UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2014 | **Commission file number 1-9700**

THE CHARLES SCHWAB CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**94-3025021**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

211 Main Street, San Francisco, CA 94105
(Address of principal executive offices and zip code)

Registrant's telephone number, including area code: (415) 667-7000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock - $.01 par value per share	New York Stock Exchange
Depository Shares, each representing a 1/40th ownership interest in a share of 6.0% Non-Cumulative Preferred Stock, Series B	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒	Accelerated filer ☐
Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of June 30, 2014, the aggregate market value of the voting stock held by non-affiliates of the registrant was $30.7 billion. For purposes of this information, the outstanding shares of Common Stock owned by directors and executive officers of the registrant, and certain investment companies managed by Charles Schwab Investment Management, Inc. were deemed to be shares of the voting stock held by affiliates.

The number of shares of Common Stock outstanding as of January 30, 2015, was 1,311,054,124.

DOCUMENTS INCORPORATED BY REFERENCE

Part III of this Form 10-K incorporates certain information contained in the registrant's definitive proxy statement for its annual meeting of stockholders, to be held May 13, 2015, by reference to that document.

THE CHARLES SCHWAB CORPORATION

Annual Report On Form 10-K
For Fiscal Year Ended December 31, 2014

TABLE OF CONTENTS

Part I

Item 1.	Business	1
	General Corporate Overview	1
	Business Acquisitions	1
	Business Strategy and Competitive Environment	2
	Products and Services	2
	Regulation	5
	Sources of Net Revenues	6
	Available Information	6
Item 1A.	Risk Factors	7
Item 1B.	Unresolved Securities and Exchange Commission Staff Comments	13
Item 2.	Properties	14
Item 3.	Legal Proceedings	14
Item 4.	Mine Safety Disclosures	14

Part II

Item 5.	Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	15
Item 6.	Selected Financial Data	17
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	18
	Forward-Looking Statements	18
	Overview	20
	Current Market and Regulatory Environment and Other Developments	22
	Results of Operations	24
	Liquidity and Capital Resources	32
	Risk Management	37
	Fair Value of Financial Instruments	45
	Critical Accounting Estimates	45
Item 7A.	Quantitative and Qualitative Disclosures About Market Risk	48
Item 8.	Financial Statements and Supplementary Data	50
Item 9.	Changes in and Disagreements With Accountants on Accounting and Financial Disclosure	96
Item 9A.	Controls and Procedures	96
Item 9B.	Other Information	96

Part III

Item 10.	Directors, Executive Officers, and Corporate Governance	96
Item 11.	Executive Compensation	98
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	98
Item 13.	Certain Relationships and Related Transactions, and Director Independence	98
Item 14.	Principal Accountant Fees and Services	98

Part IV

Item 15.	Exhibits and Financial Statement Schedule	99
	Exhibit Index	99
	Signatures	103
	Index to Financial Statement Schedule	F-1

PART I

Item 1. Business

General Corporate Overview

The Charles Schwab Corporation (CSC), headquartered in San Francisco, California, was incorporated in 1986 and engages, through its subsidiaries (together referred to as the Company, and located in San Francisco except as indicated), in wealth management, securities brokerage, banking, money management, and financial advisory services. At December 31, 2014, the Company had $2.46 trillion in client assets, 9.4 million active brokerage accounts[a], 1.4 million corporate retirement plan participants, and 985,000 banking accounts.

Significant business subsidiaries of CSC include:

- Charles Schwab & Co., Inc. (Schwab), which was incorporated in 1971, is a securities broker-dealer with over 325 domestic branch offices in 45 states, as well as a branch in each of the Commonwealth of Puerto Rico and London, England, and serves clients in Hong Kong through one of CSC's subsidiaries;
- Charles Schwab Bank (Schwab Bank), which commenced operations in 2003, is a federal savings bank located in Reno, Nevada; and
- Charles Schwab Investment Management, Inc. (CSIM), which is the investment advisor for Schwab's proprietary mutual funds, referred to as the Schwab Funds®, and Schwab's exchange-traded funds, referred to as the Schwab ETFs™.

The Company provides financial services to individuals and institutional clients through two segments – Investor Services and Advisor Services. The Investor Services segment provides retail brokerage and banking services to individual investors, retirement plan services, and corporate brokerage services. The Advisor Services segment provides custodial, trading, and support services to independent investment advisors (IAs), and retirement business services to independent retirement plan advisors and recordkeepers whose plan assets are held at Schwab Bank. These services are further described in the segment discussion below. For financial information by segment for the three years ended December 31, 2014, see "Item 8 – Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – 23. Segment Information."

As of December 31, 2014, the Company had full-time, part-time and temporary employees, and persons employed on a contract basis that represented the equivalent of about 14,600 full-time employees.

Business Acquisitions

In December 2012, the Company acquired ThomasPartners, Inc., a growth and dividend income-focused asset management firm. For additional information pertaining to the Company's acquisition of ThomasPartners, Inc., see "Item 8 – Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – 24. Business Acquisition."

In September 2011, the Company acquired optionsXpress Holdings, Inc. (optionsXpress), an online brokerage firm primarily focused on equity options and futures. The optionsXpress® brokerage platform provides active investors and traders trading tools, analytics and education to execute a variety of investment strategies. optionsXpress, Inc., a wholly-owned subsidiary of optionsXpress, is a securities broker-dealer.

In November 2010, the Company acquired substantially all of the assets of Windward Investment Management, Inc., an investment advisory firm that managed diversified investment portfolios comprised primarily of exchange-traded fund securities. As a result of the acquisition, Windhaven Investment Management, Inc. (Windhaven®) was formed as a wholly-owned subsidiary of Schwab Holdings, Inc.

(a) Accounts with balances or activity within the preceding eight months.

Business Strategy and Competitive Environment

The Company's stated purpose is to champion every client's goals with passion and integrity, believing the best long-term strategy is one that puts clients first. Because investing plays a fundamental role in building financial security, the Company strives to deliver a better investing experience for its clients – individual investors and the people and institutions who serve them – by disrupting longstanding industry practices on their behalf and providing superior service. The Company aims to offer a broad range of products and solutions to choose from, including relevant and actionable advice, with a focus on transparency and convenience. In addition, management works to leverage Company scale and resources, as well as expense discipline, to help keep costs low and ensure that client solutions are both affordable and responsive to needs.

The Company's competition in serving individual investors includes a wide range of brokerage, wealth management, and asset management firms, as well as banks and trust companies. In serving these investors and competing for a growing percentage of the investable wealth in the U.S., the Company offers a multi-channel service delivery model, which includes online, mobile, telephonic, and branch capabilities. Under this model, the Company can offer personalized service at competitive prices while giving clients the choice of where, when, and how they do business with the Company. Schwab's branches and regional telephone service centers are staffed with trained and experienced financial consultants (FCs) focused on building and sustaining client relationships. The Company offers the ability to meet client investing needs through a single ongoing point of contact, even as those needs change over time. In particular, management believes that the Company's ability to provide those clients seeking help, guidance, or advice with an integrated, individually tailored solution – ranging from occasional consultations to an ongoing relationship with a Schwab FC or an IA – is a competitive strength compared to the more fragmented or limited offerings of other firms.

The Company's online, mobile, and telephonic channels provide quick and efficient access to an extensive array of information, research, tools, trade execution, and administrative services, which clients can access according to their needs. For example, clients that trade more actively can use these channels to access highly competitive pricing, expert tools, and extensive service capabilities – including experienced, knowledgeable teams of trading specialists and integrated product offerings. Individuals investing for retirement through 401(k) plans can take advantage of the Company's bundled offering of multiple investment choices, education, and third-party advice. Management also believes the Company is able to compete with the wide variety of financial services firms striving to attract individual client relationships by complementing these capabilities with the extensive array of investment, banking, and lending products and services described in the following section.

In the IA arena, the Company competes with institutional custodians, traditional and discount brokers, banks, investment advisory firms, and trust companies. Management believes that its Advisor Services segment can maintain its market leadership position primarily through the efforts of its expanded sales and support teams, which are dedicated to helping IAs grow, compete, and succeed in serving their clients. In addition to focusing on superior service, Advisor Services competes by utilizing technology to provide IAs with a highly-developed, scalable platform for administering their clients' assets easily and efficiently. Advisor Services sponsors a variety of national, regional, and local events designed to help IAs identify and implement better ways to grow and manage their practices efficiently.

Another important aspect of the Company's ability to compete is its ongoing focus on efficiency and productivity, as lower costs give the Company greater flexibility in its approach to pricing and investing for growth. Management believes that this flexibility remains important in light of the competitive environment, in which a number of competitors offer reduced online trading commission rates and low expense ratios on certain classes of mutual funds and exchange-traded funds. Additionally, the Company's nationwide marketing effort is an important competitive tool because it reinforces the attributes of the Schwab® brand.

Products and Services

The Company offers a broad range of products to address individuals' varying investment and financial needs. Examples of these product offerings include:

- Brokerage – an array of full-feature brokerage accounts; individual retirement accounts; retirement plans for small to large businesses; 529 college savings accounts; designated brokerage accounts; equity incentive plan accounts; and margin loans, as well as access to fixed income securities, equity and debt offerings, options, and futures;

- Mutual funds – third-party mutual funds through Mutual Fund Marketplace®, including no-load mutual funds through the Mutual Fund OneSource® service, proprietary mutual funds from two fund families – Schwab Funds® and Laudus Funds®, other third-party mutual funds, and mutual fund trading and clearing services to broker-dealers;
- Exchange-traded funds (ETFs) – third-party and proprietary ETFs, including Schwab ETFs, Schwab ETF OneSource™, and separately managed portfolios of ETFs;
- Advice solutions – separately managed accounts, customized personal advice for tailored portfolios, and specialized planning and full-time portfolio management;
- Banking – checking accounts linked to brokerage accounts, savings accounts, certificates of deposit, demand deposit accounts, first lien residential real estate mortgage loans (First Mortgages), home equity loans and lines of credit (HELOCs), personal loans and entity lending collateralized by securities; and
- Trust – trust custody services, personal trust reporting services, and administrative trustee services.

These products, and the Company's full array of investing services, are made available through its two segments – Investor Services and Advisor Services. The Company's major sources of revenues are generated by both of the Company's reportable segments. Revenue is attributable to a reportable segment based on which segment has the primary responsibility for serving the client. The accounting policies of the Company's reportable segments are the same as those described in "Item 8 – Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – 2. Summary of Significant Accounting Policies." For financial information related to the Company's reportable segments, see "Item 7 – Management's Discussion and Analysis of Financial Condition and Results of Operations – Results of Operations – Segment Information," and "Item 8 – Financial Statements and Supplementary Data – Notes to the Consolidated Financial Statements – 23. Segment Information."

Investor Services

Through the Investor Services segment, the Company provides retail brokerage and banking services to individual investors. The Company offers research, analysis tools, performance reports, market analysis, and educational material to all clients. Clients looking for more guidance have access to online portfolio planning tools, professional advice from Schwab's portfolio consultants who can help develop an investment strategy and carry out investment and portfolio management decisions, as well as a range of fully delegated managed solutions that provide ongoing portfolio management.

Schwab strives to educate and assist clients in the development of investment plans. Educational tools include workshops, interactive courses, and online information about investing, from which Schwab does not earn revenue. Additionally, Schwab provides various internet-based research and analysis tools that are designed to help clients achieve better investment outcomes. As an example of such tools, Schwab Equity Ratings® is a quantitative model-based stock rating system that provides all clients with ratings on approximately 3,000 stocks, assigning each equity a single grade: A, B, C, D, or F. Schwab Equity Ratings International®, an international ranking methodology, covers approximately 4,000 stocks in 27 foreign equity markets.

Clients may need specific investment recommendations, either from time to time or on an ongoing basis. The Company provides clients seeking advice with customized solutions. The Company's approach to advice is based on long-term investment strategies and guidance on portfolio diversification and asset allocation. This approach is designed to be offered consistently across all of Schwab's delivery channels.

Schwab Private Client™ features a personal advice relationship with a designated portfolio consultant, supported by a team of investment professionals who provide individualized service, a customized investment strategy developed in collaboration with the client, and ongoing guidance and execution.

For clients seeking a relationship in which investment decisions are fully delegated to a financial professional, the Company offers several alternatives. The Company provides investors access to professional investment management in a diversified account that is invested exclusively in either mutual funds or ETFs through the Schwab Managed Portfolios™ and Windhaven, or equity securities through ThomasPartners® programs. The Company also refers investors who want to utilize a specific third-party money manager to direct a portion of their investment assets to the Schwab Managed Account program. In addition, clients who want the assistance of an independent professional in managing their financial affairs may be referred to IAs in the Schwab Advisor Network®. These IAs provide personalized portfolio management, financial planning, and wealth management solutions.

To meet the specific needs of clients who trade actively, Schwab and optionsXpress, Inc. both offer integrated Web- and software-based trading platforms, which incorporate intelligent order routing technology, real-time market data, options trading, premium stock or futures research, and multi-channel access, as well as sophisticated account and trade management features, risk management tools, decision support tools, and dedicated personal support.

For clients wishing to invest in foreign equities, the Company offers a suite of global investing capabilities, including online access to certain foreign equity markets with the ability to trade in their local currencies. In addition, the Company serves both foreign investors and non-English-speaking U.S. clients who wish to trade or invest in U.S. dollar-based securities. In the U.S., the Company serves Chinese-, Spanish-, and Vietnamese-speaking clients through a combination of its branch offices and Web-based and telephonic services.

The Investor Services segment also includes the Retirement Plan Services, Corporate Brokerage Services, Stock Plan Services, and Compliance Solutions business units. Retirement Plan Services offers a bundled 401(k) retirement plan product that provides plan sponsors a wide array of investment options, trustee or custodial services, and participant-level recordkeeping. Plan design features, which increase plan efficiency and achieve employer goals, are also offered, such as automatic enrollment, automatic fund mapping at conversion, and automatic contribution increases. In 2012, the Company launched Schwab Index Advantage®, a unique 401(k) plan offer designed to lower costs, simplify investing and help workers better prepare for retirement. Services also include support for Roth 401(k) accounts and profit sharing and defined benefit plans. The Company provides a robust suite of tools to plan sponsors to manage their plans, including plan-specific reports, studies and research, access to legislative updates and benchmarking reports that provide perspective on their plan's features compared with overall industry and segment-specific plans. Participants in bundled plans serviced by the Company receive targeted education materials, have access to electronic tools and resources, may attend onsite and virtual seminars, and can receive third-party advice delivered by Schwab. This third-party advice service is delivered online, by phone, or in person, including recommendations based on the core investment fund choices in their retirement plan and specific recommended savings rates.

Corporate Brokerage Services provides specialty brokerage-related services to corporate clients through its Corporate Brokerage Retirement Services business and mutual fund clearing services to banks, brokerage firms and trust companies, and also offers proprietary mutual funds, ETFs, collective trust funds, and investment management outside the Company to institutional channels. Corporate Brokerage Retirement Services serves independent recordkeepers seeking a custodian for retirement plan assets. Schwab provides custody services tailored for retirement plans seeking a low-cost solution. Plans held at Schwab are either self-trusteed or trusteed by a separate, independent trustee. Corporate Brokerage Retirement Services also offers the Schwab Personal Choice Retirement Account®, a self-directed brokerage offering for retirement plans and the Company Retirement Account, a brokerage account designed to hold the assets of an individually designed business retirement plan.

Stock Plan Services offers equity compensation plan sponsors full-service recordkeeping for stock plans: stock options, restricted stock, performance shares and stock appreciation rights. Specialized services for executive transactions and reporting, grant acceptance tracking and other services are offered to employers to meet the needs of administering the reporting and compliance aspects of an equity compensation plan.

Compliance Solutions provides solutions for compliance departments of regulated companies and firms with special requirements to monitor employee personal trading, including trade surveillance technology.

Advisor Services

Through the Advisor Services segment, the Company provides custodial, trading, and support services to IAs.

To attract and serve IAs, the Company has a dedicated sales force and service teams assigned to meet their needs. IAs who custody client accounts at Schwab may use proprietary software that provides them with up-to-date client account information, as well as trading capabilities. The Advisor Services website is the core platform for IAs to conduct daily business activities online with Schwab, including submitting and retrieving client account information and viewing news and market information. This platform provides IAs with a comprehensive suite of electronic and paper-based reporting capabilities. The Company offers online cashiering services, as well as internet-based eDocuments sites for both IAs and

their clients that provide multi-year archiving of online statements, trade confirms and tax reports, along with document search capabilities.

To help IAs grow and manage their practices, the Company offers a variety of services, including access to insights on practice marketing and business development, business strategy and planning, and transition support. The Company maintains a website that provides interactive tools, educational content, and research reports to assist advisors thinking about establishing and managing their own independent practices.

The Company offers an array of services to help advisors establish their own independent practices through the Business Start-up Solutions package. For some IAs this includes access to dedicated service teams and outsourcing of back-office operations, as well as third-party firms who provide assistance with real estate, errors and omissions insurance, and company benefits.

The Company offers a variety of educational materials, programs, and events to IAs seeking to expand their knowledge of industry issues and trends, as well as sharpen their individual expertise and practice management skills. The Company updates and shares market research on an ongoing basis, and it holds a series of events and conferences every year to discuss topics of interest to IAs, including business strategies and best practices. The Company sponsors the annual IMPACT® conference, which provides a national forum for the Company, IAs, and other industry participants to gather and share information and insights.

IAs and their clients have access to a broad range of the Company's products and services, including individual securities, mutual funds, ETFs, managed accounts, and cash products.

The Advisor Services segment also includes the Retirement Business Services business unit. Retirement Business Services provides trust, custody, and retirement business services to independent retirement plan advisors and independent recordkeepers. Plan assets are held at the Business Trust division of Schwab Bank. The Company and independent retirement plan providers work together to serve plan sponsors, combining the consulting and administrative expertise of the administrator with the Company's investment, technology, trust, and custodial services. Retirement Business Services also offers the Schwab Personal Choice Retirement Account® for retirement plans.

Regulation

CSC is a savings and loan holding company and Schwab Bank, CSC's depository institution subsidiary, is a federal savings bank. CSC is subject to supervision and regulation by the Board of Governors of the Federal Reserve System (the Federal Reserve). Schwab Bank is subject to supervision and regulation by the Office of the Comptroller of the Currency (the OCC), as its primary regulator, the Federal Deposit Insurance Corporation (FDIC), as its deposit insurer, and the Consumer Financial Protection Bureau (CFPB). Collectively, the rules and regulations of these regulators cover safety and soundness and consumer protection. CSC and Schwab Bank are also subject to regulation and to various requirements and restrictions under state and other federal laws. For additional information on the regulations applicable to CSC, Schwab, Schwab Bank, and optionsXpress, Inc., see "Item 8 – Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – 22. Regulatory Requirements."

CSC is required to serve as a source of strength for Schwab Bank. Prior to January 1, 2015, CSC, as a savings and loan holding company, was not subject to specific statutory capital requirements. Beginning on January 1, 2015, CSC is subject to new capital requirements set by the Federal Reserve. For further information, see "Item 7 – Management's Discussion and Analysis of Financial Condition and Results of Operations – Current Market and Regulatory Environment and Other Developments."

The securities industry in the United States is subject to extensive regulation under both federal and state laws. CSC's principal U.S. broker-dealers are Schwab and optionsXpress, Inc. Schwab is registered as a broker-dealer with the United States Securities and Exchange Commission (SEC), the fifty states, and the District of Columbia and Puerto Rico. optionsXpress, Inc. is registered as a broker-dealer with the SEC, the fifty states, the District of Columbia, Puerto Rico, and the Virgin Islands. Schwab and CSIM are registered as investment advisors with the SEC. Additionally, Schwab and optionsXpress, Inc. are regulated by the Commodities Futures Trading Commission (CFTC) with respect to the commodity

futures and commodities trading activities they conduct as an introducing broker and futures commission merchant, respectively.

Much of the regulation of broker-dealers has been delegated to self-regulatory organizations (SROs). Schwab is a member of the Financial Industry Regulatory Authority, Inc. (FINRA), the Municipal Securities Rulemaking Board (MSRB), NYSE Arca, and the Chicago Board Options Exchange (CBOE). optionsXpress, Inc. is also a member of FINRA and the MSRB. The primary regulators of Schwab and optionsXpress, Inc. are FINRA and, for municipal securities, the MSRB. The National Futures Association (NFA) is Schwab and optionsXpress, Inc.'s primary regulator for futures and commodities trading activities. The Company's business is also subject to oversight by regulatory bodies in other countries in which the Company operates.

The principal purpose of regulating broker-dealers and investment advisors is the protection of clients and the securities markets. The regulations, to which broker-dealers and investment advisors are subject, cover all aspects of the securities business, including, among other things, sales and trading practices, publication of research, margin lending, uses and safekeeping of clients' funds and securities, capital adequacy, recordkeeping and reporting, fee arrangements, disclosure to clients, fiduciary duties owed to advisory clients, and the conduct of directors, officers and employees.

Schwab and optionsXpress, Inc. are both subject to Rule 15c3-1 under the Securities Exchange Act of 1934 (the Uniform Net Capital Rule) and related SRO requirements. The CFTC and NFA also impose net capital requirements. The Uniform Net Capital Rule specifies minimum capital requirements that are intended to ensure the general financial soundness and liquidity of broker-dealers. Because CSC itself is not a registered broker-dealer, it is not subject to the Uniform Net Capital Rule. However, if Schwab fails to maintain specified levels of net capital, such failure could constitute a default by CSC under debt covenants under CSC's credit agreement.

The Uniform Net Capital Rule limits broker-dealers' ability to transfer capital to parent companies and other affiliates. Compliance with the Uniform Net Capital Rule could limit Schwab's operations and its ability to repay subordinated debt to CSC, which in turn could limit CSC's ability to repay debt, pay cash dividends, and purchase shares of its outstanding stock.

In addition to net capital requirements, as self-clearing broker-dealers, Schwab and optionsXpress, Inc. are subject to cash deposit and collateral requirements with clearing houses, such as the Depository Trust & Clearing Corporation (DTCC) and Options Clearing Corporation, which may fluctuate significantly from time to time based upon the nature and size of clients' trading activity.

Various activities of the Company are subject to the Bank Secrecy Act (BSA), as amended by the USA Patriot Act of 2001, which requires financial institutions to develop programs reasonably designed to prevent money laundering and the financing of terrorism. The BSA includes a variety of record-keeping and reporting requirements (such as cash and suspicious activity reporting), as well as due diligence/ know-your-customer documentation requirements. Various activities of the Company are also subject to U.S. sanctions programs administered by the Office of Foreign Assets Control.

Sources of Net Revenues

The Company's major sources of net revenues are asset management and administration fees, net interest revenue, and trading revenue. The Company generates asset management and administration fees through its proprietary and third-party mutual fund offerings, as well as fee-based advisory solutions. Net interest revenue is the difference between interest earned on interest-earning assets and interest paid on funding sources, the majority of which is derived from client cash balances. The Company generates trading revenue through commissions earned for executing trades for clients and principal transaction revenue primarily from trading activity in client fixed income securities.

For revenue information by source for the three years ended December 31, 2014, see "Item 7 – Management's Discussion and Analysis of Financial Condition and Results of Operations – Results of Operations – Net Revenues."

Available Information

The Company files annual, quarterly, and current reports, proxy statements, and other information with the SEC. The Company's SEC filings are available to the public over the Internet on the SEC's website at http://www.sec.gov. You may

read and copy any document that the Company files with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330.

On the Company's website, http://www.aboutschwab.com, the Company posts the following recent filings as soon as reasonably practicable after they are electronically filed with or furnished to the SEC: the Company's annual reports on Form 10-K, the Company's quarterly reports on Form 10-Q, the Company's current reports on Form 8-K, and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934. All such filings are available free of charge either on the Company's website or by request via email (investor.relations@schwab.com), telephone (415-667-1959), or mail (Charles Schwab Investor Relations at 211 Main Street, San Francisco, CA 94105).

Item 1A. Risk Factors

The Company faces a variety of risks that may affect its operations or financial results, and many of those risks are driven by factors that the Company cannot control or predict. The following discussion addresses those risks that management believes are the most significant, although there may be other risks that could arise, or may prove to be more significant than expected, that may affect the Company's operations or financial results.

For a discussion of the Company's risk management, including operational risk, credit risk, market risk, liquidity risk, compliance risk, and legal risk, see "Item 7 – Management's Discussion and Analysis of Financial Condition and Results of Operations – Risk Management."

Developments in the business, economic, and geopolitical environment could negatively impact the Company's business.

The Company's business can be adversely affected by the general environment – economic, corporate, securities market, regulatory, and geopolitical developments all play a role in client asset valuations, trading activity, interest rates and overall investor engagement, and are outside of the Company's control. Deterioration in the housing and credit markets, reductions in short-term interest rates, and decreases in securities valuations negatively impact the Company's results of operations and capital resources.

Extensive regulation of the Company's businesses limits the Company's activities and may subject it to significant penalties.

As a participant in the securities, banking and financial services industries, the Company is subject to extensive regulation under both federal and state laws by governmental agencies, supervisory authorities, and SROs. Such regulation continues to grow more extensive and complex, and regulatory proceedings continue to become more frequent and sanctions more severe. The requirements imposed by the Company's regulators are designed to ensure the integrity of the financial markets, the safety and soundness of financial institutions, and the protection of clients. These regulations often serve to limit the Company's activities by way of capital, customer protection and market conduct requirements, and restrictions on the business activities that the Company may conduct.

In addition to specific banking laws and regulations, the Company's banking regulators have broad discretion in connection with their supervisory and enforcement activities and examination policies and could require CSC and/or Schwab Bank to hold more capital, increase liquidity, or limit their ability to pay dividends or CSC's ability to repurchase shares. The banking regulators could also limit the Company's ability to grow, including adding assets, launching new products, and undertaking strategic investments.

Despite the Company's efforts to comply with applicable regulations, there are a number of risks, particularly in areas where applicable regulations may be unclear or where regulators revise their previous guidance. Any enforcement actions or other proceedings brought by the Company's regulators against the Company or its affiliates, officers or employees could result in fines, penalties, cease and desist orders, enforcement actions, suspension or expulsion, or other disciplinary sanctions,

including limitations on the Company's business activities, any of which could harm the Company's reputation and adversely affect the Company's results of operations and financial condition.

While the Company maintains systems and procedures designed to ensure that it complies with applicable laws and regulations, violations could occur. In addition, some legal/regulatory frameworks provide for the imposition of fines or penalties for noncompliance even though the noncompliance was inadvertent or unintentional and even though systems and procedures reasonably designed to prevent violations were in place at the time. There may be other negative consequences resulting from a finding of noncompliance, including restrictions on certain activities. Such a finding may also damage the Company's reputation and could restrict the ability of institutional investment managers to invest in the Company's securities.

Legislation or changes in rules and regulations could negatively impact the Company's business and financial results.

New legislation, rule changes, or changes in the interpretation or enforcement of existing federal, state and SRO rules and regulations, including changes relating to money market mutual funds and broker-dealer fiduciary duties, may directly affect the operation and profitability of the Company or its specific business lines. The profitability of the Company could also be affected by rules and regulations which impact the business and financial communities generally, including changes to the laws governing taxation, electronic commerce, client privacy and security of client data. In addition, the rules and regulations could result in limitations on the lines of business the Company conducts, modifications to the Company's business practices, increased capital requirements, or additional costs.

Financial reforms and related regulations may affect the Company's business activities, financial position and profitability.

There have been extensive changes to the laws regulating financial services firms as a result of the enactment of the "Dodd-Frank Wall Street Reform and Consumer Protection Act" (the Dodd-Frank Act). Among other changes:

- New regulatory capital rules were implemented. The rules, which apply to CSC and Schwab Bank, became effective on January 1, 2015, with certain provisions subject to phase-in periods. The rules establish more restrictive capital definitions, higher risk-weightings for certain asset classes, higher minimum capital ratios and capital buffers. Failure to meet the minimum capital requirements could result in certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a negative impact on the Company. In addition, failure to meet the capital buffer (when phased in) will result in restrictions on capital distributions and discretionary cash bonus payments to executive officers.
- The Federal Reserve issued a modified liquidity coverage ratio (LCR) that applies to CSC. Under the modified LCR, a depository institution holding company is required to maintain high-quality liquid assets in an amount related to its total estimated net cash outflows over a prospective period. The transition period for the modified LCR begins on January 1, 2016 and CSC is required to be fully compliant by January 1, 2017.
- Schwab Bank is required to conduct annual capital adequacy stress tests on its operations and beginning in 2015, publicly disclose a summary of the results. CSC expects to become subject to a similar rule in the future.
- The CFPB was established, which has broad rulemaking, supervisory and enforcement authority over consumer products, including deposit products, mortgages and home-equity loans. States are permitted to adopt stricter consumer protection laws and state attorney generals can enforce consumer protection rules issued by the CFPB.

Implementation of the legislation is ongoing and significant rule-making and interpretations remain to be completed. For example, rules relating to a minimum net stable funding ratio which will require financial institutions to have a stable funding structure over a one-year horizon have not yet been proposed. In addition, the legislation mandates multiple studies, which could result in additional legislative or regulatory action. CSC will continue to review the impact that proposed rule-making will have on the Company's business, financial condition, and results of operations, as such rule-making is issued.

The legislation gives the SEC discretion to adopt rules regarding standards of conduct for broker-dealers providing investment advice to retail customers. The various studies required by the legislation could result in additional rulemaking or legislative action, which could impact the Company's business and financial results.

The changes resulting from the legislation may impact the profitability of the Company's business activities, require changes to certain of its business practices, impose upon the Company more stringent capital, liquidity and leverage ratio

requirements or otherwise adversely affect the Company's business. These changes may also require the Company to invest significant management attention and resources to evaluate and make necessary changes.

Technology and operational failures or errors could subject the Company to losses, litigation, and regulatory actions.

The Company faces operational risk, which is the potential for loss due to inadequate or failed internal processes, systems, and firms or exchanges handling client orders, or from external events and relationships impacting the Company and/or any of its key business partners and vendors. This risk also includes the risk of human error, execution errors, errors in models such as those used for asset management, capital management, risk management and compliance, employee misconduct, unauthorized trading, external fraud, computer viruses, distributed denial of service attacks, terrorist attacks, natural disaster, power outage, capacity constraints, software flaws and similar events. For example, the Company and other financial institutions have been the target of various denial of service attacks that have, in certain circumstances, made websites, mobile applications and email unavailable for periods of time. It could take several hours or more to restore full functionality to the Company's technology or other operating systems in the event of an unforeseen event which could affect the Company's ability to process and settle client transactions. Moreover, instances of fraud or other misconduct, including improper use or disclosure of confidential client, employee, or company information, might also negatively impact the Company's reputation and client confidence in the Company, in addition to any direct losses that might result from such instances. Despite the Company's efforts to identify areas of risk, oversee operational areas involving risk, and implement policies and procedures designed to manage these risks, there can be no assurance that the Company will not suffer unexpected losses, reputational damage or regulatory action due to technology or other operational failures or errors, including those of its vendors or other third parties.

While the Company devotes substantial attention and resources to the reliability, capacity and scalability of its systems, extraordinary trading volumes could cause the Company's computer systems to operate at unacceptably slow speeds or even fail, affecting the Company's ability to process client transactions and potentially resulting in some clients' orders being executed at prices they did not anticipate. Disruptions in service and slower system response times could result in substantial losses and decreased client satisfaction. The Company is also dependent on the integrity and performance of securities exchanges, clearing houses and other intermediaries to which client orders are routed for execution and settlement. Systems failures and constraints and transaction error at such intermediaries could result in delays and erroneous or unanticipated execution prices, cause substantial losses for the Company and for its clients, and subject the Company to claims from its clients for damages.

A significant decrease in the Company's liquidity could negatively affect the Company's business and financial management as well as reduce client confidence in the Company.

Maintaining adequate liquidity is crucial to the business operations of the Company, including margin lending, mortgage lending, and transaction settlement, among other liquidity needs. The Company meets its liquidity needs primarily through cash generated by client activity and operating earnings, as well as cash provided by external financing. Fluctuations in client cash or deposit balances, as well as changes in market conditions, may affect the Company's ability to meet its liquidity needs. A reduction in the Company's liquidity position could reduce client confidence in the Company, which could result in the loss of client accounts. In addition, if the Company's broker-dealer or depository institution subsidiaries fail to meet regulatory capital guidelines, regulators could limit the subsidiaries' operations or their ability to upstream funds to CSC, which could reduce CSC's liquidity and adversely affect its ability to repay debt and pay cash dividends. In addition, CSC may need to provide additional funding to such subsidiaries.

Factors which may adversely affect the Company's liquidity position include a reduction in cash held in banking or brokerage client accounts, a dramatic increase in the Company's client lending activities (including margin, mortgage-related, and personal lending), unanticipated outflows of company cash, increased capital requirements, other regulatory changes or a loss of market or customer confidence in the Company. Schwab may also experience temporary liquidity demands due to timing differences between clients' transaction settlements and the availability of segregated cash balances.

When cash generated by client activity and operating earnings is not sufficient for the Company's liquidity needs, the Company must seek external financing. During periods of disruptions in the credit and capital markets, potential sources of external financing could be reduced, and borrowing costs could increase. Although CSC and Schwab maintain committed and uncommitted, unsecured bank credit lines and CSC has a commercial paper issuance program, as well as a universal

shelf registration statement filed with the SEC, financing may not be available on acceptable terms or at all due to market conditions or disruptions in the credit markets. In addition, a significant downgrade in the Company's credit ratings could increase its borrowing costs and limit its access to the capital markets.

The Company may suffer significant losses from its credit exposures.

The Company's businesses are subject to the risk that a client, counterparty or issuer will fail to perform its contractual obligations, or that the value of collateral held to secure obligations will prove to be inadequate. While the Company has policies and procedures designed to manage this risk, the policies and procedures may not be fully effective. The Company's exposure mainly results from margin lending, clients' options trading, securities lending, mortgage lending, its role as a counterparty in financial contracts and investing activities, and indirectly from the investing activities of certain of the proprietary funds that the Company sponsors.

When clients purchase securities on margin or trade options or futures, the Company is subject to the risk that clients may default on their obligations when the value of the securities and cash in their accounts falls below the amount of clients' indebtedness. Abrupt changes in securities valuations and the failure of clients to meet margin calls could result in substantial losses.

The Company has exposure to credit risk associated with its securities available for sale and securities held to maturity portfolios, which include U.S. agency and non-agency mortgage-backed securities, asset-backed securities, corporate debt securities, U.S. agency notes, certificates of deposit, and commercial paper among other investments. These instruments are also subject to price fluctuations as a result of changes in the financial market's assessment of issuer credit quality, increases in the unemployment rate, delinquency and default rates, housing price declines, changes in prevailing interest rates and other economic factors. A failure to raise the U.S. debt limit and/or a downgrade of the U.S. government's credit rating could decrease the value of the Company's securities in both the available for sale and held to maturity portfolios.

Loss of value of securities available for sale and securities held to maturity can negatively affect earnings if management determines that such securities are other than temporarily impaired. The evaluation of whether other-than-temporary impairment exists is a matter of judgment, which includes the assessment of several factors. See "Item 7 – Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Estimates." If management determines that a security is other-than-temporarily impaired, the cost basis of the security may be adjusted and a corresponding loss may be recognized in current earnings. Certain securities available for sale experienced continued credit deterioration in 2014, which resulted in impairment charges. Deterioration in the performance of securities available for sale and securities held to maturity could result in the recognition of future impairment charges.

The Company's loans to banking clients primarily consist of First Mortgages and HELOCs. Increases in delinquency and default rates, housing price declines, increases in the unemployment rate, and other economic factors can result in charges for loan loss reserves and write downs on such loans.

Heightened credit exposures to specific counterparties or instruments (concentration risk) can increase the Company's risk of loss. Examples of the Company's credit concentration risk include:

- large positions in financial instruments collateralized by assets with similar economic characteristics or in securities of a single issuer or industry;
- mortgage loans and HELOCs to banking clients which are secured by properties in the same geographic region; and
- margin and securities lending activities collateralized by securities of a single issuer or industry.

The Company may also be subject to concentration risk when lending to a particular counterparty, borrower or issuer.

The Company sponsors a number of proprietary money market mutual funds and other proprietary funds. Although the Company has no obligation to do so, the Company may decide for competitive or other reasons to provide credit, liquidity or other support to its funds in the event of significant declines in valuation of fund holdings or significant redemption activity that exceeds available liquidity. Such support could cause the Company to take significant charges, could reduce the Company's liquidity and, in certain situations, could, with respect to proprietary funds other than money market mutual funds, result in the Company having to consolidate a supported fund in its financial statements. If the Company chose not to

provide credit, liquidity or other support in such a situation, the Company could suffer reputational damage and its business could be adversely affected.

Significant interest rate changes could affect the Company's profitability and financial condition.

The Company is exposed to interest rate risk primarily from changes in the interest rates on its interest-earning assets (such as cash equivalents, short- and long-term investments, and mortgage and margin loans) relative to changes in the costs of its funding sources (including deposits in banking and uninvested cash in brokerage accounts, short-term borrowings, and long-term debt). Changes in interest rates generally affect the interest earned on interest-earning assets differently than the interest the Company pays on its interest-bearing liabilities. In addition, certain funding sources do not bear interest and their cost therefore does not vary. Overall, the Company is positioned to benefit from a rising interest rate environment; the Company could be adversely affected by a decline in interest rates if the rates that the Company earns on interest-earning assets decline more than the rates that the Company pays on its funding sources, or if prepayment rates increase on the mortgages and mortgage-backed securities that the Company holds. The Company may also be limited in the amount it can reduce interest rates on funding sources, such as deposit accounts, and still offer a competitive return.

As a result of the low interest rate environment, the Company has been waiving and may continue to waive a portion of its management fees for certain Schwab-sponsored money market mutual funds. To the extent the overall yield on certain Schwab-sponsored money market mutual funds falls to a level at or below the management fees on those funds, the Company may waive a portion of its fee in order to continue providing some return to clients. Such fee waivers negatively impact the Company's asset management and administration fees.

The Company is subject to litigation and regulatory investigations and proceedings and may not be successful in defending itself against claims or proceedings.

The financial services industry faces substantial litigation and regulatory risks. The Company is subject to claims and lawsuits in the ordinary course of business, including arbitrations, class actions and other litigation, some of which include claims for substantial or unspecified damages. The Company is also the subject of inquiries, investigations, and proceedings by regulatory and other governmental agencies.

Litigation and arbitration claims include those brought by the Company's clients and the clients of third party advisors whose assets are custodied at the Company. Claims from clients of third party advisors may allege losses due to investment decisions made by the third party advisors or the advisors' misconduct. Litigation claims also include claims from third parties alleging infringement of their intellectual property rights (e.g., patents). Such litigation can require the expenditure of significant Company resources. If the Company were found to have infringed a third-party patent, or other intellectual property rights, it could incur substantial damages, and in some circumstances could be enjoined from using certain technology, or providing certain products or services.

