidated statements of comprehensive income. As of December 31, 2014, a capital transaction

Table of Contents

Virtu Financial, Inc. and Subsidiaries

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. Share-based Compensation (Continued)

was not probable, and therefore none of the East MIP Class B interests were vested and no compensation expense was recognized relating to these awards.

During the six months ended June 30, 2015 and 2014, no employees have been granted Class B interests. As discussed in Note 13, Class B interests vest only upon the occurrence of both time-based vesting over a four year period and the consummation of a qualifying capital transaction by the Company. Upon the consummation of the IPO, certain Class B interests became vested, resulting in a compensation expense of $31.4 million, which reflects the fair value of the outstanding time-vested Class B Interests measured at the date of grant. Additional compensation expense in respect of Class B interests still subject to time vesting of $1.9 million was recognized ratably over the remainder of the period ended June 30, 2015, resulting in a total expense for the period of $33.3 million relating to the Class B interests which was included within charges related to share based compensation at IPO in the condensed consolidated statements of comprehensive income. As of December 31, a capital transaction was not probable, and therefore none of the Class B interests were vested and no compensation expense was recognized relating to previously awarded Class B interests.

Additionally, in connection with the compensation charges related to Class B and East MIP interests mentioned above, the Company capitalized and amortized $9.5 million and $8.0 million, respectively, of the costs attributable to employees incurred in development of software for internal use, which were included within charges related to share based compensation at IPO in the condensed consolidated statements of comprehensive income.

During the three months ended June 30, 2015, pursuant to the 2015 Management Incentive Plan, the Company granted non-qualified stock options to purchase 9,228,000 shares at the IPO per share price, each of which vests in equal annual installments over a period of four years from grant date and expires not later than 10 years from the date of grant, and 25,647 restricted stock units, which vest on the one year anniversary and are settled in shares of Class A common stock. For the purpose of calculating equity-based compensation expense, the fair value of the stock option grants was determined through the application of the Black-Scholes-Merton model with the following assumptions:

	Six Months Ended June 30, 2015	
Expected life (in years)		6.25
Weighted average risk free interest rate		1.90%
Expected volatility		30%
Dividend yield		5.05%
Weighted average fair value at grant date	$	2.95

The Company recognized $1.4 million of compensation expense ratably over the period in relation to the stock options issued during the period, and $0.02 million of compensation expense ratably over the period in relation to the restricted stock units issued during the period. During the six months ended June 30, 2015, 14,000 stock options have been forfeited.

15. Regulatory Requirement

As of June 30, 2015, two subsidiaries of the Company are subject to the SEC Uniform Net Capital Rule 15c3-1, which requires the maintenance of minimum net capital of $1.0 million for each

Table of Contents

Virtu Financial, Inc. and Subsidiaries

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Regulatory Requirement (Continued)

of the two broker-dealer subsidiaries. At June 30, 2015, the subsidiaries had net capital of approximately $39.4 million and $8.2 million, which was approximately $38.4 million and $7.2 million in excess of its required net capital of $1.0 million and $1.0 million, respectively. At December 31, 2014, the subsidiaries had net capital of approximately $59.8 million and $8.1 million, which was approximately $58.8 million and $7.1 million in excess of its required net capital of $1.0 million and $1.0 million, respectively.

Pursuant to NYSE and NYSE MKT (formerly NYSE Amex) rules, the Company was required to maintain $3.4 million and $3.7 million of capital in connection with the operation of the Company's Designated Market Maker ("DMM") business as of June 30, 2015 and December 31, 2014, respectively. The required amount is determined under the exchange rules as the greater of $1 million or 15% of the market value of 60 trading units for each symbol in which the Company is registered as the DMM.

16. Geographic Information

The Company operates its business in the U.S. and internationally, primarily in Europe and Asia. Significant transactions and balances between geographic regions occur primarily as a result of certain of our subsidiaries incurring operating expenses such as employee compensation, communications and data processing and other overhead costs, for the purpose of providing execution, clearing and other support services to affiliates. Charges for transactions between regions are designed to approximate full costs. Intra-region income and expenses and related balances have been eliminated in the geographic information presented below to accurately reflect the external business conducted in each geographical region. The revenues are attributed to countries based on the locations of the subsidiaries. The following table presents total revenues by geographic area for the six months ended June 30, 2015 and 2014:

(in thousands)	For the Six Months Ended June 30, 2015	2014
Revenues:		
United States	$ 268,403	$ 224,491
Australia	23	
Ireland	92,117	77,234
Singapore	42,964	34,546
Total revenues	$ 403,507	$ 336,271

17. Related Party Transactions

As of June 30, 2015, and December 31, 2014, the Company had a payable of $0.4 million and $0.4 million to its affiliates, respectively.

In the ordinary course of business, the Company purchases and leases computer equipment and maintenance and support from affiliates of Dell Inc. ("Dell"). Silver Lake and its affiliates have a significant ownership interest in Dell. During the six months ended June 30, 2015 and 2014, the Company paid $1.5 million and $0.4 million, respectively, to Dell for these purchases and leases. Similarly, in the ordinary course of business, the Company purchases market data and related services from Interactive Data Pricing and Reference Data, Inc. ("Interactive Data"). Silver Lake and

Table of Contents

Virtu Financial, Inc. and Subsidiaries

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17. Related Party Transactions (Continued)

its affiliates have a significant ownership interest in Interactive Data. During the six months ended June 30, 2015 and 2014, the Company paid $0.2 million and $0.2 million, respectively, to Interactive Data for these purchases. Finally, in the ordinary course of business, the Company purchases telecommunications services from Singapore Telecommunications Limited ("Singtel"). Singtel is a subsidiary of Temasek. During the six months ended June 30, 2015 and 2014, we paid $0.1 million and $0.1 million, respectively, to Singtel for these purchases.

18. Subsequent Events

The Company has evaluated subsequent events for adjustment to or disclosure in its condensed consolidated financial statements through the date of the report, and has not indentified any recordable or disclosable events, not otherwise reported in these condensed consolidated financial statements or the notes thereto, except for the following:

Virtu Financial made profit distributions to its members, including the Company, in the amount of $10.0 million, on August 4, 2015.

The Company's Board of Directors declared a dividend of $0.24 per share of Class A common stock and Class B common stock that is payable on September 15, 2015 to holders of record as of September 1, 2015.

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Members of Virtu Financial LLC and Subsidiaries:
New York, New York

We have audited the accompanying consolidated statements of financial condition of Virtu Financial LLC and subsidiaries (the "Company") as of December 31, 2014 and 2013, and the related consolidated statements of comprehensive income, changes in members' equity and cash flows for each of the three years in the period ended December 31, 2014. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Virtu Financial LLC and subsidiaries as of December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014, in conformity with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche LLP

New York, New York
February 19, 2015

Table of Contents

Virtu Financial LLC and Subsidiaries

Consolidated Statements of Financial Condition
as of December 31, 2014 and 2013

(in thousands except interest data)	As of December 31, 2014	2013
Assets		
Cash and cash equivalents	$ 75,864	$ 66,010
Securities borrowed	484,934	708,103
Securities purchased under agreements to resell	31,463	162,608
Receivables from broker-dealers and clearing organizations	387,652	427,741
Trading assets, at fair value:		
Financial instruments owned	1,307,933	1,388,234
Financial instruments owned and pledged	236,375	415,179
Property, equipment and capitalized software (net of accumulated depreciation)	44,644	37,585
Goodwill	715,379	715,379
Intangibles (net of accumulated amortization)	1,414	1,626
Other assets ($8,205 and $7,318, at fair value, as of December 31, 2014 and 2013, respectively)	38,903	41,105
Total assets	$ 3,324,561	$ 3,963,570

Liabilities, redeemable interest and members' equity		
Liabilities		
Short-term borrowings	$	$ 72,800
Securities loaned	497,862	1,029,312
Securities sold under agreements to repurchase	2,006	10,883
Payables to broker-dealers and clearing organizations	686,203	530,229
Trading liabilities, at fair value:		
Financial instruments sold, not yet purchased	1,037,634	1,278,412
Accounts payable and accrued expenses and other liabilities	93,331	80,921
Senior secured credit facility	500,827	507,725
Total liabilities	$ 2,817,863	$ 3,510,282
Class A-1 redeemable interest	294,433	250,000
Members' equity		
Class A-1 Authorized and Issued 1,964,826 and 1,964,826 interests, Outstanding 1,964,826 and 1,964,826 interests, at December 31, 2014 and 2013, respectively	19,648	19,648
Class A-2 Authorized and Issued 101,381,332 and 100,627,010 interests, Outstanding 99,855,666 and 99,459,345 interests at December 31, 2014 and 2013, respectively	287,705	256,340
Accumulated deficit	(91,383)	(74,027)
Accumulated other comprehensive income (loss)	(3,705)	1,327
Total members' equity	$ 212,265	$ 203,288

Total liabilities, redeemable interest and members' equity	$ 3,324,561	$ 3,963,570

See accompanying notes to the consolidated financial statements.

Table of Contents

Virtu Financial LLC and Subsidiaries

Consolidated Statements of Comprehensive Income for the Years Ended December 31, 2014, 2013 and 2012

	For the Years Ended December 31,		
(In thousands)	**2014**	**2013**	**2012**
Revenues:			
Trading income, net	$ 685,150	$ 623,733	$ 581,476
Interest and dividends income	27,923	31,090	34,152
Technology services	9,980	9,682	
Total revenue	723,053	664,505	615,628
Operating Expenses:			
Brokerage, exchange and clearance fees, net	230,965	195,146	200,587
Communication and data processing	68,847	64,689	55,384
Employee compensation and payroll taxes	84,531	78,353	63,836
Interest and dividends expense	47,083	45,196	48,735
Operations and administrative	21,923	27,215	27,826
Depreciation and amortization	30,441	23,922	17,975
Amortization of purchased intangibles and acquired capitalized software	211	1,011	71,654
Acquisition cost			69
Acquisition related retention bonus	2,639	6,705	6,151
Impairment of intangible assets			1,489
Lease abandonment			6,134
Debt issue cost related to debt refinancing		10,022	
Initial public offering fees and expenses	8,961		
Transaction advisory fees and expenses	3,000		
Financing interest expense on senior secured credit facility	30,894	24,646	26,460
Total operating expenses	529,495	476,905	526,300
Income before income taxes	193,558	187,600	89,328
Provision for income taxes	3,501	5,397	1,768
Net income	$ 190,057	$ 182,203	$ 87,560
Other Comprehensive Income, net of taxes:			
Foreign exchange translation adjustment	(5,032)	1,382	548
Comprehensive Income	$ 185,025	$ 183,585	$ 88,108

See accompanying notes to the consolidated financial statements.

Table of Contents

Virtu Financial LLC and Subsidiaries

Consolidated Statements of Changes in Members' Equity
for the Years Ended December 31, 2014, 2013 and 2012

	Class A-1		Class A-2			Accumulated Other Comprehensive	Total	Class A-1
(in thousands, except per interest data)	**Interests**	**Amounts**	**Interests**	**Amounts**	**Accumulated Deficit**	**Income (Loss)**	**Members' Equity**	**Redeemable Interest**
Balance at December 31, 2011	1,964,826	$ 19,648	95,671,694	$ 480,615	$ (21,499)	$ (603)	$ 478,161	$ 250,000
Share based compensation			1,705,704	8,726			8,726	
Repurchase of Class A-2 interests			(53,548)	(352)			(352)	
Distribution to members					(134,408)		(134,408)	
Foreign exchange translation adjustment						548	548	
Net income					87,560		87,560	
Balance at December 31, 2012	1,964,826	$ 19,648	97,323,850	$ 488,989	$ (68,347)	$ (55)	$ 440,235	$ 250,000
Share based compensation			2,223,814	13,441			13,441	
Repurchase of Class A-2 interests			(88,319)	(573)			(573)	
Distribution to members				(245,517)	(187,883)		(433,400)	
Foreign exchange translation adjustment						1,382	1,382	
Net income					182,203		182,203	
Balance at December 31, 2013	1,964,826	$ 19,648	99,459,345	$ 256,340	$ (74,027)	$ 1,327	$ 203,288	$ 250,000
Share-based compensation			1,992,556	15,953			15,953	
Repurchase of Class A-2 interests			(1,596,235)	(2,295)	(4,621)		(6,916)	
Temasek transaction described in Note 13				$ 17,707	$ (62,140)		$ (44,433)	$ 44,433
Distribution to members					(140,652)		(140,652)	
Foreign exchange translation adjustment						(5,032)	(5,032)	
Net income					190,057		190,057	

Balance at December 31, 2014	1,964,826	$	19,648	99,855,666	$	287,705	$	(91,383)	$	(3,705)	$	212,265	$	294,433

See accompanying notes to the consolidated financial statements.