Actions brought against the Company may result in settlements, awards, injunctions, fines, penalties or other results adverse to the Company including reputational harm. Even if the Company is successful in defending against these actions, the defense of such matters may result in the Company incurring significant expenses. Predicting the outcome of matters is inherently difficult, particularly where claims are brought on behalf of various classes of claimants, claimants seek substantial or unspecified damages, or when investigations or legal proceedings are at an early stage. A substantial judgment, settlement, fine, or penalty could be material to the Company's operating results or cash flows for a particular future period, depending on the Company's results for that period. In market downturns, the volume of legal claims and amount of damages sought in litigation and regulatory proceedings against financial services companies have historically increased. See "Item 8 – Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – 14. Commitments and Contingencies."

Security breaches of the Company's systems, or those of its clients or third parties, may subject the Company to significant liability and damage the Company's reputation.

The Company's business involves the secure processing, storage and transmission of confidential information about the Company and its clients. Information security risks for financial institutions are increasing, in part because of the use of the internet and mobile technologies to conduct financial transactions, and the increased sophistication and activities of organized

crime, activists, hackers and other external parties. The Company's systems and those of other financial institutions have been and are likely to continue to be the target of cyber attacks, malicious code, computer viruses and denial of service attacks that could result in unauthorized access, misuse, loss or destruction of data (including confidential customer information), account takeovers, unavailability of service or other events. Despite the Company's efforts to ensure the integrity of its systems, the Company may not be able to anticipate or to implement effective preventive measures against all security breaches of these types, especially because the techniques used change frequently or are not recognized until launched, and because security attacks can originate from a wide variety of sources. Data security breaches may also result from non-technical means, for example, actions by a suborned employee.

Security breaches, including breaches of the Company's security measures or those of the Company's third-party service providers or clients, could result in a violation of applicable privacy and other laws and could subject the Company to significant liability or loss that may not be covered by insurance, actions by the Company's regulators, damage to the Company's reputation, or a loss of confidence in the Company's security measures which could harm the Company's business. The Company may be required to expend significant additional resources to modify its protective measures or to investigate and remediate vulnerabilities or other exposures.

The Company also faces risk related to external fraud involving the compromise of clients' personal electronic devices that can facilitate the unauthorized access to login and password information for their various online financial accounts, including those at the Company. Such risk has grown in recent years due to the increased sophistication and activities of organized crime and other external parties, including foreign state-sponsored parties. For example, these parties send fraudulent "phishing" emails to the Company's clients in order to misappropriate user names, passwords or other personal information. Losses reimbursed to clients under the Company's guarantee against unauthorized account activity could have a negative impact on the Company's business, financial condition and results of operations.

The Company relies on outsourced service providers to perform key functions.

The Company relies on external service providers to perform certain key technology, processing, servicing, and support functions. These service providers face technology, operating, business, and economic risks, and any significant failures by them, including the improper use or disclosure of the Company's confidential client, employee, or company information, could cause the Company to incur losses and could harm the Company's reputation. An interruption in or the cessation of service by any external service provider as a result of systems failures, capacity constraints, financial difficulties or for any other reason, and the Company's inability to make alternative arrangements in a timely manner could disrupt the Company's operations, impact the Company's ability to offer certain products and services, and result in financial losses to the Company. Switching to an alternative service provider may require a transition period and result in less efficient operations.

Potential strategic transactions could have a negative impact on the Company's financial position.

The Company evaluates potential strategic transactions, including business combinations, acquisitions, and dispositions. Any such transaction could have a material impact on the Company's financial position, results of operations, or cash flows. The process of evaluating, negotiating, and effecting any such strategic transaction may divert management's attention from other business concerns, and might cause the loss of key clients, employees, and business partners. Moreover, integrating businesses and systems may result in unforeseen expenditures as well as numerous risks and uncertainties, including the need to integrate operational, financial, and management information systems and management controls, integrate relationships with clients and business partners, and manage facilities and employees in different geographic areas. In addition, an acquisition may cause the Company to assume liabilities or become subject to litigation or regulatory proceedings. Further, the Company may not realize the anticipated benefits from an acquisition, and any future acquisition could be dilutive to the Company's current stockholders' percentage ownership or to earnings per common share.

The Company's acquisitions and dispositions are typically subject to closing conditions, including regulatory approvals and the absence of material adverse changes in the business, operations or financial condition of the entity being acquired or sold. To the extent the Company enters into an agreement to buy or sell an entity, there can be no guarantee that the transaction will close when expected, or at all. If a material transaction does not close, the Company's stock price could decline.

The Company's industry is characterized by aggressive price competition.

The Company continually monitors its pricing in relation to competitors and periodically adjusts trade commission rates, interest rates on deposits and loans, fees for advisory services, and other fee structures to enhance its competitive position. Increased price competition from other financial services firms, such as reduced commissions to attract trading volume or higher deposit rates to attract client cash balances, could impact the Company's results of operations and financial condition. To the extent that any of our competitors acquires or is acquired by another institution, that firm may be able to offer products and services at lower prices and/or promote those products and services more aggressively.

The Company faces competition in hiring and retaining qualified employees, especially for employees who are key to the Company's ability to build and enhance client relationships.

The market for quality professionals and other personnel in the Company's business is highly competitive. Competition is particularly strong for financial consultants who build and sustain the Company's client relationships. The Company's ability to continue to compete effectively will depend upon its ability to attract new employees and retain existing employees while managing compensation costs.

The Company's stock price has fluctuated historically, and may continue to fluctuate.

The Company's stock price can be volatile. Among the factors that may affect the volatility of the Company's stock price are the following:

- speculation in the investment community or the press about, or actual changes in, the Company's competitive position, organizational structure, executive team, operations, financial condition, financial reporting and results, expense discipline, or strategic transactions;
- the announcement of new products, services, acquisitions, or dispositions by the Company or its competitors;
- increases or decreases in revenue or earnings, changes in earnings estimates by the investment community, and variations between estimated financial results and actual financial results.

Changes in the stock market generally or as it concerns the Company's industry, as well as geopolitical, economic, and business factors unrelated to the Company, may also affect the Company's stock price.

Future sales of CSC's equity securities may adversely affect the market price of CSC's common stock and result in dilution.

CSC's certificate of incorporation authorizes CSC's Board of Directors to, among other things, issue additional shares of common or preferred stock or securities convertible or exchangeable into equity securities, without stockholder approval. CSC may issue additional equity or convertible securities to raise additional capital or for other purposes. The issuance of any additional equity or convertible securities could be substantially dilutive to holders of CSC's common stock and may adversely affect the market price of CSC's common stock.

Item 1B. Unresolved Securities and Exchange Commission Staff Comments

None.

Item 2. Properties

A summary of the Company's significant locations at December 31, 2014, is presented in the following table. Locations are leased or owned as noted below. The square footage amounts are presented net of space that has been subleased to third parties.

	Square Footage	
(amounts in thousands)	Leased	Owned
Location		
Corporate office space:		
San Francisco, CA [1]	772	-
Service and other office space:		
Denver, CO [2]	247	527
Phoenix, AZ [2]	37	669
Indianapolis, IN	-	274
Austin, TX	258	-
Orlando, FL	148	-
Richfield, OH	-	117
El Paso, TX	-	105

(1) Includes the Company's headquarters.
(2) Includes two data centers.

Substantially all of the Company's branch offices are located in leased premises. The corporate headquarters, data centers, offices, and service centers support both of the Company's segments.

Item 3. Legal Proceedings

For a discussion of legal proceedings, see "Item 8 – Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – 14. Commitments and Contingencies."

Item 4. Mine Safety Disclosures

Not applicable.

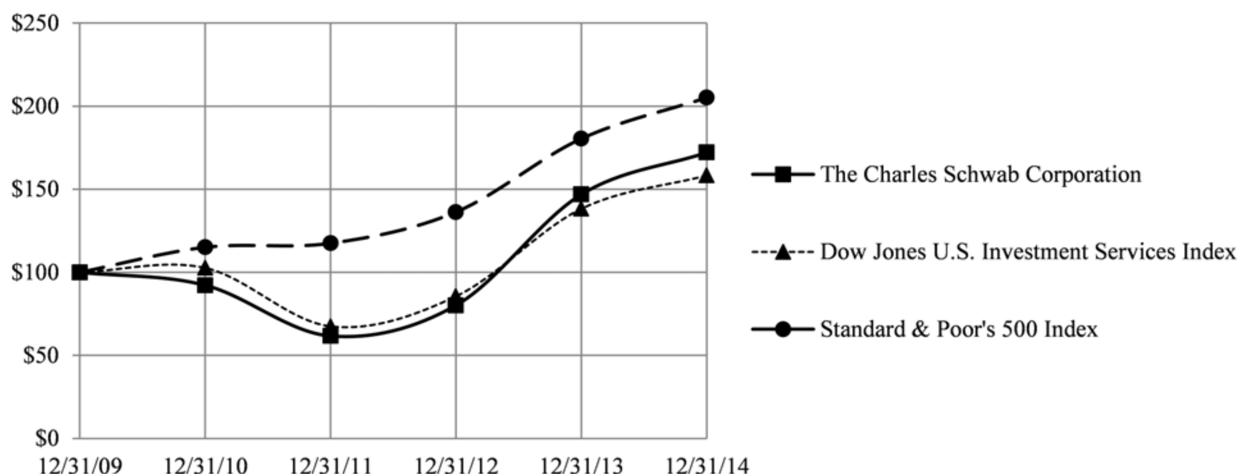
PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

CSC's common stock is listed on The New York Stock Exchange under the ticker symbol SCHW. The number of common stockholders of record as of January 30, 2015, was 6,869. The closing market price per share on that date was $25.98.

The quarterly high and low sales prices for CSC's common stock and the other information required to be furnished pursuant to this item are included in "Item 8 – Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – 27. Quarterly Financial Information (Unaudited) and 19. Employee Incentive, Retirement, and Deferred Compensation Plans."

The following graph shows a five-year comparison of cumulative total returns for CSC's common stock, the Dow Jones U.S. Investment Services Index, and the Standard & Poor's 500 Index, each of which assumes an initial investment of $100 and reinvestment of dividends.



December 31,	2009	2010	2011	2012	2013	2014
The Charles Schwab Corporation	$ 100	$ 92	$ 62	$ 80	$ 147	$ 172
Dow Jones U.S. Investment Services Index	$ 100	$ 103	$ 67	$ 86	$ 138	$ 158
Standard & Poor's 500 Index	$ 100	$ 115	$ 117	$ 136	$ 180	$ 205

Issuer Purchases of Equity Securities

The following table summarizes purchases made by or on behalf of CSC of its common stock for each calendar month in the fourth quarter of 2014:

Month	Total Number of Shares Purchased (in thousands)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program [1] (in thousands)	Approximate Dollar Value of Shares that May Yet be Purchased under the Program (in millions)
October:				
Share Repurchase Program [1]	-	$ -	-	$ 596
Employee transactions [2]	21	$ 29.21	N/A	N/A
November:				
Share Repurchase Program [1]	-	$ -	-	$ 596
Employee transactions [2]	1,132	$ 28.59	N/A	N/A
December:				
Share Repurchase Program [1]	-	$ -	-	$ 596
Employee transactions [2]	5	$ 28.00	N/A	N/A
Total:				
Share Repurchase Program [1]	-	$ -	-	$ 596
Employee transactions [2]	1,158	$ 28.60	N/A	N/A

N/A Not applicable.

(1) There were no share repurchases under the Share Repurchase Program during the fourth quarter. There were two authorizations under this program by CSC's Board of Directors, each covering up to $500 million of common stock that were publicly announced by the Company on April 25, 2007, and March 13, 2008. The remaining authorizations do not have an expiration date.

(2) Includes restricted shares withheld (under the terms of grants under employee stock incentive plans) to offset tax withholding obligations that occur upon vesting and release of restricted shares. The Company may receive shares delivered or attested to pay the exercise price and/or to satisfy tax withholding obligations by employees who exercise stock options (granted under employee stock incentive plans), which are commonly referred to as stock swap exercises.

Item 6. Selected Financial Data

Selected Financial and Operating Data

(In Millions, Except Per Share Amounts, Ratios, or as Noted)

	Growth Rates Compounded 4-Year [1] 2010-2014	Growth Rates Annual 1-Year 2013-2014	2014	2013	2012	2011	2010
Results of Operations							
Net revenues	**9 %**	**11 %**	**$ 6,058**	$ 5,435	$ 4,883	$ 4,691	$ 4,248
Expenses excluding interest	**3 %**	**6 %**	**$ 3,943**	$ 3,730	$ 3,433	$ 3,299	$ 3,469
Net income	**31 %**	**23 %**	**$ 1,321**	$ 1,071	$ 928	$ 864	$ 454
Net income available to common stockholders	**29 %**	**25 %**	**$ 1,261**	$ 1,010	$ 883	$ 864	$ 454
Basic earnings per common share	**26 %**	**23 %**	**$ .96**	$ .78	$ .69	$ .70	$ .38
Diluted earnings per common share	**26 %**	**22 %**	**$ .95**	$ .78	$ .69	$ .70	$ .38
Dividends declared per common share	**-**	**-**	**$ .24**	$ .24	$ .24	$ .24	$ .24
Weighted-average common shares outstanding — diluted	**2 %**	**2 %**	**1,315**	1,293	1,275	1,229	1,194
Asset management and administration fees as a percentage of net revenues			**42 %**	43 %	42 %	41 %	43 %
Net interest revenue as a percentage of net revenues			**38 %**	36 %	36 %	37 %	36 %
Trading revenue as a percentage of net revenues [2]			**15 %**	17 %	18 %	20 %	20 %
Effective income tax rate			**37.5 %**	37.2 %	36.0 %	37.9 %	41.7 %
Capital expenditures — purchases of equipment, office facilities, and property, net	**34 %**	**50 %**	**$ 404**	$ 269	$ 138	$ 190	$ 127
Capital expenditures, net of disposals, as a percentage of net revenues			**7 %**	5 %	3 %	4 %	3 %
Performance Measures							
Net revenue growth			**11 %**	11 %	4 %	10 %	1 %
Pre-tax profit margin			**34.9 %**	31.4 %	29.7 %	29.7 %	18.3 %
Return on average common stockholders' equity [3]			**12 %**	11 %	11 %	12 %	8 %
Financial Condition (at year end)							
Total assets	**14 %**	**8 %**	**$ 154,642**	$ 143,642	$ 133,617	$ 108,553	$ 92,568
Long-term debt	**(1)%**	**-**	**$ 1,899**	$ 1,903	$ 1,632	$ 2,001	$ 2,006
Stockholders' equity [4]	**17 %**	**14 %**	**$ 11,803**	$ 10,381	$ 9,589	$ 7,714	$ 6,226
Assets to stockholders' equity ratio			**13**	14	14	14	15
Long-term debt to total financial capital (long-term debt plus stockholders' equity)			**14 %**	15 %	15 %	21 %	24 %
Employee Information							
Full-time equivalent employees (in thousands, at year end)	**3 %**	**6 %**	**14.6**	13.8	13.8	14.1	12.8

(1) The compounded 4-year growth rate is computed using the following formula: Compound annual growth rate = (Ending Value / Beginning Value) $^{.25}$ - 1.
(2) Trading revenue includes commission and principal transaction revenues.
(3) Return on average common stockholders' equity is calculated using net income available to common stockholders divided by average common stockholders' equity.
(4) In 2012, the Company issued non-cumulative perpetual preferred stock, Series B, for a total liquidation preference of $485 million and non-cumulative perpetual preferred stock, Series A, with a total liquidation preference of $400 million.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

FORWARD-LOOKING STATEMENTS

In addition to historical information, this Annual Report on Form 10-K contains "forward-looking statements" within the meaning of Section 27A of the Securities Act, and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are identified by words such as "believe," "anticipate," "expect," "intend," "plan," "will," "may," "estimate," "appear," "aim," "target," "could," and other similar expressions. In addition, any statements that refer to expectations, projections, or other characterizations of future events or circumstances are forward-looking statements.

These forward-looking statements, which reflect management's beliefs, objectives, and expectations as of the date hereof, are necessarily estimates based on the best judgment of the Company's senior management. These statements relate to, among other things:

- the Company's ability to pursue its business strategy and maintain its market leadership position (see "Part I – Item 1. – Business – Business Strategy and Competitive Environment");
- the expected impact of the new regulatory capital and LCR rules (see "Part I – Item 1A. – Risk Factors" and "Current Market and Regulatory Environment and Other Developments");
- the impact of legal proceedings and regulatory matters (see "Part I – Item 3. – Legal Proceedings" and "Item 8 – Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements –14. Commitments and Contingencies – Legal contingencies");
- the impact of current market conditions on the Company's results of operations (see "Current Market and Regulatory Environment and Other Developments," "Results of Operations – Net Interest Revenue," and "Item 8 – Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – 5. Securities Available for Sale and Securities Held to Maturity");
- sources of liquidity, capital, and level of dividends (see "Part I – Item 1. – Business – Regulation," "Liquidity and Capital Resources," "Contractual Obligations," and "Item 8 – Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – 22. Regulatory Requirements");
- target capital and debt ratios (see "Liquidity and Capital Resources" and "Item 8 – Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – 22. Regulatory Requirements");
- capital expenditures (see "Liquidity and Capital Resources – Capital Resources – Capital Expenditures");
- the impact of the revised underwriting criteria on the credit quality of the Company's mortgage portfolio (see "Risk Management – Credit Risk");
- the impact of changes in management's estimates on the Company's results of operations (see "Critical Accounting Estimates");
- the impact of changes in the likelihood of indemnification and guarantee payment obligations on the Company's results of operations (see "Item 8 – Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – 14. Commitments and Contingencies"); and
- the impact on the Company's results of operations of recording stock option expense (see "Item 8 – Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – 19. Employee Incentive, Retirement, and Deferred Compensation Plans").

Achievement of the expressed beliefs, objectives and expectations described in these statements is subject to certain risks and uncertainties that could cause actual results to differ materially from the expressed beliefs, objectives, and expectations. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this Annual Report on Form 10-K or, in the case of documents incorporated by reference, as of the date of those documents.

Important factors that may cause actual results to differ include, but are not limited to:

- changes in general economic and financial market conditions;
- changes in revenues and profit margin due to changes in interest rates;
- adverse developments in litigation or regulatory matters;
- the extent of any charges associated with litigation and regulatory matters;

- amounts recovered on insurance policies;
- the Company's ability to attract and retain clients and grow client assets and relationships;
- the Company's ability to develop and launch new products, services and capabilities in a timely and successful manner, including Schwab Intelligent Portfolios™;
- fluctuations in client asset values due to changes in equity valuations;
- the Company's ability to monetize client assets;
- the performance or valuation of securities available for sale and securities held to maturity;
- trading activity;
- the level of interest rates, including yields available on money market mutual fund eligible instruments;
- the adverse impact of financial reform legislation and related regulations;
- investment, structural and capital adjustments made by the Company in connection with the new LCR rule;
- the amount of loans to the Company's brokerage and banking clients;
- the extent to which past performance of the Company's mortgage portfolio is indicative of future performance;
- the level of the Company's stock repurchase activity;
- the level of brokerage client cash balances and deposits from banking clients;
- the availability and terms of external financing;
- capital needs and management;
- timing and amount of severance and other costs related to reducing the Company's San Francisco footprint;
- the Company's ability to manage expenses;
- regulatory guidance;
- the level of client assets, including cash balances;
- competitive pressures on rates and fees;
- acquisition integration costs;
- the timing and impact of changes in the Company's level of investments in buildings, land, and leasehold improvements;
- potential breaches of contractual terms for which the Company has indemnification and guarantee obligations; and
- client use of the Company's investment advisory services and other products and services.

Certain of these factors, as well as general risk factors affecting the Company, are discussed in greater detail in this Annual Report on Form 10-K, including "Item 1A – Risk Factors."

OVERVIEW

Management of the Company focuses on several key client activity and financial metrics in evaluating the Company's financial position and operating performance. Management believes that net revenue growth, pre-tax profit margin, earnings per common share, and return on common stockholders' equity provide broad indicators of the Company's overall financial health, operating efficiency, and ability to generate acceptable returns within the context of a given operating environment. Expenses excluding interest as a percentage of average client assets is considered by management to be a measure of operating efficiency. Results for the years ended December 31, 2014, 2013, and 2012 are:

Year Ended December 31,	Growth Rate 1-Year 2013-2014	2014	2013	2012
Client Metrics:				
Net new client assets [1] (in billions)	N/M	$ 124.8	$ 41.6	$ 139.7
Client assets [2] (in billions, at year end)	10 %	$ 2,463.6	$ 2,249.4	$ 1,951.6
New brokerage accounts [3] (in thousands)	1 %	972	960	900
Active brokerage accounts [4] (in thousands, at year end)	3 %	9,386	9,093	8,787
Assets receiving ongoing advisory services [5] (in billions, at year end)	12 %	$ 1,228.1	$ 1,101.4	$ 915.2
Client cash as a percentage of client assets [6] (at year end)		12.3 %	13.1 %	14.7 %
Company Financial Metrics:				
Net revenues	11 %	$ 6,058	$ 5,435	$ 4,883
Expenses excluding interest	6 %	3,943	3,730	3,433
Income before taxes on income	24 %	2,115	1,705	1,450
Taxes on income	25 %	794	634	522
Net income	23 %	$ 1,321	$ 1,071	$ 928
Preferred stock dividends	(2)%	60	61	45
Net income available to common stockholders	25 %	$ 1,261	$ 1,010	$ 883
Earnings per common share – diluted	22 %	$ .95	$ .78	$ .69
Net revenue growth from prior year		11 %	11 %	4 %
Pre-tax profit margin		34.9 %	31.4 %	29.7 %
Return on average common stockholders' equity [7]		12 %	11 %	11 %
Expenses excluding interest as a percentage of average client assets		0.17 %	0.18 %	0.19 %

(1) Net new client assets is defined as the total inflows of client cash and securities to the firm less client outflows. Management believes that this metric, along with core net new assets, depicts how well the Company's products and services appeal to new and existing clients. Core net new assets totaled $124.8 billion, $140.8 billion, and $112.4 billion in 2014, 2013, and 2012, respectively. See below for items excluded from core net new assets.

(2) Client assets represent the market value of all client assets custodied at the Company. Management considers client assets to be indicative of the Company's appeal in the marketplace. Additionally, fluctuations in certain components of client assets (e.g., Mutual Fund OneSource® funds) directly impact asset management and administration fees.

(3) New brokerage accounts include all brokerage accounts opened during the period, as well as any accounts added via acquisition. This metric measures the Company's effectiveness in attracting new clients and building stronger relationships with existing clients.

(4) Active brokerage accounts include accounts with balances or activity within the preceding eight months. This metric is an indicator of the Company's success in both attracting and retaining clients.

(5) Assets receiving ongoing advisory services include relationships under the guidance of independent advisors and assets enrolled in one of the Company's retail or other advisory solutions. This metric depicts how well the Company's advisory products and services appeal to new and existing clients.

(6) Client cash as a percentage of client assets includes Schwab One®, certain cash equivalents, deposits from banking clients and money market fund balances, as a percentage of client assets. This measure is an indicator of clients' engagement in the fixed income and equity markets.

(7) Calculated as net income available to common stockholders divided by average common stockholders' equity.

N/M Not meaningful.

Core net new client assets is defined as net new client assets before significant one-time flows. Management considers this to be a useful metric when comparing period-to-period client asset flows. The following one-time flows were excluded from core net new assets.

- 2013 excludes outflows of $74.5 billion relating to the planned transfer of a mutual fund clearing services client. The Company also reduced its reported total for overall client assets by $24.7 billion in 2013 to reflect the estimated impact of the consolidation of its retirement plan recordkeeping technology platforms and subsequent resignation from certain retirement plan clients.
- 2012 excludes inflows of $27.7 billion from mutual fund clearing services clients and $900 million from the acquisition of ThomasPartners, Inc., and outflows of $1.3 billion from the closure and/or sale of certain subsidiaries of optionsXpress.

The Company's major sources of net revenues are asset management and administration fees, net interest revenue, and trading revenue. The Company generates asset management and administration fees through its proprietary and third-party mutual fund offerings, as well as fee-based advisory solutions. Net interest revenue is the difference between interest earned on interest-earning assets and interest paid on funding sources, the majority of which is derived from client cash balances. Asset management and administration fees and net interest revenue are impacted by securities valuations, interest rates, the amount and mix of interest-earning assets and interest-bearing funding sources, the Company's ability to attract new clients, and client activity levels. The Company generates trading revenue through commissions earned for executing trades for clients and principal transaction revenue primarily from trading activity in client fixed income securities. Trading revenue is impacted by trading volumes, the volatility of prices in the equity and fixed income markets, and commission rates.

2014 Compared to 2013

The Company operated in an environment of mixed market conditions during 2014 compared to 2013, as the Nasdaq Composite Index, Standard & Poor's 500 Index, and Dow Jones Industrial Average showed periods of volatility before ending the year up 13%, 11%, and 8%, respectively. The federal funds target rate remained unchanged at a range of zero to 0.25% during 2014. The average 10-year Treasury yield increased by 20 basis points to 2.53% during 2014 compared to 2013, while the yield ended the year down 86 basis points to 2.17%. In the same period, the average three-month Treasury Bill yield decreased by 3 basis points to 0.02%.

The Company's steady focus on serving investor needs through its full-service investing model continued to drive growth during 2014. Total client assets ended the year at $2.46 trillion, up 10% from 2013, reflecting net new client assets of $124.8 billion and a rising equity market environment. In addition, the Company added almost 1 million new brokerage accounts to its client base during 2014. Active brokerage accounts reached 9.4 million in 2014, up 3% from 2013.

As a result of the Company's strong key client activity metrics, the Company achieved a pre-tax profit margin of 34.9% in 2014. Overall, net income increased by 23% in 2014 from 2013 and the return on average common stockholders' equity was 12% in 2014.

Overall, net revenues increased by 11% in 2014 from 2013, primarily due to increases in net interest revenue, asset management and administration fees, and other revenue – net. Net interest revenue increased primarily due to higher balances of interest-earning assets, including margin loans and the Company's investment portfolio (securities available for sale and securities held to maturity), and the effect higher average interest rates on securities held to maturity had on the Company's average net interest margin. Asset management and administration fees increased due to fees from mutual fund services, advice solutions, and other asset management and administration services. Other revenue – net increased primarily due to a net insurance settlement of $45 million, net litigation proceeds of $28 million related to the Company's non-agency residential mortgage-backed securities portfolio, and increases in order flow revenue.

Expenses excluding interest increased by 6% in 2014 from 2013 primarily due to an increase in compensation and benefits expense as a result of a charge of $68 million for estimated future severance benefits resulting from changes in the Company's geographic footprint and an increase in professional services expense.

2013 Compared to 2012

Valuations in the broad equity markets improved during 2013 compared to 2012, as the Nasdaq Composite Index, Standard & Poor's 500 Index, and Dow Jones Industrial Average increased 38%, 30%, and 26%, respectively. While the federal funds target rate remained unchanged at a range of zero to 0.25%, the average 10-year Treasury yield increased by 55 basis points to 2.33% during 2013 compared to 2012. In the same period however, the average three-month Treasury Bill yield decreased by 3 basis points to 0.05%.

The Company continued to experience growth in its client base during 2013 – core net new client assets totaled $140.8 billion, up 25% from $112.4 billion in 2012. Total client assets ended the year at a record $2.25 trillion, up 15% from 2012. In addition, the Company added almost 1 million new brokerage accounts during 2013, and active brokerage accounts reached 9.1 million, up 3% from 2012.

As a result of the Company's strong key client activity metrics, the Company achieved a pre-tax profit margin of 31.4% in 2013. Overall, net income increased by 15% in 2013 from 2012 and the return on average common stockholders' equity was 11% in 2013.

Along with the growth in its client base, enrollments in client advisory solutions and stability in the economic environment helped the Company achieve increases in all three major revenue lines in 2013 compared to 2012. Overall, net revenues increased by 11% in 2013 from 2012, primarily due to increases in asset management and administration fees, net interest revenue, and trading revenue, partially offset by a decrease in other revenue – net. Asset management and administration fees increased primarily due to increases in mutual fund service fees and advice solutions fees. Net interest revenue increased primarily due to higher balances of interest-earning assets and higher interest rates on new fixed-rate investments. This increase was partially offset by the effect lower average short-term interest rates and the maturity of short-term interest-earning assets had on the Company's average net interest margin. Trading revenue increased primarily due to higher daily average revenue trades and two additional trading days during the year. Other revenue – net decreased primarily due to a non-recurring gain of $70 million relating to a confidential resolution of a vendor dispute in 2012.

Expenses excluding interest increased by 9% in 2013 from 2012 primarily due to increases in compensation and benefits, professional services, advertising and market development, and other expense. Compensation and benefits expense increased in 2013 from 2012 primarily due to higher incentive compensation relating to the transition to a new payout schedule for field incentive plans, increased individual sales performance compensation as a result of field sales volume, increased and accelerated health savings account (HSA) contributions, equity incentive plan changes to vesting for retirement-eligible employees, and increased funding for the corporate bonus plan commensurate with achieving higher earnings per common share. Advertising and market development expense increased primarily due to investment in the Company's new advertising and branding initiative, Own your tomorrow™.

CURRENT MARKET AND REGULATORY ENVIRONMENT AND OTHER DEVELOPMENTS

To the extent short-term interest rates remain at current low levels, the Company's net interest revenue will continue to be constrained, even as growth in average balances helps to increase such revenue. The low short-term interest rate environment also affects asset management and administration fees. The Company continues to waive a portion of its management fees, as the overall yields on certain Schwab-sponsored money market mutual funds have remained at levels at or below the management fees on those funds. These and certain other Schwab-sponsored money market mutual funds may not be able to replace maturing securities with securities of equal or higher yields. As a result, the yields on such funds may remain around or decline from their current levels, and therefore below the stated management fees on those funds. To the extent this occurs, asset management and administration fees may continue to be negatively affected.

In July 2013, the U.S. banking agencies issued regulatory capital rules that implemented BASEL III and relevant provisions of the Dodd-Frank Act (Final Regulatory Capital Rules), which are applicable to savings and loan holding companies, such as CSC, and federal savings banks, such as Schwab Bank. The implementation of the rules began on January 1, 2015. The

Company does not expect the Final Regulatory Capital Rules to have a material impact on the Company's business, financial condition, and results of operations.

The Final Regulatory Capital Rules, among other things:

- subject savings and loan holding companies to consolidated capital requirements;
- revise the required minimum risk-based and leverage capital requirements by (1) establishing a new minimum Common Equity Tier 1 Risk-Based Capital Ratio (common equity Tier 1 capital to total risk-weighted assets) of 4.5%; (2) raising the minimum Tier 1 Risk-Based Capital Ratio from 4.0% to 6.0%; (3) maintaining the minimum Total Risk-Based Capital Ratio of 8.0%; and (4) maintaining a minimum Tier 1 Leverage Ratio (Tier 1 capital to adjusted average consolidated assets) of 4.0%;
- add a requirement to maintain a minimum capital conservation buffer, composed of common equity Tier 1 capital, of 2.5% of risk-weighted assets, which means that banking organizations, on a fully phased-in basis no later than January 1, 2019, must maintain a Common Equity Tier 1 Risk-Based Capital Ratio greater than 7.0%; a Tier 1 Risk-Based Capital Ratio greater than 8.5% and a Total Risk-Based Capital Ratio greater than 10.5%; and
- change the definition of capital categories for insured depository: to be considered "well-capitalized", Schwab Bank must have a Common Equity Tier 1 Risk-Based Capital Ratio of at least 6.5%, a Tier 1 Risk-Based Capital Ratio of at least 8%, a Total Risk-Based Capital Ratio of at least 10% and a Tier 1 Leverage Ratio of at least 5%.

The new minimum regulatory capital ratios and changes to the calculation of risk-weighted assets were effective beginning January 1, 2015. The required minimum capital conservation buffer will be phased in incrementally, starting at 0.625% on January 1, 2016 and increasing to 1.25% on January 1, 2017, 1.875% on January 1, 2018 and 2.5% on January 1, 2019.

The Final Regulatory Capital Rules provide that the failure to maintain the minimum capital conservation buffer will result in restrictions on capital distributions and discretionary cash bonus payments to executive officers.

In September 2014, the Federal Reserve, in collaboration with the OCC and the FDIC, issued a rule implementing a quantitative liquidity requirement generally consistent with the LCR standard established by Basel III. The LCR applies to all internationally active banking organizations. The Federal Reserve also issued a modified LCR that applies to the Company. Under the modified LCR, a depository institution holding company is required to maintain high-quality liquid assets in an amount related to its total estimated net cash outflows over a prospective period. The modified LCR will be phased in beginning on January 1, 2016, with a minimum requirement of 90%, increasing to 100% at January 1, 2017. The Company is currently evaluating the impact of the final rule but does not expect a material impact to the Company's business, financial condition, and results of operations.

The Company is pursuing lawsuits in state court in San Francisco for rescission and damages against issuers, underwriters, and dealers of individual non-agency residential mortgage-backed securities on which the Company has experienced realized and unrealized losses. The lawsuits allege that offering documents for the securities contained material untrue and misleading statements about the securities and the underwriting standards and credit quality of the underlying loans. On January 27, 2012, and July 24, 2012, the court denied defendants' motions to dismiss the claims and discovery is proceeding. To date, the Company has realized $28 million in net settlement proceeds on such claims, and an initial trial date relating to certain of the defendants who remain in the case is set for August 2015.

RESULTS OF OPERATIONS

The following discussion is an analysis of the Company's results of operations for the years ended December 31, 2014, 2013, and 2012.

Net Revenues

The Company's major sources of net revenues are asset management and administration fees, net interest revenue, and trading revenue. Asset management and administration fees and net interest revenue increased, while trading revenue remained relatively flat in 2014 as compared to 2013. Asset management and administration fees, net interest revenue, and trading revenue all increased in 2013 as compared to 2012.

Year Ended December 31,		2014		2013		2012	
	Growth Rate 2013-2014	Amount	% of Total Net Revenues	Amount	% of Total Net Revenues	Amount	% of Total Net Revenues
Asset management and administration fees							
Schwab money market funds before fee waivers	2 %	$ 957		$ 936		$ 891	
Fee waivers	11 %	(751)		(674)		(587)	
Schwab money market funds after fee waivers	(21)%	206	3 %	262	5 %	304	6 %
Equity and bond funds	22 %	192	3 %	157	3 %	125	3 %
Mutual Fund OneSource®	8 %	839	14 %	774	14 %	680	14 %
Total mutual fund service fees	4 %	1,237	20 %	1,193	22 %	1,109	23 %
Advice solutions	17 %	840	14 %	718	13 %	580	12 %
Other	13 %	456	8 %	404	8 %	354	7 %
Asset management and administration fees	9 %	2,533	42 %	2,315	43 %	2,043	42 %
Net interest revenue							
Interest revenue	14 %	2,374	39 %	2,085	38 %	1,914	39 %
Interest expense	(3)%	(102)	(1)%	(105)	(2)%	(150)	(3)%
Net interest revenue	15 %	2,272	38 %	1,980	36 %	1,764	36 %
Trading revenue							
Commissions	(1)%	857	14 %	864	16 %	816	17 %
Principal transactions	2 %	50	1 %	49	1 %	52	1 %
Trading revenue	(1)%	907	15 %	913	17 %	868	18 %
Other – net	45 %	343	5 %	236	4 %	256	5 %
Provision for loan losses	N/M	4	-	1	-	(16)	-
Net impairment losses on securities	(90)%	(1)	-	(10)	-	(32)	(1)%
Total net revenues	11 %	$ 6,058	100 %	$ 5,435	100 %	$ 4,883	100 %

Asset Management and Administration Fees

Asset management and administration fees include mutual fund service fees and fees for other asset-based financial services provided to individual and institutional clients. The Company earns mutual fund service fees for shareholder services, administration, and investment management provided to its proprietary funds, and recordkeeping and shareholder services provided to third-party funds. These fees are based upon the daily balances of client assets invested in these funds. The Company also earns asset management fees for advice solutions, which include advisory and managed account services that are based on the daily balances of client assets subject to the specific fee for service. The fair values of client assets included in proprietary and third-party mutual funds are based on quoted market prices and other observable market data. Other asset management and administration fees include various asset based fees, such as third-party mutual fund service fees, trust fees, 401(k) record keeping fees, and mutual fund clearing and other service fees. Asset management and administration fees vary with changes in the balances of client assets due to market fluctuations and client activity. For a discussion of the impact of current market conditions on asset management and administration fees, see "Current Market and Regulatory Environment and Other Developments."

Asset management and administration fees increased by $218 million, or 9%, in 2014 from 2013 due to fees from mutual fund services, advice solutions, and other asset management and administration services. Asset management and

administration fees increased by $272 million, or 13%, in 2013 from 2012 primarily due to fees from mutual fund services and advice solutions.

Mutual fund service fees increased by $44 million, or 4%, in 2014 from 2013 and by $84 million, or 8%, in 2013 from 2012, due to growth in client assets invested in the Company's Mutual Fund OneSource funds and equity and bond funds, partially offset by a decrease in net money market mutual fund fees as a result of continued low yields on fund assets.

Advice solutions fees increased by $122 million, or 17%, in 2014 from 2013 due to growth in client assets enrolled in advisory offers, including Schwab Private Client™, ThomasPartners®, and Schwab Managed Portfolios™. Advice solutions fees increased by $138 million, or 24%, in 2013 from 2012 primarily due to growth in client assets enrolled in advisory offers, including Windhaven®, Schwab Private Client™, and ThomasPartners®.

Other asset management and administration fees increased by $52 million, or 13%, in 2014 from 2013 and $50 million, or 14%, in 2013 from 2012 primarily due to third-party mutual fund service fees on higher client asset balances invested in other third-party mutual funds.

Net Interest Revenue

Net interest revenue is the difference between interest earned on interest-earning assets and interest paid on funding sources. Net interest revenue is affected by changes in the volume and mix of these assets and liabilities, as well as by fluctuations in interest rates and portfolio management strategies. The majority of the Company's interest-earnings assets and interest-bearing liabilities are sensitive to changes in short-term interest rates. The Company's investment strategy is structured to produce an increase in net interest revenue when interest rates rise and, conversely, a decrease in net interest revenue when interest rates fall, from current levels. When interest rates fall, the Company may attempt to mitigate some of this negative impact by extending the maturities of assets in investment portfolios to lock in asset yields, and by lowering rates paid to clients on interest-bearing liabilities. Since the Company establishes the rates paid on certain brokerage client cash balances and deposits from banking clients, as well as the rates charged on receivables from brokerage clients, and also controls the composition of its investment securities, it has some ability to manage its net interest spread. However, the spread is influenced by external factors such as the interest rate environment and competition. The current low interest rate environment limits the extent to which the Company can reduce interest expense paid on funding sources. To a lesser degree, the Company is sensitive to changes in long-term interest rates through some of its investment portfolios. To mitigate the related risk, the Company may alter the types of investments purchased. For discussion of the impact of current market conditions on net interest revenue, see "Current Market and Regulatory Environment and Other Developments."

The Company's interest-earning assets are financed primarily by brokerage client cash balances and Schwab Bank deposits. Non-interest-bearing funding sources include non-interest-bearing brokerage client cash balances, stockholders' equity, and proceeds from stock-lending activities. Revenue from stock-lending activities is included in other interest revenue.

Schwab Bank maintains available for sale and held to maturity investment portfolios for liquidity as well as to earn interest by investing funds from deposits that are in excess of loans to banking clients and liquidity requirements. Schwab Bank lends funds to banking clients primarily in the form of mortgage loans, HELOCs, and personal loans secured by securities. These loans are largely funded by interest-bearing deposits from banking clients.

In clearing their clients' trades, Schwab and optionsXpress, Inc. hold cash balances payable to clients. In most cases, Schwab and optionsXpress, Inc. pay their clients interest on cash balances awaiting investment, and in turn invest these funds and earn interest revenue. Receivables from brokerage clients consist primarily of margin loans to brokerage clients. Margin loans are loans made to clients on a secured basis to purchase securities. Pursuant to applicable regulations, client cash balances that are not used for margin lending are generally segregated into investment accounts that are maintained for the exclusive benefit of clients, which are recorded in cash and investments segregated on the Company's consolidated balance sheets. When investing segregated client cash balances, Schwab and optionsXpress, Inc. must adhere to applicable regulations that restrict investments to securities guaranteed by the full faith and credit of the U.S. government, participation certificates, mortgage-backed securities guaranteed by the Government National Mortgage Association, deposits held at U.S.

banks and thrifts, and resale agreements collateralized by qualified securities. Additionally, Schwab and optionsXpress, Inc. have established policies for the minimum credit quality and maximum maturity of these investments.

The following table presents net interest revenue information corresponding to interest-earning assets and funding sources on the consolidated balance sheets:

Year Ended December 31,	2014			2013			2012		
	Average Balance	Interest Revenue/ Expense	Average Yield/ Rate	Average Balance	Interest Revenue/ Expense	Average Yield/ Rate	Average Balance	Interest Revenue/ Expense	Average Yield/ Rate
Interest-earning assets:									
Cash and cash equivalents	$ 7,179	$ 16	0.22 %	$ 6,943	$ 16	0.23 %	$ 7,130	$ 18	0.25 %
Cash and investments segregated	20,268	24	0.12 %	25,419	35	0.14 %	25,263	46	0.18 %
Broker-related receivables [1]	325	-	0.09 %	377	-	0.04 %	351	-	0.04 %
Receivables from brokerage clients	13,778	482	3.50 %	11,800	434	3.68 %	10,928	446	4.08 %
Securities available for sale [2]	52,057	546	1.05 %	49,114	557	1.13 %	39,745	583	1.47 %
Securities held to maturity	32,361	828	2.56 %	24,915	610	2.45 %	15,371	397	2.58 %
Loans to banking clients	12,906	355	2.75 %	11,758	329	2.80 %	10,053	309	3.07 %
Loans held for sale	-	-	-	-	-	-	18	1	4.12 %
Total interest-earning assets	138,874	2,251	1.62 %	130,326	1,981	1.52 %	108,859	1,800	1.65 %
Other interest revenue		123			104			114	
Total interest-earning assets	$ 138,874	$ 2,374	1.71 %	$ 130,326	$ 2,085	1.60 %	$ 108,859	$ 1,914	1.76 %
Funding sources:									
Deposits from banking clients	$ 95,842	$ 30	0.03 %	$ 85,465	$ 31	0.04 %	$ 65,546	$ 42	0.06 %
Payables to brokerage clients	26,731	2	0.01 %	30,258	3	0.01 %	29,831	3	0.01 %
Long-term debt	1,901	73	3.84 %	1,751	69	3.94 %	1,934	103	5.33 %
Total interest-bearing liabilities	124,474	105	0.08 %	117,474	103	0.09 %	97,311	148	0.15 %
Non-interest-bearing funding sources	14,400			12,852			11,548		
Other interest expense [3]		(3)			2			2	
Total funding sources	$ 138,874	$ 102	0.07 %	$ 130,326	$ 105	0.08 %	$ 108,859	$ 150	0.14 %
Net interest revenue		$ 2,272	1.64 %		$ 1,980	1.52 %		$ 1,764	1.62 %

(1) Interest revenue was less than $500,000 in the periods presented.
(2) Amounts have been calculated based on amortized cost.
(3) Includes the impact of capitalizing interest on building construction and software development.

Net interest revenue increased in 2014 from 2013 primarily due to higher balances of interest-earning assets, including margin loans and the Company's investment portfolio, and the effect higher average interest rates on securities held to maturity had on the Company's average net interest margin. The growth in the average balance of deposits from banking clients funded the increase in the balances of securities held to maturity and securities available for sale.

Net interest revenue increased in 2013 from 2012 primarily due to higher balances of interest-earning assets and higher interest rates on new fixed-rate investments, including securities available for sale and securities held to maturity, partially offset by the effect lower average short-term interest rates and the maturity of short-term interest-earning assets had on the Company's average net interest margin. The growth in the average balance of deposits from banking clients funded the increase in the balance of securities available for sale and securities held to maturity. Net interest revenue also increased due to the redemption of higher rate trust preferred securities and the exchange of higher rate Senior Notes during the third quarter of 2012.

Trading Revenue

Trading revenue includes commission and principal transaction revenues. Commission revenue is affected by the number of revenue trades executed and the average revenue earned per revenue trade. Principal transaction revenue is primarily comprised of revenue from trading activity in client fixed income securities. To accommodate clients' fixed income trading activity, the Company maintains positions in fixed income securities, including state and municipal debt obligations, U.S. Government, corporate debt, and other securities. The difference between the price at which the Company buys and sells securities to and from its clients and other broker-dealers is recognized as principal transaction revenue. Principal transaction

revenue also includes adjustments to the fair value of these securities positions. Factors that influence principal transaction revenue include the volume of client trades and market price volatility.

Trading revenue remained relatively flat in 2014 from 2013. Trading revenue increased by $45 million, or 5%, in 2013 from 2012 primarily due to higher daily average revenue trades and two additional trading days in 2013.

Daily average revenue trades were relatively flat in 2014 from 2013 primarily due to a higher volume of equity trades, offset by a lower volume of mutual fund trades. Daily average revenue trades increased by 4% in 2013 from 2012 primarily due to a higher volume of equity and mutual fund trades, partially offset by a lower volume of future and option trades. Average revenue per revenue trade remained relatively flat from 2012 to 2014.

Year Ended December 31,	Growth Rate 2013-2014	2014	2013	2012
Daily average revenue trades [1] (in thousands)	1 %	298.2	295.0	282.7
Clients' daily average trades [2] (in thousands)	5 %	516.8	490.5	440.9
Number of trading days [3]	-	250.5	250.5	248.5
Average revenue per revenue trade	(1)%	$ 12.13	$ 12.31	$ 12.35

(1) Includes all client trades that generate trading revenue (i.e., commission revenue or principal transaction revenue).
(2) Includes daily average revenue trades, trades by clients in asset-based pricing relationships, and all commission-free trades, including the Company's Mutual Fund OneSource funds and ETFs, and other proprietary products. Clients' daily average trades is an indicator of client engagement with securities markets.
(3) October 29 and 30, 2012, were not included as trading days due to weather-related market closures.

Other Revenue – Net

Other revenue – net includes order flow revenue, nonrecurring gains, software fees from the Company's portfolio management services, exchange processing fees, realized gains or losses on sales of securities available for sale, and other service fees.

Other revenue – net increased by $107 million, or 45%, in 2014 compared to 2013 primarily due to a net insurance settlement of $45 million, net litigation proceeds of $28 million related to the Company's non-agency residential mortgage-backed securities portfolio, and increases in order flow revenue.

Other revenue – net decreased by $20 million, or 8%, in 2013 compared to 2012 primarily due to a non-recurring gain of $70 million relating to a confidential resolution of a vendor dispute in the second quarter of 2012 and realized gains of $35 million from the sales of securities available for sale in 2012, partially offset by an increase in order flow revenue that Schwab began receiving in November 2012.

Provision for Loan Losses

The provision for loan losses decreased by $3 million in 2014, from $(1) million to $(4) million in 2013 and 2014, respectively, primarily due to improved residential real estate mortgage and HELOC credit quality in the Company's loan portfolio. Charge-offs were $5 million, $11 million, and $16 million in 2014, 2013, and 2012, respectively. For further discussion on the Company's credit risk and the allowance for loan losses, see "Risk Management – Credit Risk" and "Item 8 – Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – 6. Loans to Banking Clients and Related Allowance for Loan Losses."

Net Impairment Losses on Securities

Net impairment losses on securities were $1 million, $10 million, and $32 million in 2014, 2013, and 2012, respectively. These charges were lower in 2014 compared to 2013, reflecting a stabilization of the credit characteristics of certain non-agency residential mortgage-backed securities' underlying loans. For further discussion, see "Item 8 – Financial Statements

and Supplementary Data – Notes to Consolidated Financial Statements – 5. Securities Available for Sale and Securities Held to Maturity."

Expenses Excluding Interest

As shown in the table below, expenses excluding interest were higher in 2014 compared to 2013 primarily due to increases in compensation and benefits and professional services expense. Expenses excluding interest were higher in 2013 compared to 2012 primarily due to increases in compensation and benefits, professional services, advertising and market development, and other expense.

Year Ended December 31,	Growth Rate 2013-2014	2014	2013	2012
Compensation and benefits	8 %	$ 2,184	$ 2,027	$ 1,803
Professional services	10 %	457	415	388
Occupancy and equipment	5 %	324	309	311
Advertising and market development	(5)%	245	257	241
Communications	1 %	223	220	220
Depreciation and amortization	(1)%	199	202	196
Other	4 %	311	300	274
Total expenses excluding interest	6 %	$ 3,943	$ 3,730	$ 3,433
Expenses as a percentage of total net revenues:				
Compensation and benefits		36 %	37 %	37 %
Advertising and market development		4 %	5 %	5 %

Compensation and Benefits

Compensation and benefits expense includes salaries and wages, incentive compensation, and related employee benefits and taxes. Incentive compensation includes variable compensation, discretionary bonuses, and stock-based compensation. Variable compensation includes payments to certain individuals based on their sales performance. Discretionary bonuses are based on the Company's overall performance as measured by earnings per common share, and therefore will fluctuate with this measure. Stock-based compensation primarily includes employee and board of director stock options and restricted stock.

The following table shows a comparison of certain compensation and benefits components and employee data:

Year Ended December 31,	Growth Rate 2013-2014	2014	2013	2012
Salaries and wages	12 %	$ 1,245	$ 1,110	$ 1,043
Incentive compensation	1 %	605	599	466
Employee benefits and other	5 %	334	318	294
Total compensation and benefits expense	8 %	$ 2,184	$ 2,027	$ 1,803
Full-time equivalent employees (in thousands) [(1)]				
At year end	6 %	14.6	13.8	13.8
Average	2 %	14.2	13.9	13.8

(1) Includes full-time, part-time and temporary employees, and persons employed on a contract basis, and excludes employees of outsourced service providers.

Salaries and wages increased in 2014 from 2013 primarily due to a $68 million charge in 2014 for estimated future severance benefits resulting from changes in the Company's geographic footprint and due to annual salary increases. Incentive compensation was relatively flat in 2014 from 2013 primarily due to an increase in discretionary bonus costs, offset by higher 2013 expense related to a new payout schedule for field incentive plans.

Salaries and wages increased in 2013 from 2012 primarily due to annual salary increases. Incentive compensation increased in 2013 from 2012 primarily due to the transition to a new payout schedule for field incentive plans, increased individual sales performance compensation as a result of higher field sales volume, and increased funding for the corporate bonus plan commensurate with achieving higher earnings per common share. Employee benefits and other expense increased in 2013 from 2012 primarily due to payroll taxes related to the increase in incentive compensation, and increased contributions to new employee HSAs. The Company was converting to HSA-based healthcare and employee enrollment in these plans rose significantly in 2013.

Expenses Excluding Compensation and Benefits

Professional services expense increased in 2014 from 2013 primarily due to higher spending on technology services and an increase in fees paid to outsourced service providers and consultants. Professional services expense increased in 2013 from 2012 primarily due to an increase in fees paid to outsourced service providers and consultants and higher spending on printing and fulfillment services.

Occupancy and equipment expense increased in 2014 from 2013 primarily due to an increase in software maintenance expense relating to the Company's information technology systems. Occupancy and equipment expense was relatively flat in 2013 compared to 2012.

Advertising and market development expense decreased in 2014 from 2013 primarily due to production costs incurred in 2013 relating to the development of the Company's advertising and branding initiative, Own your tomorrow™, partially offset by higher 2014 spending on customer promotions. Advertising and market development expense increased in 2013 from 2012 primarily due to higher spending on media relating to the launch of the Company's new advertising and branding initiative, Own your tomorrow™.

Other expense increased in 2014 from 2013 primarily due to an increase in travel costs as a result of increased employee headcount and travel. Other expense increased in 2013 from 2012 primarily due to an increase in regulatory assessments.

Taxes on Income

The Company's effective income tax rate on income before taxes was 37.5% in 2014, 37.2% in 2013, and 36.0% in 2012. The increase in 2014 from 2013 was primarily due to the impact of a non-recurring state tax benefit of $4 million from 2013. The increase in 2013 from 2012 was primarily due to the impact of a non-recurring state tax benefit of $20 million in 2012, partially offset by the recognition of the additional state tax benefit of $4 million in 2013.

Segment Information

The Company provides financial services to individuals and institutional clients through two segments – Investor Services and Advisor Services. The Investor Services segment provides retail brokerage and banking services to individual investors, retirement plan services, and corporate brokerage services. The Advisor Services segment provides custodial, trading, and support services to independent investment advisors, and retirement business services to independent retirement plan advisors and recordkeepers whose plan assets are held at Schwab Bank. Banking revenues and expenses are allocated to the Company's two segments based on which segment services the client. The Company evaluates the performance of its segments on a pre-tax basis, excluding items such as significant nonrecurring gains, impairment charges on non-financial assets, discontinued operations, extraordinary items, and significant restructuring and other charges. Segment assets and liabilities are not used for evaluating segment performance or in deciding how to allocate resources to segments.

Financial information for the Company's reportable segments is presented in the following tables:

	Investor Services				Advisor Services			
Year Ended December 31,	Growth Rate 2013-2014	2014	2013	2012	Growth Rate 2013-2014	2014	2013	2012
Net Revenues								
Asset management and administration fees	9 %	$ 1,775	$ 1,627	$ 1,436	10 %	$ 758	$ 689	$ 607
Net interest revenue	16 %	2,030	1,756	1,559	8 %	242	224	205
Trading revenue	-	618	621	612	(1)%	289	292	255
Other – net	24 %	221	178	123	25 %	71	57	62
Provision for loan losses	N/M	4	1	(15)	-	-	-	(1)
Net impairment losses on securities	(89)%	(1)	(9)	(29)	(100)%	-	(1)	(3)
Total net revenues	11 %	4,647	4,174	3,686	8 %	1,360	1,261	1,125
Expenses Excluding Interest	3 %	2,974	2,899	2,693	8 %	901	831	739
Income before taxes on income	31 %	$ 1,673	$ 1,275	$ 993	7 %	$ 459	$ 430	$ 386

	Unallocated				Total			
Year Ended December 31,	Growth Rate 2013-2014	2014	2013	2012	Growth Rate 2013-2014	2014	2013	2012
Net Revenues								
Asset management and administration fees	N/M	$ -	$ (1)	$ -	9 %	$ 2,533	$ 2,315	$ 2,043
Net interest revenue	N/M	-	-	-	15 %	2,272	1,980	1,764
Trading revenue	N/M	-	-	1	(1)%	907	913	868
Other – net	N/M	51	1	71	45 %	343	236	256
Provision for loan losses	N/M	-	-	-	N/M	4	1	(16)
Net impairment losses on securities	N/M	-	-	-	(90)%	(1)	(10)	(32)
Total net revenues	N/M	51	-	72	11 %	6,058	5,435	4,883
Expenses Excluding Interest	N/M	68	-	1	6 %	3,943	3,730	3,433
Income before taxes on income	N/M	$ (17)	$ -	$ 71	24 %	$ 2,115	$ 1,705	$ 1,450

N/M Not meaningful.

Investor Services

Net revenues increased by $473 million, or 11%, in 2014 from 2013 primarily due to increases in net interest revenue, asset management and administration fees, and other revenue – net. Net interest revenue increased primarily due to higher balances of interest-earning assets, including margin loans and the Company's investment portfolio, and the effect higher average interest rates on securities held to maturity had on the Company's average net interest margin. Asset management and administration fees increased due to fees from mutual fund services, advice solutions, and other asset management and administration services. Mutual fund service fees increased due to growth in client assets invested in the Company's Mutual Fund OneSource funds and equity and bond funds, partially offset by a decrease in net money market mutual fund fees as a result of continued low yields on fund assets. Advice solution fees increased due to growth in client assets enrolled in advisory offers. Other asset management and administration fees increased primarily due to third-party mutual fund service fees on higher client asset balances invested in other third-party mutual funds. Other revenue – net increased primarily due to litigation proceeds related to the Company's non-agency residential mortgage-backed securities portfolio and increases in

order flow revenue. Expenses excluding interest increased by $75 million, or 3%, in 2014 from 2013 primarily due to increases in compensation and benefits and professional services expense, partially offset by a decrease in advertising and market development expense.

Net revenues increased by $488 million, or 13%, in 2013 from 2012 primarily due to increases in net interest revenue, asset management and administration fees, and other revenue. Net interest revenue increased primarily due to higher balances of interest-earning assets, partially offset by the effect lower average short-term interest rates had on the Company's average net interest margin. Asset management and administration fees increased primarily due to increases in advice solutions fees and mutual fund service fees. Advice solutions fees increased due to growth in client assets enrolled in advisory offers, including Windhaven and Schwab Private Client. Mutual fund service fees increased due to market appreciation and growth in client assets invested in the Company's Mutual Fund OneSource funds, and equity and bond funds, partially offset by a decrease in net money market mutual fund fees as a result of lower yields on fund assets. Other revenue – net increased primarily due to an increase in order flow revenue that Schwab began receiving in November 2012. Expenses excluding interest increased by $206 million, or 8%, in 2013 from 2012 primarily due to increases in compensation and benefits, professional services, advertising and market development, and other expenses.

Advisor Services

Net revenues increased by $99 million, or 8%, in 2014 from 2013 primarily due to an increase in asset management and administration fees, net interest revenue, and other revenue – net. Asset management and administration fees increased due to fees from mutual fund services, advice solutions, and other asset management and administration services. Mutual fund service fees increased due to growth in client assets invested in the Company's Mutual Fund OneSource funds and equity and bond funds, partially offset by a decrease in net money market mutual fund fees as a result of continued low yields on fund assets. Advice solutions fees increased due to growth in client assets enrolled in advisory offers. Other asset management and administration fees increased primarily due to third-party mutual fund service fees on higher client asset balances invested in other third-party mutual funds. Net interest revenue increased primarily due to higher balances of interest-earning assets, including margin loans and the Company's investment portfolio, and the effect higher average interest rates on securities held to maturity had on the Company's average net interest margin. Other revenue – net increased primarily due to increases in order flow revenue. Expenses excluding interest increased by $70 million, or 8%, in 2014 from 2013 primarily due to increases in compensation and benefits and professional services expense.

Net revenues increased by $136 million, or 12%, in 2013 from 2012 primarily due to increases in asset management and administration fees, trading revenue, and net interest revenue. Asset management and administration fees increased primarily due to increases in mutual fund service fees and advice solutions fees. Mutual fund service fees increased due to market appreciation and growth in client assets invested in the Company's Mutual Fund OneSource funds, and equity and bond funds. Advice solutions fees increased due to growth in client assets enrolled in advisory offers. Trading revenue increased primarily due to higher daily average revenue trades and two additional trading days in 2013. Net interest revenue increased primarily due to higher balances of interest-earning assets, partially offset by the effect lower average short-term interest rates had on the Company's average net interest margin. Expenses excluding interest increased by $92 million, or 12%, in 2013 from 2012 primarily due to increases in compensation and benefits, professional services, advertising and market development expenses, and other expenses.

Unallocated

Other revenue – net in 2014 includes a net insurance settlement of $45 million.

Other revenue – net in 2012 includes a non-recurring gain of $70 million relating to a confidential resolution of a vendor dispute.

Expenses excluding interest increased in 2014 from 2013 as a result of a charge of $68 million in the third quarter of 2014 for estimated future severance benefits resulting from changes in the Company's geographic footprint.

LIQUIDITY AND CAPITAL RESOURCES

CSC conducts substantially all of its business through its wholly-owned subsidiaries. The Company's capital structure is designed to provide each subsidiary with capital and liquidity to meet its operational needs and regulatory requirements.

CSC is a savings and loan holding company and Schwab Bank, CSC's depository institution, is a federal savings bank. CSC is subject to supervision and regulation by the Federal Reserve and Schwab Bank is subject to supervision and regulation by the OCC.

Liquidity

CSC

CSC's liquidity needs arise from funding its subsidiaries' operations, including margin and mortgage lending, and transaction settlement, in addition to funding cash dividends, acquisitions, investments, short- and long-term debt, and managing statutory capital requirements.

CSC's liquidity needs are generally met through cash generated by its subsidiaries, as well as cash provided by external financing. CSC has a universal automatic shelf registration statement (Shelf Registration Statement) on file with the SEC which enables CSC to issue debt, equity, and other securities. CSC maintains excess liquidity in the form of overnight cash deposits and short-term investments to cover daily funding needs and to support growth in the Company's business. Generally, CSC does not hold liquidity at its subsidiaries in excess of amounts deemed sufficient to support the subsidiaries' operations, including any regulatory capital requirements. Schwab, Schwab Bank, and optionsXpress, Inc. are subject to regulatory requirements that may restrict them from certain transactions with CSC, as further discussed below. Management believes that funds generated by the operations of CSC's subsidiaries will continue to be the primary funding source in meeting CSC's liquidity needs, providing adequate liquidity to meet Schwab Bank's capital guidelines, and maintaining Schwab and optionsXpress, Inc.'s net capital.

On July 25, 2013, CSC issued $275 million of Senior Notes that mature in 2018 under its Shelf Registration Statement. The Senior Notes have a fixed interest rate of 2.20% with interest payable semi-annually.

CSC is required to serve as a source of strength for Schwab Bank and must have the ability to provide financial assistance if Schwab Bank experiences financial distress. To manage capital adequacy, the Company currently utilizes a target Tier 1 Leverage Ratio for CSC, as currently defined by the Federal Reserve, of at least 6%. At December 31, 2014, CSC's Tier 1 Leverage Ratio was 6.9%, Tier 1 Capital Ratio was 18.0%, and Total Capital Ratio was 18.1%. Prior to January 1, 2015, CSC, as a savings and loan holding company, was not subject to specific statutory capital requirements. Beginning on January 1, 2015, CSC is subject to new capital requirements set by the Federal Reserve.

The following are details of CSC's long-term debt:

December 31, 2014	Par Outstanding	Maturity	Interest Rate	Moody's	Standard & Poor's	Fitch
Senior Notes	$ 1,581	2015 – 2022	0.850% to 4.45% fixed	A2	A	A
Medium-Term Notes	$ 250	2017	6.375% fixed	A2	A	A

CSC has authorization from its Board of Directors to issue unsecured commercial paper notes (Commercial Paper Notes) not to exceed $1.5 billion. Management has set a current limit for the commercial paper program of $800 million. The maturities of the Commercial Paper Notes may vary, but are not to exceed 270 days from the date of issue. The commercial paper is not redeemable prior to maturity and cannot be voluntarily prepaid. The proceeds of the commercial paper program are to be used for general corporate purposes. There were no borrowings of Commercial Paper Notes outstanding at December 31, 2014. CSC's ratings for these short-term borrowings are P1 by Moody's, A1 by Standard & Poor's, and F1 by Fitch.

CSC maintains an $800 million committed, unsecured credit facility with a group of 12 banks, which is scheduled to expire in June 2015. This facility replaced a similar facility that expired in June 2014 and both facilities were unused during 2014. The funds under this facility are available for general corporate purposes. The financial covenants under this facility require Schwab to maintain a minimum net capital ratio, as defined, Schwab Bank to be well capitalized, as defined, and CSC to maintain a minimum level of stockholders' equity, excluding accumulated other comprehensive income. At December 31, 2014, the minimum level of stockholders' equity required under this facility was $7.8 billion (CSC's stockholders' equity, excluding accumulated other comprehensive income, at December 31, 2014, was $11.6 billion). Management believes that these restrictions will not have a material effect on CSC's ability to meet foreseeable dividend or funding requirements.

CSC also has direct access to certain of the uncommitted, unsecured bank credit lines discussed below, that are primarily utilized by Schwab to manage short-term liquidity. These lines were not used by CSC during 2014.

In addition, Schwab provided CSC with a $1.0 billion credit facility, which was scheduled to expire in December 2014. Schwab terminated this credit facility in July 2014.

Schwab

Schwab's liquidity needs relating to client trading and margin borrowing activities are met primarily through cash balances in brokerage client accounts, which were $32.0 billion and $33.2 billion at December 31, 2014 and 2013, respectively. Management believes that brokerage client cash balances and operating earnings will continue to be the primary sources of liquidity for Schwab.

Schwab is subject to regulatory requirements of Rule 15c3-1 under the Securities Exchange Act of 1934 (the Uniform Net Capital Rule) that are intended to ensure the general financial soundness and liquidity of broker-dealers. These regulations prohibit Schwab from repaying subordinated borrowings from CSC, paying cash dividends, or making unsecured advances or loans to its parent company or employees if such payment would result in a net capital amount of less than 5% of aggregate debit balances or less than 120% of its minimum dollar requirement of $250,000. At December 31, 2014, Schwab's net capital was $1.6 billion (10% of aggregate debit balances), which was $1.2 billion in excess of its minimum required net capital and $739 million in excess of 5% of aggregate debit balances.

Schwab is also subject to Rule 15c3-3 under the Securities Exchange Act of 1934 and other applicable regulations that require it to maintain cash or qualified securities in a segregated reserve account for the exclusive benefit of clients. These funds are included in cash and investments segregated and on deposit for regulatory purposes in the Company's consolidated balance sheets and are not available as a general source of liquidity.

Most of Schwab's assets are readily convertible to cash, consisting primarily of short-term investment-grade, interest-earning investments (the majority of which are segregated for the exclusive benefit of clients pursuant to regulatory requirements), receivables from brokerage clients, and receivables from brokers, dealers, and clearing organizations. Client margin loans are demand loan obligations secured by readily marketable securities. Receivables from and payables to brokers, dealers, and clearing organizations primarily represent current open transactions, which usually settle, or can be closed out, within a few business days.

Schwab has a finance lease obligation related to an office building and land under a 20-year lease. The remaining finance lease obligation of $83 million at December 31, 2014, is being reduced by a portion of the lease payments over the remaining lease term of ten years.

To manage short-term liquidity, Schwab maintains uncommitted, unsecured bank credit lines with a group of banks. The need for short-term borrowings arises primarily from timing differences between cash flow requirements, scheduled liquidation of interest-earnings investments, and movements of cash to meet regulatory brokerage client cash segregation requirements. Schwab used such borrowings for three days in 2014, with average daily amounts borrowed of $25 million. There were no borrowings outstanding under these lines at December 31, 2014.

To partially satisfy the margin requirement of client option transactions with the Options Clearing Corporation, Schwab has unsecured standby letter of credit agreements (LOCs) with five banks in favor of the Options Clearing Corporation aggregating $225 million at December 31, 2014. There were no funds drawn under any of these LOCs during 2014. In connection with its securities lending activities, Schwab is required to provide collateral to certain brokerage clients. Schwab satisfies the collateral requirements by providing cash as collateral.

To manage Schwab's regulatory capital requirement, CSC provides Schwab with a $1.4 billion subordinated revolving credit facility, which is scheduled to expire in March 2016. The amount outstanding under this facility at December 31, 2014, was $315 million. Borrowings under this subordinated lending arrangement qualify as regulatory capital for Schwab.

In addition, CSC provides Schwab with a $2.5 billion credit facility. In December 2014, CSC and Schwab agreed to extend the expiration date of this facility from December 2014 to December 2017. Borrowings under this facility do not qualify as regulatory capital for Schwab. There were no funds drawn under this facility at December 31, 2014.

Schwab Bank

Schwab Bank's liquidity needs are met through deposits from banking clients and equity capital.

Deposits from banking clients at December 31, 2014 were $102.8 billion, which includes the excess cash held in certain Schwab and optionsXpress, Inc. brokerage accounts that is swept into deposit accounts at Schwab Bank. At December 31, 2014, these balances totaled $82.1 billion.

Schwab Bank is subject to regulatory requirements that restrict and govern the terms of affiliate transactions, such as extensions of credit and repayment of loans between Schwab Bank and CSC or CSC's other subsidiaries. In addition, Schwab Bank is required to provide notice to and may be required to obtain approval of the OCC and the Federal Reserve to declare dividends to CSC.

Schwab Bank is required to maintain capital levels as specified in federal banking laws and regulations. Failure to meet the minimum levels could result in certain mandatory and possibly additional discretionary actions by the regulators that, if undertaken, could have a direct material effect on Schwab Bank. The Company currently utilizes a target Tier 1 Leverage Ratio for Schwab Bank of at least 6.25%. Beginning on January 1, 2015, Schwab Bank is subject to new capital requirements set by the OCC. Based on its regulatory capital ratios at December 31, 2014, Schwab Bank is considered well capitalized. Schwab Bank's regulatory capital and ratios are as follows:

	Actual		Minimum to be Well Capitalized		Minimum Capital Requirement	
December 31, 2014	Amount	Ratio	Amount	Ratio	Amount	Ratio
Tier 1 Risk-Based Capital	$ 7,700	22.1 %	$ 2,095	6.0 %	$ 1,397	4.0 %
Total Risk-Based Capital	$ 7,744	22.2 %	$ 3,492	10.0 %	$ 2,793	8.0 %
Tier 1 Leverage	$ 7,700	6.9 %	$ 5,548	5.0 %	$ 4,438	4.0 %
Tangible Equity	$ 7,700	6.9 %	N/A		$ 2,219	2.0 %

N/A Not applicable.

Schwab Bank has access to traditional funding sources such as deposits, federal funds purchased, and repurchase agreements. Additionally, Schwab Bank has access to short-term funding through the Federal Reserve Bank (FRB) discount window. Amounts available under the FRB discount window are dependent on the fair value of certain of Schwab Bank's securities available for sale and/or securities held to maturity that are pledged as collateral to the FRB. Schwab Bank maintains policies and procedures necessary to access this funding and tests discount window borrowing procedures annually. At December 31, 2014, $2.3 billion was available under this arrangement. There were no funds drawn under this arrangement during 2014.

Schwab Bank maintains a credit facility with the Federal Home Loan Bank System. Amounts available under this facility are dependent on the amount of Schwab Bank's residential real estate mortgages and HELOCs that are pledged as collateral.

Schwab Bank maintains policies and procedures necessary to access this funding and tests borrowing procedures annually. At December 31, 2014, $9.0 billion was available under this facility. There were no funds drawn under this facility during 2014.

optionsXpress, Inc.

optionsXpress, Inc.'s liquidity needs relating to client trading and margin borrowing activities are met primarily through cash balances in brokerage client accounts, which were $942 million at December 31, 2014. Management believes that brokerage client cash balances and operating earnings will continue to be the primary sources of liquidity for optionsXpress, Inc.

optionsXpress, Inc., is subject to regulatory requirements of the Uniform Net Capital Rule that are intended to ensure the general financial soundness and liquidity of broker-dealers. These regulations prohibit optionsXpress, Inc. from paying cash dividends or making unsecured advances or loans to its parent company or employees if such payment would result in a net capital amount of less than 5% of aggregate debit balances or less than 120% of its minimum dollar requirement of $250,000. At December 31, 2014, optionsXpress Inc.'s net capital was $123 million (38% of aggregate debit balances), which was $117 million in excess of its minimum required net capital and $107 million in excess of 5% of aggregate debit balances.

optionsXpress, Inc. is also subject to Commodity Futures Trading Commission Regulation 1.17 (Reg. 1.17) under the Commodity Exchange Act, which also requires the maintenance of minimum net capital. optionsXpress, Inc. as a futures commission merchant, is required to maintain minimum net capital equal to the greater of its net capital requirement under Reg. 1.17 ($1 million), or the sum of 8% of the total risk margin requirements for all positions carried in customer accounts and 8% of the total risk margin requirements for all positions carried in non-customer accounts (as defined in Reg. 1.17). At December 31, 2014, optionsXpress, Inc. met the requirements of Reg. 1.17.

Additionally, optionsXpress, Inc. is subject to Rule 15c3-3 under the Securities Exchange Act of 1934 and other applicable regulations that require it to maintain cash or qualified securities in a segregated reserve account for the exclusive benefit of clients. These funds are included in cash and investments segregated and on deposit for regulatory purposes in the Company's consolidated balance sheets and are not available as a general source of liquidity.

To partially satisfy the margin requirement of client option transactions with the Options Clearing Corporation, optionsXpress, Inc. has an unsecured standby LOC with one bank in favor of the Options Clearing Corporation in the amount of $15 million at December 31, 2014. There were no funds drawn under this LOC during 2014.

CSC provides optionsXpress, Inc. with a $200 million credit facility. In December 2014, CSC and optionsXpress, Inc. agreed to extend the expiration date of this facility from December 2014 to December 2016. Borrowings under this facility do not qualify as regulatory capital for optionsXpress, Inc. There were no borrowings outstanding under this facility at December 31, 2014.

optionsXpress has a term loan with CSC, of which $12 million was outstanding at December 31, 2014, and it matures in December 2017.

Capital Resources

The Company's cash position (reported as cash and cash equivalents on its consolidated balance sheets) and cash flows are affected by changes in brokerage client cash balances and the associated amounts required to be segregated under regulatory guidelines. Timing differences between cash and investments actually segregated on a given date and the amount required to be segregated for that date may arise in the ordinary course of business, and are addressed by the Company in accordance with applicable regulations. Other factors which affect the Company's cash position and cash flows include investment activity in security portfolios, levels of capital expenditures, acquisition and divestiture activity, banking client deposit activity, brokerage and banking client loan activity, financing activity in long-term debt, payments of dividends, and repurchases and issuances of CSC's preferred and common stock. The combination of these factors can cause significant fluctuations in the cash position during specific time periods.

The Company monitors both the relative composition and absolute level of its capital structure. Management is focused on optimizing the Company's use of capital and currently targets a long-term debt to total financial capital ratio not to exceed 30%. The Company's total financial capital (long-term debt plus stockholders' equity) at December 31, 2014 was $13.7 billion, up $1.4 billion, or 12%, from December 31, 2013.

Long-term Debt

At December 31, 2014, the Company had long-term debt of $1.9 billion, or 14% of total financial capital, that bears interest at a weighted-average rate of 3.60%. At December 31, 2013, the Company had long-term debt of $1.9 billion, or 15% of total financial capital. On July 25, 2013, CSC issued $275 million of Senior Notes that mature in 2018 under its Shelf Registration Statement. The Senior Notes have a fixed interest rate of 2.20% with interest payable semi-annually. The Company repaid $6 million of other long-term debt in 2014. For further discussion of the Company's long-term debt, see "Liquidity and Capital Resources – Liquidity" and "Item 8 – Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – 13. Borrowings."

Capital Expenditures

The Company's capital expenditures were $405 million (7% of net revenues) and $270 million (5% of net revenues) in 2014 and 2013, respectively. Capital expenditures in 2014 were primarily for buildings and land relating to changes in the Company's geographic footprint, developing internal-use software, and software and equipment relating to the Company's information technology systems. Capital expenditures in 2013 were primarily for buildings and land, capitalized costs for developing internal-use software, and software and equipment relating to the Company's information technology systems. Capitalized costs for developing internal-use software were $81 million and $74 million in 2014 and 2013, respectively.

Management currently anticipates that 2015 capital expenditures will be approximately 15% lower than 2014 primarily due to decreased spending on buildings and furniture and equipment. A majority of this decrease is due to the construction of the Company's new office campus in Denver, Colorado in 2014. As in recent years, the Company adjusts its capital expenditures periodically as business conditions change. Management believes that funds generated by its operations will continue to be the primary funding source of its capital expenditures.

Dividends

CSC paid common stock cash dividends of $316 million ($0.24 per share) and $311 million ($0.24 per share) in 2014 and 2013, respectively. Since the initial dividend in 1989, CSC has paid 103 consecutive quarterly dividends and has increased the quarterly dividend rate 19 times, resulting in a 21% compounded annual growth rate, excluding the special cash dividend of $1.00 per common share in 2007. While the payment and amount of dividends are at the discretion of the Board of Directors, subject to certain regulatory and other restrictions, the Company currently targets its common stock cash dividend at approximately 20% to 30% of net income.

CSC paid Series A Preferred Stock cash dividends of $28 million ($70.00 per share) in 2014 and 2013, respectively. CSC paid Series B Preferred Stock cash dividends of $29 million ($60.00 per share) in 2014 and 2013, respectively.

Share Repurchases

There were no repurchases of CSC's common stock in 2014 or 2013. As of December 31, 2014, CSC had remaining authority from the Board of Directors to repurchase up to $596 million of its common stock, which is not subject to expiration.

Business Acquisition

On December 14, 2012, the Company acquired ThomasPartners, Inc., a growth and dividend income-focused asset management firm, for $85 million in cash.

For more information on this acquisition, see "Item 8 – Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – 24. Business Acquisition."

Off-Balance Sheet Arrangements

The Company enters into various off-balance sheet arrangements in the ordinary course of business, primarily to meet the needs of its clients. These arrangements include firm commitments to extend credit. Additionally, the Company enters into guarantees and other similar arrangements as part of transactions in the ordinary course of business. For information on each of these arrangements, see "Item 8 – Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – 14. Commitments and Contingencies and 15. Financial Instruments Subject to Off-Balance Sheet Credit Risk or Concentration Risk."

Contractual Obligations

The Company's principal contractual obligations as of December 31, 2014, are shown in the following table. Management believes that funds generated by its continuing operations, as well as cash provided by external financing, will continue to be the primary funding sources in meeting these obligations. Excluded from this table are liabilities recorded on the consolidated balance sheet that are generally short-term in nature (e.g., payables to brokers, dealers, and clearing organizations) or without contractual payment terms (e.g., deposits from banking clients, payables to brokerage clients, and deferred compensation).

	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years	Total
Credit-related financial instruments (1)	$ 868	$ 915	$ 3,119	$ 2,063	$ 6,965
Long-term debt (2)	414	373	360	1,013	2,160
Leases (3)	95	162	107	162	526
Purchase obligations (4)	165	210	37	230	642
Total	$ 1,542	$ 1,660	$ 3,623	$ 3,468	$ 10,293

(1) Represents Schwab Bank's commitments to extend credit to banking clients and purchase mortgage loans.
(2) Includes estimated future interest payments through 2017 for Medium-Term Notes and through 2022 for Senior Notes. Amounts exclude maturities under a finance lease obligation and unamortized discounts and premiums.
(3) Represents minimum rental commitments, net of sublease commitments, and includes facilities under the Company's past restructuring initiatives and rental commitments under a finance lease obligation.
(4) Consists of purchase obligations for services such as advertising and marketing, telecommunications, professional services, and hardware- and software-related agreements. Includes purchase obligations that can be canceled by the Company without penalty.

RISK MANAGEMENT

The Company's business activities expose it to a variety of risks, including operational, credit, market, liquidity, compliance and legal risk. The Company has a comprehensive risk management program to identify and manage these risks and their associated potential for financial and reputational impact. Despite the Company's efforts to identify areas of risk and implement risk management policies and procedures, there can be no assurance that the Company will not suffer unexpected losses due to these risks.