Table of Contents

Virtu Financial LLC and Subsidiaries

Consolidated Statements of Cash Flows for the Years Ended December 31, 2014, 2013 and 2012

(In thousands)	For the Years Ended December 31, 2014	2013	2012
Cash flows from operating activities			
Net Income	$ 190,057	$ 182,203	$ 87,560
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	30,441	23,922	17,975
Amortization of purchased intangibles and acquired capitalized software	211	1,011	71,654
Impairment of intangible assets			1,489
Debt issue cost related to debt refinancing		10,022	
Amortization of debt discount and deferred financing fees	1,334	3,861	4,278
Lease abandonment			3,255
Share based compensation	14,234	13,441	8,398
Equipment writeoff	378	1,968	109
Other	(2,204)	240	(427)
Changes in operating assets and liabilities:			
Securities borrowed	223,169	(278,784)	137,790
Securities purchased under agreements to resell	131,145	(92,526)	(66,497)
Receivables from broker-dealers and clearing organizations	40,089	(61,598)	199,935
Trading assets, at fair value	259,105	(290,848)	(119,721)
Other Assets ($8,205 and $7,138, at the fair value, as of December 31, 2014 and 2013, respectively)	2,751	(665)	(1,957)
Securities loaned	(531,450)	291,984	2,767
Securities sold under agreements to repurchase	(8,877)	(4,051)	14,934
Payables to broker-dealers and clearing organizations	155,974	277,721	(214,455)
Accounts payable and accrued expenses and other liabilities	7,120	508	3,479
Trading liabilities, at fair value	(240,778)	180,952	9,880
Net cash provided by operating activities	272,699	259,361	160,446
Cash flows from investing activities			
Development of capitalized software	(8,039)	(10,085)	(11,224)
Acquisition of property and equipment	(28,120)	(21,931)	(15,832)
Acquisition of Nyenburgh Holding B.V.			(1,300)
Net cash used in investing activities	(36,159)	(32,016)	(28,356)
Cash flows from financing activities			
Member distributions	(140,652)	(433,400)	(134,408)
Proceeds from Issuance of Class A-2 interests in connection with the Temasek transaction described in Note 13	3,048		
Repurchase of Class A-2 interests in connection with the Temasek transaction described in Note 13	(3,048)		

Repurchase of Class A-2 interests	(916)	(573)	(352)
Proceeds from short term borrowings			54,000
Repayment of short term borrowings	(72,800)	(7,200)	
Proceeds from senior secured credit facility		253,792	
Repayment of senior secured credit facility	(7,286)	(6,717)	(48,000)
Debt issuance costs		(8,597)	
Net cash used in financing activities	(221,654)	(202,695)	(128,760)
Effect of exchange rate changes on cash and cash equivalents	(5,032)	1,382	548
Net increase in cash and cash equivalents	9,854	26,032	3,878
Cash and cash equivalents, beginning of period	66,010	39,978	36,100
Cash and cash equivalents, end of period	$ 75,864	$ 66,010	$ 39,978
Supplementary disclosure of cash flow information			
Cash paid for interest	$ 61,293	$ 44,848	$ 52,106
Cash paid for taxes	3,764	4,559	11,214
Non-cash investing activities			
Compensation to developers subject to capitalization of software (of which $1,719, $1,633 and $1,828 were capitalized for the years ended 2014, 2013, and 2012, respectively)	5,112	4,459	3,147
Non-cash financing activities			
Issuance of Class A-2 interests from business combination described in Note 3			328
Discount on issuance of senior secured credit facility		2,925	
Temasek transaction described in Note 13			
Repurchase of Class A-2 interests	(6,000)		

See accompanying notes to the consolidated financial statements.

Table of Contents

Virtu Financial LLC and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Basis of Presentation

Organization

Virtu Financial LLC ("VF" or, collectively with its wholly owned subsidiaries, the "Company") was formed as a Delaware limited liability company on April 8, 2011 in connection with a corporate reorganization and acquisition of the outstanding equity interests of Madison Tyler Holdings, LLC ("MTH"), an electronic trading firm and market maker. In connection with the reorganization, the members of VF's predecessor entity, Virtu Financial Operating LLC ("VFO"), a Delaware limited liability company formed on March 19, 2008, exchanged their interests in VFO for interests in VF and the members of MTH exchanged their interests in MTH for cash and/or interests in VF. VF's principal subsidiaries include Virtu Financial BD LLC ("VFBD"), a self-clearing US broker-dealer, Virtu Financial Capital Markets LLC ("VFCM"), a self-clearing US broker-dealer and designated market maker on the New York Stock Exchange ("NYSE") and the NYSE MKT (formerly NYSE Amex) and other proprietary trading firms, including Virtu Financial Global Markets LLC ("VFGM"), Virtu Financial Europe Limited ("VFE"), Virtu Financial Ireland Limited ("VFIL"), incorporated in Ireland, Virtu Financial Asia Pty Ltd. ("VFAP"), incorporated in Australia, and Virtu Financial Singapore Pte. Ltd. ("VFSing"), incorporated in Singapore. VFCM became a designated market maker ("DMM") in connection with its acquisition of certain assets of Cohen Capital Group LLC ("CCG") on December 9, 2011.

The Company is a technology-enabled market maker and liquidity provider. The Company has developed a single, proprietary, multi-asset, multi-currency technology platform through which it provides quotations to buyers and sellers in equities, commodities, currencies, options, fixed income and other securities on numerous exchanges, markets and liquidity pools in numerous countries around the world.

The Company is managed and operated as one business. Accordingly, the Company operates under one reportable segment.

Basis of Presentation

The accompanying Consolidated Financial Statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP").

Basic and diluted earnings per share are not presented since the ownership structure of the Company does not include a common unit of ownership.

Principles of Consolidation

The consolidated financial statements include the accounts of VF and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

2. Summary of Significant Accounting Policies

Use of Estimates

The Company's consolidated financial statements are prepared in conformity with U.S. GAAP, which requires management to make estimates and assumptions regarding fair value measurements including trading assets and liabilities, goodwill and intangibles, compensation accruals, capitalized software, and other matters that affect the reported amounts of assets and

Virtu Financial LLC and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Summary of Significant Accounting Policies (Continued)

liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ materially from those estimates.

Cash and Cash Equivalents

The Company considers cash equivalents as highly liquid investments with original maturities of less than three months when acquired. The Company maintains cash in bank deposit accounts that, at times, may exceed federally insured limits.

Securities Borrowed and Securities Loaned

The Company conducts securities borrowing and lending activities with external counterparties. In connection with these transactions, the Company receives or posts collateral. These transactions are collateralized by cash or securities. In accordance with substantially all of its stock borrow agreements, the Company is permitted to sell or repledge the securities received. Securities borrowed or loaned are recorded based on the amount of cash collateral advanced or received. The initial collateral advanced or received generally approximates or is greater than 102% of the fair value of the underlying securities borrowed or loaned. The Company monitors the fair value of securities borrowed and loaned, and delivers or obtains additional collateral as appropriate. Receivables and payables with the same counterparty are not offset in the consolidated statements of financial condition. For these transactions, the interest received or paid by the Company is recorded gross on an accrual basis under interest and dividends income or interest and dividends expense in the consolidated statements of comprehensive income.

Securities Purchased Under Agreements to Resell and Securities Sold Under Agreements to Repurchase

In a repurchase agreement, securities sold under agreements to repurchase are treated as collateralized financing transactions and are recorded at contract value, plus accrued interest, which approximates fair value. It is the Company's policy that its custodian takes possession of the underlying collateral securities, the fair value of which exceeds the principal amount of the repurchase transaction, including accrued interest. For reverse repurchase agreements, the Company typically requires delivery of collateral with a fair value approximately equal to the carrying value of the relevant assets in the consolidated statements of financial condition. To ensure that the fair value of the underlying collateral remains sufficient, the collateral is valued daily with additional collateral obtained or excess collateral returned, as permitted under contractual provisions.

The Company does not net securities purchased under agreements to resell transactions with securities sold under agreements to repurchase transactions entered into with the same counterparty.

Receivables from/Payables to Broker-Dealers and Clearing Organizations

Amounts receivable from broker-dealers and clearing organizations may be restricted to the extent that they serve as deposits for securities sold, not yet purchased. At December 31, 2014 and 2013, receivables from and payables to broker-dealers and clearing organizations primarily

Virtu Financial LLC and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Summary of Significant Accounting Policies (Continued)

represent amounts due for unsettled trades, open equity in futures transactions, securities failed to deliver or failed to receive, deposits with clearing organizations or exchanges and balances due from or due to prime brokers in relation to the Company's trading. The Company also offsets the outstanding principal balances on all short term credit facilities against amounts receivable from and payable to broker-dealers and clearing organizations when the criteria for offsetting are met.

In the normal course of business, substantially all of the Company's securities transactions, money balances, and security positions are transacted with several brokers. The Company is subject to credit risk to the extent any broker with whom it conducts business is unable to fulfill contractual obligations on its behalf. The Company's management monitors the financial condition of such brokers and does not anticipate any losses from these counterparties.

Financial Instruments Owned Including Those Pledged as Collateral and Financial Instruments Sold, Not Yet Purchased

The Company carries financial instruments owned, including those pledged as collateral, and financial instruments sold, not yet purchased at fair value. Gains and losses arising from financial instrument transactions are recorded net on a trade-date basis in trading income on the consolidated statements of comprehensive income.

Fair Value Measurements

At December 31, 2014 and 2013, substantially all of Company's financial assets and liabilities, except for long-term borrowings and certain exchange memberships, were carried at fair value based on published market prices and are marked to market daily or were short-term in nature and were carried at amounts that approximate fair value.

The Company's assets and liabilities have been categorized based upon a fair value hierarchy in accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 820-10, *Fair Value Measurements and Disclosures*. ASC 820-10 defines fair value as the price that would be received to sell an asset or would be paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the measurement date. Fair value measurements are not adjusted for transaction costs. The recognition of "block discounts" for large holdings of unrestricted financial instruments where quoted prices are readily and regularly available in an active market is prohibited. ASC 820-10 requires a three level hierarchy which prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy level assigned to each financial instrument is based on the assessment of the transparency and reliability of the inputs used in the valuation of such financial instruments at the measurement date based on the lowest level of input that is significant to the fair value measurement. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements).

Financial instruments measured and reported at fair value are classified and disclosed in one of the following categories based on inputs:

Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Table of Contents

Virtu Financial LLC and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Summary of Significant Accounting Policies (Continued)

Level 2 Quoted prices in markets that are not active and financial instruments for which all significant inputs are observable, either directly or indirectly;

Level 3 Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

Transfers in or out are recognized based on the beginning fair value of the period in which they occurred. There were no transfers of financial instruments between levels during the years ended December 31, 2014 and 2013.

Derivative Instruments

Derivative instruments used for trading purposes, including economic hedges of trading instruments, are carried at fair value. Fair values for exchange-traded derivatives, principally futures, are based on quoted market prices. Fair values for over-the-counter derivative instruments, principally forward contracts, are based on the values of the underlying financial instruments within the contract. The underlying derivative instruments are currencies which are actively traded.

Derivative instruments used for economic hedging purposes include futures, forward contracts, and options. Unrealized gains or losses on these derivative instruments are recognized currently in the consolidated statements of comprehensive income as trading income, net. The Company does not apply hedge accounting as defined in FASB ASC 815, *Derivatives and Hedging*; accordingly all derivative instruments are recorded at fair value with changes in fair values reflected in earnings.

Property and Equipment

Property and equipment are carried at cost, less accumulated depreciation, except for the assets acquired in connection with the acquisition of MTH which were recorded at fair value on the date of acquisition. Depreciation is provided using the straight-line method over estimated useful lives of the underlying asset. Routine maintenance, repairs and replacement costs are expensed as incurred and improvements that appreciably extend the useful life of the assets are capitalized. When property and equipment are sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in income. Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable.

The useful lives of furniture and fixtures are as follows:

Furniture, fixtures and equipment	3 to 7 years
Leasehold improvements	7 years or length of lease term, whichever is shorter

Capitalized Software

The Company accounts for the costs of computer software developed or obtained for internal use in accordance with ASC 350-40, *Internal-Use Software*. The Company capitalizes costs of materials, consultants and payroll and payroll related costs for employees incurred in developing internal-use software. Costs incurred during the preliminary project and post-implementation stages are charged to expense.

Virtu Financial LLC and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Summary of Significant Accounting Policies (Continued)

Management's judgment is required in determining the point at which various projects enter the stages at which costs may be capitalized, in assessing the ongoing value of the capitalized costs, and in determining the estimated useful lives over which the costs are amortized.

The Company's capitalized software development costs were approximately $9.8 million, $10.1 million and $11.2 million for the years ended December 31, 2014, 2013 and 2012, respectively, with related amortization expense of approximately $10.4 million, $11.0 million and $9.4 million for the years ended December 31, 2014, 2013 and 2012, respectively. Capitalized software development costs and related accumulated amortization are included in property, equipment and capitalized software on the accompanying consolidated statements of financial condition and are amortized over a period of 1.4 to 2.5 years, which represents the estimated useful lives of the underlying software.