The Company's risk management process is comprised of risk identification and assessment, risk measurement, risk monitoring and reporting and risk mitigation. The activities and organizations that comprise the risk management process are described below.

Risk Culture

The Company's Board of Directors sets the tone for effective risk management and has approved an Enterprise Risk Management (ERM) Framework commensurate with the size, risk profile, complexity, and continuing growth of the

Company. The ERM Framework and governance structure constitute a comprehensive approach to managing risks encountered by the Company in its business activities. Risk appetite, which is defined as the amount of risk the Company is willing to accept in pursuit of its corporate strategy, is set by executive management and approved by the Board of Directors.

The Company has established risk metrics and reporting that enable the measurement of the impact of strategy execution against risk appetite. The risk metrics, with risk limits and tolerance levels, are established for key risk categories by the Global Risk Committee and its functional risk sub-committees.

Risk Governance

Senior management takes an active role in the risk management process and has developed policies and procedures under which specific business and control units are responsible for identifying, measuring and controlling risks.

The Global Risk Committee, which is comprised of senior executives from each major business and control function, is responsible for the oversight of risk management. This includes identifying emerging risks, assessing risk management practices and the control environment, reinforcing business accountability for risk management, supervisory controls and regulatory compliance, supporting resource prioritization across the Company, and escalating significant issues to the Board of Directors.

The Global Risk Committee reports regularly to the Risk Committee of the Board of Directors. The Risk Committee assists the Board of Directors in fulfilling its oversight responsibilities with respect to the Company's risk management program, including approving risk appetite statements and reviewing reports relating to risk issues from functional areas of risk management, legal, compliance, and internal audit.

Functional risk sub-committees focusing on specific areas of risk report into the Global Risk Committee. These sub-committees include the:

- Asset-Liability Management and Pricing Committee, which establishes strategies and policies for the management of corporate capital, liquidity, interest rate risk, and investments;
- Credit and Market Risk Oversight Committee, which provides oversight of and approves credit and market risk policies, limits, and exposures in loan, investment, and positioning portfolios;
- New Products and Services Risk Oversight Committee, which provides oversight of, and approves corporate policy and procedures relating to the risk governance of new products and services; and the
- Operational Risk Oversight Committee, which provides oversight of and approves operational risk management policies, risk tolerance levels, and operational risk governance processes, and includes the following sub-committees:
    - Client Fiduciary Risk Sub-Committee, which provides oversight of fiduciary risk throughout the Company;
    - Information Security and Privacy Sub-Committee, which provides oversight of the information security and privacy programs and policies;
    - Model Governance Sub-Committee, which provides oversight of model risk throughout the Company; and the
    - Vendor Management Sub-Committee, which provides oversight of the Company's vendor management and outsourcing program and policies.

Senior management has also created an Incentive Compensation Risk Oversight Committee, which establishes policy and provides oversight of incentive compensation risk. The committee reviews and approves the Annual Risk Assessment of incentive compensation plans, and reports directly to the Board Compensation Committee.

The Company's compliance, finance, internal audit, legal, and corporate risk management departments assist management and the various risk committees in evaluating, testing, and monitoring the Company's risk management.

In addition, the Company's Disclosure Committee is responsible for monitoring and evaluating the effectiveness of the Company's (a) disclosure controls and procedures and (b) internal control over financial reporting as of the end of each fiscal

quarter. The Disclosure Committee reports on this evaluation to the CEO and CFO prior to their certification required by Sections 302 and 906 of the Sarbanes Oxley Act of 2002.

Operational Risk

Operational risks arise due to potentially inadequate or failed internal processes, people, and systems or from external events and relationships impacting the Company and/or any of its key business partners and vendors. Operational risk includes model and fiduciary risk, and each is also described in detail below.

The Company's operations are highly dependent on the integrity of its technology systems and the Company's success depends, in part, on its ability to make timely enhancements and additions to its technology in anticipation of evolving client needs. To the extent the Company experiences system interruptions, errors or downtime (which could result from a variety of causes, including changes in client use patterns, technological failure, changes to its systems, linkages with third-party systems, and power failures), the Company's business and operations could be significantly negatively impacted. To minimize business interruptions, Schwab has two data centers intended, in part, to further improve the recovery of business processing in the event of an emergency. The Company is committed to an ongoing process of upgrading, enhancing, and testing its technology systems. This effort is focused on meeting client needs, meeting market and regulatory changes, and deploying standardized technology platforms.

Operational risk also includes the risk of human error, employee misconduct, external fraud, computer viruses, cyber attacks, terrorist attacks, and natural disaster. Employee misconduct could include fraud and misappropriation of client or Company assets, improper use or disclosure of confidential client or Company information, and unauthorized activities, such as transactions exceeding acceptable risks or authorized limits. External fraud includes misappropriation of client or Company assets by third parties, including through unauthorized access to Company systems and data and client accounts. The frequency and sophistication of such fraud attempts continue to increase.

Operational risk is mitigated through a system of internal controls and risk management practices that are designed to keep operational risk and operational losses at levels appropriate to the inherent risk of the business in which the Company operates. The Company has specific policies and procedures to identify and manage operational risk, and uses periodic risk self-assessments and internal audit reviews to evaluate the effectiveness of these internal controls. The Company maintains backup and recovery functions, including facilities for backup and communications, and conducts periodic testing of disaster recovery plans. The Company also maintains policies and procedures and technology to protect against fraud and unauthorized access to systems and data.

Despite the Company's risk management efforts, it is not always possible to deter or prevent technological or operational failure, or fraud or other misconduct, and the precautions taken by the Company may not be effective in all cases. The Company may be subject to litigation, losses, and regulatory actions in such cases, and may be required to expend significant additional resources to remediate vulnerabilities or other exposures.

The Company also faces operational risk when it employs the services of various external vendors, including domestic and international outsourcing of certain technology, processing, servicing, and support functions. The Company manages its exposure to external vendor risk through contractual provisions, control standards, and ongoing monitoring of vendor performance. The Company maintains policies and procedures regarding the standard of care expected with Company data, whether the data is internal company information, employee information, or non-public client information. The Company clearly defines for employees, contractors, and vendors the Company's expected standards of care for confidential data. Regular training is provided by the Company in regard to data security.

The Company is actively engaged in the research and development of new technologies, services, and products. The Company endeavors to protect its research and development efforts, and its brands, through the use of copyrights, patents, trade secrets, and contracts.

Model Risk

Model risk is the potential for adverse consequences from decisions based on incorrect or misused model outputs and reports. Models are owned by several business units throughout the Company, and are used for a variety of purposes. Model use includes, but is not limited to, calculating capital requirements for hypothetical stressful environments, estimating interest and credit risk for loans and other balance sheet assets, and providing guidance in the management of client portfolios. The Company has established a policy to describe the roles and responsibilities of all key stakeholders in model development, management, and use. All models at the Company are registered in a centralized database and classified into different risk ratings depending on their potential financial, reputational, or regulatory impact to the Company. The model risk rating informs the scope of all model governance activities.

Fiduciary Risk

Fiduciary risk is the potential for financial or reputational loss through breach of fiduciary duties to a client. Fiduciary activities include, but are not limited to, individual and institutional trust, investment management, custody, and cash and securities processing. The Company attempts to manage this risk by establishing procedures to ensure that obligations to clients are discharged faithfully and in compliance with applicable legal and regulatory requirements. Business units have the primary responsibility for adherence to the procedures applicable to their business. Guidance and control are provided through the creation, approval, and ongoing review of applicable policies by business units and various risk committees.

Credit Risk

Credit risk is the potential for loss due to a borrower, counterparty, or issuer failing to perform its contractual obligations. The Company's direct exposure to credit risk mainly results from margin lending and client option and futures activities, securities lending activities, mortgage lending activities, its role as a counterparty in financial contracts and other investing activities. To manage the risks of such losses, the Company has established policies and procedures which include: establishing and reviewing credit limits, monitoring of credit limits and quality of counterparties, and adjusting margin, option, and futures requirements for certain securities. Collateral arrangements relating to margin loans, option positions, securities lending agreements, and resale agreements include provisions that require additional collateral in the event that market fluctuations result in declines in the value of collateral received. Additionally, for margin loan and securities lending agreements, collateral arrangements require that the fair value of such collateral exceeds the amounts loaned.

The Company's credit risk exposure related to loans to banking clients is actively managed through individual and portfolio reviews performed by management. Management regularly reviews asset quality, including concentrations, delinquencies, nonaccrual loans, charge-offs, and recoveries. All are factors in the determination of an appropriate allowance for loan losses. The Company's mortgage loan portfolios primarily include First Mortgages of $8.1 billion and HELOCs of $3.0 billion at December 31, 2014.

The Company's underwriting guidelines include maximum loan-to-value (LTV) ratios, cash out limits, and minimum Fair Isaac Corporation (FICO) credit scores. The specific guidelines are dependent on the individual characteristics of a loan (for example, whether the property is a primary or secondary residence, whether the loan is for investment property, whether the loan is for an initial purchase of a home or refinance of an existing home, and whether the loan is conforming or jumbo). These credit underwriting standards have limited the exposure to the types of loans that experienced high foreclosures and loss rates elsewhere in the industry in recent years. In January 2014, the Company revised its First Mortgage underwriting criteria in conformance with the CFPB's new guidance on Qualified Mortgage lending and a borrower's ability to repay. Revisions were made to requirements affecting debt to income ratio, loan to value ratio, and liquid asset holdings. These revised underwriting criteria are not expected to have a material impact on the credit quality of the Company's First Mortgage or HELOC portfolios. The Company does not purchase loans that allow for negative amortization and does not purchase subprime loans (generally defined as extensions of credit to borrowers with a FICO score of less than 620 at origination), unless the borrower has compensating credit factors. At December 31, 2014, approximately 1% of both the First Mortgage and HELOC portfolios consisted of loans to borrowers with updated FICO scores of less than 620.

At December 31, 2014, the weighted-average originated LTV ratio was 59% for both the First Mortgage and HELOC portfolios. The computation of the origination LTV ratio for a HELOC includes any first lien mortgage outstanding on the same property at the time of origination. At December 31, 2014, 21% of HELOCs ($635 million of the HELOC portfolio) were in a first lien position. The weighted-average originated FICO score was 770 and 769 for the First Mortgage and HELOC portfolios, respectively.

The Company monitors the estimated current LTV ratios of its First Mortgage and HELOC portfolios on an ongoing basis. At December 31, 2014, the weighted-average estimated current LTV ratios were 50% and 55% for the First Mortgage and HELOC portfolios, respectively. The computation of the estimated current LTV ratio for a HELOC includes any first lien mortgage outstanding on the same property at the time of the HELOC's origination. The Company estimates the current LTV ratio for each loan by reference to a home price appreciation index. The Company also monitors updated borrower FICO scores, delinquency trends, and verified liquid assets held by individual borrowers. At December 31, 2014, the weighted-average updated FICO scores were 773 and 769 for the First Mortgage and HELOC portfolios, respectively.

A portion of the Company's HELOC portfolio is secured by second liens on the associated properties. Second lien mortgage loans possess a higher degree of credit risk given the subordination to the first lien holder in the event of default. At December 31, 2014, $2.3 billion, or 79%, of the HELOC portfolio was in a second lien position. In addition to the credit monitoring activities described above, the Company also monitors credit risk on second lien HELOC loans by reviewing the delinquency status of the first lien loan on the associated property. Additionally, at December 31, 2014, approximately 30% of the HELOC borrowers that had a balance only paid the minimum amount due.

For more information on the Company's credit quality indicators relating to its First Mortgage and HELOC portfolios, including delinquency characteristics, borrower FICO scores at origination, updated borrower FICO scores, LTV ratios at origination, and estimated current LTV ratios, see "Item 8 – Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – 6. Loans to Banking Clients and Related Allowance for Loan Losses."

The following table presents certain of the Company's loan quality metrics as a percentage of total outstanding loans:

December 31,	2014	2013
Loan delinquencies [1]	0.27 %	0.48 %
Nonaccrual loans	0.26 %	0.39 %
Allowance for loan losses	0.31 %	0.39 %

(1) Loan delinquencies include loans that are 30 days or more past due and other nonaccrual loans.

The Company has exposure to credit risk associated with its securities available for sale and securities held to maturity portfolios, whose fair values totaled $54.8 billion and $34.7 billion at December 31, 2014, respectively. These portfolios include U.S. agency and non-agency mortgage-backed securities, asset-backed securities, corporate debt securities, U.S. agency notes, certificates of deposit, and treasury securities. U.S. agency mortgage-backed securities do not have explicit credit ratings; however, management considers these to be of the highest credit quality and rating given the guarantee of principal and interest by the U.S. government-sponsored enterprises.

At December 31, 2014, with the exception of certain non-agency residential mortgage-backed securities, all securities in the available for sale and held to maturity portfolios were rated investment grade (defined as a rating equivalent to a Moody's rating of "Baa" or higher, or a Standard & Poor's rating of "BBB-" or higher). In the fourth quarter of 2014, the Company sold $504 million of its non-agency residential mortgage-backed securities, resulting in a net realized loss of $8 million. The Company marked the remaining $15 million of these securities to market and recorded a $0.6 million other-than-temporary impairment charge in the fourth quarter. The decision was made to sell the securities in the fourth quarter as market valuations on these non-agency residential mortgage-backed securities became more consistent with actual performance. In addition, the Company has reached an initial settlement in legal claims it is pursuing to recover losses relating to certain of these securities.

Schwab performs clearing services for all securities transactions in its client accounts. Schwab has exposure to credit risk due to its obligation to settle transactions with clearing corporations, mutual funds, and other financial institutions even if Schwab's client or a counterparty fails to meet its obligations to Schwab.

Concentration Risk

The Company has exposure to concentration risk when holding large positions in financial instruments collateralized by assets with similar economic characteristics or in securities of a single issuer or within a particular industry.

The fair value of the Company's investments in mortgage-backed securities totaled $53.8 billion at December 31, 2014. Of these, $52.5 billion were issued by U.S. agencies and $1.3 billion were issued by private entities (non-agency securities). These U.S. agency and non-agency securities are included in securities available for sale and securities held to maturity.

The fair value of the Company's investments in asset-backed securities totaled $19.4 billion at December 31, 2014. Of these, $11.7 billion were securities backed by student loans, the majority of which are guaranteed by the U.S. federal government. These asset-backed securities are included in securities available for sale.

The fair value of the Company's investments in corporate debt securities and commercial paper totaled $8.1 billion at December 31, 2014, with the majority issued by institutions in the financial services industry. These securities are included in securities available for sale, cash and cash equivalents, and other securities owned in the Company's consolidated balance sheets. Issuer, geographic, and sector concentrations are controlled by established credit policy limits to each concentration type.

The Company's loans to banking clients include $7.4 billion of adjustable rate First Mortgage loans at December 31, 2014. The Company's adjustable rate mortgages have initial fixed interest rates for three to ten years and interest rates that adjust annually thereafter. Approximately 40% of these mortgages consisted of loans with interest-only payment terms. The interest rates on approximately 65% of these interest-only loans are not scheduled to reset for three or more years. The Company's mortgage loans do not include interest terms described as temporary introductory rates below current market rates.

The Company's HELOC product has a 30-year loan term with an initial draw period of ten years from the date of origination. After the initial draw period, the balance outstanding at such time is converted to a 20-year amortizing loan. The interest rate during the initial draw period and the 20-year amortizing period is a floating rate based on the prime rate plus a margin. HELOCs that convert to an amortizing loan may experience higher delinquencies and higher loss rates than those in the initial draw period. The Company's allowance for loan loss methodology takes this increased inherent risk into consideration. The following table presents when current outstanding HELOCs will convert to amortizing loans:

December 31, 2014	Balance
Converted to amortizing loan by period end	$ 307
Within 1 year	274
> 1 year – 3 years	356
> 3 years – 5 years	1,139
> 5 years	879
Total	$ 2,955

The Company also has exposure to concentration risk from its margin and securities lending and client option and futures activities collateralized by or referencing securities of a single issuer, an index, or within a single industry. This concentration risk is mitigated by collateral arrangements that require the fair value of such collateral exceeds the amounts loaned.

The Company has indirect exposure to U.S. Government and agency securities held as collateral to secure its resale agreements. The Company's primary credit exposure on these resale transactions is with its counterparty. The Company would have exposure to the U.S. Government and agency securities only in the event of the counterparty's default on the resale agreements. The fair value of U.S. Government and agency securities held as collateral for resale agreements totaled $10.4 billion at December 31, 2014.

European Holdings

The Company has exposure to non-sovereign financial and non-financial institutions in Europe. The following table shows the balances of this exposure by each country in Europe in which the issuer or counterparty is domiciled. The Company has no direct exposure to sovereign governments in Europe. The Company does not have unfunded commitments to counterparties in Europe, nor does it have exposure as a result of credit default protection purchased or sold separately as of December 31, 2014.

The determination of the domicile of exposure varies by the type of investment. For time deposits and certificates of deposit, the exposure is grouped in the country in which the financial institution is chartered under the regulatory framework of the European country. For asset-backed commercial paper, the exposure is grouped by the country of the sponsoring bank that provides the credit and liquidity support for such instruments. For corporate debt securities, the exposure is grouped by the country in which the issuer is domiciled. In situations in which the Company invests in a corporate debt security of a U.S. subsidiary of a European parent company, such holdings will be attributable to the European country only if significant reliance is placed on the European parent company for credit support underlying the security. For substantially all of the holdings listed below, the issuers or counterparties were financial institutions. All of the Company's resale agreements, which are included in investments segregated and on deposit for regulatory purposes, are collateralized by U.S. government securities. Additionally, the Company's securities lending activities are collateralized by cash. Therefore, the Company's resale agreements and securities lending activities are not included in the table below even if the counterparty is a European institution.

	Fair Value as of December 31, 2014						
	France	Netherlands	Norway	Sweden	Switzerland	United Kingdom	Total
Cash equivalents	$ 200	$ -	$ -	$ -	$ -	$ -	$ 200
Securities available for sale	86	35	75	521	509	500	1,726
Total fair value	$ 286	$ 35	$ 75	$ 521	$ 509	$ 500	$ 1,926
Total amortized cost	$ 285	$ 35	$ 75	$ 520	$ 509	$ 500	$ 1,924
Maturities:							
Overnight	$ 200	$ -	$ -	$ -	$ -	$ -	$ 200
1 day – < 6 months	-	-	-	-	184	-	184
6 months – < 1 year	-	-	-	-	275	150	425
1 year – 2 years	-	-	-	371	50	200	621
> 2 years	86	35	75	150	-	150	496
Total fair value	$ 286	$ 35	$ 75	$ 521	$ 509	$ 500	$ 1,926

In addition to the direct holdings of European companies listed above, the Company also has indirect exposure to Europe through its investments in Schwab sponsored money market funds (collectively, the Funds) resulting from clearing activities. At December 31, 2014, the Company had $224 million in investments in these Funds. Certain of the Funds' positions include certificates of deposits, time deposits, commercial paper and corporate debt securities issued by counterparties in Europe.

Management mitigates exposure to European holdings by employing a separate team of credit analysts that evaluate each issuer, counterparty, and country. Management monitors its exposure to European issuers by 1) performing risk assessments of the foreign countries, which include evaluating the size of the country and economy, currency trends, political landscape and the countries' regulatory environment and developments; 2) performing ad hoc stress tests that evaluate the impact of sovereign governments' debt write-downs on financial issuers and counterparties the Company has exposure to through its investments; 3) reviewing publicly available stress tests that are published by various regulators in the European market; 4) establishing credit and maturity limits by issuer; and 5) establishing and monitoring aggregate credit limits by geography and sector.

Market Risk

Market risk is the potential for changes in earnings or the value of financial instruments held by the Company as a result of fluctuations in interest rates, equity prices or market conditions. Included in market risk is interest rate risk, which is the risk

to earnings or capital arising from movement of interest rates. For discussion of the Company's market risk, see "Item 7A – Quantitative and Qualitative Disclosures About Market Risk."

Liquidity Risk

Liquidity risk arises from the inability to meet obligations when they come due without incurring unacceptable losses. It is the risk that valuations will be negatively affected by changes in demand and the underlying market for a financial instrument. Limits and contingency funding scenarios have been established for the Company to support liquidity levels and quality during both expected and stressed scenarios. The Company seeks to maintain client confidence in its balance sheet and the safety of client assets by maintaining liquidity and diversity of funding sources to allow the firm to meet its obligations under both expected and stressed scenarios. See "Liquidity and Capital Resources" for additional detail on the Company's liquidity requirements.

Compliance Risk

The Company faces significant compliance risk in its business, that is, the risk of legal or regulatory sanctions, fines or penalties, financial loss, or damage to reputation resulting from the failure to comply with laws, regulations, rules, or other regulatory requirements. Among other things, compliance risks relate to the suitability of client investments, conflicts of interest, disclosure obligations and performance expectations for Company products and services, supervision of employees, and the adequacy of the Company's controls. The Company and its affiliates are subject to extensive regulation by federal, state and foreign regulatory authorities, including SROs. Such regulation is becoming increasingly extensive and complex, and regulatory proceedings and sanctions against financial services firms continue to increase.

The Company attempts to manage compliance risk through policies, procedures and controls reasonably designed to achieve and/or monitor compliance with applicable legal and regulatory requirements. These procedures address issues such as business conduct and ethics, sales and trading practices, marketing and communications, extension of credit, client funds and securities, books and records, anti-money laundering, client privacy, and employment policies. Despite the Company's efforts to maintain an effective compliance program and internal controls, legal breaches and rule violations could result in reputational harm, significant losses and disciplinary sanctions, including limitations on the Company's business activities.

Legal Risk

Legal risk is a consequence of operational failure – the risk of a claim for damages brought by clients, employees or other third parties, alleging error that amounts to a breach of legal requirements or other duties under law. The financial services industry is subject to substantial litigation risk, and the firm incurs legal claims in the ordinary course of business. Increased litigation costs or substantial legal liability relating to an extraordinary claim or incidence of claims could have a material adverse effect on the Company's business and financial condition. For information about the Company's legal risk, see "Item 1A – Risk Factors," and "Item 8 – Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – 14. Commitments and Contingencies."

Capital Planning

The capital plan considers significant risks to meeting the Company's capital goals over time and through evolving economic, financial, and business environments. Internal guidelines are set, for both the Company and regulated subsidiaries, to ensure continued regulatory compliance as well as to meet expectations of investors and rating agencies.

The capital plan also considers the potential effects of a sudden and sustained systemic economic downturn, idiosyncratic events which are uniquely impactful to the Company, and sensitivity analyses applied to significant assumptions that are either quantitative or qualitative in nature. The comprehensive Capital Contingency Plan was developed by the Company to address the action plans for certain capital events with low probability, but high severity, that the Company might face. The Capital Contingency Plan is issued under the authority of the Asset-Liability Management and Pricing Committee and provides guidelines for sustained capital events. It does not specifically address every contingency, but is designed to provide a framework for responding to any capital stress.

Capital forecasts are reviewed monthly at Capital Planning and Asset-Liability Management and Pricing Committee meetings and semi-annually at the Company's Board of Directors meetings. Exceptions to internal guidelines are also reviewed at quarterly Global Risk Committee meetings.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company uses the market and income approaches to determine the fair value of certain financial assets and liabilities recorded at fair value, and to determine fair value disclosures. See "Item 8 – Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – 2. Summary of Significant Accounting Policies and 16. Fair Values of Assets and Liabilities" for more information on the Company's assets and liabilities recorded at fair value.

When available, the Company uses quoted prices in active markets to measure the fair value of assets and liabilities. When utilizing market data with a bid-ask spread, the Company uses the price within the bid-ask spread that best represents fair value. When quoted prices do not exist, the Company uses prices obtained from independent third-party pricing services to measure the fair value of investment assets. The Company generally obtains prices from at least three independent pricing sources for assets recorded at fair value and may obtain up to five prices on assets with higher risk of limited observable information, such as non-agency residential mortgage-backed securities. The Company's primary independent pricing service provides prices based on observable trades and discounted cash flows that incorporate observable information such as yields for similar types of securities (a benchmark interest rate plus observable spreads) and weighted-average maturity for the same or similar "to-be-issued" securities. The Company compares the prices obtained from its primary independent pricing service to the prices obtained from the additional independent pricing services to determine if the price obtained from the primary independent pricing service is reasonable. The Company does not adjust the prices received from independent third-party pricing services unless such prices are inconsistent with the definition of fair value and result in a material difference in the recorded amounts. At December 31, 2014 and 2013, the Company did not adjust prices received from the primary independent third-party pricing service.

CRITICAL ACCOUNTING ESTIMATES

The consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the U.S. While the majority of the Company's revenues, expenses, assets and liabilities are not based on estimates, there are certain accounting principles that require management to make estimates regarding matters that are uncertain and susceptible to change where such change may result in a material adverse impact on the Company's financial position and reported financial results. These critical accounting estimates are described below. Management regularly reviews the estimates and assumptions used in the preparation of the Company's financial statements for reasonableness and adequacy.

Other-than-Temporary Impairment of Securities Available for Sale and Securities Held to Maturity

Management evaluates whether securities available for sale and securities held to maturity are other-than-temporarily impaired (OTTI) on a quarterly basis. Debt securities with unrealized losses are considered OTTI if the Company intends to sell the security or if it is more likely than not that the Company will be required to sell such security before any anticipated recovery. If management determines that a security is OTTI under these circumstances, the impairment recognized in earnings is measured as the entire difference between the amortized cost and the then-current fair value.

A security is also OTTI if management does not expect to recover the amortized cost of the security. In this circumstance, the impairment recognized in earnings represents estimated credit loss, and is measured by the difference between the present value of expected cash flows and the amortized cost of the security. Management utilizes cash flow models to estimate the expected future cash flow from the securities and to estimate the credit loss. Expected cash flows are discounted using the security's effective interest rate.

The evaluation of whether the Company expects to recover the amortized cost of a security is inherently judgmental. The evaluation includes the assessment of several bond performance indicators including: the portion of the underlying loans that are delinquent (30 days, 60 days, 90+ days), in bankruptcy, in foreclosure or converted to real estate owned; the actual amount of loss incurred on the underlying loans in which the property has been foreclosed and sold; the amount of credit support provided by the structure of the security available to absorb credit losses on the underlying loans; the current price and magnitude of the unrealized loss; and whether the Company has received all scheduled principal and interest payments. Management uses cash flow models to further assess the likelihood of other-than-temporary impairment for the Company's non-agency residential mortgage-backed securities. To develop the cash flow models, the Company uses forecasted loss severity, prepayment speeds (i.e. the rate at which the principal on underlying loans are paid down), and default rates over the securities' expected remaining maturities.

Valuation of Goodwill

The Company tests goodwill for impairment at least annually, or whenever indications of impairment exist. Impairment exists when the carrying amount of goodwill exceeds its implied fair value, resulting in an impairment charge for this excess. Adverse changes in the Company's planned business operations such as unanticipated competition, a loss of key personnel, the sale of a reporting unit or a significant portion of a reporting unit, or other unforeseen developments could result in an impairment of the Company's recorded goodwill.

The Company's annual goodwill impairment testing date is April 1st. In testing for a potential impairment of goodwill on April 1, 2014, management performed an assessment of each of the Company's reporting units (generally defined as the Company's businesses for which financial information is available and reviewed regularly by management) and concluded that goodwill was not impaired.

Allowance for Loan Losses

The appropriateness of the allowance is reviewed quarterly by management, taking into consideration current economic conditions, the existing loan portfolio composition, past loss experience, and risks inherent in the portfolio.

The methodology to establish an allowance for loan losses related to the First Mortgage and HELOC portfolio utilizes statistical models that estimate prepayments, defaults, and probable losses for the loan segments based on predicted behavior of individual loans within the segments. The methodology considers the effects of borrower behavior and a variety of factors including, but not limited to, interest rates, housing price movements as measured by a housing price index, economic conditions, estimated defaults and foreclosures measured by historical and expected delinquencies, changes in prepayment speeds, LTV ratios, past loss experience, estimates of future loss severities, borrower credit risk measured by FICO scores, and the adequacy of collateral. The methodology also evaluates concentrations in the loan segments including loan products, year of origination, and geographical distribution of collateral.

Probable losses are forecast using a loan-level simulation of the delinquency status of the loans over the term of the loans. The simulation starts with the current relevant risk indicators, including the current delinquent status of each loan, the estimated current LTV ratio of each loan, the term and structure of each loan, current key interest rates including U.S. Treasury and London Interbank Offered Rate (LIBOR) rates, and borrower FICO scores. The more significant variables in the simulation include delinquency roll rates, loss severity, housing prices, and interest rates. Delinquency roll rates (i.e., the rates at which loans transition through delinquency stages and ultimately result in a loss) are estimated from the Company's historical loss experience adjusted for current trends and market information. Further, the delinquency roll rates within the loan-level simulation discussed above are calibrated to match a moving average of the delinquency roll rates actually experienced in the respective First Mortgage and HELOC portfolios. Loss severity estimates are based on the Company's historical loss experience and market trends. The estimated loss severity (i.e. loss given default) used in the allowance for loan loss methodology for HELOCs is higher than that used in the methodology for First Mortgages. Housing price trends are derived from historical home price indices and econometric forecasts of future home values. Factors affecting the home price index include: housing inventory, unemployment, interest rates, and inflation expectations. Interest rate projections are based on the current term structure of interest rates and historical volatilities to project various possible future interest rate paths. As a result, the current state of house prices and the current state of delinquencies unique to the Company's First Mortgage and

HELOC portfolios are considered in the allowance for loan loss methodology. This methodology results in loss factors that are applied to the outstanding balances to determine the allowance for loan loss for each loan segment.

The allowance for personal loans secured by securities is established on a loan by loan basis. The market value of collateral pledged by borrowers is regularly reviewed to ensure the Company's commitment to extend credit is over-collateralized. If collateral is in danger of falling below specified levels, the Company may reduce a borrower's committed line or may liquidate collateral. At December 31, 2014 and 2013, the allowance for loan losses related to personal loans secured by securities was immaterial.

Legal and Regulatory Reserves

Reserves for legal and regulatory claims and proceedings reflect an estimate of probable losses for each matter, after considering, among other factors, the progress of the case, prior experience and the experience of others in similar cases, available defenses, insurance coverage and indemnification, and the opinions and views of legal counsel. In many cases, including most class action lawsuits, it is not possible to determine whether a loss will be incurred, or to estimate the range of that loss, until the matter is close to resolution, in which case no accrual is made until that time. Reserves are adjusted as more information becomes available or when an event occurs requiring a change. Significant judgment is required in making these estimates, and the actual cost of resolving a matter may ultimately differ materially from the amount reserved.

The Company's management has discussed the development and selection of these critical accounting estimates with the Audit Committee. Additionally, management has reviewed with the Audit Committee the Company's significant estimates discussed in this Management's Discussion and Analysis of Financial Condition and Results of Operations.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Market risk is the potential for changes in earnings or the value of financial instruments held by the Company as a result of fluctuations in interest rates, equity prices or market conditions.

The Company is exposed to interest rate risk primarily from changes in market interest rates on its interest-earning assets relative to changes in the costs of its funding sources that finance these assets. The majority of the Company's interest-earning assets and interest-bearing liabilities are sensitive to changes in short-term interest rates. To a lesser degree, the Company is sensitive to changes in long-term interest rates through some of its investment portfolios. To manage the Company's market risk related to interest rates, management utilizes simulation models, which include the net interest revenue sensitivity analysis described below.

Net interest revenue is affected by various factors, such as the distribution and composition of interest-earning assets and interest-bearing liabilities, the spread between yields earned on interest-earning assets and rates paid on interest-bearing liabilities, which may reprice at different times or by different amounts, and the spread between short and long-term interest rates. Interest-earning assets include residential real estate loans and mortgage-backed securities. These assets are sensitive to changes in interest rates and to changes to prepayment levels that tend to increase in a declining rate environment and decrease in a rising rate environment. Because the Company establishes the rates paid on certain brokerage client cash balances and deposits from banking clients and the rates charged on margin loans and loans to banking clients, and controls the composition of its investment securities, it has some ability to manage its net interest spread, depending on competitive factors and market conditions.

To mitigate the risk of loss, the Company has established policies and procedures which include setting guidelines on the amount of net interest revenue at risk, and monitoring the net interest margin and average maturity of its interest-earning assets and funding sources. To remain within these guidelines, the Company manages the maturity, repricing, and cash flow characteristics of the investment portfolios.

The Company is also subject to market risk as a result of fluctuations in option and equity prices. The Company's direct holdings of option and equity securities and its associated exposure to option and equity prices are not material. The Company is indirectly exposed to option, futures, and equity market fluctuations in connection with client option and futures accounts, securities collateralizing margin loans to brokerage customers, and customer securities loaned out as part of the Company's securities lending activities. Equity market valuations may also affect the level of brokerage client trading activity, margin borrowing, and overall client engagement with the Company. Additionally, the Company earns mutual fund service fees and asset management fees based upon daily balances of certain client assets. Fluctuations in these client asset balances caused by changes in equity valuations directly impact the amount of fee revenue earned by the Company.

Financial instruments held by the Company are also subject to liquidity risk – that is, the risk that valuations will be negatively affected by changes in demand and the underlying market for a financial instrument. Current conditions in the credit markets have significantly reduced market liquidity in a wide range of financial instruments, including the types of instruments held by the Company, and fair value can differ significantly from the value implied by the credit quality and actual performance of the instrument's underlying cash flows.

For discussion of the impact of current market conditions on asset management and administration fees and net interest revenue, see "Item 7 – Management's Discussion and Analysis of Financial Condition and Results of Operations – Current Market and Regulatory Environment and Other Developments."

The Company's market risk related to financial instruments held for trading is not material.

Net Interest Revenue Simulation

For the Company's net interest revenue sensitivity analysis, the Company uses net interest revenue simulation modeling techniques to evaluate and manage the effect of changing interest rates. The simulation includes all interest-sensitive assets and liabilities. Key variables in the simulation include the repricing of financial instruments, prepayment, reinvestment, and

product pricing assumptions. The Company uses constant balances and market rates in the simulation assumptions in order to minimize the number of variables and to better isolate risks. The simulations involve assumptions that are inherently uncertain and, as a result, cannot precisely estimate net interest revenue or predict the impact of changes in interest rates on net interest revenue. Actual results may differ from simulated results due to balance growth or decline and the timing, magnitude, and frequency of interest rate changes, as well as changes in market conditions and management strategies, including changes in asset and liability mix.

If the Company's guidelines for its net interest revenue sensitivity are breached, management must report the breach to the Company's Corporate Asset-Liability Management and Pricing Committee (Corporate ALCO) and establish a plan to address the interest rate risk. This plan could include, but is not limited to, rebalancing certain investment portfolios or using derivative instruments to mitigate the interest rate risk. Depending on the severity and expected duration of the breach, as well as the then current interest rate environment, the plan could also be to take no action. Any plan that recommends taking action is required to be approved by the Company's Corporate ALCO. There were no breaches of the Company's net interest revenue sensitivity guidelines during the years ended December 31, 2014 or 2013.

As represented by the simulations presented below, the Company's investment strategy is structured to produce an increase in net interest revenue when interest rates rise and, conversely, a decrease in net interest revenue when interest rates fall.

The simulations in the following table assume that the asset and liability structure of the consolidated balance sheet would not be changed as a result of the simulated changes in interest rates. As the Company actively manages its consolidated balance sheet and interest rate exposure, in all likelihood the Company would take steps to manage any additional interest rate exposure that could result from changes in the interest rate environment. The following table shows the results of a gradual 100 basis point increase or decrease in market interest rates relative to the Company's current market rates forecast on simulated net interest revenue over the next 12 months beginning December 31, 2014 and 2013.

December 31,	2014	2013
Increase of 100 basis points	11.8 %	11.0 %
Decrease of 100 basis points	(4.9)%	(4.5)%

The sensitivities shown in the simulation reflect the fact that short-term interest rates in 2014 remained at historically low levels, including the federal funds target rate, which was unchanged at a range of zero to 0.25%. The current low interest rate environment limits the extent to which the Company can reduce interest expense paid on funding sources. A decline in interest rates could negatively impact the yield on the Company's investment portfolio to a greater degree than any offsetting reduction in interest expense, further compressing net interest margin. Any increases in short-term interest rates result in a greater impact as yields on interest-earning assets are expected to rise faster than the cost of funding sources.

Item 8. Financial Statements and Supplementary Data

TABLE OF CONTENTS

Consolidated Statements of Income		51
Consolidated Statements of Comprehensive Income		52
Consolidated Balance Sheets		53
Consolidated Statements of Cash Flows		54
Consolidated Statements of Stockholders' Equity		55
Notes to Consolidated Financial Statements		56
Note 1.	Introduction and Basis of Presentation	56
Note 2.	Summary of Significant Accounting Policies	56
Note 3.	Receivables from Brokerage Clients	62
Note 4.	Other Securities Owned	63
Note 5.	Securities Available for Sale and Securities Held to Maturity	63
Note 6.	Loans to Banking Clients and Related Allowance for Loan Losses	66
Note 7.	Equipment, Office Facilities, and Property	70
Note 8.	Intangible Assets and Goodwill	70
Note 9.	Other Assets	71
Note 10.	Deposits from Banking Clients	71
Note 11.	Payables to Brokers, Dealers, and Clearing Organizations	71
Note 12.	Payables to Brokerage Clients	72
Note 13.	Borrowings	72
Note 14.	Commitments and Contingencies	73
Note 15.	Financial Instruments Subject to Off-Balance Sheet Credit Risk or Concentration Risk	75
Note 16.	Fair Values of Assets and Liabilities	77
Note 17.	Stockholders' Equity	81
Note 18.	Accumulated Other Comprehensive Income	82
Note 19.	Employee Incentive, Retirement, and Deferred Compensation Plans	83
Note 20.	Taxes on Income	85
Note 21.	Earnings Per Common Share	87
Note 22.	Regulatory Requirements	87
Note 23.	Segment Information	89
Note 24.	Business Acquisition	90
Note 25.	Subsequent Events	90
Note 26.	The Charles Schwab Corporation – Parent Company Only Financial Statements	90
Note 27.	Quarterly Financial Information (Unaudited)	93
Report of Independent Registered Public Accounting Firm		94
Management's Report on Internal Control Over Financial Reporting		95

Consolidated Statements of Income
(In Millions, Except Per Share Amounts)

Year Ended December 31,	2014	2013	2012
Net Revenues			
Asset management and administration fees	**$ 2,533**	$ 2,315	$ 2,043
Interest revenue	**2,374**	2,085	1,914
Interest expense	**(102)**	(105)	(150)
Net interest revenue	**2,272**	1,980	1,764
Trading revenue	**907**	913	868
Other — net	**343**	236	256
Provision for loan losses	**4**	1	(16)
Net impairment losses on securities [1]	**(1)**	(10)	(32)
Total net revenues	**6,058**	5,435	4,883
Expenses Excluding Interest			
Compensation and benefits	**2,184**	2,027	1,803
Professional services	**457**	415	388
Occupancy and equipment	**324**	309	311
Advertising and market development	**245**	257	241
Communications	**223**	220	220
Depreciation and amortization	**199**	202	196
Other	**311**	300	274
Total expenses excluding interest	**3,943**	3,730	3,433
Income before taxes on income	**2,115**	1,705	1,450
Taxes on income	**794**	634	522
Net Income	**1,321**	1,071	928
Preferred stock dividends	**60**	61	45
Net Income Available to Common Stockholders	**$ 1,261**	$ 1,010	$ 883
Weighted-Average Common Shares Outstanding — Diluted	**1,315**	1,293	1,275
Earnings Per Common Share — Basic	**$ .96**	$ .78	$ .69
Earnings Per Common Share — Diluted	**$ .95**	$ .78	$ .69
Dividends Declared Per Common Share	**$ .24**	$ .24	$ .24

[1] Net impairment losses on securities include total other-than-temporary impairment losses of $1 million, $2 million, and $15 million recognized in other comprehensive income, net of less than $1 million, $(8) million, and $(17) million reclassified from other comprehensive income in 2014, 2013, and 2012, respectively.

See Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income
(In Millions)

Year Ended December 31,	**2014**	2013	2012
Net income	**$ 1,321**	$ 1,071	$ 928
Other comprehensive income (loss), before tax:			
Change in net unrealized gain on securities available for sale:			
Net unrealized gain (loss)	**255**	(468)	470
Reclassification of impairment charges included in net impairment losses on securities	**1**	10	32
Other reclassifications included in other revenue	**(7)**	(7)	(38)
Other	**-**	1	1
Other comprehensive income (loss), before tax	**249**	(464)	465
Income tax effect	**(93)**	175	(175)
Other comprehensive income (loss), net of tax	**156**	(289)	290
Comprehensive Income	**$ 1,477**	$ 782	$ 1,218

See Notes to Consolidated Financial Statements.

Consolidated Balance Sheets
(In Millions, Except Per Share and Share Amounts)

December 31,	**2014**	2013
Assets		
Cash and cash equivalents	**$ 11,363**	$ 7,728
Cash and investments segregated and on deposit for regulatory purposes (including resale agreements of $10,186 and $14,016 at December 31, 2014 and 2013, respectively)	**20,781**	23,553
Receivables from brokers, dealers, and clearing organizations	**469**	509
Receivables from brokerage clients — net	**15,669**	13,951
Other securities owned — at fair value	**516**	517
Securities available for sale	**54,783**	51,618
Securities held to maturity (fair value — $34,743 and $29,490 at December 31, 2014 and 2013, respectively)	**34,389**	30,318
Loans to banking clients — net	**13,399**	12,419
Equipment, office facilities, and property — net	**1,039**	790
Goodwill	**1,227**	1,227
Intangible assets — net	**227**	266
Other assets	**780**	746
Total assets	**$ 154,642**	$ 143,642
Liabilities and Stockholders' Equity		
Deposits from banking clients	**$ 102,815**	$ 92,972
Payables to brokers, dealers, and clearing organizations	**2,004**	1,467
Payables to brokerage clients	**34,305**	35,333
Accrued expenses and other liabilities	**1,816**	1,586
Long-term debt	**1,899**	1,903
Total liabilities	**142,839**	133,261
Stockholders' equity:		
Preferred stock — $.01 par value per share; aggregate liquidation preference of $885	**872**	869
Common stock — 3 billion shares authorized; $.01 par value per share; 1,487,543,446 shares issued	**15**	15
Additional paid-in capital	**4,050**	3,951
Retained earnings	**10,198**	9,253
Treasury stock, at cost — 176,821,202 shares and 190,657,263 shares at December 31, 2014 and 2013, respectively	**(3,497)**	(3,716)
Accumulated other comprehensive income	**165**	9
Total stockholders' equity	**11,803**	10,381
Total liabilities and stockholders' equity	**$ 154,642**	$ 143,642

See Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows
(In Millions)

Year Ended December 31,	**2014**	2013	2012
Cash Flows from Operating Activities			
Net income	**$ 1,321**	$ 1,071	$ 928
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses	**(4)**	(1)	16
Net impairment losses on securities	**1**	10	32
Stock-based compensation	**115**	116	105
Depreciation and amortization	**199**	202	196
(Benefit) Provision for deferred income taxes	**(25)**	(21)	5
Premium amortization, net, on securities available for sale and securities held to maturity	**125**	162	222
Other	**(7)**	15	26
Originations of loans held for sale	**-**	-	(441)
Proceeds from sales of loans held for sale	**-**	-	513
Net change in:			
Cash and investments segregated and on deposit for regulatory purposes	**2,772**	4,916	(2,549)
Receivables from brokers, dealers, and clearing organizations	**44**	(175)	(104)
Receivables from brokerage clients	**(1,725)**	(496)	(2,391)
Other securities owned	**1**	119	(43)
Other assets	**(30)**	17	10
Payables to brokers, dealers, and clearing organizations	**393**	318	28
Payables to brokerage clients	**(1,028)**	(4,997)	4,950
Accrued expenses and other liabilities	**196**	400	(237)
Net cash provided by operating activities	**2,348**	1,656	1,266
Cash Flows from Investing Activities			
Purchases of securities available for sale	**(15,134)**	(22,942)	(29,035)
Proceeds from sales of securities available for sale	**6,556**	6,167	3,336
Principal payments on securities available for sale	**5,843**	10,772	13,867
Purchases of securities held to maturity	**(6,920)**	(16,061)	(8,678)
Principal payments on securities held to maturity	**2,687**	3,895	5,453
Net increase in loans to banking clients	**(1,016)**	(1,634)	(978)
Purchase of equipment, office facilities, and property	**(400)**	(249)	(148)
Cash paid in business acquisitions	**-**	-	(80)
Other investing activities	**(11)**	2	3
Net cash used for investing activities	**(8,395)**	(20,050)	(16,260)
Cash Flows from Financing Activities			
Net change in deposits from banking clients	**9,843**	13,595	18,523
Issuance of commercial paper	**-**	-	300
Repayment of commercial paper	**-**	(300)	-
Issuance of long-term debt	**-**	275	350
Repayment of long-term debt	**(6)**	(6)	(732)
Premium paid on debt exchange	**-**	-	(19)
Net proceeds from preferred stock offerings	**-**	-	863
Dividends paid	**(373)**	(368)	(337)
Proceeds from stock options exercised and other	**189**	258	35
Other financing activities	**29**	5	(5)
Net cash provided by financing activities	**9,682**	13,459	18,978
Increase (Decrease) in Cash and Cash Equivalents	**3,635**	(4,935)	3,984
Cash and Cash Equivalents at Beginning of Year	**7,728**	12,663	8,679
Cash and Cash Equivalents at End of Year	**$ 11,363**	$ 7,728	$ 12,663

Supplemental Cash Flow Information			
Cash paid during the year for:			
Interest	**$ 103**	$ 99	$ 143
Income taxes	**$ 778**	$ 624	$ 508
Non-cash investing activity:			
Securities purchased during the year but settled after year end	**$ 143**	$ 81	$ -
Non-cash financing activity:			
Exchange of Senior Notes	**$ -**	$ -	$ 256

See Notes to Consolidated Financial Statements.

Consolidated Statements of Stockholders' Equity

(In Millions)

	Preferred Stock	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Treasury Stock, at cost	Accumulated Other Comprehensive Income (Loss)	Total
Balance at December 31, 2011	$ -	1,488	$ 15	$ 3,826	$ 7,978	$ (4,113)	$ 8	$ 7,714
Net income	-	-	-	-	928	-	-	928
Other comprehensive income, net of tax	-	-	-	-	-	-	290	290
Issuance of preferred stock	863	-	-	-	-	-	-	863
Dividends declared on preferred stock	-	-	-	-	(43)	-	-	(43)
Dividends declared on common stock	-	-	-	-	(308)	-	-	(308)
Stock option exercises and other	-	-	-	(40)	-	76	-	36
Stock-based compensation and related tax effects	-	-	-	98	-	-	-	98
Other	2	-	-	(3)	(1)	13	-	11
Balance at December 31, 2012	865	1,488	15	3,881	8,554	(4,024)	298	9,589
Net income	-	-	-	-	1,071	-	-	1,071
Other comprehensive loss, net of tax	-	-	-	-	-	-	(289)	(289)
Dividends declared on preferred stock	-	-	-	-	(57)	-	-	(57)
Dividends declared on common stock	-	-	-	-	(311)	-	-	(311)
Stock option exercises and other	-	-	-	(54)	-	314	-	260
Stock-based compensation and related tax effects	-	-	-	119	-	-	-	119
Other	4	-	-	5	(4)	(6)	-	(1)
Balance at December 31, 2013	869	1,488	15	3,951	9,253	(3,716)	9	10,381
Net income	-	-	-	-	1,321	-	-	1,321
Other comprehensive income, net of tax	-	-	-	-	-	-	156	156
Dividends declared on preferred stock	-	-	-	-	(57)	-	-	(57)
Dividends declared on common stock	-	-	-	-	(316)	-	-	(316)
Stock option exercises and other	-	-	-	(53)	-	240	-	187
Stock-based compensation and related tax effects	-	-	-	139	-	-	-	139
Other	3	-	-	13	(3)	(21)	-	(8)
Balance at December 31, 2014	$ 872	1,488	$ 15	$ 4,050	$ 10,198	$ (3,497)	$ 165	$ 11,803

See Notes to Consolidated Financial Statements.

1. Introduction and Basis of Presentation

The Charles Schwab Corporation (CSC) is a savings and loan holding company engaged, through its subsidiaries, in wealth management, securities brokerage, banking, money management, and financial advisory services. Charles Schwab & Co., Inc. (Schwab) is a securities broker-dealer with over 325 domestic branch offices in 45 states, as well as a branch in each of the Commonwealth of Puerto Rico and London, England. In addition, Schwab serves clients in Hong Kong through one of CSC's subsidiaries. Other subsidiaries include Charles Schwab Bank (Schwab Bank), a federal savings bank, and Charles Schwab Investment Management, Inc. (CSIM), the investment advisor for Schwab's proprietary mutual funds, which are referred to as the Schwab Funds®, and for Schwab's exchange-traded funds, which are referred to as the Schwab ETFs™.

The accompanying consolidated financial statements include CSC and its majority-owned subsidiaries (collectively referred to as the Company). Intercompany balances and transactions have been eliminated. These consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States (U.S.), which require management to make certain estimates and assumptions that affect the reported amounts in the accompanying financial statements. Certain estimates relate to other-than-temporary impairment of securities available for sale and securities held to maturity, valuation of goodwill, allowance for loan losses, and legal and regulatory reserves. Actual results may differ from those estimates.

2. Summary of Significant Accounting Policies

Asset management and administration fees

Asset management and administration fees include mutual fund service fees and fees for other asset-based financial services provided to individual and institutional clients, and are recognized as revenue over the period that the related service is provided, based upon average asset balances. The Company's policy is to recognize revenue subject to refunds because management can estimate refunds based on Company specific experience. Actual refunds were not material as of December 31, 2014. The Company earns mutual fund service fees for shareholder services, administration, and investment management provided to its proprietary funds, and recordkeeping and shareholder services provided to third-party funds. These fees are based upon the daily balances of client assets invested in these funds. The Company also earns asset management fees from advisory offers that are based on the daily balances of client assets subject to the specific fee for service. The fair values of client assets included in proprietary and third-party mutual funds are based on quoted market prices and other observable market data. Other asset management and administration fees include various asset based fees, such as third-party mutual fund service fees, trust fees, 401(k) record keeping fees, and mutual fund clearing and other service fees.

In 2014, 2013, and 2012, the Company waived a portion of its asset management fees earned from certain Schwab-sponsored money market mutual funds in order to provide a positive return to clients. Under agreements with these funds, the Company may recover such fee waivers depending on the future performance of the funds and approval by the boards of the respective funds until the third anniversary of the end of the fiscal year in which such fee waiver occurs, subject to certain limitations. Recoveries of previously-waived asset management fees are recognized as revenue when substantially all uncertainties about timing and amount of realization are resolved.

Interest revenue

Interest revenue represents interest earned on cash and cash equivalents, cash and investments segregated, receivables from brokers, dealers, and clearing organizations, receivables from brokerage clients, other securities owned, securities available for sale, securities held to maturity, and loans to banking clients. Interest revenue is recognized in the period earned based upon average or daily asset balances and respective interest rates.

Trading revenue

Trading revenue includes commission and principal transaction revenues. Clients' securities transactions are recorded on the date that they settle, while the related commission revenues and expenses are recorded on the date that the trade occurs.

Principal transaction revenue is primarily comprised of revenue from trading activity in client fixed income securities, which is recorded on a trade date basis. To accommodate clients' fixed income trading activity, the Company maintains positions in fixed income securities, including state and municipal debt obligations, U.S. Government, corporate debt and other securities. The difference between the price at which the Company buys and sells securities to and from its clients and other broker-dealers is recognized as principal transaction revenue. Principal transaction revenue also includes adjustments to the fair value of these securities positions.

Cash and cash equivalents

The Company considers all highly liquid investments with original maturities of three months or less that are not segregated and on deposit for regulatory purposes to be cash equivalents. Cash and cash equivalents include money market funds, deposits with banks, certificates of deposit, commercial paper, and treasury securities. Cash and cash equivalents also include balances that Schwab Bank maintains at the Federal Reserve Bank.

Cash and investments segregated and on deposit for regulatory purposes

Cash and investments segregated and on deposit for regulatory purposes include securities purchased under agreements to resell (resale agreements), which are collateralized by U.S. Government and agency securities. Resale agreements are accounted for as collateralized investing transactions that are recorded at their contractual amounts plus accrued interest. The Company obtains control of collateral with a market value equal to or in excess of the principal amount loaned and accrued interest under resale agreements. Collateral is valued daily by the Company, with additional collateral obtained to ensure full collateralization. Cash and investments segregated also include certificates of deposit and U.S. Government securities. Certificates of deposit and U.S. Government securities are recorded at fair value. Pursuant to applicable regulations, client cash balances that are not used for margin lending are generally segregated into investment accounts that are maintained for the exclusive benefit of clients.

Receivables from brokerage clients

Receivables from brokerage clients include margin loans to clients and are recorded net of an allowance for doubtful accounts. Receivables from brokerage clients that remain unsecured or partially secured for more than 30 days are fully reserved.

Other securities owned

Other securities owned are recorded at fair value based on quoted market prices or other observable market data. Unrealized gains and losses are included in trading revenue.

Securities available for sale and securities held to maturity

Securities available for sale are recorded at fair value and unrealized gains and losses are reported, net of taxes, in accumulated other comprehensive income (loss) included in stockholders' equity. Securities held to maturity are recorded at amortized cost based on the Company's positive intent and ability to hold these securities to maturity. Realized gains and losses from sales of securities available for sale are determined on a specific identification basis and are included in other revenue – net.

Management evaluates whether securities available for sale and securities held to maturity are other-than-temporarily impaired (OTTI) on a quarterly basis. Debt securities with unrealized losses are considered OTTI if the Company intends to sell the security or if it is more likely than not that the Company will be required to sell such security before any anticipated recovery. If management determines that a security is OTTI under these circumstances, the impairment recognized in earnings is measured as the entire difference between the amortized cost and the then-current fair value.

A security is also OTTI if management does not expect to recover all of the amortized cost of the security. In this circumstance, the impairment recognized in earnings represents estimated credit loss, and is measured by the difference between the present value of expected cash flows and the amortized cost of the security. Management utilizes cash flow

models to estimate the expected future cash flow from the securities to estimate the credit loss. Expected cash flows are discounted using the security's effective interest rate.

The evaluation of whether the Company expects to recover the amortized cost of a security is inherently judgmental. The evaluation includes the assessment of several bond performance indicators including: the portion of the underlying loans that are delinquent (30 days, 60 days, 90+ days), in bankruptcy, in foreclosure or converted to real estate owned; the actual amount of loss incurred on the underlying loans in which the property has been foreclosed and sold; the amount of credit support provided by the structure of the security available to absorb credit losses on the underlying loans; the current price and magnitude of the unrealized loss; and whether the Company has received all scheduled principal and interest payments. Management uses cash flow models to further assess the likelihood of other-than-temporary impairment for the Company's non-agency residential mortgage-backed securities. To develop the cash flow models, the Company uses forecasted loss severity, prepayment speeds (i.e. the rate at which the principal on underlying loans are paid down), and default rates over the securities' expected remaining maturities.

Securities borrowed and securities loaned

Securities borrowed require the Company to deliver cash to the lender in exchange for securities and are included in receivables from brokers, dealers, and clearing organizations. For securities loaned, the Company receives collateral in the form of cash in an amount equal to or greater than the market value of securities loaned. Securities loaned are included in payables to brokers, dealers, and clearing organizations. The Company monitors the market value of securities borrowed and loaned, with additional collateral obtained or refunded to ensure full collateralization. Fees received or paid are recorded in interest revenue or interest expense.

Loans to banking clients and related allowance for loan losses

Loans to banking clients are recorded at their contractual principal amounts and include unamortized direct origination costs or net purchase premiums. Additionally, loans are recorded net of an allowance for loan losses. The Company's loan portfolio includes four loan segments: residential real estate mortgages, home equity loans and lines of credit (HELOC), personal loans secured by securities and other loans. Residential real estate mortgages include two loan classes: first mortgages and purchased first mortgages. Loan segments are defined as the level to which the Company disaggregates its loan portfolio when developing and documenting a methodology for determining the allowance for loan losses. A loan class is defined as a group of loans within a loan segment that has homogeneous risk characteristics.

The Company records an allowance for loan losses through a charge to earnings based on management's estimate of probable losses in the existing portfolio. Management reviews the allowance for loan losses quarterly, taking into consideration current economic conditions, the composition of the existing loan portfolio, past loss experience, and risks inherent in the portfolio to ensure that the allowance for loan losses is maintained at an appropriate level.

The methodology to establish an allowance for loan losses utilizes statistical models that estimate prepayments, defaults, and probable losses for the loan segments based on predicted behavior of individual loans within the segments. The methodology considers the effects of borrower behavior and a variety of factors including, but not limited to, interest rates, housing price movements as measured by a housing price index, economic conditions, estimated defaults and foreclosures measured by historical and expected delinquencies, changes in prepayment speeds, loan-to-value (LTV) ratios, past loss experience, estimates of future loss severities, borrower credit risk measured by Fair Isaac Corporation (FICO) scores, and the adequacy of collateral. The methodology also evaluates concentrations in the loan segments, including loan products, year of origination, and geographical distribution of collateral.

Probable losses are forecast using a loan-level simulation of the delinquency status of the loans over the term of the loans. The simulation starts with the current relevant risk indicators, including the current delinquent status of each loan, the estimated current LTV ratio of each loan, the term and structure of each loan, current key interest rates including U.S. Treasury and London Interbank Offered Rate (LIBOR) rates, and borrower FICO scores. The more significant variables in the simulation include delinquency roll rates, loss severity, housing prices, and interest rates. Delinquency roll rates (i.e., the rates at which loans transition through delinquency stages and ultimately result in a loss) are estimated from the Company's historical loss experience adjusted for current trends and market information. Further, the delinquency roll rates within the

loan-level simulation discussed above are calibrated to match a moving average of the delinquency roll rates actually experienced in the respective first lien residential real estate mortgage loan (First Mortgage) and HELOC portfolios. Loss severity estimates are based on the Company's historical loss experience and market trends. The estimated loss severity (i.e. loss given default) used in the allowance for loan loss methodology for HELOC loans is higher than that used in the methodology for First Mortgages. Housing price trends are derived from historical home price indices and econometric forecasts of future home values. Factors affecting the home price index include: housing inventory, unemployment, interest rates, and inflation expectations. Interest rate projections are based on the current term structure of interest rates and historical volatilities to project various possible future interest rate paths. As a result, the current state of house prices, including the decrease in general house prices experienced over the last several years, as well as the current state of delinquencies unique to the Company's First Mortgage and HELOC portfolios, are considered in the allowance for loan loss methodology.

This methodology results in loss factors that are applied to the outstanding balances to determine the allowance for loan loss for each loan segment.

The Company considers loan modifications in which it makes an economic concession to a borrower experiencing financial difficulty to be a troubled debt restructuring.

Nonaccrual loans

Residential real estate mortgages, HELOC, personal, and other loans are placed on nonaccrual status upon becoming 90 days past due as to interest or principal (unless the loans are well-secured and in the process of collection), or when the full timely collection of interest or principal becomes uncertain, including loans to borrowers who have filed for bankruptcy. For the portion of the HELOC portfolio for which the Company is able to track the delinquency status on the associated first lien loan, the Company places a HELOC on non-accrual status if the associated first mortgage is 90 days or more delinquent, regardless of the payment status of the HELOC. When a loan is placed on nonaccrual status, the accrued and unpaid interest receivable is reversed and the loan is accounted for on the cash or cost recovery method thereafter, until qualifying for return to accrual status. Generally, a nonaccrual loan may be returned to accrual status when all delinquent interest and principal is repaid and the borrower demonstrates a sustained period of performance, or when the loan is both well-secured and in the process of collection and collectability is no longer doubtful.

Loan Charge-Offs

The Company charges off a loan in the period that it is deemed uncollectible and records a reduction in the allowance for loan losses and the loan balance. The Company's charge-off policy for residential real estate first mortgages and HELOC loans is to assess the value of the property when the loan has been delinquent for 180 days or has been discharged in bankruptcy proceedings, regardless of whether or not the property is in foreclosure, and charge-off the amount of the loan balance in excess of the estimated current value of the underlying property less estimated costs to sell.

Equipment, office facilities, and property

Equipment, office facilities, and property are recorded at cost net of accumulated depreciation and amortization, except for land, which is recorded at cost. Equipment and office facilities are depreciated on a straight-line basis over an estimated useful life of five to ten years. Buildings are depreciated on a straight-line basis over 20 to 40 years. Leasehold improvements are amortized on a straight-line basis over the shorter of the estimated useful life of the asset or the term of the lease. Software and certain costs incurred for purchasing or developing software for internal use are amortized on a straight-line basis over an estimated useful life of three or five years. Equipment, office facilities, and property are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable.

Goodwill

Goodwill represents the fair value of acquired businesses in excess of the fair value of the individually identified net assets acquired. Goodwill is not amortized but is tested for impairment annually or whenever indications of impairment exist. The Company's annual impairment testing date is April 1st. The Company can elect to qualitatively assess goodwill for

impairment if it is more likely than not that the fair value of a reporting unit exceeds its carrying value. A qualitative assessment may consider macroeconomic and other industry-specific factors, such as trends in short-term and long-term interest rates and the ability to access capital, or Company specific factors such as market capitalization in excess of net assets, trends in revenue generating activities, and merger or acquisition activity.

If the Company elects to bypass qualitatively assessing goodwill, or it is not more likely than not that the fair value of a reporting unit exceeds its carrying value, management estimates the fair values of each of the Company's reporting units (defined as the Company's businesses for which financial information is available and reviewed regularly by management) and compares it to their carrying values. The estimated fair values of the reporting units are established using an income approach based on a discounted cash flow model that includes significant assumptions about the future operating results and cash flows of each reporting unit, a market approach which compares each reporting unit to comparable companies in their respective industries, and a market capitalization analysis. Based on the Company's analysis, fair value significantly exceeded the carrying value for all reporting units as of its annual testing date.

Intangible assets

Intangible assets are amortized over their useful lives in a manner that best reflects their economic benefit. Intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. The Company does not have any indefinite-lived intangible assets.

Guarantees and indemnifications

The Company recognizes, at the inception of a guarantee, a liability equal to the estimated fair value of the obligation undertaken in issuing the guarantee. The fair values of the obligations relating to standby letter of credit agreements (LOCs) are estimated based on fees charged to enter into similar agreements, considering the creditworthiness of the counterparties. The fair values of the obligations relating to other guarantees are estimated based on transactions for similar guarantees or expected present value measures.

Income taxes

The Company provides for income taxes on all transactions that have been recognized in the consolidated financial statements. Accordingly, deferred tax assets are adjusted to reflect the tax rates at which future taxable amounts will likely be settled or realized. The effects of tax rate changes on future deferred tax assets and deferred tax liabilities, as well as other changes in income tax laws, are recorded in earnings in the period during which such changes are enacted. The Company's unrecognized tax benefits, which are included in accrued expenses and other liabilities, represent the difference between positions taken on tax return filings and estimated potential tax settlement outcomes. Interest and penalties relating to unrecognized tax benefits are recorded in income tax expense.

Stock-based compensation

Stock-based compensation includes employee and board of director stock options, restricted stock units, and restricted stock awards. The Company measures compensation expense for these share-based payment arrangements based on their estimated fair values as of the awards' grant date. The fair value of the share-based award is recognized over the vesting period as stock-based compensation. Stock-based compensation expense is based on awards expected to vest and therefore is reduced for estimated forfeitures. Forfeitures are estimated at the time of grant based on the Company's historical forfeiture experience and revised in subsequent periods if actual forfeitures differ from those estimates. The excess tax benefits from the exercise of stock options and the vesting of restricted stock awards are recorded in additional paid-in capital.

Fair values of assets and liabilities

Fair value is defined as the price that would be received to sell an asset or the price paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurement accounting guidance describes the fair value hierarchy for disclosing assets and liabilities measured at fair value based on the inputs used to value them. The fair value hierarchy maximizes the use of observable inputs and minimizes the use of unobservable inputs. Observable inputs are based on market pricing data obtained from sources independent of the Company. A quoted price in an active market provides the most reliable evidence of fair value and is generally used to measure fair value whenever available. Unobservable inputs reflect management's judgment about the assumptions market participants would use in pricing the asset or liability. Where inputs used to measure fair value of an asset or liability are from different levels of the hierarchy, the asset or liability is categorized based on the lowest level input that is significant to the fair value measurement in its entirety. Assessing the significance of a particular input requires judgment. The fair value hierarchy includes three levels based on the objectivity of the inputs as follows:

- Level 1 inputs are quoted prices in active markets as of the measurement date for identical assets or liabilities that the Company has the ability to access.

- Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates, benchmark yields, issuer spreads, new issue data, and collateral performance.

- Level 3 inputs are unobservable inputs for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability.

Assets and liabilities recorded at fair value

The Company uses the market and income approaches to determine the fair value of assets and liabilities. When available, the Company uses quoted prices in active markets to measure the fair value of assets and liabilities. When utilizing market data and bid-ask spread, the Company uses the price within the bid-ask spread that best represents fair value. When quoted prices do not exist, the Company uses prices obtained from independent third-party pricing services to measure the fair value of investment assets. The Company generally obtains prices from at least three independent pricing sources for assets recorded at fair value and may obtain up to five prices on assets with higher risk of limited observable information, such as non-agency residential mortgage-backed securities. The Company's primary independent pricing service provides prices based on observable trades and discounted cash flows that incorporate observable information such as yields for similar types of securities (a benchmark interest rate plus observable spreads) and weighted-average maturity for the same or similar "to-be-issued" securities. The Company compares the prices obtained from its primary independent pricing service to the prices obtained from the additional independent pricing services to determine if the price obtained from the primary independent pricing service is reasonable. The Company does not adjust the prices received from independent third-party pricing services unless such prices are inconsistent with the definition of fair value and result in a material difference in the recorded amounts.

Financial instruments not recorded at fair value

Descriptions of the valuation methodologies and assumptions used to estimate the fair value of financial instruments not recorded at fair value are described below. The Company's financial instruments not recorded at fair value but for which fair value can be approximated and disclosed include:

- *Cash and cash equivalents* are short-term in nature and accordingly are recorded at amounts that approximate fair value.

- *Cash and investments segregated and on deposit for regulatory purposes* include cash and securities purchased under resale agreements. Securities purchased under resale agreements are short-term in nature and are backed by collateral that both exceeds the carrying value of the resale agreement and is highly liquid in nature. Accordingly, the carrying value approximates fair value.

- *Receivables from/payables to brokers, dealers, and clearing organizations* are recorded at contractual amounts and historically have been settled at those values and are short-term in nature, and therefore approximate fair value.

- *Receivables from/payables to brokerage clients — net* are recorded at contractual amounts and historically have been settled at those values and are short-term in nature, and therefore approximate fair value.

- *Securities held to maturity* – The fair values of securities held to maturity are obtained using an independent third-party pricing service similar to investment assets recorded at fair value as discussed above.

- *Loans to banking clients* – The fair values of the Company's loans to banking clients are estimated based on prices of mortgage-backed securities collateralized by similar types of loans.

- *Financial instruments included in other assets* primarily consist of cost method investments and Federal Home Loan Bank (FHLB) stock, whose carrying values approximate their fair values. FHLB stock is recorded at par, which approximates fair value.

- *Deposits from banking clients* have no stated maturity and are recorded at the amount payable on demand as of the balance sheet date. The Company considers the carrying value of these deposits to approximate their fair values.

- *Financial instruments included in accrued expenses and other liabilities* consist of commercial paper, drafts payable and certain amounts due under contractual obligations which are short-term in nature and accordingly are recorded at amounts that approximate fair value.

- *Long-term debt* – Except for the finance lease obligation, the fair values of long-term debt are estimated using indicative, non-binding quotes from independent brokers. The Company validates indicative prices for its debt through comparison to other independent non-binding quotes. The finance lease obligation is recorded at carrying value, which approximates fair value.

- *Firm commitments to extend credit* – The Company extends credit to banking clients through HELOC and personal loans secured by securities. The Company considers the fair value of these unused commitments to be not material because the interest rates earned on these balances are based on floating interest rates that reset monthly. The Company does not charge a fee to maintain a HELOC or personal loan.

New Accounting Standards Not Yet Adopted

In January 2014, the Financial Accounting Standards Board (FASB) issued new guidance for creditors of consumer mortgage loans, which is effective January 1, 2015. The guidance clarifies when physical possession of a property underlying a consumer mortgage loan transfers to the creditor, and therefore when a loan receivable should be derecognized and the real estate property underlying the loan should be recognized. The adoption of this new guidance is not expected to have a material impact on the Company's financial statements or earnings per common share (EPS).

In May 2014, the FASB issued new guidance on revenue recognition, which is effective January 1, 2017. The guidance clarifies that revenue from contracts with customers should be recognized in a manner that depicts the timing of the transfer of goods or performance of services at an amount that reflects the expected consideration. The Company is currently evaluating the impact of this new guidance on its financial statements and EPS.

3. Receivables from Brokerage Clients

Receivables from brokerage clients consist primarily of margin loans to brokerage clients of $14.3 billion and $12.8 billion at December 31, 2014 and 2013, respectively. Securities owned by brokerage clients are held as collateral for margin loans. Such collateral is not reflected in the consolidated financial statements. The average yield earned on margin loans was 3.50% and 3.68% in 2014 and 2013, respectively.

4. Other Securities Owned

A summary of other securities owned is as follows:

December 31,	2014	2013
Schwab Funds® money market funds	$ 224	$ 261
Equity and bond mutual funds	215	208
State and municipal debt obligations	51	32
Equity, U.S. Government and corporate debt, and other securities	26	16
Total other securities owned	$ 516	$ 517

The Company's positions in Schwab Funds® money market funds arise from certain overnight funding of clients' redemption, check-writing, and debit card activities. Equity and bond mutual funds include mutual fund investments held at CSC, investments made by the Company relating to its deferred compensation plan, and inventory maintained to facilitate certain Schwab Funds and third-party mutual fund clients' transactions. State and municipal debt obligations, equity, U.S. Government and corporate debt, and other securities include securities held to meet clients' trading activities.

5. Securities Available for Sale and Securities Held to Maturity

The amortized cost, gross unrealized gains and losses, and fair value of securities available for sale and securities held to maturity are as follows:

December 31, 2014	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities available for sale:				
Asset-backed securities	$ 19,320	$ 64	$ 18	$ 19,366
U.S. agency mortgage-backed securities	18,487	242	12	18,717
Corporate debt securities	8,023	30	8	8,045
U.S. agency notes	3,839	-	44	3,795
Treasury securities	2,993	2	1	2,994
Certificates of deposit	1,533	1	-	1,534
Non-agency commercial mortgage-backed securities	310	7	-	317
Other securities	15	-	-	15
Total securities available for sale	$ 54,520	$ 346	$ 83	$ 54,783
Securities held to maturity:				
U.S. agency mortgage-backed securities	$ 33,388	$ 531	$ 174	$ 33,745
Non-agency commercial mortgage-backed securities	1,001	11	14	998
Total securities held to maturity	$ 34,389	$ 542	$ 188	$ 34,743

December 31, 2013	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities available for sale:				
U.S. agency mortgage-backed securities	$ 18,554	$ 140	$ 49	$ 18,645
Asset-backed securities	15,201	42	37	15,206
Corporate debt securities	8,973	49	15	9,007
U.S. agency notes	4,239	1	104	4,136
Certificates of deposit	3,650	4	2	3,652
Non-agency residential mortgage-backed securities	616	11	34	593
Non-agency commercial mortgage-backed securities	271	8	-	279
Other securities	100	-	-	100
Total securities available for sale	$ 51,604	$ 255	$ 241	$ 51,618
Securities held to maturity:				
U.S. agency mortgage-backed securities	$ 29,260	$ 161	$ 921	$ 28,500
Non-agency commercial mortgage-backed securities	958	-	68	890
Other securities	100	-	-	100
Total securities held to maturity	$ 30,318	$ 161	$ 989	$ 29,490

Schwab Bank pledges securities issued by federal agencies to secure certain trust deposits. The fair value of these pledged securities was $132 million at December 31, 2014.

A summary of securities with unrealized losses, aggregated by category and period of continuous unrealized loss, is as follows:

	Less than 12 months		12 months or longer		Total	
December 31, 2014	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Securities available for sale:						
Asset-backed securities	$ 5,754	$ 15	$ 792	$ 3	$ 6,546	$ 18
U.S agency mortgage-backed securities	2,247	5	1,767	7	4,014	12
Corporate debt securities	1,781	4	552	4	2,333	8
U.S. agency notes	-	-	3,696	44	3,696	44
Treasury securities	1,246	1	-	-	1,246	1
Total	$ 11,028	$ 25	$ 6,807	$ 58	$ 17,835	$ 83
Securities held to maturity:						
U.S. agency mortgage-backed securities	$ 264	$ 1	$ 10,415	$ 173	$ 10,679	$ 174
Non-agency commercial mortgage-backed securities	-	-	660	14	660	14
Total	$ 264	$ 1	$ 11,075	$ 187	$ 11,339	$ 188
Total securities with unrealized losses [1]	$ 11,292	$ 26	$ 17,882	$ 245	$ 29,174	$ 271

(1) The number of investment positions with unrealized losses totaled 173 for securities available for sale and 111 for securities held to maturity.

	Less than 12 months		12 months or longer		Total	
December 31, 2013	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Securities available for sale:						
U.S agency mortgage-backed securities	$ 5,044	$ 47	$ 93	$ 2	$ 5,137	$ 49
Asset-backed securities	6,391	33	591	4	6,982	37
Corporate debt securities	1,802	14	499	1	2,301	15
U.S. agency notes	3,636	104	-	-	3,636	104
Certificates of deposit	-	-	299	2	299	2
Non-agency residential mortgage-backed securities	89	2	374	32	463	34
Total	$ 16,962	$ 200	$ 1,856	$ 41	$ 18,818	$ 241
Securities held to maturity:						
U.S. agency mortgage-backed securities	$ 19,175	$ 698	$ 2,345	$ 223	$ 21,520	$ 921
Non-agency commercial mortgage-backed securities	630	43	260	25	890	68
Total	$ 19,805	$ 741	$ 2,605	$ 248	$ 22,410	$ 989
Total securities with unrealized losses [(1)]	$ 36,767	$ 941	$ 4,461	$ 289	$ 41,228	$ 1,230

(1) The number of investment positions with unrealized losses totaled 273 for securities available for sale and 193 for securities held to maturity.

Management evaluates whether securities available for sale and securities held to maturity are OTTI on a quarterly basis as described in note “2 – Summary of Significant Accounting Policies.”

Non-agency residential mortgage-backed securities include securities collateralized by loans that are considered to be “Prime” (defined as loans to borrowers with a Fair Isaac Corporation (FICO) credit score of 620 or higher at origination), and “Alt-A” (defined as Prime loans with reduced documentation at origination). Management determined that it does not expect to recover all of the amortized cost of certain of its Alt-A and Prime residential mortgage-backed securities and therefore determined that these securities were OTTI. The Company recognized an impairment charge equal to the securities’ expected credit losses of $1 million in 2014, based on the Company’s cash flow projections for these securities. The expected credit losses are measured as the difference between the present value of expected cash flows and the amortized cost of the securities. In the fourth quarter of 2014, the Company sold $504 million of its non-agency residential mortgage-backed securities portfolio, resulting in a net realized loss of $8 million. The Company marked the remaining $15 million of these securities to market and recorded a $0.6 million OTTI charge in the fourth quarter.

The following table is a rollforward of the amount of credit losses recognized in earnings for OTTI securities held by the Company during the period for which a portion of the impairment was reclassified from or recognized in other comprehensive income (loss):

Year Ended December 31,	2014	2013	2012
Balance at beginning of year	$ 169	$ 159	$ 127
Credit losses recognized into current year earnings on debt securities for which an other-than-temporary impairment was not previously recognized	1	1	6
Credit losses recognized into current year earnings on debt securities for which an other-than-temporary impairment was previously recognized	-	9	26
Reductions due to sale of debt securities for which an other-than-temporary impairment was previously recognized	(168)	-	-
Balance at end of year	$ 2	$ 169	$ 159

The maturities of securities available for sale and securities held to maturity at December 31, 2014, are as follows:

	Within 1 year	After 1 year through 5 years	After 5 years through 10 years	After 10 years	Total
Securities available for sale:					
Asset-backed securities	$ -	$ 2,946	$ 5,062	$ 11,358	$ 19,366
U.S. agency mortgage-backed securities [(1)]	-	1,281	5,196	12,240	18,717
Corporate debt securities	999	7,046	-	-	8,045
U.S. agency notes	-	3,795	-	-	3,795
Treasury securities	-	2,994	-	-	2,994
Certificates of deposit	624	910	-	-	1,534
Non-agency commercial mortgage-backed securities [(1)]	-	-	-	317	317
Other securities	-	-	-	15	15
Total fair value	$ 1,623	$ 18,972	$ 10,258	$ 23,930	$ 54,783
Total amortized cost	$ 1,621	$ 18,981	$ 10,168	$ 23,750	$ 54,520
Securities held to maturity:					
U.S. agency mortgage-backed securities [(1)]	$ -	$ 857	$ 15,618	$ 17,270	$ 33,745
Non-agency commercial mortgage-backed securities [(1)]	-	-	359	639	998
Total fair value	$ -	$ 857	$ 15,977	$ 17,909	$ 34,743
Total amortized cost	$ -	$ 853	$ 15,789	$ 17,747	$ 34,389

(1) Mortgage-backed securities have been allocated to maturity groupings based on final contractual maturities. Actual maturities will differ from final contractual maturities because borrowers on a certain portion of loans underlying these securities have the right to prepay their obligations.

Proceeds and gross realized gains and losses from sales of securities available for sale are as follows:

Year Ended December 31,	2014	2013	2012
Proceeds	$ 6,556	$ 6,167	$ 3,336
Gross realized gains	$ 30	$ 7	$ 35
Gross realized losses	$ 23	$ -	$ -

6. Loans to Banking Clients and Related Allowance for Loan Losses

The composition of loans to banking clients by loan segment is as follows:

December 31,	2014	2013
Residential real estate mortgages	$ 8,127	$ 8,006
Home equity loans and lines of credit	2,955	3,041
Personal loans secured by securities	2,320	1,384
Other	39	36
Total loans to banking clients [(1)]	13,441	12,467
Allowance for loan losses	(42)	(48)
Total loans to banking clients – net	$ 13,399	$ 12,419

(1) Loans are evaluated for impairment by loan segment.