Goodwill

Goodwill represents the excess of the purchase price over the underlying net tangible and intangible assets of our acquisitions. Goodwill is not amortized but is tested for impairment on an annual basis and between annual tests whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Goodwill is tested at the reporting unit level, which is defined as an operating segment or one level below the operating segment. We operate in one operating segment, which is our only reporting unit.

The goodwill impairment test is a two-step process. The first step is used to identify potential impairment and compares the fair value of a reporting unit with its carrying amount, including goodwill. If the carrying amount of a reporting unit exceeds its fair value, the second step of the goodwill impairment test must be performed. The second step is used to measure the amount of impairment loss, if any, and compares the implied fair value of reporting unit goodwill with the carrying amount of that goodwill. If the carrying amount of reporting unit goodwill exceeds the implied fair value of that goodwill, an impairment loss must be recognized in an amount equal to that excess.

The primary valuation methods we use to estimate the fair value of our reporting unit are the income and market approaches. In applying the income approach, projected available cash flows and the terminal value are discounted to present value to derive an indication of fair value of the business enterprise. The market approach compares the reporting unit to selected reasonably similar publicly-traded companies.

The Company tests goodwill for impairment on an annual basis on July 1 and on an interim basis when certain events or circumstances exist. Based on the results of the annual impairment tests performed, no goodwill impairment was recognized during the years ended December 31, 2014, 2013 and 2012, respectively.

Intangible Assets

The Company amortizes finite-lived intangible assets over their estimated useful lives. Finite-lived intangible assets are tested for impairment annually or when impairment indicators are present, and if impaired, written down to fair value. As a result of the acquisition of certain assets from CCG, the Company previously recorded an identifiable intangible asset, the rights for CCG to

Virtu Financial LLC and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Summary of Significant Accounting Policies (Continued)

act as a DMM on the NYSE and the NYSE MKT (formerly NYSE Amex) (the "DMM" rights). The Company determined that the DMM rights were fully impaired as of December 31, 2012 and has written down the $1.5 million of remaining value of these assets to zero on its consolidated statements of comprehensive income for the year ended December 31, 2012. The Company has no indefinite-lived intangibles.

Exchange Memberships and Stock

Exchange memberships are recorded at cost or, if any other than temporary impairment in value has occurred, at a value that reflects management's estimate of fair value, in accordance with ASC 940-340, *Financial Services Broker and Dealers*. Exchange stock includes shares that the Company is required to hold in order to maintain certain trading privileges. The shares are marked to market with the corresponding gain or loss recorded in the consolidated statements of comprehensive income. During the years ended December 31, 2014, 2013 and 2012, respectively, the Company recorded an impairment charge of $0, $0.6 million and $0.4 million on its membership seats which is recorded in operations and administrative expenses on the consolidated statements of comprehensive income. The Company's exchange memberships and stock are included in other assets on the consolidated statements of financial condition.

Trading Income

Trading income consists of trading gains and losses that are recorded on a trade date basis and reported on a net basis. Trading income is comprised of changes in the fair value of trading assets and liabilities (i.e., unrealized gains and losses) and realized gains and losses on trading assets and liabilities.

Interest and Dividends Income/Interest and Dividends Expense

Interest income and interest expense are accrued in accordance with contractual rates. Interest income consists of interest earned on collateralized financing arrangements and on cash held by brokers. Interest expense includes interest expense from collateralized transactions, margin and related lines of credit. Dividends on financial instruments owned including those pledged as collateral and financial instruments sold, not yet purchased are recorded on the ex-dividend date and interest is recognized on the accrual basis.

Technology Services

Technology services revenues consist of fees paid by third parties for licensing of our proprietary risk management and trading infrastructure technology and provision of associated management and hosting services. These fees include both upfront and annual recurring fees. Revenue from technology services is recognized once persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable and collectability is probable. Revenue is recognized ratably over the contractual service period.

Rebates

Rebates consist of volume discounts, credits or payments received from exchanges or other market places related to the placement and/or removal of liquidity from the order flow in the

Virtu Financial LLC and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Summary of Significant Accounting Policies (Continued)

marketplace. Rebates are recorded on an accrual basis and included net within brokerage, exchange and clearance fees in the accompanying consolidated statements of comprehensive income.

Initial Public Offering Fees and Expenses

Initial public offering fees and expenses reflect costs directly attributable to the Company's initial public offering process, which was postponed in April 2014. The Company accounted for such costs in accordance with ASC 340-10, *Other Assets and Deferred Costs.* ASC 340 states that costs directly attributable to a successfully completed offering of equity securities may be deferred and charged against the gross proceeds of the offering as a reduction of additional paid-in capital, but for an offering postponed for a period greater than 90 days, the offering costs must be charged as an expense in the period the offering process was postponed.

Transaction Advisory Fees and Expenses

Transaction advisory fees and expenses reflect professional fees incurred by the Company in connection with the Temasek Transaction, which was consummated on December 31, 2014, as described in Note 13.

Income Taxes

The Company is a limited liability company and is treated as a pass-through entity for United States federal, state, and local income tax purposes. Accordingly, no provision for income taxes is required.

Certain of the Company's wholly owned subsidiaries are subject to income taxes in foreign jurisdictions. The provision for income tax is comprised of current tax and deferred tax. Current tax represents the tax on current year tax returns, using tax rates enacted at the balance sheet date. A deferred tax asset is recognized only to the extent that it is probable that future taxable income will be available against which the asset can be utilized.

The Company recognizes the tax benefit from an uncertain tax position, in accordance with ASC 740, Income Taxes only if it is more likely than not that the tax position will be sustained on examination by the applicable taxing authority, including resolution of the appeals or litigation processes, based on the technical merits of the position. The tax benefits recognized in the consolidated financial statements from such a position are measured based on the largest benefit for each such position that has a greater than fifty percent likelihood of being realized upon ultimate resolution. Many factors are considered when evaluating and estimating the tax positions and tax benefits. Such estimates involve interpretations of regulations, rulings, case law, etc. and are inherently complex. The Company's estimates may require periodic adjustments and may not accurately anticipate actual outcomes as resolution of income tax treatments in individual jurisdictions typically would not be known for several years after completion of any fiscal year. The Company has determined that there are no uncertain tax positions that would have a material impact on the Company's financial position as of December 31, 2014 and 2013 or the results of operations for the years ended December 31, 2014, 2013 and 2012.

Table of Contents

Virtu Financial LLC and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Summary of Significant Accounting Policies (Continued)

Comprehensive Income and Foreign Currency Translation

The Company's operating results are reported in the consolidated statements of comprehensive income pursuant to Accounting Standards Update ("ASU") 2011-05, *Comprehensive Income*.

Comprehensive income consists of two components: net income and other comprehensive income ("OCI"). OCI is comprised of revenues, expenses, gains and losses that are reported in the comprehensive income section of the consolidated statements of comprehensive income, but are excluded from reported net income. The Company's OCI is comprised of foreign currency translation adjustments. Assets and liabilities of operations having non-U.S. dollar functional currencies are translated at year-end exchange rates, and income statement accounts are translated at weighted average exchange rates for the year. Gains and losses resulting from translating foreign currency financial statements, net of related tax effects, are reflected in other comprehensive income, a separate component of members' equity.

Share-Based Compensation

The Company accounts for share-based compensation transactions with employees under the provisions of ASC 718, *Compensation: Stock Compensation*. ASC 718 requires a share-based payment transaction with employees to be measured based on the fair value of equity instruments issued. The fair value of awards issued for compensation is determined by management, with the assistance of an independent third party valuation firm, using a projected annual forfeiture rate, where applicable, on the date of grant. The fair value of share based awards granted to employees is expensed based on the vesting conditions.

Recent Accounting Pronouncements

Balance Sheet (Topic 210) In December 2011, the FASB issued ASU 2011-11, *Disclosures about Offsetting Assets and Liabilities*. The amended standard requires an entity to disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position. An entity is required to apply the amendments for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. An entity should provide the disclosures required by those amendments retrospectively for all comparative periods presented. In January 2013, the FASB issued ASU 2013-01, *Balance Sheet (Topic 210): Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities,* which clarified that the scope of ASU 2011-11 is limited to include derivatives accounted for in accordance with Topic 815, including bifurcated embedded derivatives, repurchase agreements and reverse repurchase agreements, and securities borrowing and securities lending transactions that are either offset or subject to an enforceable master netting arrangement or similar agreement. The Company has adopted the provisions of ASU 2011-11 and the adoption did not have a material impact on the consolidated financial statements of the Company other than additional disclosures.

Comprehensive Income In February 2013, the FASB issued ASU 2013-02, *Comprehensive Income.* The amendment created new disclosure requirements requiring entities to report the effect of significant reclassifications out of accumulated other comprehensive income on the respective

Virtu Financial LLC and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Summary of Significant Accounting Policies (Continued)

line items in net income if the amount being reclassified is required under U.S. GAAP to be reclassified in its entirety to net income. The Company has retrospectively adopted the provision of ASU 2013-02 on January 1, 2013 and the adoption did not have a material impact on the consolidated financial statements of the Company other than additional disclosures.

Income Taxes In July 2013, the FASB issued an ASU to clarify the financial statement presentation of an unrecognized tax benefit when a NOL carryforward, a similar tax loss, or a tax credit carryforward exists. This ASU requires entities to present an unrecognized tax benefit as a reduction of a deferred tax asset for a NOL carryforward whenever the NOL or tax credit carryforward would be available to reduce the additional taxable income or tax due if the tax position is disallowed. The ASU was effective for reporting periods beginning after December 15, 2013. The adoption of this ASU did not have an impact on the Company's Consolidated Financial Statements.

Revenue In May 2014, the FASB issued ASU No. 2014-09*Revenue from Contracts with Customers.* ASU 2014-09 is a comprehensive new revenue recognition model that requires a company to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. ASU 2014-09 also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. ASU 2014-09 is effective for annual reporting periods, and interim periods within that period, beginning after December 15, 2016, and for nonpublic entities for annual reporting periods beginning after December 15, 2017 (fiscal year 2018 for the Company) and early adoption is not permitted. Companies may use either a full retrospective or a modified retrospective approach to adopt ASU 2014-09. The Company is currently evaluating the potential effects of the adoption of ASU 2014-09 on its Consolidated Financial Statements.

Repurchase Agreements In June, 2014, the FASB released ASU No. 2014-11,*Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures*. The amendment changes the accounting for repurchase financing transactions and for repurchase-to-maturity transactions to secured borrowing accounting. The accounting changes are effective for the Company beginning in the first quarter of 2015. The effect of the accounting changes on transactions outstanding as of the effective date are required to be presented as a cumulative effect adjustment to retained earnings as of January 1, 2015. The Company is currently evaluating the impact of the new amendment but believes the effect on the consolidated statements of financial condition and comprehensive income will be immaterial, as the Company currently does not enter into these types of repurchase transactions. The amendment also requires additional disclosures for repurchase agreements and securities lending transactions regarding the class of collateral pledged and the remaining contractual tenor of the agreements, as well as a discussion of the potential risks associated with the agreements and the related collateral pledged, and how those risks are managed. Additional disclosures are required for repurchase agreements, securities lending transactions, sales with a total return swap and other similar transfers of financial assets that are accounted for as a sale. The new disclosures are required to be presented beginning in the second quarter of 2015.

Table of Contents

Virtu Financial LLC and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Summary of Significant Accounting Policies (Continued)

Compensation In June 2014, the Emerging Issues Task Force (the "EITF") of the FASB issued ASU 2014-12, *Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period*. The amendment requires that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. The ASU is effective for annual periods and interim periods within those annual periods beginning after December 15, 2015. Earlier adoption is permitted. The Company is currently evaluating the impact of this ASU on its consolidated financial statements.

Going Concern In August 2014, the FASB issued ASU 2014-15, *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern.* The guidance will explicitly require management to assess an entity's ability to continue as a going concern and to provide related footnote disclosures in certain circumstances. The new standard will be effective in the first annual period ending after December 15, 2016. Earlier adoption is permitted. The Company will implement this new standard on the required effective date.

Hybrid Financial Instruments In November 2014, the EITF of the FASB issued ASU 2014-16, *Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share is More Akin to Debt or to Equity*. The ASU requires that for hybrid financial instruments issued in the form of a share, an entity should determine the nature of the host contract by considering all stated and implied substantive terms and features of the hybrid financial instrument, weighing each term and feature on the basis of relevant facts and circumstances. An entity should use judgment based on an evaluation of all the relevant terms and features, and should consider the economic characteristics and risks of the entire hybrid financial instrument, including the embedded derivative feature that is being evaluated for separate accounting from the host contract. The ASU is effective for public business entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. For all other entities, the amendments in this ASU are effective for fiscal years beginning after December 15, 2015 (fiscal year 2016 for the Company) and interim periods within fiscal years beginning after December 15, 2016. Early adoption, including adoption in an interim period, is permitted. The Company is currently evaluating the impact of this ASU on its consolidated financial statements.