The Company has commitments to extend credit related to unused HELOCs, personal loans secured by securities, and other lines of credit, which totaled $6.7 billion and $5.7 billion at December 31, 2014 and 2013, respectively. All personal loans were fully collateralized by securities with fair values in excess of borrowings at December 31, 2014 and 2013.

Schwab Bank provides a co-branded loan origination program for Schwab Bank clients (the Program) with Quicken Loans, Inc. (Quicken Loans®). Pursuant to the Program, Quicken Loans originates and services First Mortgages and HELOCs for Schwab Bank clients. Under the Program, Schwab Bank purchases certain First Mortgages and HELOCs that are originated by Quicken Loans. Schwab Bank purchased First Mortgages of $1.4 billion and $3.5 billion during 2014 and 2013, respectively. Schwab Bank purchased HELOCs with commitments of $664 million and $917 million during 2014 and 2013, respectively.

Credit Quality

Changes in the allowance for loan losses were as follows:

Year Ended	December 31, 2014			December 31, 2013			December 31, 2012		
	Residential real estate mortgages	Home equity loans and lines of credit	Total	Residential real estate mortgages	Home equity loans and lines of credit	Total	Residential real estate mortgages	Home equity loans and lines of credit	Total
Balance at beginning of year	$ 34	$ 14	$ 48	$ 36	$ 20	$ 56	$ 40	$ 14	$ 54
Charge-offs	(3)	(2)	(5)	(5)	(6)	(11)	(7)	(9)	(16)
Recoveries	2	1	3	2	2	4	2	-	2
Provision for loan losses	(4)	-	(4)	1	(2)	(1)	1	15	16
Balance at end of year	$ 29	$ 13	$ 42	$ 34	$ 14	$ 48	$ 36	$ 20	$ 56

The delinquency analysis by loan class is as follows:

December 31, 2014	Current	30-59 days past due	60-89 days past due	>90 days past due and other nonaccrual loans	Total past due and other nonaccrual loans	Total loans
Residential real estate mortgages	$ 8,092	$ 9	$ 2	$ 24	$ 35	$ 8,127
Home equity loans and lines of credit	2,942	1	1	11	13	2,955
Personal loans secured by securities	2,320	-	-	-	-	2,320
Other	38	1	-	-	1	39
Total loans to banking clients	$ 13,392	$ 11	$ 3	$ 35	$ 49	$ 13,441
December 31, 2013						
Residential real estate mortgages	$ 7,962	$ 4	$ 4	$ 36	$ 44	$ 8,006
Home equity loans and lines of credit	3,025	2	2	12	16	3,041
Personal loans secured by securities	1,384	-	-	-	-	1,384
Other	36	-	-	-	-	36
Total loans to banking clients	$ 12,407	$ 6	$ 6	$ 48	$ 60	$ 12,467

There were no loans accruing interest that were contractually 90 days or more past due at December 31, 2014 or 2013. Nonperforming assets, which include nonaccrual loans and other real estate owned, totaled $44 million and $53 million at December 31, 2014 and 2013, respectively. Troubled debt restructurings were not material at December 31, 2014 or 2013, respectively.

In addition to monitoring delinquency, the Company monitors the credit quality of residential real estate mortgages and HELOCs by stratifying the portfolios by the year of origination, borrower FICO scores at origination (Origination FICO), updated borrower FICO scores (Updated FICO), LTV ratios at origination (Origination LTV), and estimated current LTV ratios (Estimated Current LTV), as presented in the following tables. Borrowers' FICO scores are provided by an independent third party credit reporting service and were last updated in December 2014. The Origination LTV and Estimated Current LTV ratios for a HELOC include any first lien mortgage outstanding on the same property at the time of the HELOC's origination. The Estimated Current LTV for each loan is estimated by reference to a home price appreciation index.

December 31, 2014	Balance	Weighted Average Updated FICO	Utilization Rate (1)	Percent of Loans that are on Nonaccrual Status
Residential real estate mortgages:				
Estimated Current LTV				
≤70%	$ 7,131	774	N/A	0.04 %
>70% – ≤90%	882	765	N/A	0.50 %
>90% – ≤100%	61	740	N/A	2.95 %
>100%	53	726	N/A	10.95 %
Total	$ 8,127	773	N/A	0.18 %
Home equity loans and lines of credit:				
Estimated Current Combined LTV				
≤70%	$ 2,282	773	36 %	0.08 %
>70% – ≤90%	526	762	48 %	0.34 %
>90% – ≤100%	81	749	61 %	1.67 %
>100%	66	742	63 %	1.54 %
Total	$ 2,955	769	39 %	0.20 %

(1) The Utilization Rate is calculated using the outstanding HELOC balance divided by the associated total line of credit.
N/A Not applicable.

December 31, 2014	Residential real estate mortgages	Home equity loans and lines of credit
Year of origination		
Pre-2010	$ 749	$ 2,076
2010	370	168
2011	588	137
2012	2,107	147
2013	3,047	250
2014	1,266	177
Total	$ 8,127	$ 2,955
Origination FICO		
<620	$ 10	$ -
620 – 679	97	18
680 – 739	1,366	549
≥740	6,654	2,388
Total	$ 8,127	$ 2,955
Origination LTV		
≤70%	$ 5,572	$ 1,979
>70% – ≤90%	2,538	955
>90% – ≤100%	17	21
Total	$ 8,127	$ 2,955

December 31, 2013	Balance	Weighted Average Updated FICO	Utilization Rate [1]	Percent of Loans that are on Nonaccrual Status
Residential real estate mortgages:				
Estimated Current LTV				
≤70%	$ 6,649	775	N/A	0.05 %
>70% – ≤90%	1,181	763	N/A	0.34 %
>90% – ≤100%	86	732	N/A	4.77 %
>100%	90	730	N/A	10.50 %
Total	$ 8,006	772	N/A	0.26 %
Home equity loans and lines of credit:				
Estimated Current Combined LTV				
≤70%	$ 2,127	773	36 %	0.13 %
>70% – ≤90%	664	762	48 %	0.22 %
>90% – ≤100%	127	752	59 %	1.22 %
>100%	123	743	63 %	1.34 %
Total	$ 3,041	769	39 %	0.24 %

[1] The Utilization Rate is calculated using the outstanding HELOC balance divided by the associated total line of credit.
N/A Not applicable.

December 31, 2013	Residential real estate mortgages	Home equity loans and lines of credit
Year of origination		
Pre-2010	$ 914	$ 2,304
2010	510	191
2011	771	155
2012	2,429	162
2013	3,382	229
Total	$ 8,006	$ 3,041
Origination FICO		
<620	$ 11	$ -
620 – 679	110	20
680 – 739	1,384	576
≥740	6,501	2,445
Total	$ 8,006	$ 3,041
Origination LTV		
≤70%	$ 5,416	$ 2,040
>70% – ≤90%	2,568	977
>90% – ≤100%	22	24
Total	$ 8,006	$ 3,041

7. Equipment, Office Facilities, and Property

Equipment, office facilities, and property are detailed below:

December 31,	2014	2013
Software	$ 1,281	$ 1,177
Buildings	673	460
Leasehold improvements	310	300
Information technology equipment	257	245
Furniture and equipment	154	131
Telecommunications equipment	83	102
Construction in progress	64	95
Land	107	70
Total equipment, office facilities, and property	2,929	2,580
Accumulated depreciation and amortization	(1,890)	(1,790)
Total equipment, office facilities, and property – net	$ 1,039	$ 790

Depreciation and amortization expense for equipment, office facilities, and property was $155 million, $154 million, $149 million in 2014, 2013, and 2012, respectively.

8. Intangible Assets and Goodwill

The gross carrying value of intangible assets and accumulated amortization was:

	December 31, 2014			December 31, 2013		
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Customer relationships	$ 274	$ 116	$ 158	$ 274	$ 84	$ 190
Technology	89	37	52	89	27	62
Trade name	17	6	11	17	4	13
Other	7	1	6	2	1	1
Total intangible assets	$ 387	$ 160	$ 227	$ 382	$ 116	$ 266

Amortization expense for intangible assets was $44 million, $48 million, and $47 million in 2014, 2013, and 2012, respectively.

Estimated future annual amortization expense for intangible assets as of December 31, 2014, is as follows:

2015	$ 45
2016	37
2017	34
2018	31
2019	29
Thereafter	51
Total intangible assets	$ 227

Goodwill impairment charges since January 1, 2002 are immaterial. The changes in the carrying amount of goodwill, as allocated to the Company's reportable segments for purposes of testing goodwill for impairment going forward, are presented in the following table:

	Investor Services	Advisor Services	Total
Balance at December 31, 2012	$ 1,128	$ 100	$ 1,228
Goodwill acquired and other changes during the period	(1)	-	(1)
Balance at December 31, 2013	1,127	100	1,227
Goodwill acquired and other changes during the period	-	-	-
Balance at December 31, 2014	$ 1,127	$ 100	$ 1,227

In testing for potential impairment of goodwill on April 1, 2014, management performed an assessment of each of the Company's reporting units. As a result of this assessment, management concluded that goodwill was not impaired. The Company did not recognize any goodwill impairment in 2013 or 2012.

9. Other Assets

The components of other assets are as follows:

December 31,	2014	2013
Accounts receivable [(1)]	$ 359	$ 328
Interest and dividends receivable	180	171
Prepaid expenses	110	85
Other investments	72	59
Deferred tax asset – net	-	28
Other	59	75
Total other assets	$ 780	$ 746

(1) Accounts receivable includes accrued service fee income and a receivable from the Company's loan servicer.

10. Deposits from Banking Clients

Deposits from banking clients consist of interest-bearing and non-interest-bearing deposits as follows:

December 31,	2014	2013
Interest-bearing deposits:		
Deposits swept from brokerage accounts	$ 82,101	$ 72,166
Checking	12,318	12,053
Savings and other	7,832	8,232
Total interest-bearing deposits	102,251	92,451
Non-interest-bearing deposits	564	521
Total deposits from banking clients	$ 102,815	$ 92,972

11. Payables to Brokers, Dealers, and Clearing Organizations

Payables to brokers, dealers, and clearing organizations include securities loaned of $1.5 billion and $1.2 billion at December 31, 2014 and 2013, respectively. The cash collateral received from counterparties under securities lending transactions was equal to or greater than the market value of the securities loaned at December 31, 2014 and 2013.

12. Payables to Brokerage Clients

The principal source of funding for Schwab's margin lending is cash balances in brokerage client accounts, which are included in payables to brokerage clients. Cash balances in interest-bearing brokerage client accounts were $27.6 billion and $28.8 billion at December 31, 2014 and 2013, respectively. The average rate paid on cash balances in interest-bearing brokerage client accounts was 0.01% in 2014 and 2013.

13. Borrowings

Long-term debt including unamortized debt discounts and premiums, where applicable, consists of the following:

December 31,	2014	2013
Senior Notes	$ 1,567	$ 1,565
Senior Medium-Term Notes, Series A	249	249
Finance lease obligation	83	89
Total long-term debt	$ 1,899	$ 1,903

CSC has a universal automatic shelf registration statement (Shelf Registration Statement) on file with the Securities and Exchange Commission (the SEC), which enables CSC to issue debt, equity, and other securities.

The Senior Notes outstanding at December 31, 2014, have maturities ranging from 2015 to 2022 and fixed interest rates ranging from 0.850% to 4.45% with interest payable semi-annually.

On July 25, 2013, CSC issued $275 million of Senior Notes that mature in 2018 under its Shelf Registration Statement. The Senior Notes have a fixed interest rate of 2.20% with interest payable semi-annually.

The Senior Medium-Term Notes, Series A (Medium-Term Notes) outstanding at December 31, 2014, mature in 2017 and have a fixed interest rate of 6.375% with interest payable semi-annually.

Schwab has a finance lease obligation related to an office building and land under a 20-year lease. The remaining finance lease obligation of $83 million at December 31, 2014, is being reduced by a portion of the lease payments over the remaining lease term of 10 years.

Annual maturities on long-term debt outstanding at December 31, 2014, are as follows:

2015	$ 357
2016	7
2017	258
2018	283
2019	8
Thereafter	1,001
Total maturities	1,914
Unamortized discount, net	(15)
Total long-term debt	$ 1,899

CSC has authorization from its Board of Directors to issue unsecured commercial paper notes (Commercial Paper Notes) not to exceed $1.5 billion. Management has set a current limit for the commercial paper program of $800 million. The maturities of the Commercial Paper Notes may vary, but are not to exceed 270 days from the date of issue. The commercial paper is not redeemable prior to maturity and cannot be voluntarily prepaid. The proceeds of the commercial paper program are to be used for general corporate purposes. There were no borrowings of Commercial Paper Notes outstanding at December 31, 2014 or 2013.

CSC maintains an $800 million committed, unsecured credit facility with a group of 12 banks, which is scheduled to expire in June 2015. This facility replaced a similar facility that expired in June 2014. The funds under this facility are available for general corporate purposes. The financial covenants under this facility require Schwab to maintain a minimum net capital ratio, as defined, Schwab Bank to be well capitalized, as defined, and CSC to maintain a minimum level of stockholders' equity, excluding accumulated other comprehensive income. At December 31, 2014, the minimum level of stockholders' equity required under this facility was $7.8 billion (CSC's stockholders' equity, excluding accumulated other comprehensive income, at December 31, 2014, was $11.6 billion). There were no borrowings outstanding under these facilities at December 31, 2014 or 2013.

To manage short-term liquidity, Schwab maintains uncommitted, unsecured bank credit lines with a group of banks. There were no borrowings outstanding under these lines at December 31, 2014 or 2013.

To partially satisfy the margin requirement of client option transactions with the Options Clearing Corporation, Schwab has unsecured standby LOCs with five banks in favor of the Options Clearing Corporation aggregating $225 million at December 31, 2014. There were no funds drawn under any of these LOCs at December 31, 2014 or 2013. In connection with its securities lending activities, Schwab is required to provide collateral to certain brokerage clients. Schwab satisfies the collateral requirements by providing cash as collateral.

To partially satisfy the margin requirement of client option transactions with the Options Clearing Corporation, optionsXpress, Inc. has an unsecured standby LOC with one bank in favor of the Options Clearing Corporation in the amount of $15 million at December 31, 2014. There were no funds drawn under this LOC during 2014.

14. Commitments and Contingencies

Operating leases: The Company has non-cancelable operating leases for office space and equipment. Future annual minimum rental commitments under these leases, net of contractual subleases, at December 31, 2014, are as follows:

	Operating Leases	Subleases	Net
2015	$ 120	$ 35	$ 85
2016	109	34	75
2017	93	28	65
2018	55	6	49
2019	39	2	37
Thereafter	120	6	114
Total	$ 536	$ 111	$ 425

Certain leases contain provisions for renewal options, purchase options, and rent escalations based on increases in certain costs incurred by the lessor. Rent expense was $214 million, $208 million, and $203 million in 2014, 2013, and 2012, respectively.

Purchase obligations: The Company has purchase obligations for services such as advertising and marketing, telecommunications, professional services, and hardware- and software-related agreements. At December 31, 2014, the Company has purchase obligations as follows:

2015	$ 165
2016	143
2017	67
2018	19
2019	18
Thereafter	230
Total	$ 642

Guarantees and indemnifications: In the normal course of business, the Company provides certain indemnifications (i.e., protection against damage or loss) to counterparties in connection with the disposition of certain of its assets. Such indemnifications are generally standard contractual terms with various expiration dates and typically relate to title to the assets transferred, ownership of intellectual property rights (e.g., patents), accuracy of financial statements, compliance with laws and regulations, failure to pay, satisfy or discharge any liability, or to defend claims, as well as errors, omissions, and misrepresentations. The maximum potential future liability under these indemnifications cannot be estimated. The Company has not recorded a liability for these indemnifications and believes that the occurrence of events that would trigger payments under these agreements is remote.

The Company has clients that sell (i.e., write) listed option contracts that are cleared by the Options Clearing Corporation – a clearing house that establishes margin requirements on these transactions. The Company partially satisfies the margin requirements by arranging unsecured standby LOCs, in favor of the Options Clearing Corporation, which are issued by multiple banks. At December 31, 2014, the aggregate face amount of these LOCs totaled $240 million. There were no funds drawn under any of these LOCs at December 31, 2014. In connection with its securities lending activities, the Company is required to provide collateral to certain brokerage clients. The Company satisfies the collateral requirements by providing cash as collateral.

The Company also provides guarantees to securities clearing houses and exchanges under standard membership agreements, which require members to guarantee the performance of other members. Under the agreements, if another member becomes unable to satisfy its obligations to the clearing houses and exchanges, other members would be required to meet shortfalls. The Company's liability under these arrangements is not quantifiable and may exceed the cash and securities it has posted as collateral. However, the potential requirement for the Company to make payments under these arrangements is remote. Accordingly, no liability has been recognized for these guarantees.

Legal contingencies: The Company is subject to claims and lawsuits in the ordinary course of business, including arbitrations, class actions and other litigation, some of which include claims for substantial or unspecified damages. The Company is also the subject of inquiries, investigations, and proceedings by regulatory and other governmental agencies.

The Company believes it has strong defenses in all significant matters currently pending and is contesting liability and any damages claimed. Nevertheless, some of these matters may result in adverse judgments or awards, including penalties, injunctions or other relief, and the Company may also determine to settle a matter because of the uncertainty and risks of litigation. Described below are certain matters in which there is a reasonable possibility that a material loss could be incurred or where the matter may otherwise be of significant interest to stockholders. Unless otherwise noted, the Company is unable to provide a reasonable estimate of any potential liability given the stage of proceedings in the matter.

With respect to all other pending matters, based on current information and consultation with counsel, it does not appear reasonably possible that the outcome of any such matter would be material to the financial condition, operating results or cash flows of the Company. However, predicting the outcome of a litigation or regulatory matter is inherently difficult, requiring significant judgment and evaluation of various factors, including the procedural status of the matter and any recent developments; prior experience and the experience of others in similar cases; available defenses, including potential opportunities to dispose of a case on the merits or procedural grounds before trial (e.g., motions to dismiss or for summary judgment); the progress of fact discovery; the opinions of counsel and experts regarding potential damages; potential opportunities for settlement and the status of any settlement discussions; and potential insurance coverage and indemnification. It may not be possible to reasonably estimate potential liability, if any, or a range of potential liability until the matter is closer to resolution – pending, for example, further proceedings, the outcome of key motions or appeals, or discussions among the parties. Numerous issues may have to be developed, such as discovery of important factual matters and determination of threshold legal issues, which may include novel or unsettled questions of law. Reserves are established or adjusted or further disclosure and estimates of potential loss are provided as the matter progresses and more information becomes available.

Auction Rate Securities: As disclosed previously, Schwab has been responding to a civil complaint filed on August 17, 2009, in New York state court by the Attorney General of the State of New York (NYAG) alleging misrepresentations in sales of auction rate securities to clients. In 2011, the court granted Schwab's motion to dismiss the complaint with prejudice. After part of the case was reinstated on appeal in 2013, Schwab filed a motion for summary judgment of the NYAG's remaining

causes of action. On February 3, 2015, the parties entered into a settlement agreement under which the NYAG's complaint will be voluntarily dismissed and discontinued with prejudice. The Company's liability with respect to resolution of the matter is not material.

Total Bond Market Fund Litigation: On August 28, 2008, a class action lawsuit was filed in the U.S. District Court for the Northern District of California on behalf of investors in the Schwab Total Bond Market Fund™. The lawsuit, which alleges violations of state law and federal securities law in connection with the fund's investment policy, names Schwab Investments (registrant and issuer of the fund's shares) and CSIM as defendants. Allegations include that the fund improperly deviated from its stated investment objectives by investing in collateralized mortgage obligations (CMOs) and investing more than 25% of fund assets in CMOs and mortgage-backed securities without obtaining a shareholder vote. Plaintiffs seek unspecified compensatory and rescission damages, unspecified equitable and injunctive relief, costs and attorneys' fees. Plaintiffs' federal securities law claim and certain of plaintiffs' state law claims were dismissed in proceedings before the court and following a successful petition by defendants to the Ninth Circuit Court of Appeals. On August 8, 2011, the court dismissed plaintiffs' remaining claims with prejudice. Plaintiffs have again appealed to the Ninth Circuit, where the case is currently pending.

Other Regulatory Matters: On April 16, 2012, optionsXpress, Inc. was charged by the SEC in an administrative proceeding alleging violations of the firm's close-out obligations under Regulation SHO (short sale delivery rules) in connection with certain customer trading activity. Following trial, in a decision issued June 7, 2013, the judge held that the firm had violated Regulation SHO and aided and abetted fraudulent trading activity by its customer, and ordered the firm and the customer to pay disgorgement and penalties in an amount which would not be material. The Company continues to dispute the allegations and is appealing the decision.

15. Financial Instruments Subject to Off-Balance Sheet Credit Risk or Concentration Risk

Off-Balance Sheet Credit Risk

Resale and repurchase agreements: Schwab enters into collateralized resale agreements principally with other broker-dealers, which could result in losses in the event the counterparty fails to purchase the securities held as collateral for the cash advanced and the fair value of the securities declines. To mitigate this risk, Schwab requires that the counterparty deliver securities to a custodian, to be held as collateral, with a fair value in excess of the resale price. Schwab also sets standards for the credit quality of the counterparty, monitors the fair value of the underlying securities as compared to the related receivable, including accrued interest, and requires additional collateral where deemed appropriate. At December 31, 2014 and 2013, the fair value of collateral received in connection with resale agreements that are available to be repledged or sold was $10.4 billion and $14.3 billion, respectively. Schwab utilizes the collateral provided under these resale agreements to meet obligations under broker-dealer client protection rules, which place limitations on its ability to access such segregated securities. For Schwab to repledge or sell this collateral, it would be required to deposit cash and/or securities of an equal amount into its segregated reserve bank accounts in order to meet its segregated cash and investment requirement. The Company's resale agreements are not subject to master netting arrangements.

Securities lending: The Company loans client securities temporarily to other brokers in connection with its securities lending activities and receives cash as collateral for the securities loaned. Increases in security prices may cause the fair value of the securities loaned to exceed the amount of cash received as collateral. In the event the counterparty to these transactions does not return the loaned securities or provide additional cash collateral, the Company may be exposed to the risk of acquiring the securities at prevailing market prices in order to satisfy its client obligations. The Company mitigates this risk by requiring credit approvals for counterparties, monitoring the fair value of securities loaned, and requiring additional cash as collateral when necessary. The fair value of client securities pledged in securities lending transactions to other broker-dealers was $1.3 billion and $1.1 billion at December 31, 2014 and 2013, respectively. The Company has also pledged a portion of its securities owned in connection with securities lending transactions to other broker-dealers. Additionally, the Company borrows securities from other broker-dealers to fulfill short sales by clients and delivers cash to the lender in exchange for the securities. The fair value of these borrowed securities was $88 million and $276 million at December 31, 2014 and 2013, respectively. All of the Company's securities lending transactions are subject to enforceable master netting arrangements

with other broker-dealers. However, the Company does not net securities lending transactions and therefore, the Company's securities loaned and securities borrowed are presented gross in the consolidated balance sheets.

The following table presents information about the Company's resale agreements and securities lending activity to enable the users of the Company's financial statements to evaluate the potential effect of rights of setoff between these recognized assets and recognized liabilities at December 31, 2014 and 2013.

	Gross Assets / Liabilities	Gross Amounts Offset in the Consolidated Balance Sheet	Net Amounts Presented in the Consolidated Balance Sheet	Gross Amounts Not Offset in the Consolidated Balance Sheet		Net Amount
				Counterparty Offsetting	Collateral	
December 31, 2014						
Assets:						
Resale agreements [1]	$ 10,186	$ -	$ 10,186	$ -	$ (10,186)[2]	$ -
Securities borrowed [3]	187	-	187	(69)	(117)	1
Total	$ 10,373	$ -	$ 10,373	$ (69)	$ (10,303)	$ 1
Liabilities:						
Securities loaned [4]	$ 1,477	$ -	$ 1,477	$ (69)	$ (1,293)	$ 115
Total	$ 1,477	$ -	$ 1,477	$ (69)	$ (1,293)	$ 115
December 31, 2013						
Assets:						
Resale agreements [1]	$ 14,016	$ -	$ 14,016	$ -	$ (14,016)[2]	$ -
Securities borrowed [3]	349	-	349	(88)	(257)	4
Total	$ 14,365	$ -	$ 14,365	$ (88)	$ (14,273)	$ 4
Liabilities:						
Securities loaned [4]	$ 1,187	$ -	$ 1,187	$ (88)	$ (1,019)	$ 80
Total	$ 1,187	$ -	$ 1,187	$ (88)	$ (1,019)	$ 80

(1) Included in cash and investments segregated and on deposit for regulatory purposes in the Company's consolidated balance sheets.
(2) Actual collateral was greater than 102% of the related assets.
(3) Included in receivables from brokers, dealers, and clearing organizations in the Company's consolidated balance sheets.
(4) Included in payables to brokers, dealers, and clearing organizations in the Company's consolidated balance sheets.

Client trade settlement: The Company is obligated to settle transactions with brokers and other financial institutions even if the Company's clients fail to meet their obligations to the Company. Clients are required to complete their transactions on settlement date, generally three business days after the trade date. If clients do not fulfill their contractual obligations, the Company may incur losses. The Company has established procedures to reduce this risk by requiring deposits from clients in excess of amounts prescribed by regulatory requirements for certain types of trades, and therefore the potential to make payments under these client transactions is remote. Accordingly, no liability has been recognized for these transactions.

Margin lending: The Company provides margin loans to its clients which are collateralized by securities in their brokerage accounts and may be liable for the margin requirement of its client margin securities transactions. As clients write options or sell securities short, the Company may incur losses if the clients do not fulfill their obligations and the collateral in client accounts is insufficient to fully cover losses which clients may incur from these strategies. To mitigate this risk, the Company monitors required margin levels and requires clients to deposit additional collateral, or reduce positions to meet minimum collateral requirements. The contractual value of margin loans to clients was $14.3 billion and $12.8 billion at December 31, 2014 and 2013, respectively.

Clients with margin loans have agreed to allow the Company to pledge collateralized securities in their brokerage accounts in accordance with federal regulations. Under such regulations, the Company was allowed to pledge securities with a fair value of $20.4 billion and $18.2 billion at December 31, 2014 and 2013, respectively. The fair value of client securities pledged to fulfill the short sales of its clients was $1.5 billion and $1.6 billion at December 31, 2014 and 2013, respectively. The fair

value of client securities pledged to fulfill the Company's proprietary short sales, which resulted from facilitating clients' dividend reinvestment elections, was $216 million and $130 million at December 31, 2014 and 2013, respectively. The Company may also pledge client securities to fulfill client margin requirements for open option contracts established with the OCC. The fair value of these pledged securities to the OCC was $1.3 billion and $1.3 billion at December 31, 2014 and 2013, respectively.

Commitments to extend credit: Schwab Bank enters into commitments to extend credit to banking clients. Schwab Bank also has commitments to purchase certain First Mortgage loans and HELOCs under the Program with Quicken Loans, which began in 2012. The credit risk associated with these commitments varies depending on the creditworthiness of the client and the value of any collateral expected to be held. Collateral requirements vary by type of loan. At December 31, 2014 and 2013, the Company had commitments to purchase First Mortgage loans of $226 million and $208 million, respectively. Schwab Bank also has commitments to extend credit related to its clients' unused HELOCs, personal loans secured by securities, and other lines of credit, which totaled $6.7 billion and $5.7 billion at December 31, 2014 and 2013, respectively. See also note "6 – Loans to Banking Clients and Related Allowance for Loan Losses."

Financial Guarantees: See note "14 – Commitments and Contingencies."

Concentration Risk

The Company has exposure to concentration risk when holding large positions of financial instruments collateralized by assets with similar economic characteristics or in securities of a single issuer or industry.

The fair value of the Company's investments in mortgage-backed securities totaled $53.8 billion at December 31, 2014. Of these, $52.5 billion were issued by U.S. agencies and $1.3 billion were issued by private entities (non-agency securities). The fair value of the Company's investments in mortgage-backed securities totaled $48.9 billion at December 31, 2013. Of these, $47.1 billion were issued by U.S. agencies and $1.8 billion were non-agency securities. These U.S. agency and non-agency securities are included in securities available for sale and securities held to maturity.

The fair value of the Company's investments in corporate debt securities and commercial paper totaled $8.1 billion and $9.2 billion at December 31, 2014 and 2013, respectively, with the majority issued by institutions in the financial services industry. These securities are included in securities available for sale, cash and cash equivalents, and other securities owned.

The fair value of the Company's investments in asset-backed securities totaled $19.4 billion and $15.2 billion at December 31, 2014 and 2013, respectively, with the majority serviced by a single servicer.

The Company's loans to banking clients include $7.4 billion and $7.3 billion of adjustable rate First Mortgages at December 31, 2014 and 2013, respectively. At December 31, 2014, approximately 40% of these mortgages consisted of loans with interest-only payment terms. At December 31, 2014, the interest rates on approximately 65% of these interest-only loans are not scheduled to reset for three or more years. For additional detail on concentrations in loans to banking clients, see note "6 – Loans to Banking Clients and Related Allowance for Loan Losses."

The Company also has exposure to concentration risk from its margin and securities lending activities collateralized by securities of a single issuer or industry. This concentration risk is mitigated by collateral arrangements that require the fair value of such collateral exceeds the amounts loaned, as described above.

16. Fair Values of Assets and Liabilities

For a description of the fair value hierarchy and the Company's fair value methodologies, including the use of independent third-party pricing services, see note "2 – Summary of Significant Accounting Policies." The Company did not transfer any assets or liabilities between Level 1, Level 2, or Level 3 during 2014 or 2013. In addition, the Company did not adjust prices received from the primary independent third-party pricing service at December 31, 2014 or 2013.

Financial Instruments Recorded at Fair Value

The following tables present the fair value hierarchy for assets measured at fair value. Liabilities recorded at fair value were not material, and therefore are not included in the following tables:

December 31, 2014	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at Fair Value
Cash equivalents:				
Money market funds	$ 2,142	$ -	$ -	$ 2,142
Commercial paper	-	32	-	32
Total cash equivalents	2,142	32	-	2,174
Investments segregated and on deposit for regulatory purposes:				
Certificates of deposit	-	4,125	-	4,125
U.S. Government securities	-	2,186	-	2,186
Total investments segregated and on deposit for regulatory purposes	-	6,311	-	6,311
Other securities owned:				
Schwab Funds® money market funds	224	-	-	224
Equity and bond mutual funds	215	-	-	215
State and municipal debt obligations	-	51	-	51
Equity, U.S. Government and corporate debt, and other securities	2	24	-	26
Total other securities owned	441	75	-	516
Securities available for sale:				
Asset-backed securities	-	19,366	-	19,366
U.S. agency mortgage-backed securities	-	18,717	-	18,717
Corporate debt securities	-	8,045	-	8,045
U.S. agency notes	-	3,795	-	3,795
Treasury securities	-	2,994	-	2,994
Certificates of deposit	-	1,534	-	1,534
Non-agency commercial mortgage-backed securities	-	317	-	317
Other securities	-	15	-	15
Total securities available for sale	-	54,783	-	54,783
Total	$ 2,583	$ 61,201	$ -	$ 63,784

December 31, 2013	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at Fair Value
Cash equivalents:				
Money market funds	$ 1,141	$ -	$ -	$ 1,141
Commercial paper	-	22	-	22
Total cash equivalents	1,141	22	-	1,163
Investments segregated and on deposit for regulatory purposes:				
Certificates of deposit	-	2,737	-	2,737
U.S. Government securities	-	2,539	-	2,539
Total investments segregated and on deposit for regulatory purposes	-	5,276	-	5,276
Other securities owned:				
Schwab Funds® money market funds	261	-	-	261
Equity and bond mutual funds	208	-	-	208
State and municipal debt obligations	-	32	-	32
Equity, U.S. Government and corporate debt, and other securities	1	15	-	16
Total other securities owned	470	47	-	517
Securities available for sale:				
U.S. agency mortgage-backed securities	-	18,645	-	18,645
Asset-backed securities	-	15,206	-	15,206
Corporate debt securities	-	9,007	-	9,007
U.S. agency notes	-	4,136	-	4,136
Certificates of deposit	-	3,652	-	3,652
Non-agency residential mortgage-backed securities	-	593	-	593
Non-agency commercial mortgage-backed securities	-	279	-	279
Other securities	-	100	-	100
Total securities available for sale	-	51,618	-	51,618
Total	$ 1,611	$ 56,963	$ -	$ 58,574

Financial Instruments Not Recorded at Fair Value

Descriptions of the valuation methodologies and assumptions used to estimate the fair value of financial instruments not recorded at fair value are also described in note "2 – Summary of Significant Accounting Policies." There were no significant changes in these methodologies or assumptions during 2014. The following tables present the fair value hierarchy for financial instruments not recorded at fair value:

December 31, 2014	Carrying Amount	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at Fair Value
Assets:					
Cash and cash equivalents	$ 9,189	$ -	$ 9,189	$ -	$ 9,189
Cash and investments segregated and on deposit for regulatory purposes	14,466	-	14,466	-	14,466
Receivables from brokers, dealers, and clearing organizations	469	-	469	-	469
Receivables from brokerage clients – net	15,666	-	15,666	-	15,666
Securities held to maturity:					
U.S. agency mortgage-backed securities	33,388	-	33,745	-	33,745
Non-agency commercial mortgage-backed securities	1,001	-	998	-	998
Total securities held to maturity	34,389	-	34,743	-	34,743
Loans to banking clients: [1]					
Residential real estate mortgages	8,127	-	8,158	-	8,158
Home equity loans and lines of credit	2,955	-	3,026	-	3,026
Personal loans secured by securities	2,320	-	2,320	-	2,320
Other	39	-	38	-	38
Total loans to banking clients	13,441	-	13,542	-	13,542
Other assets	76	-	76	-	76
Total	$ 87,696	$ -	$ 88,151	$ -	$ 88,151
Liabilities:					
Deposits from banking clients	$ 102,815	$ -	$ 102,815	$ -	$ 102,815
Payables to brokers, dealers, and clearing organizations	2,004	-	2,004	-	2,004
Payables to brokerage clients	34,305	-	34,305	-	34,305
Accrued expenses and other liabilities	687	-	687	-	687
Long-term debt	1,899	-	2,010	-	2,010
Total	$ 141,710	$ -	$ 141,821	$ -	$ 141,821

[1] The carrying value of loans to banking clients excludes the allowance for loan losses of $42 million at December 31, 2014.

December 31, 2013	Carrying Amount	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at Fair Value
Assets:					
Cash and cash equivalents	$ 6,565	$ -	$ 6,565	$ -	$ 6,565
Cash and investments segregated and on deposit for regulatory purposes	18,273	-	18,273	-	18,273
Receivables from brokers, dealers, and clearing organizations	509	-	509	-	509
Receivables from brokerage clients – net	13,949	-	13,949	-	13,949
Securities held to maturity:					
U.S. agency mortgage-backed securities	29,260	-	28,500	-	28,500
Non-agency commercial mortgage-backed securities	958	-	890	-	890
Other securities	100	-	100	-	100
Total securities held to maturity	30,318	-	29,490	-	29,490
Loans to banking clients: [1]					
Residential real estate mortgages	8,006	-	7,930	-	7,930
Home equity loans and lines of credit	3,041	-	3,043	-	3,043
Personal loans secured by securities	1,384	-	1,384	-	1,384
Other	36	-	35	-	35
Total loans to banking clients	12,467	-	12,392	-	12,392
Other assets	64	-	64	-	64
Total	$ 82,145	$ -	$ 81,242	$ -	$ 81,242
Liabilities:					
Deposits from banking clients	$ 92,972	$ -	$ 92,972	$ -	$ 92,972
Payables to brokers, dealers, and clearing organizations	1,467	-	1,467	-	1,467
Payables to brokerage clients	35,333	-	35,333	-	35,333
Accrued expenses and other liabilities	680	-	680	-	680
Long-term debt	1,903	-	1,989	-	1,989
Total	$ 132,355	$ -	$ 132,441	$ -	$ 132,441

[1] The carrying value of loans to banking clients excludes the allowance for loan losses of $48 million at December 31, 2013.

17. Stockholders' Equity

The Company did not issue any shares of common stock during 2014, 2013, or 2012, respectively.

The Company was authorized to issue 9,940,000 shares of preferred stock, $0.01 par value, at December 31, 2014 and 2013. The Company's preferred stock issued and outstanding is as follows:

December 31,	2014				2013			
	Shares Issued and Outstanding (In thousands)	Liquidation Preference Per Share	Liquidation Preference	Carrying Value	Shares Issued and Outstanding (In thousands)	Liquidation Preference Per Share	Liquidation Preference	Carrying Value
Series A	400	$ 1,000	$ 400	$ 395	400	$ 1,000	$ 400	$ 395
Series B	485	$ 1,000	485	477	485	$ 1,000	485	474
Total Preferred Stock	885		$ 885	$ 872	885		$ 885	$ 869

The Series A Preferred Stock has no stated maturity and has a fixed dividend rate of 7.000% until February 2022 and a floating rate equal to three-month LIBOR plus 4.820% thereafter. During the fixed rate period, dividends, if declared, will be payable semi-annually in arrears. During the floating rate period, dividends, if declared, will be payable quarterly in arrears. Dividends are not cumulative. Under the terms of the Series A Preferred Stock, the Company's ability to pay dividends on, make distributions with respect to, or to repurchase, redeem or acquire its common stock or any preferred stock ranking on parity with or junior to the Series A Preferred Stock, is subject to restrictions in the event that the Company does not declare and either pay or set aside a sum sufficient for payment of dividends on the Series A Preferred Stock for the immediately preceding dividend period. The Series A Preferred Stock is redeemable at the Company's option, in whole or in part, on any dividend payment date on or after February 1, 2022 or, in whole but not in part, within 90 days following a regulatory capital treatment event as defined in its Certificate of Designations.

The Series B Preferred Stock has no stated maturity and has a fixed dividend rate of 6.00%. Dividends, if declared, will be payable quarterly in arrears. Dividends are not cumulative. Under the terms of the Series B Preferred Stock, the Company's ability to pay dividends on, make distributions with respect to, or to repurchase, redeem or acquire its common stock or any preferred stock ranking on parity with or junior to the Series B Preferred Stock, is subject to restrictions in the event that the Company does not declare and either pay or set aside a sum sufficient for payment of dividends on the Series B Preferred Stock for the immediately preceding dividend period. The Series B Preferred Stock is redeemable at the Company's option, in whole or in part, on any dividend payment date on or after September 1, 2017 or, in whole but not in part, within 90 days following a regulatory capital treatment event as defined in its Certificate of Designations.