3. Acquisitions

On September 14, 2012, the Company acquired the European Exchange-traded funds ("ETF") Market Making assets of Nyenburgh Holding B.V., ("Nyenburgh") which include market making relationships with European ETF issuers and trading relationships with over-the-counter counterparties. The total purchase of $2.3 million was comprised of $1.9 million in cash and an equity award to a shareholder of Nyenburgh with a fair value of $0.4 million. The total purchase price was allocated to intangible assets of $1.9 million and goodwill of $0.4 million.

Table of Contents

Virtu Financial LLC and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Goodwill and Intangible Assets

The carrying amount of goodwill was $715.4 million as of December 31, 2014 and 2013, respectively.

No goodwill impairment was recognized in the years ended December 31, 2014, 2013 and 2012. Acquired intangible assets consisted of the following as of December 31, 2014 and 2013:

	As of December 31, 2014			
(in thousands)	**Gross Carrying Amount**	**Accumulated Amortization**	**Net Carrying Amount**	**Useful Lives (Years)**
Purchased technology	$ 110,000	$ 110,000	$	1.4 to 2.5
ETF issuer relationships	950	243	707	9
ETF buyer relationships	950	243	707	9
	$ 111,900	$ 110,486	$ 1,414	

	As of December 31, 2013			
(in thousands)	**Gross Carrying Amount**	**Accumulated Amortization**	**Net Carrying Amount**	**Useful Lives (Years)**
Purchased technology	$ 110,000	$ 110,000	$	1.4 to 2.5
ETF issuer relationships	950	137	813	9
ETF buyer relationships	950	137	813	9
	$ 111,900	$ 110,274	$ 1,626	

Amortization expense relating to finite-lived intangible assets was approximately $0.2 million, $1.0 million and $71.1 million for the years ended December 31, 2014, 2013 and 2012, respectively, and is included in amortization of purchased intangibles and acquired capitalized software in the accompanying consolidated statements of comprehensive income.

As discussed in Note 2, the Company tested its intangible assets for impairment as of December 31, 2012 and determined the DMM rights to be fully impaired and have written down such assets to zero on its consolidated statements of comprehensive income for the year ended December 31, 2012. The Company had no impairment on its intangible assets for the years ended December 31, 2014 or 2013.

Table of Contents

Virtu Financial LLC and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Receivables from/Payables to Broker-Dealers and Clearing Organizations

The following is a summary of receivables from and payables to brokers-dealers and clearing organizations at December 31, 2014 and 2013:

	December 31,	
(in thousands)	**2014**	**2013**
Assets		
Due from prime brokers	$ 67,556	$ 75,866
Deposits with clearing organizations	29,595	37,692
Net equity with futures commission merchants	155,060	112,807
Unsettled trades	55,929	94,967
Securities failed to deliver	79,512	106,409
Total receivables from broker-dealers and clearing organizations	$ 387,652	$ 427,741
Liabilities		
Due to prime brokers	$ 313,623	$ 247,485
Net equity with futures commission merchants	60,973	151,035
Unsettled trades	311,322	131,491
Securities failed to receive	285	218
Total payables to broker-dealers and clearing organizations	$ 686,203	$ 530,229

Included in "Due from prime brokers" and "Net equity with futures commission merchants" is the outstanding principal balance on all of the Company's short-term credit facilities in the amount of $182.9 million and $241.1 million as of December 31, 2014 and 2013, respectively. The loan proceeds from the credit facilities are available only to meet the initial margin requirements associated with the Company's ordinary course futures and other trading positions, which are held in the Company's trading accounts with an affiliate of the respective financial institutions. The credit facilities are fully collateralized and offset against the Company's trading accounts and deposit accounts with these financial institutions. "Securities failed to deliver" and "Securities failed to receive" include amounts with a clearing organization and other broker-dealers.

6. Collateralized Transactions

The Company is permitted to sell or repledge securities received as collateral and use these securities to secure repurchase agreements, enter into securities lending transactions or deliver these securities to counterparties or clearing organizations to cover short positions. At December 31, 2014 and 2013, substantially all of the securities received as collateral have been

Table of Contents

Virtu Financial LLC and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Collateralized Transactions (Continued)

repledged. Amounts relating to collateralized transactions at December 31, 2014 and 2013 are summarized as follows:

	December 31,	
(in thousands)	**2014**	**2013**
Securities received as collateral:		
Securities borrowed	$ 470,553	$ 690,450
Securities purchased under agreements to resell	31,472	162,956
	$ 502,025	$ 853,406

In the normal course of business, the Company pledges qualified securities with clearing organizations to satisfy daily margin and clearing fund requirements.

Financial instruments owned and pledged, where the counterparty has the right to repledge, at December 31, 2014 and 2013 consisted of the following:

	December 31,	
(in thousands)	**2014**	**2013**
Equities	$ 219,159	$ 379,276
Exchange traded notes	17,216	33,938
U.S. government obligations		1,965
	$ 236,375	$ 415,179

7. Property, Equipment and Capitalized Software

Property, equipment and capitalized software consisted of the following at December 31, 2014 and 2013:

	December 31,	
(in thousands)	**2014**	**2013**
Capitalized software costs	$ 47,484	$ 37,962
Leasehold improvements	8,799	10,226
Furniture and equipment	72,863	46,794
Land	77	
	129,223	94,982
Less: Accumulated depreciation and amortization	(84,579)	(57,397)
Total property, equipment and capitalized software, net	$ 44,644	$ 37,585

Depreciation expense for property and equipment for the years ended December 31, 2014, 2013 and 2012 was approximately $20.0 million, $12.9 million and $8.6 million, respectively, and is included within depreciation and amortization expense in the accompanying consolidated statements of comprehensive income. Amortization expense for capitalized software for years ended

Virtu Financial LLC and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Property, Equipment and Capitalized Software (Continued)

December 31, 2014, 2013 and 2012 was approximately $10.4 million, $11.0 million and $9.4 million, respectively, and is included within depreciation and amortization expense in the accompanying consolidated statements of comprehensive income.

8. Borrowings

Broker-Dealer Credit Facilities

The Company is a party to multiple credit facilities with a financial institution to finance overnight securities positions purchased as part of its ordinary course broker-dealer market making activities. One of the facilities is provided on an uncommitted basis and is available for borrowings by the Company's broker-dealer subsidiaries up to a maximum amount of $100.0 million. In connection with this credit facility, the Company entered into a demand promissory note dated August 8, 2012. The loans provided under the facility are collateralized by the Company's broker-dealer trading and deposit accounts with the same financial institution and, in the case of the uncommitted facilities, bears interest at a rate set by the financial institution on a daily basis (1.12% at December 31, 2014 and 1.04% at December 31, 2013). The Company subsequently entered into another facility with the same financial institution dated July 22, 2013 which is provided on a committed basis and is available for borrowings by one of the Company's broker-dealer subsidiaries up to a maximum of the lesser of $50.0 million or an amount determined based on agreed advance rates for pledged securities. The committed facility bears interest at a rate per annum at the Company's election equal to either an adjusted LIBOR rate or base rate, plus a margin of 1.25% per annum. As of December 31, 2014 and 2013, the outstanding principal balance on the uncommitted facility was $0 and $72.8 million, respectively, which in each case was recorded within short-term borrowings in the accompanying consolidated statements of financial condition. As of December 31, 2014 and 2013, the Company did not have any outstanding principal balance on the committed facility. Interest expense for the years ended December 31, 2014 and 2013 was approximately $0.5 million and $0.3 million, respectively, and is included within interest and dividends expense in the accompanying consolidated statements of comprehensive income.

The Company was a party to a broker-dealer credit facility with a financial institution to finance overnight securities positions purchased as part of its ordinary course broker-dealer market making activities. In connection with this credit facility, the Company entered into a demand promissory note dated March 20, 2009. The promissory note was payable on demand with the outstanding balance being swept into a separate broker-dealer day loan credit facility with the same financial institution. The loan was collateralized by the Company's broker-dealer trading and deposit accounts with the same financial institution and bore interest at rate set by the financial institution on a daily basis. Any balance that was not paid upon demand bore interest at the higher of the rate in effect for such loan plus 2% or the prime rate plus 2%. The credit facility was terminated as of October 5, 2012. Interest expense for the year ended December 31, 2012 was approximately $0.3 million, and is included within interest and dividends expense in the accompanying consolidated statements of comprehensive income.

Virtu Financial LLC and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. Borrowings (Continued)

Short-Term Credit Facilities

The Company entered into a credit facility with a financial institution on April 26, 2010, amended on December 10, 2010 and July 1, 2011. The loan proceeds of the credit facility are available only for meeting the initial margin requirements associated with the Company's ordinary course futures trading positions held in its trading account with an affiliate of the financial institution, and the amount available for borrowing is the lesser of $35.0 million or 80% of the initial margin requirement. These borrowings are collateralized by the Company's trading accounts and deposit accounts with the financial institution and its brokerage affiliate. The loan is payable on demand and interest on daily unpaid principal balances bears interest at rate per annum quoted by the financial institution each day (2.05% at December 31, 2014 and 1.68% at December 31, 2013). Any balance that is not paid upon demand bears interest at the higher of the rate in effect for such loan plus 2% or the prime rate plus 2%. As of December 31, 2014 and 2013, the outstanding principal balance on the line was approximately $26.7 million and $13.3 million, respectively, which was recorded within receivables from broker-dealers and clearing organizations in the accompanying consolidated statements of financial condition. Interest expense for the years ended December 31, 2014, 2013 and 2012 was approximately $0.5 million, $0.5 million and $0.6 million, respectively, and recorded within interest and dividends expense in the accompanying consolidated statements of comprehensive income.

The Company entered into a $200.0 million credit facility with a financial institution on June 29, 2011 which was increased to $300.0 million on February 17, 2012. The loan proceeds of the credit facility are available only for meeting margin requirements associated with the products traded by the Company in the ordinary course using the financial institution's affiliate as its prime broker. The credit facility is collateralized by the Company's trading accounts for these products with the financial institution's affiliate and bears interest at 1.00% per annum in excess of the federal funds target rate of 0.25%. The credit facility is subject to certain financial covenants, including minimum account balances and loan ratios, as defined. The outstanding principal balance on the line of credit was approximately $124.3 million and $206.1 million as of December 31, 2014 and 2013, respectively, and recorded within receivables from broker-dealers and clearing organizations in the accompanying consolidated statements of financial condition. Interest expense for the years ended December 31, 2014, 2013 and 2012 was approximately $2.1 million, $2.2 million and $2.2 million, respectively, and recorded within interest and dividends expense in the accompanying consolidated statements of comprehensive income.

The Company entered into a credit facility with a financial institution on August 8, 2011 with approximately $10.0 million available for borrowing. The loan proceeds of the credit facility are available only to finance the Company's ordinary course securities positions held in its trading account with the financial institution's affiliate. The credit facility is collateralized by the securities held in such account and bears interest at the rate published by Bank of Mexico on business day immediately preceding the date on which the calculation is made. There were no outstanding balances as of December 31, 2014 and 2013. Interest expense for the years ended December 31, 2014, 2013 and 2012 was approximately $0.1 million, $0.05 million and $0, respectively, and recorded within interest and dividends expense in the accompanying consolidated statements of comprehensive income.

Virtu Financial LLC and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. Borrowings (Continued)

The Company entered into a credit facility with a financial institution on March 6, 2013 whereby the loan proceeds of the credit facility are available only for meeting the initial margin requirements associated with the Company's ordinary course futures trading positions held in its trading account with an affiliate of the financial institution, and the amount available for borrowing is the lesser of $40.0 million or 80% of the initial margin requirement. These borrowings are collateralized by the Company's trading accounts and deposit accounts with the financial institution and its brokerage affiliate. The loan is payable on demand and interest on daily unpaid principal balances bears interest at 2.00% per annum in excess of the interest period average of daily opening federal funds target rate (2.12% at December 31, 2014 and 2.08% at December 31, 2013, respectively). As of December 31, 2014 and 2013, the outstanding principal balance on the line was approximately $31.9 million and $21.2 million, respectively, which was recorded within receivables from broker-dealers and clearing organizations in the accompanying consolidated statements of financial condition. Interest expense for the years ended December 31, 2014 and 2013 was approximately $0.5 million and $0.4 million, respectively and recorded within interest and dividends expense in the accompanying consolidated statements of comprehensive income.

The Company entered into a $20.0 million credit facility with a financial institution on June 24, 2014, amended on December 1, 2014. The loan proceeds of the credit facility are available only for meeting margin requirements associated with the products traded by the Company in the ordinary course using the financial institution's affiliate as its prime broker. The credit facility is collateralized by the Company's trading accounts for these products with the financial institution's affiliate and bears interest at 1.10% per annum in excess of USD LIBOR. The credit facility is subject to certain financial covenants, including minimum account balances and loan ratios, as defined. The outstanding principal balance on the line of credit was $0.1 million as of December 31, 2014 and recorded within receivables from broker-dealers and clearing organizations in the accompanying consolidated statements of financial condition. Interest expense for the year ended December 31, 2014 was approximately $0.02 million and recorded within interest and dividends expense in the accompanying consolidated statements of comprehensive income.