18. Accumulated Other Comprehensive Income

Accumulated other comprehensive income represents cumulative gains and losses that are not reflected in earnings. The components of other comprehensive income (loss) are as follows:

Year Ended December 31,	2014			2013			2012		
	Before tax	Tax effect	Net of tax	Before tax	Tax effect	Net of tax	Before tax	Tax effect	Net of tax
Change in net unrealized gain on securities available for sale:									
Net unrealized gain (loss)	$ 255	$ (95)	$ 160	$ (468)	$ 176	$ (292)	$ 470	$ (177)	$ 293
Reclassification of impairment charges included in net impairment losses on securities	1	(1)	-	10	(4)	6	32	(12)	20
Other reclassifications included in other revenue	(7)	3	(4)	(7)	3	(4)	(38)	14	(24)
Change in net unrealized gain on securities available for sale	249	(93)	156	(465)	175	(290)	464	(175)	289
Other	-	-	-	1	-	1	1	-	1
Other comprehensive income (loss)	$ 249	$ (93)	$ 156	$ (464)	$ 175	$ (289)	$ 465	$ (175)	$ 290

Accumulated other comprehensive income balances are as follows:

	Net unrealized gain on securities available for sale	Other	Total accumulated other comprehensive income
Balance at December 31, 2011	$ 10	$ (2)	$ 8
Other net changes	289	1	290
Balance at December 31, 2012	$ 299	$ (1)	$ 298
Other net changes	(290)	1	(289)
Balance at December 31, 2013	$ 9	$ -	$ 9
Other net changes	156	-	156
Balance at December 31, 2014	$ 165	$ -	$ 165

19. Employee Incentive, Retirement, and Deferred Compensation Plans

The Company's stock incentive plans provide for granting options, restricted stock units, and restricted stock awards to employees, officers, and directors. In addition, the Company offers retirement and employee stock purchase plans to eligible employees and sponsors deferred compensation plans for eligible officers and non-employee directors.

A summary of the Company's stock-based compensation and related income tax benefit is as follows:

Year Ended December 31,	2014	2013	2012
Stock option expense	$ 44	$ 52	$ 57
Restricted stock unit expense	66	60	40
Restricted stock award expense	-	-	5
Employee stock purchase plan expense	5	4	3
Total stock-based compensation expense	$ 115	$ 116	$ 105
Income tax benefit on stock-based compensation	$ (43)	$ (43)	$ (39)

The Company issues shares for stock options and restricted stock awards from treasury stock. At December 31, 2014, the Company was authorized to grant up to 59 million common shares under its existing stock incentive plans. Additionally, at December 31, 2014, the Company had 41 million shares reserved for future issuance under its employee stock purchase plan.

As of December 31, 2014, there was $206 million of total unrecognized compensation cost, net of forfeitures, related to outstanding stock options, restricted stock awards, and restricted stock units, which is expected to be recognized through 2018 with a remaining weighted-average service period of 2.8 years.

Stock Option Plan

Options are granted for the purchase of shares of common stock at an exercise price not less than market value on the date of grant, and expire within seven or ten years from the date of grant. Options generally vest annually over a three- to five-year period from the date of grant. Certain options were granted at an exercise price above the market value of common stock on the date of grant (i.e., premium-priced options).

The Company's stock option activity is summarized below:

	Number of Options	Weighted-Average Exercise Price per Share	Weighted-Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value
Outstanding at December 31, 2013	46	$ 16.74		
Granted	6	$ 27.96		
Exercised	(10)	$ 19.04		
Forfeited	(1)	$ 16.66		
Expired	-	$ 20.19		
Outstanding at December 31, 2014	41	$ 17.74	7.02	$ 513
Vested and expected to vest at December 31, 2014	40	$ 17.62	6.96	$ 497
Vested and exercisable at December 31, 2014	24	$ 15.76	5.92	$ 342

The aggregate intrinsic value in the table above represents the difference between CSC's closing stock price and the exercise price of each in-the-money option on the last trading day of the period presented.

Information on stock options granted and exercised is presented below:

Year Ended December 31,	2014	2013	2012
Weighted-average fair value of options granted per share	$ 7.82	$ 6.33	$ 4.07
Cash received from options exercised	$ 189	$ 258	$ 35
Tax benefit realized on options exercised	$ 8	$ -	$ 1
Aggregate intrinsic value of options exercised	$ 86	$ 82	$ 9

Management uses a binomial option pricing model to estimate the fair value of options granted. The binomial model takes into account the contractual term of the stock option, expected volatility, dividend yield, and risk-free interest rate. Expected volatility is based on the implied volatility of publicly-traded options on CSC's stock. Dividend yield is based on the average historical CSC dividend yield. The risk-free interest rate is based on the yield of a U.S. Treasury zero-coupon issue with a remaining term similar to the contractual term of the option. Management uses historical option exercise data, which includes employee termination data to estimate the probability of future option exercises. Management uses the Black-Scholes model to solve for the expected life of options valued with the binomial model presented below. The assumptions used to value the Company's options granted during the years presented and their expected lives were as follows:

Year Ended December 31,	2014	2013	2012
Weighted-average expected dividend yield	1.20 %	1.13 %	.99 %
Weighted-average expected volatility	28 %	28 %	31 %
Weighted-average risk-free interest rate	2.4 %	2.5 %	1.8 %
Expected life (in years)	4.4 – 7.2	4.6 – 7.9	3.0 – 6.7

Restricted Stock Units

Restricted stock units are awards that entitle the holder to receive shares of CSC's common stock following a vesting period. Restricted stock units are restricted from transfer or sale and generally vest annually over a three- to five-year period, while some vest based upon the Company achieving certain financial or other measures. The fair value of restricted stock units is based on the market price of the Company's stock on the date of grant. The grant date fair value is amortized to compensation expense on a straight-line basis over the requisite service period. The fair value of the restricted stock units that vested during each of the years 2014, 2013, and 2012 was $116 million, $78 million, and $30 million, respectively.

The Company's restricted stock units activity is summarized below:

	Number of Units	Weighted-Average Grant Date Fair Value per Unit
Outstanding at December 31, 2013	11	$ 16.11
Granted	3	$ 28.09
Vested	(4)	$ 15.63
Forfeited	-	$ 16.50
Outstanding at December 31, 2014	10	$ 20.66

Retirement Plan

Upon completing three months of consecutive service, employees of the Company can participate in the Company's qualified retirement plan, the SchwabPlan® Retirement Savings and Investment Plan. The Company may match certain employee contributions or make additional contributions to this plan at its discretion. The Company's total expense was $68 million, $63 million, and $59 million in 2014, 2013, and 2012, respectively.

Deferred Compensation Plans

The Company's deferred compensation plan for officers permits participants to defer the receipt of certain cash compensation. The Company's deferred compensation plan for non-employee directors permits participants to defer receipt of all or a portion of their director fees and to receive either a grant of stock options, or upon ceasing to serve as a director, the number of shares of CSC's common stock that would have resulted from investing the deferred fee amount into CSC's common stock. The deferred compensation liability was $132 million and $135 million at December 31, 2014 and 2013, respectively.

20. Taxes on Income

The components of income tax expense are as follows:

Year Ended December 31,	2014	2013	2012
Current:			
Federal	$ 747	$ 598	$ 489
State	72	57	28
Total current	819	655	517
Deferred:			
Federal	(23)	(20)	5
State	(2)	(1)	-
Total deferred	(25)	(21)	5
Taxes on income	$ 794	$ 634	$ 522

The temporary differences that created deferred tax assets and liabilities are detailed below:

December 31,	2014	2013
Deferred tax assets:		
Employee compensation, severance, and benefits	$ 213	$ 190
Facilities lease commitments	30	33
Reserves and allowances	25	30
State and local taxes	12	12
Net operating loss carryforwards	6	6
Total deferred tax assets	286	271
Valuation allowance	(4)	(4)
Deferred tax assets – net of valuation allowance	282	267
Deferred tax liabilities:		
Depreciation and amortization	(125)	(142)
Net unrealized gain on securities available for sale	(98)	(5)
Capitalized internal-use software development costs	(76)	(62)
Deferred cancellation of debt income	(9)	(11)
Deferred loan costs	(7)	(10)
Deferred Senior Note exchange	(6)	(7)
Other	-	(2)
Total deferred tax liabilities	(321)	(239)
Deferred tax (liability) asset – net [(1)]	$ (39)	$ 28

(1) Amounts are included in other assets and in accrued expenses and other liabilities at December 31, 2014 and 2013, respectively.

A reconciliation of the federal statutory income tax rate to the effective income tax rate is as follows:

Year Ended December 31,	2014	2013	2012
Federal statutory income tax rate	35.0 %	35.0 %	35.0 %
State income taxes, net of federal tax benefit [(1)]	2.3	2.3	1.2
Other	0.2	(0.1)	(0.2)
Effective income tax rate	37.5 %	37.2 %	36.0 %

(1) Includes the impact of a non-recurring state tax benefit of which $4 million and $20 million were recorded in 2013 and 2012, respectively.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

December 31,	2014	2013
Balance at beginning of year	$ 10	$ 12
Additions for tax positions related to the current year	1	1
Additions for tax positions related to prior years	1	-
Reductions due to lapse of statute of limitations	(1)	(2)
Reductions for settlements with tax authorities	-	(1)
Balance at end of year	$ 11	$ 10

The federal returns for 2011 through 2013 remain open to Federal tax examinations. The years open to examination by state and local governments vary by jurisdiction.

21. Earnings Per Common Share

Basic EPS is computed by dividing net income available to common stockholders by the weighted-average number of common shares outstanding during the period. The computation of diluted EPS is similar to the computation of basic EPS except that the denominator is increased to include the number of additional common shares that would have been outstanding if dilutive potential common shares had been issued. Dilutive potential common shares include, if dilutive, the effect of outstanding stock options and unvested restricted stock awards and units. EPS under the basic and diluted computations is as follows:

Year Ended December 31,	2014	2013	2012
Net income	$ 1,321	$ 1,071	$ 928
Preferred stock dividends	(60)	(61)	(45)
Net income available to common stockholders	$ 1,261	$ 1,010	$ 883
Weighted-average common shares outstanding — basic	1,303	1,285	1,274
Common stock equivalent shares related to stock incentive plans	12	8	1
Weighted-average common shares outstanding — diluted [1]	1,315	1,293	1,275
Basic EPS	$ .96	$ .78	$ .69
Diluted EPS	$ .95	$ .78	$ .69

[1] Antidilutive stock options and restricted stock awards excluded from the calculation of diluted EPS totaled 24 million, 34 million, and 74 million shares in 2014, 2013, and 2012, respectively.

22. Regulatory Requirements

CSC is a savings and loan holding company and Schwab Bank, CSC's depository institution subsidiary, is a federal savings bank. CSC is subject to supervision and regulation by the Board of Governors of the Federal Reserve System (the Federal Reserve). Schwab Bank is subject to supervision and regulation by the Office of the Comptroller of the Currency (the OCC), as its primary regulator, the Federal Deposit Insurance Corporation, as its deposit insurer, and the Consumer Financial Protection Bureau. CSC is required to serve as a source of strength for Schwab Bank. Prior to January 1, 2015, CSC, as a savings and loan holding company, was not subject to specific statutory capital requirements. Beginning on January 1, 2015, CSC is subject to new capital requirements set by the Federal Reserve.

Schwab Bank is subject to regulation and supervision and to various requirements and restrictions under federal and state laws, including regulatory capital guidelines. Among other things, these requirements also restrict and govern the terms of affiliate transactions, such as extensions of credit and repayment of loans between Schwab Bank and CSC or CSC's other subsidiaries. In addition, Schwab Bank is required to provide notice to and may be required to obtain approval of the OCC and the Federal Reserve to declare dividends to CSC. The federal banking agencies have broad powers to enforce these regulations, including the power to terminate deposit insurance, impose substantial fines and other civil and criminal penalties, and appoint a conservator or receiver. Under the Federal Deposit Insurance Act, Schwab Bank could be subject to restrictive actions if it were to fall within one of the lowest three of five capital categories. CSC and Schwab Bank are required to maintain minimum capital levels as specified in federal banking laws and regulations. Failure to meet the minimum levels could result in certain mandatory, and possibly additional discretionary actions by the regulators that, if undertaken, could have a direct material effect on CSC and Schwab Bank. At December 31, 2014, Schwab Bank met the capital level requirements.

The regulatory capital and ratios for Schwab Bank are as follows:

	Actual		Minimum to be Well Capitalized		Minimum Capital Requirement	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2014						
Tier 1 Risk-Based Capital	$ 7,700	22.1 %	$ 2,095	6.0 %	$ 1,397	4.0 %
Total Risk-Based Capital	$ 7,744	22.2 %	$ 3,492	10.0 %	$ 2,793	8.0 %
Tier 1 Leverage	$ 7,700	6.9 %	$ 5,548	5.0 %	$ 4,438	4.0 %
Tangible Equity	$ 7,700	6.9 %	N/A		$ 2,219	2.0 %
December 31, 2013						
Tier 1 Risk-Based Capital	$ 6,550	19.0 %	$ 2,074	6.0 %	$ 1,383	4.0 %
Total Risk-Based Capital	$ 6,599	19.1 %	$ 3,457	10.0 %	$ 2,766	8.0 %
Tier 1 Leverage	$ 6,550	6.6 %	$ 4,993	5.0 %	$ 3,994	4.0 %
Tangible Equity	$ 6,550	6.6 %	N/A		$ 1,997	2.0 %

N/A Not applicable.

Based on its regulatory capital ratios at December 31, 2014 and 2013, Schwab Bank is considered well capitalized (the highest category) pursuant to banking regulatory guidelines. There are no conditions or events since December 31, 2014, that management believes have changed Schwab Bank's capital category.

The Federal Reserve requires Schwab Bank to maintain reserve balances at the Federal Reserve Bank based on certain deposit levels. Schwab Bank's average reserve requirement was $1.3 billion and $1.2 billion in 2014 and 2013, respectively.

CSC's principal U.S. broker-dealers are Schwab and optionsXpress, Inc. Schwab and optionsXpress, Inc. are both subject to Rule 15c3-1 under the Securities Exchange Act of 1934 (the Uniform Net Capital Rule). Schwab and optionsXpress, Inc. compute net capital under the alternative method permitted by the Uniform Net Capital Rule. This method requires the maintenance of minimum net capital, as defined, of the greater of 2% of aggregate debit balances arising from client transactions or a minimum dollar requirement ($250,000), which is based on the type of business conducted by the broker-dealer. Under the alternative method, a broker-dealer may not repay subordinated borrowings, pay cash dividends, or make any unsecured advances or loans to its parent company or employees if such payment would result in a net capital amount of less than 5% of aggregate debit balances or less than 120% of its minimum dollar requirement.

optionsXpress, Inc. is also subject to Commodity Futures Trading Commission Regulation 1.17 (Reg. 1.17) under the Commodity Exchange Act, which also requires the maintenance of minimum net capital. optionsXpress, Inc., as a futures commission merchant, is required to maintain minimum net capital equal to the greater of its net capital requirement under Reg. 1.17 ($1 million), or the sum of 8% of the total risk margin requirements for all positions carried in client accounts and 8% of the total risk margin requirements for all positions carried in non-client accounts (as defined in Reg. 1.17).

Net capital and net capital requirements for Schwab and optionsXpress, Inc. at December 31, 2014, are as follows:

	Net Capital	% of Aggregate Debit Balances	Minimum Net Capital Required	2% of Aggregate Debit Balances	Net Capital in Excess of Required Net Capital	Net Capital in Excess of 5% of Aggregate Debit Balances
Schwab	$ 1,550	10 %	$ 0.250	$ 324	$ 1,226	$ 739
optionsXpress, Inc.	$ 123	38 %	$ 1	$ 6	$ 117	$ 107

Schwab and optionsXpress, Inc. are also subject to Rule 15c3-3 under the Securities Exchange Act of 1934 and other applicable regulations, which require them to maintain cash or qualified securities in a segregated reserve account for the exclusive benefit of clients. In accordance with Rule 15c3-3, Schwab and optionsXpress, Inc. had portions of their cash and investments segregated for the exclusive benefit of clients at December 31, 2014. Amounts included in cash and investments segregated and on deposit for regulatory purposes represent actual balances on deposit, whereas cash and investments

required to be segregated and on deposit for regulatory purposes at December 31, 2014 for Schwab and optionsXpress, Inc. totaled $21.9 billion. On January 5, 2015, Schwab and optionsXpress, Inc. deposited a net amount of $1.7 billion of cash into their segregated reserve bank accounts. Cash and investments required to be segregated and on deposit for regulatory purposes at December 31, 2013 for Schwab and optionsXpress, Inc. totaled $24.0 billion. On January 3, 2014, Schwab and optionsXpress, Inc. deposited a net amount of $965 million of cash into their segregated reserve bank accounts.

23. Segment Information

The Company's two reportable segments are Investor Services and Advisor Services. The Company structures its operating segments according to its clients and the services provided to those clients. The Investor Services segment provides retail brokerage and banking services to individual investors, retirement plan services, and corporate brokerage services. The Advisor Services segment provides custodial, trading, and support services to independent investment advisors, and retirement business services to independent retirement plan advisors and recordkeepers whose plan assets are held at Schwab Bank. Revenues and expenses are allocated to the Company's two segments based on which segment services the client.

The accounting policies of the segments are the same as those described in note "2 – Summary of Significant Accounting Policies." Financial information for the Company's reportable segments is presented in the following table. For the computation of its segment information, the Company utilizes an activity-based costing model to allocate traditional income statement line item expenses (e.g., compensation and benefits, depreciation and amortization, and professional services) to the business activities driving segment expenses (e.g., client service, opening new accounts, or business development) and a funds transfer pricing methodology to allocate certain revenues.

The Company evaluates the performance of its segments on a pre-tax basis, excluding extraordinary or significant non-recurring items and results of discontinued operations. Segment assets and liabilities are not used for evaluating segment performance or in deciding how to allocate resources to segments. However, capital expenditures are used in resource allocation and are therefore disclosed. There are no revenues from transactions between the segments. Capital expenditures are reported gross, and are not net of proceeds from the sale of fixed assets.

Financial information for the Company's reportable segments is presented in the following table:

	Investor Services			Advisor Services			Unallocated			Total		
Year Ended December 31,	2014	2013	2012	2014	2013	2012	2014	2013	2012	2014	2013	2012
Net Revenues:												
Asset management and administration fees	$ 1,775	$ 1,627	$ 1,436	$ 758	$ 689	$ 607	$ -	$ (1)	$ -	$ 2,533	$ 2,315	$ 2,043
Net interest revenue	2,030	1,756	1,559	242	224	205	-	-	-	2,272	1,980	1,764
Trading revenue	618	621	612	289	292	255	-	-	1	907	913	868
Other – net [1]	221	178	123	71	57	62	51	1	71	343	236	256
Provision for loan losses	4	1	(15)	-	-	(1)	-	-	-	4	1	(16)
Net impairment losses on securities	(1)	(9)	(29)	-	(1)	(3)	-	-	-	(1)	(10)	(32)
Total net revenues	4,647	4,174	3,686	1,360	1,261	1,125	51	-	72	6,058	5,435	4,883
Expenses Excluding Interest [2]	2,974	2,899	2,693	901	831	739	68	-	1	3,943	3,730	3,433
Income before taxes on income	$ 1,673	$ 1,275	$ 993	$ 459	$ 430	$ 386	$ (17)	$ -	$ 71	$ 2,115	$ 1,705	$ 1,450
Capital expenditures	$ 271	$ 190	$ 98	$ 134	$ 80	$ 40	$ -	$ -	$ -	$ 405	$ 270	$ 138
Depreciation and amortization	$ 154	$ 155	$ 157	$ 45	$ 47	$ 39	$ -	$ -	$ -	$ 199	$ 202	$ 196

(1) Unallocated amount includes a net insurance settlement of $45 million in 2014 and a non-recurring gain of $70 million relating to a confidential resolution of a vendor dispute in 2012.
(2) Unallocated amount includes a charge of $68 million for estimated future severance benefits resulting from changes in the Company's geographic footprint in 2014.

Fees received from Schwab's proprietary mutual funds represented 7%, 9%, and 10% of the Company's net revenues in 2014, 2013, and 2012, respectively. Except for Schwab's proprietary mutual funds, which are considered a single client for purposes of this computation, no single client accounted for more than 10% of the Company's net revenues in 2014, 2013, or 2012. Substantially all of the Company's revenues and assets are generated or located in the U.S. The percentage of Schwab's total client accounts located in California was 23% at December 31, 2014, 2013, and 2012.

24. Business Acquisition

On December 14, 2012, the Company acquired ThomasPartners, Inc., a growth and dividend income-focused asset management firm, for $85 million in cash. The Company recorded goodwill of $68 million and intangible assets of $32 million. The intangible assets primarily relate to customer relationships and are being amortized over 11 years. The goodwill was allocated to the Investor Services and Advisor Services segments in the amounts of $54 million and $14 million, respectively.

25. Subsequent Events

The Company has evaluated the impact of events that have occurred subsequent to December 31, 2014, through the date the consolidated financial statements were filed with the SEC. Based on this evaluation, other than as recorded or disclosed within these consolidated financial statements and related notes, the Company has determined none of these events were required to be recognized or disclosed.

26. The Charles Schwab Corporation – Parent Company Only Financial Statements

Condensed Statements of Income

Year Ended December 31,	2014	2013	2012
Interest revenue	$ 2	$ 4	$ 6
Interest expense	(64)	(65)	(97)
Net interest revenue	(62)	(61)	(91)
Other revenue – net	1	-	(30)
Expenses excluding interest	(24)	(28)	(23)
Loss before income tax benefit and equity in net income of subsidiaries	(85)	(89)	(144)
Income tax benefit	32	38	58
Loss before equity in net income of subsidiaries	(53)	(51)	(86)
Equity in net income of subsidiaries:			
Equity in undistributed net income of subsidiaries	1,157	830	662
Dividends from bank subsidiary	45	163	50
Dividends from non-bank subsidiaries	172	129	302
Net Income	1,321	1,071	928
Preferred stock dividends	60	61	45
Net Income Available to Common Stockholders	$ 1,261	$ 1,010	$ 883

Condensed Balance Sheets

December 31,	2014	2013
Assets		
Cash and cash equivalents	$ 1,043	$ 700
Receivables from subsidiaries	360	162
Other securities owned – at fair value	74	80
Loans to non-bank subsidiaries	327	980
Investment in non-bank subsidiaries	4,083	3,828
Investment in bank subsidiary	7,883	6,576
Other assets	68	65
Total assets	$ 13,838	$ 12,391
Liabilities and Stockholders' Equity		
Accrued expenses and other liabilities	$ 185	$ 187
Payables to subsidiaries	34	9
Long-term debt	1,816	1,814
Total liabilities	2,035	2,010
Stockholders' equity	11,803	10,381
Total liabilities and stockholders' equity	$ 13,838	$ 12,391

Condensed Statements of Cash Flows

Year Ended December 31,	2014	2013	2012
Cash Flows from Operating Activities			
Net income	$ 1,321	$ 1,071	$ 928
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in undistributed earnings of subsidiaries	(1,157)	(830)	(662)
Provision for deferred income taxes	4	(11)	9
Other	(23)	(4)	39
Net change in:			
Other securities owned	5	(5)	3
Other assets	(9)	29	(21)
Accrued expenses and other liabilities	(1)	13	(5)
Net cash provided by operating activities	140	263	291
Cash Flows from Investing Activities			
Due from (Due to) subsidiaries – net	607	(546)	43
Increase in investments in subsidiaries	(249)	(225)	(307)
Other investing activities	-	(1)	-
Net cash provided by (used for) investing activities	358	(772)	(264)
Cash Flows from Financing Activities			
Issuance of commercial paper	-	-	300
Repayment of commercial paper	-	(300)	-
Issuance of long-term debt	-	275	350
Repayment of long-term debt	-	-	(727)
Premium paid on debt exchange	-	-	(19)
Net proceeds from preferred stock offering	-	-	863
Dividends paid	(373)	(368)	(337)
Proceeds from stock options exercised and other	189	258	35
Other financing activities	29	5	(5)
Net cash (used for) provided by financing activities	(155)	(130)	460
Increase (Decrease) in Cash and Cash Equivalents	343	(639)	487
Cash and Cash Equivalents at Beginning of Year	700	1,339	852
Cash and Cash Equivalents at End of Year	$ 1,043	$ 700	$ 1,339

27. Quarterly Financial Information (Unaudited)

	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
Year Ended December 31, 2014:				
Net Revenues	$ 1,551	$ 1,551	$ 1,478	$ 1,478
Expenses Excluding Interest	$ 997	$ 1,033	$ 957	$ 956
Net Income	$ 350	$ 321	$ 324	$ 326
Net Income Available to Common Stockholders	$ 329	$ 312	$ 302	$ 318
Weighted-Average Common Shares Outstanding – Diluted	1,320	1,316	1,313	1,311
Basic Earnings Per Common Share	$ .25	$ .24	$ .23	$ .24
Diluted Earnings Per Common Share	$ .25	$ .24	$ .23	$ .24
Dividends Declared Per Common Share	$ .06	$ .06	$ .06	$ .06
Range of Common Stock Price Per Share:				
High	$ 30.89	$ 31.00	$ 28.04	$ 29.13
Low	$ 23.35	$ 26.44	$ 24.56	$ 23.56
Range of Price/Earnings Ratio [1]:				
High	32	33	30	33
Low	24	28	27	27
Year Ended December 31, 2013:				
Net Revenues	$ 1,435	$ 1,373	$ 1,337	$ 1,290
Expenses Excluding Interest	$ 937	$ 909	$ 925	$ 959
Net Income	$ 319	$ 290	$ 256	$ 206
Net Income Available to Common Stockholders	$ 297	$ 282	$ 233	$ 198
Weighted-Average Common Shares Outstanding – Diluted	1,304	1,296	1,288	1,282
Basic Earnings Per Common Share	$ .23	$ .22	$ .18	$ .15
Diluted Earnings Per Common Share	$ .23	$ .22	$ .18	$ .15
Dividends Declared Per Common Share	$ .06	$ .06	$ .06	$ .06
Range of Common Stock Price Per Share:				
High	$ 26.00	$ 22.69	$ 21.23	$ 18.11
Low	$ 20.57	$ 20.74	$ 16.21	$ 15.05
Range of Price/Earnings Ratio [1]:				
High	33	32	32	26
Low	26	30	24	22

[1] Price/earnings ratio is computed by dividing the high and low market prices by diluted earnings per common share for the preceding 12-month period ending on the last day of the quarter presented.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of The Charles Schwab Corporation:

We have audited the accompanying consolidated balance sheets of The Charles Schwab Corporation and subsidiaries (the Company) as of December 31, 2014 and 2013, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2014. Our audits also included the financial statement schedule of the Company on page F-2. We also have audited the Company's internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control – Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on these financial statements and financial statement schedule and an opinion on the Company's internal control over financial reporting 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 and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included 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, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Charles Schwab Corporation 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. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on the criteria established in *Internal Control – Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

/s/ Deloitte & Touche LLP

San Francisco, California

February 23, 2015

Management's Report on Internal Control Over Financial Reporting

Management of The Charles Schwab Corporation, together with its subsidiaries (the Company), is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is a process designed under the supervision of and effected by the Company's chief executive officer and chief financial officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of published financial statements in accordance with accounting principles generally accepted in the United States of America.

As of December 31, 2014, management conducted an assessment of the effectiveness of the Company's internal control over financial reporting based on the framework established in *Internal Control – Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management has determined that the Company's internal control over financial reporting was effective as of December 31, 2014.

The Company's internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets; provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures are being made only in accordance with authorizations of management and the directors of the Company; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the Company's financial statements.

The Company's internal control over financial reporting as of December 31, 2014, has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report appearing on the previous page.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of disclosure controls and procedures: The management of the Company, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) as of December 31, 2014. Based on this evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures were effective as of December 31, 2014.

Changes in internal control over financial reporting: No change in the Company's internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934) was identified during the quarter ended December 31, 2014, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Management's Report on Internal Control Over Financial Reporting and the Report of Independent Registered Public Accounting Firm are included in "Item 8 – Financial Statements and Supplementary Data."

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers, and Corporate Governance

The information relating to directors of CSC required to be furnished pursuant to this item is incorporated by reference from portions of the Company's definitive proxy statement for its annual meeting of stockholders to be filed with the SEC pursuant to Regulation 14A by April 30, 2015 (the Proxy Statement) under "Members of the Board of Directors," "Corporate Governance Information," "Director Nominations," and "Section 16(a) Beneficial Ownership Reporting Compliance." The Company's Code of Conduct and Business Ethics, applicable to directors and all employees, including senior financial officers, is available on the Company's website at http://www.aboutschwab.com/governance. If the Company makes any amendments to or grants any waivers from its Code of Conduct and Business Ethics, which are required to be disclosed pursuant to the Securities Exchange Act of 1934, the Company will make such disclosures on this website.

Schwab Executive Officers of the Registrant

The following table provides certain information about each of the Company's executive officers as of December 31, 2014.

Executive Officers of the Registrant

Name	Age	Title
Charles R. Schwab	77	Chairman of the Board
Walter W. Bettinger II	54	President and Chief Executive Officer
Jay L. Allen	58	Executive Vice President and Chief Administrative Officer
Bernard J. Clark	56	Executive Vice President – Advisor Services
David R. Garfield	58	Executive Vice President, General Counsel and Corporate Secretary
Terri R. Kallsen	46	Executive Vice President – Investor Services
Joseph R. Martinetto	52	Executive Vice President and Chief Financial Officer
James D. McCool	55	Executive Vice President – Client Solutions

Mr. Schwab has been Chairman of the Board and a director of CSC since its incorporation in 1986. He also served as Chief Executive Officer of CSC from 1986 to 1997, and as Co-Chief Executive Officer from 1998 until 2003. He was re-appointed Chief Executive Officer in 2004 and served in that role until 2008. Mr. Schwab is also Chairman of Charles Schwab & Co., Inc. and Charles Schwab Bank, and Chairman and trustee of The Charles Schwab Family of Funds, Schwab Investments, Schwab Capital Trust, Schwab Annuity Portfolios, Laudus Trust, and Laudus Institutional Trust, all registered investment companies.

Mr. Bettinger has been President and Chief Executive Officer of CSC since 2008. He also serves on the Board of Directors of CSC, Charles Schwab & Co., Inc. and Charles Schwab Bank, and as a trustee of The Charles Schwab Family of Funds, Schwab Investments, Schwab Capital Trust, Schwab Annuity Portfolios, Laudus Trust, Laudus Institutional Trust, and Schwab Strategic Trust, all registered investment companies. Prior to assuming his current role, Mr. Bettinger served as President and Chief Operating Officer of CSC from 2007 until 2008 and as Executive Vice President and President – Schwab Investor Services of CSC and Schwab from 2005 to 2007. He served as Executive Vice President and Chief Operating Officer – Individual Investor Enterprise of CSC and Schwab from 2004 until 2005, and Executive Vice President – Corporate Services of Schwab from 2002 until 2004. Mr. Bettinger joined Schwab in 1995.

Mr. Allen has been Executive Vice President and Chief Administrative Officer of CSC and Schwab since April 2014. He served as Executive Vice President – Human Resources and Employee Services of CSC and Schwab from 2007 until April 2014. He served as Senior Vice President – Human Resources of Schwab Investor Services from 2004 to 2007. Mr. Allen joined Schwab in 2003 as Vice President – Human Resources of Schwab Investor Services.

Mr. Clark has been Executive Vice President – Advisor Services of CSC since 2012. Mr. Clark has served as Executive Vice President – Advisor Services of Schwab since 2010. From 2006 until 2010, Mr. Clark served as Senior Vice President – Schwab Institutional Sales of Schwab. During 2005 and 2006, he served as Senior Vice President – Client Service of Schwab. Mr. Clark joined Schwab in 1998.

Mr. Garfield has been Executive Vice President, General Counsel and Corporate Secretary of CSC and Executive Vice President of Schwab since October 2014. Mr. Garfield served as Deputy General Counsel of Wells Fargo & Company from 1998 until he joined Schwab in October 2014.

Ms. Kallsen has been Executive Vice President – Investor Services of CSC and Schwab since December 2014. She served as Senior Vice President – Portfolio Consulting of Schwab from 2012 until June 2014 and as Senior Vice President – Branch Network from June 2014 until December 2014. Prior to joining Schwab, Ms. Kallsen served as Executive Vice President of First Command Financial Services from 2009 until 2012 and as Senior Vice President of USAA from 2004 until 2009.

Mr. Martinetto has been Executive Vice President and Chief Financial Officer of CSC and Schwab since 2007. He has served as Chief Executive Officer of Charles Schwab Bank since December 2012. Mr. Martinetto served as Senior Vice President and Treasurer of CSC and Schwab from 2003 to 2007 and Senior Vice President – Individual Investor Finance of Schwab from 2002 to 2003. Mr. Martinetto joined Schwab in 1997.

Mr. McCool has been Executive Vice President – Clients Solutions of CSC and Schwab since 2012. He served as Executive Vice President – Institutional Services of CSC and Schwab from 2008 until 2012. Mr. McCool served as Executive Vice President – Schwab Corporate and Retirement Services of CSC from 2007 until 2008 and of Schwab from 2006 until 2008. Mr. McCool served as Senior Vice President – Corporate Services of Schwab from 2004 until 2006. Mr. McCool also served as President and Chief Executive Officer of The Charles Schwab Trust Company (CSTC) from 2005 until 2007. Mr. McCool served as Senior Vice President – Plan Administrative Services of CSTC from 2004 until 2005, Chief Operating Officer of CSTC from 2003 until 2004, and Vice President – Development and Business Technology of CSTC from 2002 until 2003. Mr. McCool joined Schwab in 1995.

Item 11. Executive Compensation

The information required to be furnished pursuant to this item is incorporated by reference from portions of the Proxy Statement under “Compensation Discussion and Analysis,” “Executive Compensation Tables – 2014 Summary Compensation Table,” “Executive Compensation Tables – 2014 Grants of Plan-Based Awards Table,” “Executive Compensation Tables – Narrative to Summary Compensation and Grants of Plan-Based Awards Tables,” “Executive Compensation Tables – 2014 Termination and Change in Control Benefits Table,” “Executive Compensation Tables – Outstanding Equity Awards as of December 31, 2014,” “Executive Compensation Tables – 2014 Option Exercises and Stock Vested Table,” “Executive Compensation Tables – 2014 Nonqualified Deferred Compensation Table,” “Director Compensation,” and “Compensation Committee Interlocks and Insider Participation.” In addition, the information from a portion of the Proxy Statement under “Compensation Committee Report,” is incorporated by reference from the Proxy Statement and furnished on this Form 10-K, and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required to be furnished pursuant to this item is incorporated by reference from portions of the Proxy Statement under “Security Ownership of Certain Beneficial Owners and Management,” and “Securities Authorized for Issuance under Equity Compensation Plans.”

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required to be furnished pursuant to this item is incorporated by reference from portions of the Proxy Statement under “Transactions with Related Persons” and “Director Independence.”

Item 14. Principal Accountant Fees and Services

The information required to be furnished pursuant to this item is incorporated by reference from a portion of the Proxy Statement under “Auditor Fees.”

PART IV

Item 15. Exhibits and Financial Statement Schedule

(a) Documents filed as part of this Report

1. Financial Statements

The financial statements and independent auditors' report are included in "Item 8 – Financial Statements and Supplementary Data" and are listed below:

Consolidated Statements of Income
Consolidated Statements of Comprehensive Income
Consolidated Balance Sheets
Consolidated Statements of Cash Flows
Consolidated Statements of Stockholders' Equity
Notes to Consolidated Financial Statements
Report of Independent Registered Public Accounting Firm

2. Financial Statement Schedule

The financial statement schedule required to be furnished pursuant to this item is listed in the accompanying index appearing on page F-1.

(b) Exhibits

The exhibits listed below are filed as part of this annual report on Form 10-K.

Exhibit Number	Exhibit
2.1	Agreement and Plan of Merger, dated March 18, 2011, by and among The Charles Schwab Corporation, Neon Acquisition Corp. and optionsXpress Holdings, Inc., filed as Exhibit 2.1 to the Registrant's Form 8-K dated March 18, 2011, and incorporated herein by reference.
3.11	Fifth Restated Certificate of Incorporation, effective May 7, 2001, of the Registrant, filed as Exhibit 3.11 to the Registrant's Form 10-Q for the quarter ended September 30, 2011, and incorporated herein by reference.
3.14	Fourth Restated Bylaws, as amended on January 27, 2010, of the Registrant, filed as Exhibit 3.1 to the Registrant's Form 8-K dated January 27, 2010, and incorporated herein by reference.
3.15	Certificate of Designations of Fixed to Floating Rate Non-Cumulative Perpetual Preferred Stock, Series A of The Charles Schwab Corporation filed as Exhibit 3.15 to the Registrant's Form 8-K dated January 24, 2012, and incorporated herein by reference.
3.16	Certificate of Designations of 6.00% Non-Cumulative Perpetual Preferred Stock, Series B, of the Charles Schwab Corporation filed as Exhibit 3.1 to the Registrant's Form 8-K dated May 31, 2012, and incorporated herein by reference.
4.1	Deposit Agreement, dated June 6, 2012, between the Company and Wells Fargo Bank, N.A., as Depositary (including the form of Depositary Share Receipt attached as Exhibit A thereto), filed as Exhibit 4.1 to the Registrant's Form 8-K dated May 31, 2012, and incorporated herein by reference.