The Company entered into a $3.0 million credit facility with a financial institution on August 6, 2014, which was increased to $5.0 million on October 17, 2014. The loan proceeds of the credit facility are available only to finance the Company's ordinary course securities positions held in its trading account with the financial institution's affiliate. The credit facility is collateralized by the Company's trading accounts for these products with the financial institution's affiliate and bears interest at 9% per annum, subject to change by the financial institution from time to time with at least ten business days' notice. There were no outstanding balances as of December 31, 2014. Interest expense for the year ended December 31, 2014 was approximately $0.1 million and recorded within interest and dividends expense in the accompanying consolidated statements of comprehensive income.

Senior Secured Credit Facility

On July 8, 2011, the Company funded a portion of the MTH acquisition with a term loan provided by a syndicate of financial institutions in the amount of $320.0 million to the Company's wholly owned subsidiary, VFH Parent LLC ("VFH"). The credit facility was issued at a discount of 2.0% of $313.6 million, net of $6.4 million discount. The credit facility was initially subject to

Table of Contents

Virtu Financial LLC and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. Borrowings (Continued)

quarterly principal payments beginning on December 31, 2011 with the unpaid principal payable on maturity on July 8, 2016. Under the terms of the loan, VFH is subject to certain financial covenants, including a total net leverage ratio and an interest coverage ratio, as defined in the credit agreement. VFH is also subject to contingent principal payments based on excess cash flow, as defined in the credit agreement, and certain other triggering events. Borrowings are collateralized by substantially all the assets of the Company, other than the equity interests in and assets of its registered broker-dealer and foreign subsidiaries, but including 100% of the non-voting stock and 65% of the voting stock of the Company's or its domestic subsidiaries' direct foreign subsidiaries.

The credit facility was amended on February 5, 2013, May 1, 2013 and November 8, 2013. The amendments resulted in a decreased interest rate, changes in certain operating covenants, and an increase in principal amount outstanding by $150.0 million on May 1, 2013 and $106.7 million on November 8, 2013, respectively. Additionally, the amendments reduced the annual amortization obligation from 15% of the original principal amount to approximately 1% of the outstanding principal amount as of November 8, 2013, which was $510.0 million. The terms of the amended credit facility are otherwise substantially similar terms to the original credit facility, except as set forth below.

The credit facility bears interest at a rate per annum at the Company's election equal to either (i) the greatest of (a) the prime rate in effect, (b) the federal funds effective rate (as defined in the credit agreement) plus 0.5% (c) the adjusted LIBOR rate (as defined in the credit agreement) for a Eurodollar borrowing with an interest period of one month plus 1%, and (d) 2.25% plus, in each case, 3.5%, or (ii) the greater of (x) the adjusted LIBOR rate for the interest period in effect and (y) 1.25%, plus 4.5%. Pursuant to the amendment, each incremental spread will be reduced by 0.50% upon the consummation of a qualifying initial public offering. The rate at December 31, 2014 was 5.75%.

As a result of the amendments in 2013, the Company recognized a loss of $5.5 million on extinguishment of a portion of its unamortized debt issue costs and debt discount for the year ended December 31, 2013, which is included within debt issue cost related to debt refinancing on the accompanying consolidated statements of comprehensive income.

Aggregate future required principal payments based on the terms of this loan at December 31, 2014 were as follows:

(in thousands)		
2015	$	2,914
2016		5,100
2017		5,100
2018 and thereafter		489,600
Total maturities of long-term debt	$	502,714

Net carrying amount of deferred financing fees capitalized in connection with the financing were approximately $5.1 million and $6.0 million, respectively, as of December 31, 2014 and 2013, which are included within other assets in the accompanying consolidated statements of financial condition. Amortization expense related to the deferred financing fees was approximately $1.0 million, $1.6 million and $2.6 million for the years ended December 31, 2014, 2013 and 2012, respectively, and are

Virtu Financial LLC and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. Borrowings (Continued)

included within financing interest expense on senior secured credit facility in the accompanying consolidated statements of comprehensive income.

Accretion related to the net carrying amount of debt discount of $1.9 million and $2.3 million, respectively, as of December 31, 2014 and 2013, was approximately $0.4 million, $0.7 million and $1.7 million for the years ended December 31, 2014, 2013 and 2012, and is included within financing interest expense on senior secured credit facility in the accompanying consolidated statements of comprehensive income.

9. Financial Assets and Liabilities

At December 31, 2014 and 2013, substantially all of the Company's financial assets and liabilities, except for the senior secured credit facility and certain exchange memberships, were carried at fair value based on published market prices and are marked to market daily or were short-term in nature and were carried at amounts that approximate fair value. The Company determined that the carrying value of the Company's senior secured credit facility approximates fair value as of December 31, 2014 and 2013 based on the quoted over-the-counter market prices provided by the issuer of the senior secured credit facility, which was categorized as Level 2.

The fair value of equities, U.S. government obligations and exchange traded notes is estimated using recently executed transactions and market price quotations in active markets and are categorized as Level 1 with the exception of inactively traded equities which are categorized as Level 2. Fair value of the Company's derivative contracts is based on the indicative prices obtained from the banks that are counterparties to these contracts, as well as management's own analyses. The indicative prices have been independently validated through the Company's risk management systems, which are designed to check prices with information independently obtained from exchanges and venues where such financial instruments are listed or to compare prices of similar instruments with similar maturities for listed financial futures in foreign exchange. At December 31, 2014 and 2013, the Company's derivative contracts have been categorized as Level 2.

Transfers in or out of levels are recognized based on the beginning fair value of the period in which they occurred. There were no transfers of financial instruments between levels during the years ended December 31, 2014 and 2013.

Table of Contents

Virtu Financial LLC and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. Financial Assets and Liabilities (Continued)

Fair value measurements for those items measured on a recurring basis are summarized below as of December 31, 2014:

(in thousands)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Counter-Party Netting	Total Fair Value
Assets					
Financial instruments owned, at fair value:					
Equity securities	$ 1,216,532	$ 17,166	$	$	$ 1,233,698
U.S. and non-U.S. government obligations		8,222			8,222
Exchange traded notes	65,684				65,684
Currency forwards		1,629,637		(1,629,629)	8
Options		321			321
	$ 1,282,216	$ 1,655,346	$	$ (1,629,629)	$ 1,307,933
Financial instruments owned, pledged as collateral:					
Equity securities	$ 219,159	$	$	$	$ 219,159
Exchange traded notes	17,216				17,216
	$ 236,375	$	$	$	$ 236,375
Other Assets					
Exchange stock	$ 8,205	$	$	$	$ 8,205
	$ 8,205	$	$	$	$ 8,205
Liabilities					
Financial instruments sold, not yet purchased, at fair value:					
Equity securities	$ 859,835	$ 47,896	$	$	$ 907,731
U.S. and non-U.S. government obligations	21,107				21,107
Exchange traded notes	92,513				92,513
Currency forwards		1,645,820		(1,629,629)	16,191
Options		79			79
Interest rate swaps		12			12
	$ 973,455	$ 1,693,807	$	$ (1,629,629)	$ 1,037,633

Table of Contents

Virtu Financial LLC and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. Financial Assets and Liabilities (Continued)

Fair value measurements for those items measured on a recurring basis are summarized below as of December 31, 2013:

(in thousands)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Counter-Party Netting	Total Fair Value
Assets					
Financial instruments owned, at fair value:					
Equity securities	$ 1,307,528	$ 27,601	$	$	$ 1,335,129
U.S. government obligations	13,760				13,760
Exchange traded notes	21,817				21,817
Currency forwards		179,650		(163,070)	16,580
Options		948			948
	$ 1,343,105	$ 208,199	$	$ (163,070)	$ 1,388,234
Financial instruments owned, pledged as collateral:					
Equity securities	$ 379,276	$	$	$	$ 379,276
U.S. government obligations	1,965				1,965
Exchange traded notes	33,938				33,938
	$ 415,179	$	$	$	$ 415,179
Other Assets					
Exchange stock	$ 7,318	$	$	$	$ 7,318
	$ 7,318	$	$	$	$ 7,318
Liabilities					
Financial instruments sold, not yet purchased, at fair value:					
Equity securities	$ 1,042,385	$ 3,883	$	$	$ 1,046,268
U.S. government obligations	198,464				198,464
Exchange traded notes	31,642				31,642
Currency forwards		163,070		(163,070)	
Options		2,038			2,038
	$ 1,272,491	$ 168,991	$	$ (163,070)	$ 1,278,412

The Company adopted the guidance in ASU 2013-01, *Balance Sheet (Topic 210): Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities* for periods beginning after January 1, 2013. This authoritative guidance requires companies to report disclosures of offsetting assets and liabilities.

Table of Contents

Virtu Financial LLC and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. Financial Assets and Liabilities (Continued)

The Company does not net securities borrowed and securities loaned, or securities purchased under agreements to resell and securities sold under agreements to repurchase. These securities are presented on a gross basis in the consolidated statements of financial condition. In the tables below, the amounts of financial instruments owned that are not offset in the consolidated statements of financial condition, but could be netted against financial liabilities with specific counterparties under legally enforceable master netting agreements in the event of default, including derivatives with clearing houses (options contracts) or over the counter currency forward contract counterparties, are presented to provide financial statement readers with the Company's estimate of its net exposure to counterparties for these financial instruments.

The following tables set forth the netting of certain financial assets and financial liabilities as of December 31, 2014 and 2013, pursuant to the requirements of ASU 2011-11 and ASU 2013-01.

	December 31, 2014					
				Gross Amounts Not Offset in the Consolidated Statement of Financial Condition		
	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Consolidated Statement of Financial Condition	Net Amounts of Assets Presented in the Consolidated Statement of Financial Condition	Financial Instruments	Cash Collateral Received	Net Amount
Offsetting of Financial Assets:						
Securities borrowed	$ 484,934		$ 484,934	$ (477,559)	$	$ 7,375
Securities purchased under agreements to resell	31,463		31,463	(31,463)		
Trading assets, at fair value:						
Currency forwards	1,629,637	(1,629,629)	8			8
Options	321		321	(76)		245
Total	$ 2,146,355	$ (1,629,629)	$ 516,726	$ (509,098)	$	$ 7,628

				Gross Amounts Not Offset in the Consolidated Statement of Financial Condition		
	Gross Amounts of	Gross Amounts Offset in the Consolidated Statement of	Net Amounts of Liabilities Presented in the Consolidated	Financial Instruments	Cash Collateral	Net Amount

	Recognized Liabilities	Financial Condition	Statement of Financial Condition		Pledged	
Offsetting of Financial Liabilities:						
Securities loaned	$ 497,862		$ 497,862	$ (490,768)	$ (2,812)	$ 4,282
Securities sold under agreements to repurchase	2,006		2,006	(2,006)		
Trading liabilities, at fair value:						
Currency forwards	1,645,820	(1,629,629)	16,191		(16,191)	
Options	79		79	(79)		
Interest rate swaps	12		12		(12)	
Total	$ 2,145,779	$ (1,629,629)	$ 516,150	$ (492,853)	$ (19,015)	$ 4,282

Table of Contents

Virtu Financial LLC and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. Financial Assets and Liabilities (Continued)

	December 31, 2013					
				Gross Amounts Not Offset in the Consolidated Statement of Financial Condition		
	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Consolidated Statement of Financial Condition	Net Amounts of Assets Presented in the Consolidated Statement of Financial Condition	Financial Instruments	Cash Collateral Received	Net Amount
Offsetting of Financial Assets:						
Securities borrowed	$ 708,103		$ 708,103	$ (700,246)	$	$ 7,857
Securities purchased under agreements to resell	162,608		162,608	(162,608)		
Trading assets, at fair value:						
Currency forwards	179,650	(163,070)	16,580		(16,580)	
Options	948		948	(948)		
Total	$ 1,051,309	$ (163,070)	$ 888,239	$ (863,802)	$ (16,580)	$ 7,857

				Gross Amounts Not Offset in the Consolidated Statement of Financial Condition		
	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Consolidated Statement of Financial Condition	Net Amounts of Liabilities Presented in the Consolidated Statement of Financial Condition	Financial Instruments	Cash Collateral Pledged	Net Amount
Offsetting of Financial Liabilities:						
Securities loaned	$ 1,029,312		$ 1,029,312	$ (1,029,215)	$	$ 97
	10,883		10,883	(10,883)		

Securities sold under agreements to repurchase						
Trading liabilities, at fair value:						
Currency forwards	163,070	(163,070)				
Options	2,038		2,038	(2,027)	(11)	
Total	$ 1,205,303	$ (163,070)	$ 1,042,233	$ (1,042,125)	$ (11)	$ 97

Excluded from the fair value and offsetting tables above is net unsettled fair value on long and short futures contracts in the amounts of $46.4 million and $(27.3) million, which are included within receivables from broker-dealers and clearing organizations as of December 31, 2014 and 2013, respectively, and $(3.6) million and $(3.4) million, which are included within payables to broker-dealers and clearing organizations as of December 31, 2014 and 2013, respectively.

Table of Contents

Virtu Financial LLC and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. Derivative Instruments

The fair value of the Company's derivative instruments on a gross basis consisted of the following at December 31, 2014 and 2013:

(in thousands)		2014		2013	
Derivatives Assets	**Balance Sheet Classification**	**Fair Value**	**Notional**	**Fair Value**	**Notional**
Equities futures	Receivables from broker-dealers and clearing organizations	$ 241	$ 561,029	$ (2,719)	$ 232,352
Commodity futures	Receivables from broker-dealers and clearing organizations	42,489	28,823,081	(29,642)	38,681,821
Currency futures	Receivables from broker-dealers and clearing organizations	3,180	2,916,222	5,028	2,281,524
Treasury futures	Receivables from broker-dealers and clearing organizations	504	857,363	4	203,966
Options	Financial instruments owned	321	39,802	948	105,353
Currency forwards	Financial instruments owned	1,629,637	127,021,198	179,650	59,513,182

Derivatives Liabilities	**Balance Sheet Classification**	**Fair Value**	**Notional**	**Fair Value**	**Notional**
Equities futures	Payables to broker-dealers and clearing organizations	$ (268)	$ 122,948	$ (3,024)	$ 769,929
Commodity futures	Payables to broker-dealers and clearing organizations	(295)	15,727	(61)	30,789
Currency futures	Payables to broker-dealers and clearing organizations	(3,077)	2,123,341	(381)	959,125
Treasury futures	Payables to broker-dealers and clearing organizations			79	825,011
Custom equity based swap	Payables to broker-dealers and clearing organizations			2	15,877
Options	Financial instruments sold, not yet purchased	79	12,913	2,038	92,868
Currency forwards	Financial instruments sold, not yet purchased	1,645,820	125,152,639	163,070	60,746,555
Interest rate swap	Financial instruments sold, not yet purchased	12	164,020		

Amounts included in receivables from and payables to broker-dealers and clearing organizations represent variation margin on long and short futures contracts.

The following table summarizes the gain or loss on derivative instruments not designated as hedging instruments under ASC 815, which are recorded in trading income, net in the

Table of Contents

Virtu Financial LLC and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. Derivative Instruments (Continued)

accompanying consolidated statements of comprehensive income for the years ended December 31, 2014, 2013 and 2012:

	For the Years Ended December 31,		
(in thousands)	**2014**	**2013**	**2012**
Futures	$ (78,234)	$ 191,046	$ 291,087
Currency forwards	(32,785)	(1,817)	(5,002)
Options	(987)	2,680	(312)
Interest rate swaps	(12)		
	$ (112,018)	$ 191,909	$ 285,773

11. Income Taxes

Net income (loss) before income taxes is as follows for the years ended December 31, 2014, 2013 and 2012:

	December 31,		
	2014	**2013**	**2012**
(in thousands)			
U.S. operations	$ 158,487	$ 136,744	$ 82,330
Non-U.S. operations	35,071	50,856	6,998
	$ 193,558	$ 187,600	$ 89,328

The provision for income taxes consists of the following for the years ended December 31, 2014, 2013 and 2012:

	December 31,		
(in thousands)	**2014**	**2013**	**2012**
Current provision			
Non-U.S.	$ 4,263	$ 3,660	$ 2,292
Deferred provision (benefit)			
Non-U.S.	(762)	1,737	(524)
Provision for income taxes	$ 3,501	$ 5,397	$ 1,768

The reconciliation of the tax provision at the U.S. Federal Statutory Rate to the provision for income taxes for the years ended December 31, 2014, 2013 and 2012 is as follows:

	December 31,		
	2014	**2013**	**2012**
(in thousands, except percentages)			

Tax provision at the U.S. federal statutory rate	$			$			$		
Foreign taxes		3,501	1.8%		5,397	2.9%		1,768	2.0%
Provision for income taxes	$	3,501	1.8%	$	5,397	2.9%	$	1,768	2.0%

Table of Contents

Virtu Financial LLC and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. Income Taxes (Continued)

The components of the deferred tax assets and liabilities as of December 31, 2014 and 2013 are as follows:

(in thousands)	December 31, 2014	December 31, 2013
Deferred income tax assets		
Other	$ 12	$ 171
Share-based compensation	$ 947	106
Fixed assets	$ 18	
Tax credits and net operating loss carryforwards		724
Total deferred income tax assets	$ 977	$ 1,001
Deferred income tax liabilities		
Fixed assets	$	$ 872
Total deferred income tax liabilities	$	$ 872

A deferred tax asset relating to the Ireland carryforward losses has been recognized in the amount of $0 and $0.7 million as of December 31, 2014 and 2013, respectively, and is included within other assets in the accompanying consolidated statements of financial condition. There are no expiration dates on the deferred tax assets. The provisions of ASC 740 require that carrying amounts of deferred tax assets be reduced by a valuation allowance if, based on the available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Accordingly, the need to establish valuation allowances for deferred tax assets is assessed periodically with appropriate consideration given to all positive and negative evidence related to the realization of the deferred tax assets. A valuation allowance against deferred tax assets at the balance sheet date is not considered necessary, because it is more likely than not the deferred tax asset will be fully realized.

Tax authorities in Ireland have initiated an income tax audit of the Company's 2012 research and development credit. The Ireland subsidiary's returns are generally subject to review by the tax authority for certain purposes for 5 years from the end of the accounting period. The Company does not believe any adjustments that may arise from the examinations will be significant. There are no unrecognized tax benefits as of December 31, 2014 and 2013.

12. Commitments, Contingencies and Guarantees

Leases

The Company leases office space and office and communication equipment under various operating lease agreements, which expire at various dates through April 2020. Certain lease agreements are non-cancellable with aggregate minimum lease payment requirements and contain certain escalation clauses. The total future minimum payment under non-cancellable operating leases is approximately $20.6 million as of December 31, 2014.

The Company also leases communication equipment under various capital lease agreements, which expire at various dates through December 2017. Certain lease agreements are non-cancellable with aggregate minimum lease payment requirements and contain certain escalation clauses. The total future minimum payment under non-cancellable capital leases is approximately $16.5 million as of December 31, 2014.

Virtu Financial LLC and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. Commitments, Contingencies and Guarantees (Continued)

At December 31, 2014, minimum rental commitments under non-cancellable leases are approximately as follows:

	Minimum Rental Commitments	
Year Ending December 31	**Capital**	**Operating**
2015	$ 11,135	$ 7,488
2016	5,313	3,763
2017	98	3,291
2018		2,640
2019		1,508
Thereafter		1,944
Total minimum lease payments	16,546	20,634

Total operating lease expense, net of amortization expense related to landlord incentives, for the years ended December 31, 2014, 2013 and 2012 was approximately $3.5 million, $4.3 million, and $14.5 million, respectively. Occupancy lease expense for the years ended December 31, 2014, 2013 and 2012 of $1.7 million, $1.9 million and $3.0 million, respectively, is included within operations and administrative expenses in the consolidated statements of comprehensive income. Communication equipment lease expense for the years ended December 31, 2014, 2013 and 2012 of $1.8 million, $2.4 million and $11.5 million, respectively, is included within communication and data processing in the accompanying consolidated statements of comprehensive income.

Employee Retention Plan

In connection with the July 8, 2011 acquisition of MTH, the Company established an employee retention plan. Under the plan, approximately $21.5 million was paid to employees in five installments from July 8, 2011 through July 8, 2014. The Company recognized approximately $2.6 million, $6.7 million and $6.1 million, respectively, in compensation expense related to the plan, for the years ended December 31, 2014, 2013 and 2012, in acquisition related retention bonus in the accompanying consolidated statements of comprehensive income.

Consulting Agreements

In connection with the December 9, 2011 acquisition of CCG, on September 30, 2011, the Company entered into a consulting agreement with CCG's founder and managing member to provide advisory services to the Company for the DMM business. The Company paid a consulting fee of $0.5 million per year during the three year term, payable on a quarterly basis starting on the three-month anniversary of the date of the agreement. For the years ended December 31, 2014, 2013 and 2012, the Company paid approximately $0.4 million, $0.5 million and $0.5 million, respectively, for the services received which is recorded in operations and administrative expenses in the accompanying consolidated statements of comprehensive income.

The Company also has engaged other consultants to provide services in relation to tax, regulatory and public affairs. The Company paid these consultants, on an aggregate basis, $0.3 million, $0.4 million and $0.1 million for the years ended December 31, 2014, 2013 and 2012, respectively.

Table of Contents

Virtu Financial LLC and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. Commitments, Contingencies and Guarantees (Continued)

Litigation

The Company is subject to various legal proceedings and claims that arise in the ordinary course of business. The Company has also been, is currently, and may in the future be, the subject of one or more regulatory or self-regulatory organization enforcement actions, including but not limited to targeted and routine regulatory inquiries and investigations involving Regulation NMS, Regulation SHO, capital requirements and other domestic and foreign securities rules and regulations. In addition, the Autorité des marchés financiers is examining the trading activities of a subsidiary of MTH in certain French listed equity securities on or around 2009. The Company has also been the subject of requests for information and documents from the SEC and the State of New York Office of the Attorney General ("NYAG"). The ultimate effect on the Company from certain of these matters may result in adverse judgments, settlements, fines, penalties, injunctions or other relief, and the Company's business or reputation could be negatively impacted if it were determined that disciplinary or other enforcement actions were required. The ultimate effect on the Company from the pending proceedings and claims, if any, is presently unknown. Where available information indicates that it is probable a liability had been incurred at the date of the financial statements and the Company can reasonably estimate the amount of that loss, the Company accrues the estimated loss by a charge to income. Based on information currently available, management believes that the resolution of any known matters will not result in any material adverse effect on the Company's financial position, results of operations or cash flows.

Indemnification Arrangements

Consistent with standard business practices in the normal course of business, the Company has provided general indemnifications to its managers, officers, employees, and agents against expenses, judgments, fines, settlements, and other amounts actually and reasonably incurred by such persons under certain circumstances as more fully disclosed in its operating agreement. The overall maximum amount of the obligations (if any) cannot reasonably be estimated as it will depend on the facts and circumstances that give rise to any future claims.

13. Temasek Transaction

On December 31, 2014, through a series of transactions, Temasek Holdings (Private) Limited, ("Temasek"), acting through two indirect wholly owned subsidiaries, acquired direct or indirect ownership of 10,535,891 Class A-1 interests and 1,828,755 Class A-2 capital interests in Virtu Financial (the "Temasek Transaction") for approximately $149.8 million and $26.0 million, respectively. Such investment was made as follows:

- Temasek, acting through its indirect wholly owned subsidiary, Wilbur Investments LLC (the "Temasek Member"), acquired 5,376,603 Class A-1 redeemable interests with a carrying value of approximately $53.8 million for approximately $76.4 million from investment funds and other entities affiliated with Silver Lake Partners;

- Temasek, acting through the Temasek Member, acquired 1,828,755 Class A-2 capital interests through a combination of (1) the purchase of 1,614,322 Class A-2 capital interests with a carrying value of approximately $6.9 million for approximately $23.0 million directly from a member of management who held Class A-2 capital interests in Virtu Financial and (2) the purchase of newly issued 214,433 Class A-2 capital interests for approximately

Table of Contents

Virtu Financial LLC and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. Temasek Transaction (Continued)

$3.0 million from Virtu Financial, which used the proceeds of such purchase to redeem 214,433 Class A-2 profits interests in Virtu Financial with a carrying value of approximately $1.4 million held by Virtu Employee Holdco LLC ("Employee Holdco"), which in turn used such proceeds to redeem Class A-2 profits interests of Employee Holdco that corresponded to such redeemed Class A-2 profits interests in Virtu Financial and that were held by certain members of management;

Temasek, acting through one of its indirect wholly owned subsidiaries, acquired a 42.1% interest in an affiliate of Silver Lake Partners, which indirectly held 12,242,173 Class A-1 interests. As a result, Temasek acquired an indirect interest in 5,159,288 Class A-1 interests with a carrying value of approximately $51.6 million for approximately $73.4 million.

Following the Temasek Transaction, affiliates of Silver Lake Partners retained direct or indirect ownership of 14,464,109 Class A-1 interests.

Additionally, as part of the transaction consideration, a contingent payment agreement was entered into among Temasek, Silver Lake Partners, the Employee Holdco and the Company whereby additional payments will be made from Temasek to Silver Lake Partners and the selling members of management in the aggregate maximum amount of $3.9 million if the value of the interests acquired exceeds 1.7 times the transaction price prior to December 31, 2018, or December 31, 2019, the date depending on whether certain liquidity events occur.

The Company accounted for the Temasek transaction as a series of equity transactions to which the Company was a party whereby (i) the terms of the Class A-1 redeemable interests were changed to extend the time period before the put option could be exercised from just under 2 years to 5.5 years from the date of the transaction, and the repurchase price was increased to the greater of fair value or the purchase price from the greater of fair value or the purchase price paid by Silver Lake; (ii) new Class A-2 capital interests were issued with which the proceeds were used to redeem Class A-2 profits interests; and (iii) the contingent payment feature represents contingent consideration for the arm's length equity transactions entered into. Any excess of the transaction price over the carrying value was recorded as an addition to the respective capital balances and a deduction to accumulated deficit.

The excess of the transaction price over the carrying value was approximately $44.4 million for the Class A-1 redeemable membership interests and recorded as an addition to Class A-1 redeemable membership interest and a deduction to accumulated deficit in the accompanying consolidated statements of financial condition. The excess of the transaction price over the carrying value was approximately $17.7 million for the Class A-2 interests and recorded as an addition to Class A-2 and a deduction to accumulated deficit in the accompanying consolidated statements of financial condition. In connection with the transaction, the Company incurred approximately $3.0 million of professional fees which are recorded in transaction advisory fees and expenses in the consolidated statements of comprehensive income.

14. Capital Structure

The Company has issued three classes of interests: Class A-1 interests; Class A-2 interests; and Class B interests. Class A-2 interests include both Class A-2 capital interests and Class A-2 profits interests.

Table of Contents

Virtu Financial LLC and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. Capital Structure (Continued)

Class A-1 Interests

On July 8, 2011, 25,000,000 Class A-1 redeemable interests were issued to the Silver Lake Member and 1,964,826 Class A-1 interests were issued to an affiliate of Vincent Viola, which Class A-1 interests had an aggregate capital balance of approximately $270 million. As described in Note 13, on December 31, 2014, through a series of transactions, 5,376,603 and 12,242,173 of the Class A-1 redeemable interests previously held by the Silver Lake Member were transferred to the Temasek Member and the SLT Member, respectively, with the Silver Lake Member retaining 7,381,224 Class A-1 redeemable interests. Class A-1 interests that the holder thereof has the right to call for redemption are held by three members: (i) an affiliate of Silver Lake (the "Silver Lake Member"), (ii) the Temasek Member and (iii) an affiliate of Silver Lake and Temasek, 57.9% of which is indirectly owned by affiliates of Silver Lake Partners and 42.1% of which is indirectly owned by an affiliate of Temasek (the "SLT Member" and, together with the Silver Lake Member and the Temasek Member, the "Investor Members"). The Silver Lake Member has the right to appoint one member on the Company's board of directors and the Temasek Member has the right to either appoint one member on the Company's board of directors (subject to obtaining certain regulatory approvals) or elect that the other members of the board of directors will designate one member of the Company's board of directors in consultation with the Temasek Member. The Silver Lake Member and the Temasek Member also possess approval rights with respect to certain board actions and corporate events. There were no additional Class A-1 interests granted, forfeited, distributed or redeemed during the years ended December 31, 2014, 2013 and 2012.

Class A-2 Interests

Class A-2 interests include both Class A-2 capital interests and Class A-2 profits interests. Approximately 93,786,659 and 95,024,893 Class A-2 capital interests are issued and outstanding as of December 31, 2014 and December 31, 2013, respectively. On December 31, 2014, through a series of transactions, 1,614,322 of the Class A-2 capital interests previously held by certain members of the Company's management were transferred to the Temasek Member, and 214,433 new Class A-2 capital interests were issued to the Temasek Member, with the proceeds of such issuance being used to redeem the same number of Class A-2 profits interests held by Employee Holdco LLC ("Employee Holdco"). On November 4, 2014, the Company repurchased 1,452,667 Class A-2 capital interests from a member of the Company's management with an original carrying value of approximately $1.4 million for $6.0 million. The excess of repurchase price over the carrying value of approximately $4.6 million was recorded as a reduction in accumulated deficit and the carrying value of approximately $1.4 million was recorded as a reduction in Class A-2 capital interests in the accompanying consolidated statements of financial condition. Class A-2 profits interests are issued to Employee Holdco, a holding company which holds the interests on behalf of certain key employees or stakeholders. Employee Holdco issues Class A-2 profits interests of Employee Holdco to such employees and stakeholders which correspond to the underlying Class A-2 profits interests held by Employee Holdco. There were 6,069,007 and 4,434,452 Class A-2 profits interests issued and outstanding as of December 31, 2014 and 2013, respectively. Approximately 1,992,556, 2,223,814 and 1,705,704 Class A-2 profits interests were issued during the years ended December 31, 2014, 2013 and 2012, respectively. Holders of Class A-2 profits interests share in distributions of available cash flow based on the ratio of interests held to the total number of Class A-1 and Class A-2 interests outstanding, and also share on a pro rata basis in the

Virtu Financial LLC and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. Capital Structure (Continued)

proceeds of a liquidity event, subject to a valuation hurdle determined by the Company at the time of the grant based on a valuation performed by a third party valuation firm. Holders of the Class A-2 profits interests share in the proceeds of a liquidity event above such valuation hurdle, and receive a preference on such distributions above such valuation threshold until all holders of Class A-2 profits interests subject to such valuation threshold have been allocated capital proceeds equal to the deemed capital contribution attributable to such Class A-2 profits interests as determined by the Company at the time of the grant.

Class B Interests

The Company previously approved the Virtu Financial LLC Management Incentive Plan (the "MIP"). Participants of the MIP are entitled to receive either Class B Interests of VF or Class B interests of Employee Holdco, which holds directly the corresponding Class B interests in the Company. Upon a liquidity event, Class B interests under the MIP are entitled to share proportionately in distributions in excess of the applicable profits interest valuation hurdle, which is determined by the Company based on a valuation at the time of the grant performed by a third party valuation firm. Class B interests are non-voting interests which vest over a four year period and upon a sale, initial public offering or certain other capital transactions of VF. Class B interests are subject to forfeiture and repurchase provisions upon certain termination events. Class B interests representing a right to share in 12.915% and 13.715% of capital proceeds (on a fully diluted basis) were issued and outstanding as of December 31, 2014 and 2013. Class B interests representing 0%, 2.65% and 0.90% were issued during the years ended December 31, 2014, 2013 and 2012, respectively.

Distribution and Liquidation Rights

Holders of Class A-1 and Class A-2 interests share in distributions of available cash flow based on the ratio of interests held to the total number of Class A-1 and Class A-2 interests outstanding. Holders of Class B interests are not entitled to share in such distributions.

As of December 31, 2014 and 2013, unless and until converted to Class A-2 interests, upon occurrence of a capital transaction, Class A-1 interests are entitled to distributions of capital proceeds until Class A-1 members' unrecovered capital balance (as defined) has been reduced to zero. After distributions to Class A-1 members, capital proceeds are provided to Class A-2 capital members until Class A-2 capital members' unrecovered capital balance (as defined) have been reduced to zero. After distributions to Class A-1 and Class A-2 members, distributions of capital proceeds are provided to members in respect to their respective capital proceeds percentages (as defined), subject to the valuation hurdles and distribution preferences applicable to holders of Class A-2 profits interests. Holders of vested Class B interests share in distributions of capital proceeds above the applicable valuation hurdle proportionately based on their capital proceeds percentages.

In the event of any voluntary or involuntary liquidation, dissolution, winding up, merger or company sale, distributions are made, first, to Class A-1 members' unrecovered capital balance (as defined) until they have been reduced to zero. Second, to Class A-2 capital members, in proportion to their unrecovered capital balance (as defined) until reduced to zero and then to members in

Virtu Financial LLC and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. Capital Structure (Continued)

respect to their capital proceeds percentages (as defined), subject to the valuation hurdles and distribution preferences applicable to holders of Class A-2 profits interests.

Conversion Rights

As of December 31, 2014 and 2013, the Class A-1 interests were convertible into Class A-2 interests at any time at the option of the Class A-1 member on a one-for-one basis. The Class A-1 interests were automatically converted upon a qualified IPO or qualified sale. Qualified IPO is defined as an initial public offering on the New York Stock Exchange or NASDAQ National Market in which the gross proceeds raised equal or exceed $250.0 million and the valuation of the Company implies a return to the Silver Lake Member equal to at least (after taking into account previous distributions) 1.75 times the invested amount. Qualified sale is defined as a sale of all or a majority of the assets of the Company or all or a majority of the limited liability company interests of the Company to a third party that is not an affiliate or other permitted transferee of any member as long as the sale (i) is for consideration consisting entirely of cash and/or marketable securities and would satisfy certain minimum return requirements applicable to Silver Lake Partners and Temasek or (ii) was approved by the Silver Lake Member or, in certain circumstances, the Temasek Member.

Redemption Rights

Unless and until conversion occurs, the Investor Members are entitled to a number of rights and benefits, including the right to call for redemption of their Class A-1 interests. Any time on or after November 24, 2016, the Silver Lake Member may exercise such redemption right in order to cause the Company to purchase all of the Class A-1 interests owned directly or indirectly by affiliates of Silver Lake Partners. Any time on or after May 16, 2020, the Temasek Member may exercise such redemption right in order to cause the Company to purchase all of the Class A-1 interests owned directly or indirectly by affiliates of Temasek.

As of December 31, 2014 and 2013, the redemption price for each unit of Class A-1 interests owned by the Investor Members is the greater of (i) a minimum purchase price and (ii) the fair market value of the Class A-1 interests on the date of redemption. The minimum purchase price with respect to the Class A-1 interests owned directly or indirectly by affiliates of Silver Lake Partners is equal to the purchase price paid by affiliates of Silver Lake Partners for such Class A-1 interests and the minimum purchase price with respect to the Class A-1 interests owned directly or indirectly by affiliates (as defined in the Second Amended and Restated Limited Liability Company Agreement of Virtu Financial) of Temasek is equal to the purchase price paid by affiliates (as defined in the Second Amended and Restated Limited Liability Company Agreement of Virtu Financial) of Temasek for such Class A-1 interests (in each case, less distributions received in respect of such Class A-1 interests). The Company may redeem the Class A-1 interests using redemption notes provided that all available cash flow and all capital proceeds are used to pay down the redemption note. For so long as any redemption note is outstanding, holders of any such redemption note whose outstanding principal balance exceeds 50% of the aggregate principal amount of the redemption note shall retain any approval and consent rights as if all Class A-1 interests subject to such redemption continued to be owned.

In lieu of redemption, the Silver Lake Member or the Temasek Member can require the Company to purchase all of the equity securities of the affiliated entity or entities that directly or

Virtu Financial LLC and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. Capital Structure (Continued)

indirectly own their Class A-1 interests on behalf of affiliates of Silver Lake Partners or Temasek, respectively, provided that any such entity has not conducted any business or operations since inception other than the direct or indirect ownership of the interests of the Company.

The redeemable equity instrument is classified outside of permanent equity on the statements of financial condition.

In the event of termination of the employment of an employee on whose behalf Employee Holdco holds vested Class A-2 profits interests or Class B interests, the Company shall have the right but not the obligation to repurchase the applicable interests held by Employee Holdco, which would make a corresponding repurchase of the interests held by the terminated employee. The repurchase price payable by the Company in the event that it exercises its repurchase right with respect to Class A-2 profits interests is based on the value of the award at the date of issuance. In the event of a repurchase by the Company of Class B interests held by Employee Holdco on behalf of a terminated employee, the Company shall pay a call price determined by the manager, not to exceed the fair market value of such interests.

East Management Incentive Plan

On July 8, 2011, 2,625,000 Class A-2 capital interests were contributed by Class A-2 members to Virtu East MIP LLC ("East MIP"). East MIP issued Class A interests to the members who contributed the Class A-2 capital interests, and Class B interests ("East MIP Class B Interests") to certain key employees. East MIP Class B Interests are non-voting interests which vest over the four year period ending July 8, 2015, but in any event no earlier than upon the occurrence of a sale, initial public offering or certain other capital transactions of VF. Vested East MIP Class B Interests are entitled to participate in distributions of the proceeds received in respect of the Class A-2 capital interests held by East MIP upon a sale or certain other capital transactions of VF. East MIP Class B Interests are subject to forfeiture and repurchase provisions upon certain termination events. The Company has not recognized compensation expense under this plan for the years ended December 31, 2014, 2013 and 2012.

15. Share-based Compensation

During the years ended December 31, 2014, 2013 and 2012, the Company granted Class A-2 profits interests to certain employees, which vest immediately or over a period of up to four years, in each case subject to repurchase provisions upon certain termination events, as described above (Note 14). These awards are accounted for as equity awards and are measured at the date of grant. For the years ended December 31, 2014, 2013 and 2012, the Company recorded $16.0 million, $13.4 million and $8.4 million in expense recognized relating to these awards, and other vesting awards granted in prior periods still subject to vesting. As of December 31, 2014, total unrecognized share-based compensation expense related to these Class A-2 profits interests that have not vested was $3.6 million and this amount is expected to be recognized over a weighted average period of 2.5 years.

The fair value of the Class A-2 profits interests was estimated by the Company using an option pricing methodology based on expected volatility, risk-free rates and expected life. Expected volatility is calculated based on companies in the same peer group as the Company. The weighted-

Table of Contents

Virtu Financial LLC and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Share-based Compensation (Continued)

average assumptions used by the Company in estimating the grant date fair values of the Class A-2 profits interests as of December 31, 2014, 2013 and 2012 are summarized below:

	As of December 31,		
	2014	2013	2012
Expected life (in years)	0.5	0.5	1.5
Expected stock price volatility	25%	25%	30%
Expected dividend yield			
Risk-free interest rate	0.12%	0.10%	0.20%

Activity in the Class A-2 profits interests is as follows:

	# of Profits Interests	Weighted Average Fair Value	Weighted Average Remaining Life
Outstanding December 31, 2012	2,298,957	$ 6.40	0.70
Interests granted	2,223,814	$ 7.19	
Interests repurchased	(88,319)	$ 6.57	
Outstanding December 31, 2013	4,434,452	$ 6.82	3.40
Interests granted	1,992,556	$ 7.52	
Interests repurchased	(358,001)	$ 6.51	
Outstanding December 31, 2014	6,069,007	$ 7.05	2.54

As indicated in Note 14, East MIP Class B Interests are subject to time based vesting over four years and only fully vest upon the consummation of a qualifying capital transaction by the Company, including an initial public offering. As of December 31, 2014 and 2013, respectively, a capital transaction was not probable, and therefore none of the East MIP Class B interests were vested and no compensation expense was recognized relating to these awards. Upon the occurrence of a qualifying capital transaction, including the completion of an initial public offering, the Company expects to recognize compensation expense in an amount equal to the fair value of outstanding time-vested East MIP Class B Interests as of the date of the transaction, with the fair value of the unvested East MIP Class B Interests recognized as a compensation expense ratably over the remaining vesting period.

During the years ended December 31, 2013 and 2012, certain employees have been granted Class B interests. As discussed in Note 14, Class B interests vest only upon the occurrence of both time-based vesting over a four year period and the consummation of a qualifying capital transaction by the Company. No Class B interests were granted during the year ended December 31, 2014. As of December 31, 2014 and 2013, respectively, a capital transaction was not probable, and therefore none of the Class B interests were vested and no compensation expense was recognized relating to previously awarded Class B interests. Upon the occurrence of a qualifying capital transaction, including the completion of an initial public offering, the Company expects to recognize compensation expense in an amount equal to the fair value of outstanding time-vested Class B interests as of the date of the transaction, with the fair value of the unvested Class B interests recognized as compensation expense ratably over the remaining vesting period.

Table of Contents

Virtu Financial LLC and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. Regulatory Requirement

As of December 31, 2014, two subsidiaries of the Company are subject to the Securities Exchange Commission ("SEC") Uniform Net Capital Rule 15c3-1 which requires the maintenance of minimum net capital of $1.0 million for each of the two broker-dealer subsidiaries. At December 31, 2014, the subsidiaries had net capital of approximately $59.8 million and $8.1 million, which was approximately $58.8 million and $7.1 million in excess of its required net capital of $1.0 million and $1.0 million, respectively. At December 31, 2013, the subsidiaries had net capital of approximately $49.7 million and $8.0 million, which was approximately $48.7 million and $7.0 million in excess of its required net capital of $1.0 million and $1.0 million, respectively.

Pursuant to NYSE and NYSE MKT (formerly NYSE Amex) rules, the Company is also required to maintain $3.7 million and $4.7 million of capital in connection with the operation of the Company's DMM business as of December 31, 2014 and 2013, respectively. The required amount is determined under the exchange rules as the greater of $1 million or 15% of the market value of 60 trading units for each symbol in which the Company is registered as the DMM.

17. Financial Instruments with Off Balance Sheet Risk and Concentration of Risk

The Company maintains U.S. checking accounts with balances frequently in excess of $250,000. The Federal Deposit Insurance Corporation ("FDIC") insures combined accounts up to $250,000.

Credit Risk

Credit risk represents the maximum potential loss that the Company would incur if the counterparties failed to perform pursuant to the terms of their agreements with the Company. The Company regularly transacts business with major U.S. and foreign financial institutions. The Company is subject to credit risk to the extent that the brokers may be unable to fulfill their obligations either to return the Company's securities or repay amounts owed. In the normal course of its securities activities, the Company may be required to pledge securities as collateral, whereby the prime brokers have the right, under the terms of the prime brokerage agreements, to sell or repledge the securities of the Company. The Company manages credit risk by limiting the total amount of arrangements outstanding, both by individual counterparty and in the aggregate, by monitoring the size and maturity structure of its portfolio and by applying uniform credit standards for all activities associated with credit risk.

The purchase and sale of futures contracts requires margin deposits with a Futures Commission Merchant ("FCM"). The Commodity Exchange Act requires an FCM to segregate all customer transactions and assets from the FCM's proprietary activities. A customer's cash and other equity deposited with an FCM are considered commingled with all other customer funds subject to the FCM's segregation requirements. In the event of an FCM's insolvency, recovery may be limited to the Company's pro rata share of segregated customer funds available. It is possible that the recovery amount could be less than the total cash and other equity deposited.

Currency Risk

Though predominantly invested in U.S. dollar-denominated financial instruments, the Company may invest in securities or maintain cash denominated in currencies other than the U.S. dollar. The Company is exposed to risks that the exchange rate of the U.S. dollar relative to other currencies

Table of Contents

Virtu Financial LLC and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17. Financial Instruments with Off Balance Sheet Risk and Concentration of Risk (Continued)

may change in a manner that has an adverse effect on the reported value of the Company's assets and liabilities denominated in currencies other than the U.S. dollar.

Market Risk

The Company is exposed to market risks that arise from equity price risk, foreign currency exchange rate fluctuations and changes in commodity prices. Management has established procedures to actively monitor and minimize market and credit risks. In addition, the Company has sold securities that it does not currently own and will, therefore, be obligated to purchase such securities at a future date. The Company has recorded these obligations in the consolidated financial statements at fair values of the related securities and will incur a loss if the fair value of the securities increases subsequent to the period end.

Off Balance Sheet Financial Instruments

The Company enters into various transactions involving derivative instruments and other off balance sheet financial instruments, including futures. These derivative financial instruments are used to conduct trading activities and manage market risks and are, therefore, subject to varying degrees of market and credit risk. Derivative transactions are entered into for trading purposes or to economically hedge other positions or transactions.

Futures contracts provide for delayed delivery of the underlying instrument. The contractual or notional amounts related to these financial instruments reflect the volume and activity and do not reflect the amounts at risk. Futures contracts are executed on an exchange, and cash settlement is made on a daily basis for market movements. Accordingly, futures contracts generally do not have credit risk. Market risk is substantially dependent upon the value of the underlying derivative instruments and is affected by market forces, such as volatility and changes in interest and foreign exchange rates.

18. Geographic Information

The Company operates its business in the U.S. and internationally, primarily in Europe and Asia. Significant transactions and balances between geographic regions occur primarily as a result of certain of our subsidiaries incurring operating expenses such as employee compensation, communications and data processing and other overhead costs, for the purpose of providing execution, clearing and other support services to affiliates. Charges for transactions between regions are designed to approximate full costs. Intra-region income and expenses and related balances have been eliminated in the geographic information presented below to accurately reflect the external business conducted in each geographical region. The revenues are attributed to

Table of Contents

Virtu Financial LLC and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18. Geographic Information (Continued)

countries based on the locations of the subsidiaries. The following table presents total revenues by geographic area for the years ended December 31, 2014, 2013 and 2012:

	For the Years Ended, December 31,		
	2014	2013	2012
Revenues:			
United States	$ 509,105	$ 432,900	$ 452,282
Australia	86	87	44,240
Ireland	141,793	129,662	91,450
Singapore	72,069	98,917	25,908
United Kingdom		2,939	1,748
Total revenues	$ 723,053	$ 664,505	$ 615,628

19. Parent Company

Guarantees.

The Company guarantees the indebtedness of its direct subsidiary under the senior secured credit facility (Note 8). The outstanding principal balance of the term loan under the senior secured credit facility totaled $502.7 million and $510.0 million at December 31, 2014 and 2013, respectively.

Transactions with Affiliates

Dividends received from VFH for the three years ended December 31, 2014, 2013 and 2012 were $165.7 million, $429.1 million and $129.0 million, respectively.

Table of Contents

Virtu Financial LLC and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19. Parent Company (Continued)

Virtu Financial LLC
(Parent Company Only)
Statements of Financial Condition

(In thousands, except interest data)	December 31, 2014	December 31, 2013
Assets		
Cash and cash equivalents	$ 25,939	$ 22
Receivable from subsidiaries	12,865	22,021
Investments in subsidiaries, equity basis	768,423	748,986
Other assets	29	2,629
Total assets	$ 807,256	$ 773,658
Liabilities, redeemable interest and members' equity		
Liabilities		
Payable to subsidiaries	$ 291,444	$ 318,127
Accounts payable and accrued expenses and other liabilities	9,114	2,243
Total liabilities	$ 300,558	$ 320,370
Class A-1 redeemable interest	294,433	250,000
Members' equity		
Class A-1 Authorized and Issued 1,964,826 and 1,964,826 interests, Outstanding 1,964,826 and 1,964,826 interests, at December 31, 2014 and 2013, respectively	19,648	19,648
Additional paid-in capital		
Class A-2 Authorized and Issued 101,381,332 and 100,627,010 interests, Outstanding 99,855,666 and 99,459,345 interests at December 31, 2014 and 2013, respectively	287,705	256,340
Accumulated deficit	(91,383)	(74,027)
Accumulated other comprehensive income (loss)	(3,705)	1,327
Total members' equity	$ 212,265	$ 203,288
Total liabilities, redeemable interest and members' equity	$ 807,256	$ 773,658

Table of Contents

Virtu Financial LLC and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19. Parent Company (Continued)

Virtu Financial LLC
(Parent Company Only)
Statements of Comprehensive Income
for the Years Ended December 31, 2014, 2013 and 2012

	For the Years Ended December 31,		
(In thousands)	**2014**	**2013**	**2012**
Revenues:			
Service fee revenue	$ 13,492	$ 2,089	$ 5,154
Expenses:			
Operations and administrative	13,492	2,089	5,428
Total expenses	13,492	2,089	5,428
Income (loss) before equity in income of subsidiaries			(274)
Equity in income of subsidiaries, net of tax	190,057	182,203	87,834
Net Income	$ 190,057	$ 182,203	$ 87,560
Other Comprehensive Income, net of taxes:			
Translation adjustment	(5,032)	1,382	548
Comprehensive income	$ 185,025	$ 183,585	$ 88,108

Table of Contents

Virtu Financial LLC and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19. Parent Company (Continued)

Virtu Financial LLC
(Parent Company Only)
Statements of Cash Flows
for the Years Ended December 31, 2014, 2013 and 2012

	For the Years Ended December 31,		
(In thousands)	**2014**	**2013**	**2012**
Cash flows from operating activities			
Net Income	$ 190,057	$ 182,203	$ 87,560
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in income of subsidiaries	(24,469)	244,854	41,198
Changes in operating assets and liabilities:	(14,056)	(6,529)	(2,926)
Net cash provided by operating activities	151,532	420,528	125,832
Cash flows from investing activities			
Investments in subsidiaries, equity basis	15,953	13,441	8,726
Net cash provided by investing activities	15,953	13,441	8,726
Cash flows from financing activities			
Proceeds from issuance of Class A-2 interests in connection with the Temasek transaction described in Note 13	3,048		
Repurchase of Class A-2 interests in connection with the Temasek transaction described in Note 13	(3,048)		
Repurchase of Class A-2 interests	(916)	(573)	(352)
Member distributions	(140,652)	(433,400)	(134,408)
Net cash used in financing activities	(141,568)	(433,973)	(134,760)
Net increase (decrease) in cash and cash equivalents	25,917	(4)	(202)
Cash and equivalents, beginning of period	22	26	228
Cash and equivalents, end of period	$ 25,939	$ 22	$ 26

Non-cash financing activities			
Temasek transaction described in Note 13			
Repurchase of Class A-2 interests	(6,000)		

20. Subsequent Events

The Company has evaluated subsequent events through February 19, 2015, the date the consolidated financial statements were issued. The Company did not note any subsequent events requiring disclosure to the consolidated financial statements except for the following. The Company made tax and profit distributions to its members in the amount of $48.8 million and $21.2 million, respectively, from January 1, 2015 to February 19, 2015. The Company has entered into a new office lease agreement with a commencement date of January 16, 2015 and a minimum commitment of $7.6 million that is included in the table in Note 12. As a result, the Company plans to vacate its current office space, which is under a non-cancellable lease agreement ending on February 28, 2019. The Company is in the process of determining the impact of the cease-use of the current premise but estimates that it could recognize a maximum loss of approximately $3.0 million from future lease payments and a write-off of leasehold improvements if it cannot successfully find a sub-lessee.

Table of Contents

6,473,371 Shares

Virtu Financial, Inc.

Class A Common Stock

Goldman, Sachs & Co.