Exhibit Number	Exhibit	
4.2	Neither the Registrant nor its subsidiaries are parties to any instrument with respect to long-term debt for which securities authorized thereunder exceed 10% of the total assets of the Registrant and its subsidiaries on a consolidated basis. Copies of instruments with respect to long-term debt of lesser amounts will be provided to the SEC upon request.	
10.4	Form of Release Agreement dated as of March 31, 1987 among BAC, Registrant, Schwab Holdings, Inc., Charles Schwab & Co., Inc. and former shareholders of Schwab Holdings, Inc., filed as the identically-numbered exhibit to Registrant's Registration Statement No. 33-16192 on Form S-1 and incorporated herein by reference.	
10.57	Registration Rights and Stock Restriction Agreement, dated as of March 31, 1987, between the Registrant and the holders of the Common Stock, filed as Exhibit 4.23 to Registrant's Registration Statement No. 33-16192 on Form S-1 and incorporated herein by reference.	
10.72	Restatement of Assignment and License, as amended January 25, 1988, among Charles Schwab & Co., Inc., Charles R. Schwab and the Registrant.	
10.271	The Charles Schwab Corporation Directors' Deferred Compensation Plan, as amended through December 8, 2004.	(2)
10.272	The Charles Schwab Corporation Deferred Compensation Plan, as amended through December 8, 2004.	(2)
10.302	The Charles Schwab Corporation 2001 Stock Incentive Plan, as amended and restated as of December 12, 2007, filed as Exhibit 10.302 to the Registrant's Form 10-K for the year ended December 31, 2012, and incorporated herein by reference.	(2)
10.314	Employment Agreement dated as of March 13, 2008, between the Registrant and Charles R. Schwab, filed as Exhibit 10.314 to the Registrant's Form 10-Q for the quarter ended March 31, 2013, and incorporated herein by reference.	(2)
10.317	Form of Notice and Nonqualified Stock Option Agreement for Walter W. Bettinger under The Charles Schwab Corporation 2004 Stock Incentive Plan dated October 1, 2008, filed as Exhibit 10.317 to the Registrant's Form 10-Q for the quarter ended September 30, 2013, and incorporated herein by reference.	(2)
10.322	The Charles Schwab Corporation Deferred Compensation Plan II, as amended and restated as of October 23, 2008, filed as Exhibit 10.322 to the Registrant's Form 10-K for the year ended December 31, 2013, and incorporated herein by reference.	(2)
10.331	The Charles Schwab Corporation Corporate Executive Bonus Plan, restated to include amendments approved at the Annual Meeting of Stockholders on May 13, 2010, filed as Exhibit 10.331 to the Registrant's Form 10-Q for the quarter ended June 30, 2010, and incorporated herein by reference.	(2)
10.338	The Charles Schwab Corporation 2004 Stock Incentive Plan, as approved at the Annual Meeting of Stockholders on May 17, 2011, filed as Exhibit 10.338 to the Registrant's Form 10-Q for the quarter ended June 30, 2011, and incorporated herein by reference.	(2)
10.349	The Charles Schwab Severance Pay Plan, as Amended and Restated Effective May 1, 2012, filed as Exhibit 10.349 to the Registrant's Form 10-Q for the quarter ended June 30, 2012, and incorporated herein by reference.	(2)
10.351	Summary of Non-Employee Director Compensation, filed as Exhibit 10.351 to the Registrant's Form 10-K for the year ended December 31, 2012, and incorporated herein by reference.	(2)

Exhibit Number	Exhibit	
10.352	Form of Performance-Based Cash Long-Term Incentive Award Agreement under The Charles Schwab Corporation 2004 Stock Incentive Plan and successor plans, filed as Exhibit 10.352 to the Registrant's Form 8-K dated January 24, 2013, and incorporated herein by reference.	(2)
10.353	Form of Notice and Performance-Based Restricted Stock Unit Agreement under The Charles Schwab Corporation 2004 Stock Incentive Plan and successor plans, filed as Exhibit 10.353 to the Registrant's Form 8-K dated January 24, 2013, and incorporated herein by reference.	(2)
10.354	Form of Notice and Nonqualified Stock Option Agreement under The Charles Schwab Corporation 2004 Stock Incentive Plan and successor plans, filed as Exhibit 10.354 to the Registrant's Form 8-K dated January 24, 2013, and incorporated herein by reference.	(2)
10.355	Form of Notice and Restricted Stock Unit Agreement under The Charles Schwab Corporation 2004 Stock Incentive Plan and successor plans, filed as Exhibit 10.355 to the Registrant's Form 8-K dated January 24, 2013, and incorporated herein by reference.	(2)
10.356	Form of Notice and Retainer Stock Option Agreement for Non-Employee Directors under The Charles Schwab Corporation 2004 Stock Incentive Plan and successor plans, filed as Exhibit 10.356 to the Registrant's Form 8-K dated January 24, 2013, and incorporated herein by reference.	(2)
10.357	Form of Notice and Retainer Restricted Stock Unit Agreement for Non-Employee Directors under The Charles Schwab Corporation 2004 Stock Incentive Plan and successor plans, filed as Exhibit 10.357 to the Registrant's Form 8-K dated January 24, 2013, and incorporated herein by reference.	(2)
10.358	Form of Notice and Stock Option Agreement for Non-Employee Directors under The Charles Schwab Corporation Directors' Deferred Compensation Plan II and The Charles Schwab Corporation 2004 Stock Incentive Plan and successor plans, filed as Exhibit 10.358 to the Registrant's Form 8-K dated January 24, 2013, and incorporated herein by reference.	(2)
10.359	Form of Notice and Restricted Stock Unit Agreement for Non-Employee Directors under The Charles Schwab Corporation Directors' Deferred Compensation Plan II and The Charles Schwab Corporation 2004 Stock Incentive Plan and successor plans, filed as Exhibit 10.359 to the Registrant's Form 8-K dated January 24, 2013, and incorporated herein by reference.	(2)
10.360	The Charles Schwab Corporation 2013 Stock Incentive Plan, as approved at the Annual Meeting of Stockholders on May 16, 2013, filed as Exhibit 10.360 to the Registrant's Form 8-K dated May 16, 2013, and incorporated herein by reference.	(2)
10.361	Credit Agreement (364 – Day Commitment) dated as of June 7, 2013, between the Registrant and financial institutions therein, filed as Exhibit 10.361 to the Registrant's Form 10-Q for the quarter ended June 30, 2013, and incorporated herein by reference.	
10.362	The Charles Schwab Corporation Directors' Deferred Compensation Plan II, as amended and restated as of April 24, 2013, filed as Exhibit 10.362 to the Registrant's Form 10-Q for the quarter ended June 30, 2013, and incorporated herein by reference.	(2)
10.363	Credit Agreement (364 – Day Commitment) dated as of June 6, 2014, between the Registrant and financial institutions therein (supersedes Exhibit 10.361), filed as Exhibit 10.363 to the Registrant's Form 10-Q for the quarter ended June 30, 2014, and incorporated herein by reference.	
10.364	Separation Agreement, General Release and Waiver of Claims by and between Mr. Clendening and CSC, filed as Exhibit 10.364 to the Registrant's Form 8-K/A dated December 10, 2014, and incorporated herein by reference.	(2)

Exhibit Number	Exhibit	
12.1	Computation of Ratio of Earnings to Fixed Charges and Ratio of Earnings to Fixed Charges and Preferred Stock Dividends.	
21.1	Subsidiaries of the Registrant.	
23.1	Independent Registered Public Accounting Firm's Consent.	
31.1	Certification Pursuant to Rule 13a-14(a)/15d-14(a), As Adopted Pursuant to Section 302 of The Sarbanes-Oxley Act of 2002.	
31.2	Certification Pursuant to Rule 13a-14(a)/15d-14(a), As Adopted Pursuant to Section 302 of The Sarbanes-Oxley Act of 2002.	
32.1	Certification Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of The Sarbanes-Oxley Act of 2002.	(1)
32.2	Certification Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of The Sarbanes-Oxley Act of 2002.	(1)
101.INS	XBRL Instance Document	(3)
101.SCH	XBRL Taxonomy Extension Schema	(3)
101.CAL	XBRL Taxonomy Extension Calculation	(3)
101.DEF	XBRL Extension Definition	(3)
101.LAB	XBRL Taxonomy Extension Label	(3)
101.PRE	XBRL Taxonomy Extension Presentation	(3)
(1)	*Furnished as an exhibit to this annual report on Form 10-K.*	
(2)	*Management contract or compensatory plan.*	
(3)	*Attached as Exhibit 101 to this Annual Report on Form 10-K for the annual period ended December 31, 2014, are the following materials formatted in XBRL (Extensible Business Reporting Language) (i) the Consolidated Statements of Income,(ii) the Consolidated Statements of Comprehensive Income, (iii) the Consolidated Balance Sheets, (iv) the Consolidated Statements of Cash Flows, (v) the Consolidated Statements of Stockholders' Equity, and (vi) Notes to Consolidated Financial Statements.*	

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on February 23, 2015.

THE CHARLES SCHWAB CORPORATION
(Registrant)

BY: /s/ Walter W. Bettinger II
Walter W. Bettinger II
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated, on February 23, 2015.

Signature / Title	Signature / Title
/s/ Walter W. Bettinger II Walter W. Bettinger II, President and Chief Executive Officer	/s/ Joseph R. Martinetto Joseph R. Martinetto, Executive Vice President and Chief Financial Officer (principal financial and accounting officer)
/s/ Charles R. Schwab Charles R. Schwab, Chairman of the Board	/s/ John K. Adams, Jr. John K. Adams, Jr., Director
/s/ Nancy H. Bechtle Nancy H. Bechtle, Director	/s/ C. Preston Butcher C. Preston Butcher, Director
/s/ Christopher V. Dodds Christopher V. Dodds, Director	/s/ Stephen A. Ellis Stephen A. Ellis, Director
/s/ Mark A. Goldfarb Mark A. Goldfarb, Director	/s/ William S. Haraf William S. Haraf, Director
/s/ Frank C. Herringer Frank C. Herringer, Director	/s/ Stephen T. McLin Stephen T. McLin, Director
/s/ Arun Sarin Arun Sarin, Director	/s/ Paula A. Sneed Paula A. Sneed, Director
/s/ Roger O. Walther Roger O. Walther, Director	/s/ Robert N. Wilson Robert N. Wilson, Director

Index to Financial Statement Schedule

	Page
Schedule II - Valuation and Qualifying Accounts	F-2
Supplemental Financial Data for Charles Schwab Bank (Unaudited)	F-3 – F-9

Schedules not listed are omitted because of the absence of the conditions under which they are required or because the information is included in the Company's consolidated financial statements and notes in "Item 8 – Financial Statements and Supplementary Data."

SCHEDULE II

Valuation and Qualifying Accounts
(In millions)

Description	Balance at Beginning of Year	Additions: Charged to Expense	Additions: Other [1]	Written off	Balance at End of Year
For the year ended December 31, 2014:					
Allowance for doubtful accounts of brokerage clients [2]	$ -	$ 6	$ 1	$ (5)	$ 2
For the year ended December 31, 2013:					
Allowance for doubtful accounts of brokerage clients [2]	$ 1	$ 2	$ 1	$ (4)	$ -
For the year ended December 31, 2012:					
Allowance for doubtful accounts of brokerage clients [2]	$ 2	$ 4	$ -	$ (5)	$ 1

(1) Includes collections of previously written-off accounts.
(2) Excludes banking-related valuation and qualifying accounts. See "Item 8 – Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements – 6. Loans to Banking Clients and Related Allowance for Loan Losses."

THE CHARLES SCHWAB CORPORATION
Supplemental Financial Data for Charles Schwab Bank (Unaudited)
(Dollars in Millions)

The following supplemental financial data is consistent with the Securities Exchange Act of 1934, Industry Guide 3 – Statistical Disclosure by Bank Holding Companies. The accompanying unaudited financial information represents Charles Schwab Bank (Schwab Bank), which is a subsidiary of The Charles Schwab Corporation (CSC). CSC is a savings and loan holding company and Schwab Bank is a federal savings bank. The following information excludes intercompany balances and transactions with CSC and its affiliates.

1. Three-year Net Interest Revenue and Average Balances

For the Year Ended December 31,	2014			2013			2012		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
Assets:									
Cash and cash equivalents [1]	$ 5,871	$ 15	0.26 %	$ 5,626	$ 15	0.27 %	$ 5,575	$ 15	0.27 %
Securities available for sale [2]	52,056	546	1.05 %	49,112	557	1.13 %	39,739	583	1.47 %
Securities held to maturity	32,361	828	2.56 %	24,915	610	2.45 %	15,371	397	2.58 %
Loans to banking clients [3]	12,903	354	2.74 %	11,756	329	2.80 %	10,050	309	3.07 %
Loans held for sale	-	-	-	-	-	-	18	1	4.12 %
Other interest-earning assets	63	6	9.52 %	53	2	3.77 %	54	1	1.85 %
Total interest-earning assets	103,254	1,749	1.69 %	91,462	1,513	1.65 %	70,807	1,306	1.84 %
Net unrealized gain on securities available for sale	229			252			275		
Noninterest-earning assets	525			671			566		
Total Assets	$ 104,008			$ 92,385			$ 71,648		
Liabilities and Stockholder's Equity:									
Interest-bearing banking deposits	$ 95,842	30	0.03 %	$ 85,465	31	0.04 %	$ 65,546	42	0.06 %
Total sources on which interest is paid	95,842	30	0.03 %	85,465	31	0.04 %	65,546	42	0.06 %
Noninterest-bearing liabilities	723			650			577		
Stockholder's equity	7,443			6,270			5,525		
Total Liabilities and Stockholder's Equity	$ 104,008			$ 92,385			$ 71,648		
Net interest revenue		$ 1,719			$ 1,482			$ 1,264	
Net yield on interest-earning assets			1.66 %			1.62 %			1.79 %

(1) Includes deposits with banks, short-term investments, and federal funds sold.
(2) Amounts have been calculated based on amortized cost.
(3) Includes average principal balances of nonaccrual loans.

2. Analysis of Change in Net Interest Revenue

An analysis of the year-to-year changes in the categories of interest revenue and interest expense resulting from changes in volume and rate is as follows:

	2014 Compared to 2013 Increase (Decrease) Due to Change in:			2013 Compared to 2012 Increase (Decrease) Due to Change in:		
	Average Volume	Average Rate	Total	Average Volume	Average Rate	Total
Interest-earning assets:						
Cash and cash equivalents [1]	$ -	$ -	$ -	$ -	$ -	$ -
Securities available for sale [2]	33	(44)	(11)	137	(163)	(26)
Securities held to maturity	182	36	218	247	(34)	213
Loans to banking clients [3]	32	(7)	25	52	(32)	20
Loans held for sale	-	-	-	(1)	-	(1)
Other interest-earning assets	-	4	4	-	1	1
Total interest-earning assets	$ 247	$ (11)	$ 236	$ 435	$ (228)	$ 207
Interest-bearing sources of funds:						
Interest-bearing banking deposits	$ 4	$ (5)	$ (1)	$ 12	$ (23)	$ (11)
Total sources on which interest is paid	$ 4	$ (5)	$ (1)	$ 12	$ (23)	$ (11)
Change in net interest revenue	$ 243	$ (6)	$ 237	$ 423	$ (205)	$ 218

Changes that are not due solely to volume or rate have been allocated to rate.

(1) Includes deposits with banks and short-term investments.
(2) Amounts have been calculated based on amortized cost.
(3) Includes average principal balances of nonaccrual loans.

3. Securities Available for Sale and Securities Held to Maturity

The amortized cost, gross unrealized gains and losses, and fair value of securities available for sale and securities held to maturity are as follows:

December 31, 2014	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities available for sale:				
Asset-backed securities	$ 19,320	$ 64	$ 18	$ 19,366
U.S. agency mortgage-backed securities	18,487	242	12	18,717
Corporate debt securities	8,023	30	8	8,045
U.S. agency notes	3,839	-	44	3,795
Treasury securities	2,993	2	1	2,994
Certificates of deposit	1,533	1	-	1,534
Non-agency commercial mortgage-backed securities	310	7	-	317
Other securities	15	-	-	15
Total securities available for sale	$ 54,520	$ 346	$ 83	$ 54,783
Securities held to maturity:				
U.S. agency mortgage-backed securities	$ 33,388	$ 531	$ 174	$ 33,745
Non-agency commercial mortgage-backed securities	1,001	11	14	998
Total securities held to maturity	$ 34,389	$ 542	$ 188	$ 34,743

December 31, 2013	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities available for sale:				
U.S. agency mortgage-backed securities	$ 18,554	$ 140	$ 49	$ 18,645
Asset-backed securities	15,201	42	37	15,206
Corporate debt securities	8,973	49	15	9,007
U.S. agency notes	4,239	1	104	4,136
Certificates of deposit	3,650	4	2	3,652
Non-agency residential mortgage-backed securities	616	11	34	593
Non-agency commercial mortgage-backed securities	271	8	-	279
Other securities	100	-	-	100
Total securities available for sale	$ 51,604	$ 255	$ 241	$ 51,618
Securities held to maturity:				
U.S. agency mortgage-backed securities	$ 29,260	$ 161	$ 921	$ 28,500
Non-agency commercial mortgage-backed securities	958	-	68	890
Other securities	100	-	-	100
Total securities held to maturity	$ 30,318	$ 161	$ 989	$ 29,490

December 31, 2012	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities available for sale:				
U.S. agency mortgage-backed securities	$ 20,080	$ 396	$ -	$ 20,476
Asset-backed securities	8,104	62	2	8,164
Corporate debt securities	6,197	61	2	6,256
Certificates of deposit	6,150	12	1	6,161
U.S. agency notes	3,465	2	3	3,464
Non-agency residential mortgage-backed securities	796	2	65	733
Commercial paper	574	-	-	574
Other securities	273	16	-	289
Total securities available for sale	$ 45,639	$ 551	$ 73	$ 46,117
Securities held to maturity:				
U.S. agency mortgage-backed securities	$ 17,750	$ 558	$ 19	$ 18,289
Other securities	444	-	1	443
Total securities held to maturity	$ 18,194	$ 558	$ 20	$ 18,732

The maturities and related weighted-average yields of securities available for sale and securities held to maturity at December 31, 2014, are as follows:

	Within 1 year	After 1 year through 5 years	After 5 years through 10 years	After 10 years	Total
Securities available for sale:					
Asset-backed securities	$ -	$ 2,946	$ 5,062	$ 11,358	$ 19,366
U.S. agency mortgage-backed securities [1]	-	1,281	5,196	12,240	18,717
Corporate debt securities	999	7,046	-	-	8,045
U.S. agency notes	-	3,795	-	-	3,795
Treasury securities	-	2,994	-	-	2,994
Certificates of deposit	624	910	-	-	1,534
Non-agency commercial mortgage-backed securities [1]	-	-	-	317	317
Other securities	-	-	-	15	15
Total fair value	$ 1,623	$ 18,972	$ 10,258	$ 23,930	$ 54,783
Total amortized cost	$ 1,621	$ 18,981	$ 10,168	$ 23,750	$ 54,520
Weighted-average yield [2]	1.00 %	0.88 %	0.90 %	1.08 %	0.97 %
Securities held to maturity:					
U.S. agency mortgage-backed securities [1]	$ -	$ 857	$ 15,618	$ 17,270	$ 33,745
Non-agency commercial mortgage-backed securities [1]	-	-	359	639	998
Total fair value	$ -	$ 857	$ 15,977	$ 17,909	$ 34,743
Total amortized cost	$ -	$ 853	$ 15,789	$ 17,747	$ 34,389
Weighted-average yield [2]	-	1.98 %	2.64 %	2.46 %	2.53 %

(1) Mortgage-backed securities have been allocated to maturity groupings based on final contractual maturities. Actual maturities will differ from final contractual maturities because borrowers on a certain portion of loans underlying these securities have the right to prepay their obligations.
(2) The weighted-average yield is computed using the amortized cost at December 31, 2014.

4. Cross-border Holdings

The tables below set forth the amount of Schwab Bank's cross-border holdings, based on carrying value, as of December 31, 2014, 2013, and 2012. Such holdings, by country, that exceed 1% of total assets are disclosed separately, and such holdings, by country, that are between 0.75% and 1% of total assets are listed in the aggregate. Cross-border holdings are comprised of cash equivalents and securities available for sale.

December 31, 2014	Banks and other financial institutions	Commercial and industrial institutions	Total	Exposure as a % of total assets
Country:				
Canada	$ 1,437	$ -	$ 1,437	1.3 %
Australia	1,182	-	1,182	1.1 %
Total	$ 2,619	$ -	$ 2,619	

December 31, 2013	Banks and other financial institutions	Commercial and industrial institutions	Total	Exposure as a % of total assets
Country:				
Canada	$ 2,408	$ -	$ 2,408	2.4 %
Australia	1,563	-	1,563	1.6 %
United Kingdom	1,262	140	1,402	1.4 %
Sweden	1,247	-	1,247	1.2 %
Switzerland	825	-	825	0.8 %
Total	$ 7,305	$ 140	$ 7,445	

December 31, 2012	Banks and other financial institutions	Commercial and industrial institutions	Total	Exposure as a % of total assets
Country:				
Australia	$ 2,300	$ -	$ 2,300	2.7 %
United Kingdom	1,556	351	1,907	2.2 %
Canada	1,732	-	1,732	2.0 %
Sweden	1,302	-	1,302	1.5 %
Switzerland	902	-	902	1.1 %
Japan	800	-	800	0.9 %
Total	$ 8,592	$ 351	$ 8,943	

5. Loans to Banking Clients and Related Allowance for Loan Losses

The composition of the loan portfolio is as follows:

December 31,	2014	2013	2012	2011	2010
Residential real estate mortgages	$ 8,127	$ 8,006	$ 6,507	$ 5,596	$ 4,695
Home equity loans and lines of credit	2,955	3,041	3,287	3,509	3,500
Personal loans secured by securities	2,320	1,384	963	742	562
Other	36	34	22	16	16
Total loans to banking clients	$ 13,438	$ 12,465	$ 10,779	$ 9,863	$ 8,773

An analysis of nonaccrual loans is as follows:

December 31,	2014	2013	2012	2011	2010
Nonaccrual loans	$ 35	$ 48	$ 48	$ 52	$ 51
Average nonaccrual loans	$ 39	$ 43	$ 48	$ 51	$ 40

Changes in the allowance for loan losses were as follows:

December 31,	2014	2013	2012	2011	2010
Balance at beginning of year	$ 48	$ 56	$ 54	$ 53	$ 45
Charge-offs	(5)	(11)	(16)	(19)	(20)
Recoveries	3	4	2	2	1
Provision for loan losses	(4)	(1)	16	18	27
Balance at end of year	$ 42	$ 48	$ 56	$ 54	$ 53

The maturities of the loan portfolio at December 31, 2014, are as follows:

	Within 1 year	After 1 year through 5 years	After 5 years	Total
Residential real estate mortgages [1]	$ -	$ -	$ 8,127	$ 8,127
Home equity loans and lines of credit [2]	574	1,500	881	2,955
Personal loans secured by securities	127	2,193		2,320
Other	7	26	3	36
Total	$ 708	$ 3,719	$ 9,011	$ 13,438

(1) Maturities are based upon the contractual terms of the loans.
(2) Maturities are based on an initial draw period of 10 years.

The interest sensitivity of loans with contractual maturities in excess of one year at December 31, 2014, is as follows:

	After 1 year
Loans with predetermined interest rates	$ 11,974
Loans with floating or adjustable interest rates	756
Total	$ 12,730

6. Summary of Loan Loss on Banking Loans Experience

December 31,	2014	2013	2012	2011	2010
Average loans	$ 12,904	$ 11,756	$ 10,050	$ 9,468	$ 7,983
Allowance to year end loans	.31 %	.39 %	.52 %	.55 %	.60 %
Allowance to nonperforming loans	120 %	100 %	117 %	104 %	104 %
Nonperforming assets to average loans and real estate owned	.31 %	.45 %	.54 %	.59 %	.68 %

THE CHARLES SCHWAB CORPORATION
Supplemental Financial Data for Charles Schwab Bank (Unaudited)
(Dollars in Millions)

7. Deposits from Banking Clients

The following table presents the average amount of and the average rate paid on deposit categories that are in excess of ten percent of average total deposits from banking clients:

	2014		2013		2012	
	Amount	Rate	Amount	Rate	Amount	Rate
Analysis of average daily deposits:						
Money market and other savings deposits	$ 82,927	0.01 %	$ 73,167	0.03 %	$ 54,318	0.05 %
Interest-bearing demand deposits	12,915	0.09 %	12,298	0.10 %	11,227	0.13 %
Total	$ 95,842		$ 85,465		$ 65,545	

At December 31, 2014, deposits from banking clients included one domestic-issued certificate of deposit of $100,000 or more, in the amount of $524,765, with a contractual maturity of less than twelve months.

8. Ratios

December 31,	2014	2013	2012
Return on average stockholder’s equity	12.71 %	12.46 %	11.82 %
Return on average total assets	0.91 %	0.85 %	0.91 %
Average stockholder’s equity as a percentage of average total assets	7.15 %	6.79 %	7.71 %

EXHIBIT 10.72

RESTATEMENT OF ASSIGNMENT AND LICENSE

Preamble.

This is a restatement of the Assignment and License made the 31st day of March, 1987, and the Amendment thereof made as of July 30, 1987, by and between CL Acquisition Corporation, a Delaware corporation, The Charles Schwab Corporation, a Delaware corporation, Charles Schwab & Co., Inc., a California corporation, and Charles R. Schwab, an individual. For purposes of this restatement, the parties are referred to herein by their present names: The Charles Schwab Corporation, formerly CL Acquisition ("CS Corp."); Schwab Holdings, Inc., formerly The Charles Schwab Corporation ("Holdings, Inc."); Charles Schwab & Co., Inc. ("Schwab, Inc."); and Charles R. Schwab ("Schwab").

The parties hereby agree as follows:

1. Definitions. In this Agreement:

a. "Name" means "Schwab" and each name and mark based thereon or derived therefrom including, without limitation, Schwab, C. Schwab, C.R. Schwab, Charles Schwab, Charles R. Schwab, Chuck Schwab, Schwab One, Schwab Tech, CRS, and the corporate names The Charles Schwab Corporation and Charles Schwab & Co., Inc.

b. "Likeness" means any photograph, portrait, drawing or other image or likeness of Schwab, however reproduced, and whether still, single, multiple or moving.

c. "Financial Services Business" means the business in which Schwab, Inc. is currently engaged and any additional and related business in which CS Corp., Holdings, Inc. and/or Schwab, Inc. are permitted to engage from time to time during the term of this Agreement under applicable statutes or by the rules, regulations or orders of those regulatory agencies to which such entities are from time to time subject.

d. "Permitted Assignees and Licensees" means persons and entitles who have been assigned or licensed the right to use the Name and/or Likeness as permitted in Section 9 hereof.

e. "Employment Agreement" means that certain Employment Agreement of even date with the Assignment and License under the terms of which Schwab agrees to perform certain services on behalf of CS Corp.

f. “Involuntary Termination,” “Cause” and “Voluntary Termination” will have the same meaning as “involuntary termination,” “cause,” and “voluntary termination,” respectively, in the Employment Agreement.

g. “Loan Agreement” means that certain “Loan Agreement dated as of March 31, 1987 between CS Corp. as Borrower, The Banks herein named as the Banks, and Security Pacific National Bank, as the Agent.”

h. “Obligations,” “Bank,” “Agents,” “Loan Documents” will all have the same meaning as in the Loan Agreement.

i. “Restricted Period” means that period beginning with the date of the Assignment and License and ending on the earlier of (i) eight years from the date of the Assignment and License and (ii) the first date when all Obligations are fully paid.

2. Assignment and License Back. Schwab hereby assigns to CS Corp. all service mark, trademark and trade name rights in and to the Name and Likeness as defined below as well as all good will associated therewith. CS Corp. hereby grants back to Schwab the perpetual, unrestricted, ongoing, exclusive, irrevocable license to use the Name and Likeness throughout the world for activities other than the Financial Services Business.

3. Reversion. In the event CS Corp. and all Permitted Assignees and Licensees shall all cease using the Name while Schwab still lives, all rights granted to CS Corp. with respect thereto shall revert to Schwab without further act or deed. In the event CS Corp. and all Permitted Assignees and Licensees shall all cease using the Likeness while Schwab still lives, all rights granted to CS Corp. with respect thereto shall revert to Schwab without further act or deed.

4. Representations by Schwab. Schwab represents that, except as provided in this Agreement, no person or organization is authorized, permitted or licensed by Schwab to use the Name and/or the Likeness in conjunction with any Financial Services Business, and Schwab agrees that he will not directly, nor indirectly through any other person or organization, use the Name and/or Likeness in conjunction with any such business or authorize, permit, or license any other party to use the Name or the Likeness in conjunction with any such business, other than as permitted by Section 5 hereof.

5. Employment; Payment; Expansion of License.

5.1 As used in this Section 5:

a. “Purchase Payment” means three-tenths of one percent (0.3%) of the Purchase Payment Base.

b. “Purchase Payment Base” means the sum of the Net Revenues of all of the Included Users.

c. "Net Revenues" of an Included User means the Gross Revenues of that Included User minus the Operating Interest Expense of that Included User, in each case during the Payment Period.

d. "Gross Revenues" of an Included User means the gross revenues of that Included User during the Payment Period, determined in accordance with generally accepted accounting principles, and, to the extent permitted by such principles in consolidated financial statements of that Included User, shall include the gross revenues of all subsidiaries and affiliates of that Included User during the Payment Period, but excluding nonetheless from the gross revenues of that Included User and its subsidiaries and affiliates all gross revenues (i) that would otherwise be included more than once in the Purchase Payment Base, (ii) received from other Included Users, or (iii) received from subsidiaries and affiliates of other Included Users.

e. "Operating Interest Expense" of an Included User means the operating interest expense of that Included User during the Payment Period, determined in accordance with generally accepted accounting principles and, to the extent permitted by such principles in consolidated financial statements of that Included User, shall include the operating interest expense of all subsidiaries and affiliates of the Included User during the Payment Period, but excluding nonetheless from the operating interest expense of that Included User and its subsidiaries and affiliates all operating interest expense that would otherwise be deducted more than once in calculating the Purchase Payment Base.

f. "Included Users" means CS Corp. and all Permitted Assignees and Licensees except Banks and Agent.

g. The "Payment Period" begins on the first day of the month following the termination of Schwab's employment by CS Corp., whether during or after the Restricted Period and regardless of the reason for such termination, unless (x) immediately prior to such termination Schwab and CS Corp. are parties to an employment agreement whose term extends beyond the date of termination, (y) that employment agreement requires CS Corp. to make a payment or payments in lieu of salary or other payments that would have been payable under the employment agreement had Schwab continued to be employed beyond the date of termination, and (z) CS Corp. makes such payment or payments or pays a mutually acceptable settlement in lieu thereof. If (x), (y) and (z) are all true, then the "Payment Period" shall begin on the first day of the month following the end of the full term of the employment agreement, provided that if a written agreement between CS Corp. and Schwab expressly provides that the payment(s) made or settlement paid as contemplated by (z) is (are) in lieu of salary or other payments otherwise payable under the employment agreement for a term shorter than the entire term of the employment agreement, then the "Payment Period" shall begin on the first day of the month following the end of such shorter term. The "Payment Period" shall end on the earliest of (i) such time as CS Corp. and all Permitted Assignees and Licensees shall no longer use the Name and/or Likeness, (ii) the day

before the fifteenth (15th) anniversary of the beginning of the Payment Period, or (iii) a Disqualifying Event.

h. A "Disqualifying Event" would occur if at any time during the Restricted Period, whether or not Schwab is still employed by CS Corp. and whether or not any license granted by Section 5.4 has come into effect, Schwab should serve as a director of, render services to, invest in or otherwise engage in any business competitive with any existing or contemplated business of CS Corp., Holdings, Inc. or Schwab, Inc., and fail to terminate such activity or investment within sixty (60) days after demand by CS Corp. Despite the foregoing, a purely passive investment will not constitute a basis for a Disqualifying Event if it is in (i) publicly traded securities, provided that Schwab does not own beneficially or of record more than five percent (5%) of any class of security or (ii) a professionally managed venture capital fund, provided that Schwab does not provide more than five percent (5%) of the capital invested in any such fund. The determination of the Board of Directors of CS Corp. that an action or activity is or is not competitive shall be controlling on Schwab unless Schwab objects to such determination within thirty (30) days after the demand, in which case the determination shall be made by arbitration in accordance with California Code of Civil Procedure, Sections 1280 et seq., and that determination shall be binding upon the parties. Each party shall be entitled to discovery. The sixty-day opportunity to cure will not be extended by any actual or requested arbitration, so that if Schwab does not terminate the specified activity or investment within the sixty-day period and the arbitration subsequently determines that it was in fact competitive, Schwab will have no further opportunity to cure. Both CS Corp. and Schwab will use their best efforts to complete the arbitration before the end of the sixty-day period.

5.2 Subject to the provisions of Sections 5.6 and 5.7 below, and in consideration for the assignments made herein, CS Corp. agrees to pay the Purchase Payment to Schwab, his executor, successor or assigns. The amount payable shall be computed and paid on a calendar quarterly basis, commencing with the end of the first complete calendar quarter in the Payment Period. CS Corp. agrees to keep (and to require each Included User to keep) accurate books of account and records relating to its Net Revenues, and Schwab and his duly authorized representatives shall have the right at all reasonable hours of the day to an examination and audit of such books of account and records and of all documents and materials in the possession or under the control of Included Users with respect to Gross Revenues and Operating Interest Expense. Each book of account and record shall be kept available for at least two (2) years after all payments are made with respect to the revenues and expenses reflected therein.

5.3. Despite anything in Section 5.2, payments to Schwab shall be limited as follows:

a. As used in this Section 5.3:

(i) The first day of the first calendar quarter during the Payment Period is the "Base Date."

(ii) Each twelve month period which (x) begins on the Base Date or an anniversary of the Base Date and (y) falls entirely within the Payment Period will be a "Payment Year."

(iii) If the Payment Period begins on any date other than the first day of a calendar quarter, then the period beginning on the first day of the Payment Period and ending the day before Base Date will be the "Initial Payment Period."

(iv) If the Payment Period ends after the Base Date and on any date other than the day before an anniversary of the Base Date, then the period beginning on the last anniversary of the Base Date during the Payment Period and ending at the end of the Payment Period will be the "Final Payment Period."

(v) "Consumer Price Index" means the Consumer Price Index for All Urban Consumers for the San Francisco-Oakland-San Jose Metropolitan Area published by the Bureau of Labor Statistics, as it was constituted for the month of May 1987. If the Bureau of Labor Statistics should cease publication of the Consumer Price Index for all Urban Consumers for the San Francisco-Oakland-San Jose Metropolitan Area or changes the basis on which it is constituted, then the parties shall use the index then being published by the Bureau of Labor Statistics or its successor agency which most closely approximates the original "Consumer Price Index."

b. Despite anything to the contrary in this Agreement, the amount payable to Schwab pursuant to Section 5.2 of this Agreement with respect to any Initial Payment Period shall not exceed two million dollars ($2,000,000) multiplied by two fractions. The first fraction is the number of days in the Initial Payment Period divided by three hundred sixty-five (365). The second fraction is the Consumer Price Index for the calendar month preceding the Base Date divided by the Consumer Price Index for the same calendar month in 1987.

c. Despite anything to the contrary in this Agreement, the amount payable to Schwab pursuant to Section 5.2 of the Agreement with respect to any Payment Year shall not exceed two million dollars ($2,000,000) multiplied by a fraction, the numerator of which is the Consumer Price Index for the calendar month immediately preceding the first month in the Payment Year and the denominator of which is the Consumer Price Index for the same calendar month in 1987.

d. Despite anything to the contrary in the Agreement, the amount payable to Schwab pursuant to Section 5.2 of the Agreement with respect to any Final Payment Period shall not exceed two million dollars ($2,000,000) multiplied by two fractions. The first fraction is the number of days in the Final Payment Period divided by three hundred sixty-five (365). The second fraction is the Consumer Price Index for the calendar month preceding the beginning of the Final Payment Period divided by the Consumer Price Index for the same calendar month in 1987.

e. If b, c or d above requires the use of the Consumer Price Index for a month for which it is not published, then the Consumer Price Index for the next preceding month which is published shall be used.

5.4 Subject to the provisions of Section 5.6 below:

a. Effective immediately upon the termination of Schwab's employment by CS Corp., Schwab shall have, without further action on his part, a perpetual, unrestricted, ongoing, non-exclusive, irrevocable license to use the Likeness throughout the world in the following part of the Financial Services Business: the sale, distribution, broadcast and promotion of books, videotapes, lectures, radio programs and television programs.

b. At any time after termination of Schwab's employment by CS Corp., Schwab may notify CS Corp. that Schwab proposes to engage in all or part of that portion of the Financial Services Business commonly known as financial planning. The notice shall describe in summary form the financial planning products and services that Schwab expects will be offered by the business in which he proposes to engage. CS Corp. promptly shall grant to Schwab an immediately effective, perpetual, unrestricted, ongoing, non-exclusive, irrevocable license to use the Likeness to engage in the financial planning business described except that CS Corp. need not grant such a license to the extent that the business described would be in direct competition with any Financial Services Business in which CS Corp. or any Permitted Assignee or Licensee is then engaged or which CS Corp. or any Permitted Assignee or Licensee plans as of the date of receipt of Schwab's notice to commence within three (3) months after receipt of Schwab's notice.

c. Commencing on the date that is two (2) years from the beginning of the Payment Period, Schwab shall have a perpetual, unrestricted, ongoing, non-exclusive, irrevocable license to use the Likeness throughout the world in the Financial Services Business. This license will supersede any license previously granted pursuant to Section 5.4.b of this Agreement.

d. The licenses pursuant to this Section 5.4 may not be assigned or sublicensed except that Schwab may grant sublicenses to use the Likeness in connection with the sale, distribution, broadcast and promotion, of goods, services and programs that Schwab personally plays a substantial role in creating.

5.5 It is the understanding and intent of the parties that when and if any license granted in Section 5.4 of this Agreement comes into effect, Schwab then may engage in the business covered by the license and use his personal name, personal initials and personal nicknames in connection therewith without any restriction imposed by this Agreement except (i) the restrictions set forth in Sections 6.1, 6.2 and 7 of this Agreement and (ii) the possibility that the Payment Period might prematurely terminate because engaging in such a business might constitute a Disqualifying Event. Further, the restriction described in (ii) would terminate at the end of the Restricted Period.

5.6 Despite anything in Sections 5.2 and 5.4, if the termination of Schwab's employment by CS Corp. is an Involuntary Termination for Cause during the Restricted Period, or alternatively if such termination is a Voluntary Termination during the Restricted Period, then Sections 5.2 and 5.4 shall be of no further force or effect.

5.7 Despite anything in Section 5.2, if Banks or Agent should acquire legal and beneficial ownership of the Name by virtue of foreclosing a security interest granted to them in the Loan Documents, then thereafter Section 5.2 shall be of no further force or effect. Further, if a third party other than Banks or Agent should acquire legal and beneficial ownership of the Name by virtue of the foreclosure of the security interest granted to Banks and Agent in the Loan Documents and such foreclosure does not result in an immediate and complete satisfaction of the Obligations, then the Payment Period shall exclude all time elapsed between the date when that third party so acquires title and the first date when the Obligations are satisfied in full.

6. Schwab's Use of the Name.

6.1 Schwab may use all or part of his personal name, personal initials or personal nicknames in any manner not prohibited by this Agreement. Despite anything to the contrary in this Agreement, however, but subject nevertheless to the provisions of Section 3 of this Agreement, in exercising that right and the rights granted to Schwab in Sections 2 and 5.4 of this Agreement, Schwab may not (i) use or authorize another to use the Name (including without limitation his personal name, personal initials or personal nicknames) as a service mark, trademark or trade name in the Financial Services Business or (ii) use or authorize another to use the Name or Likeness or both in a manner that causes confusion as to whether CS Corp. or any of the Permitted Assignees and Licensees has created, manufactured, endorsed, sold or otherwise been involved with any product or service.

6.2 Further, Schwab may not refer or authorize another to refer to CS Corp. or any of the Permitted Assignees and Licensees by name in any advertisement, press release, interview or other written, spoken or visual material which is intended to promote any product or service, without first obtaining the written consent of CS Corp. Cs Corp. shall not withhold any consent required by the previous sentence unless CS Corp. reasonably believes that the proposed reference would be a breach of Section 6.1 of this Agreement or another term of the Agreement. Should Schwab request any such consent, Schwab shall provide CS Corp. with all information that CS Corp. reasonably requests regarding the proposed reference in order to determine whether or not such reference would be a breach of Section 6.1 of this Agreement or another term of the Agreement.

7. Quality of Goods and Services. CS Corp. acknowledges that Schwab has, and Schwab acknowledges that CS Corp. intends to develop, the highest quality reputation for the delivery of goods and services in the Financial Services Business, and each agrees that the goods and services offered by it or him using the Name or Likeness

shall be of such quality as to be appropriate and suited to the protection and enhancement of the Name and Likeness and the good will appurtenant thereto, that such goods and services will be manufactured, sold, distributed and performed in accordance with all Federal, state and local laws that are applicable and material, and that the sale, distribution, provision of services, and/or exploration by it or him shall be of the highest standard and that the same shall in no manner reflect adversely upon the good name of the other or the Name and/or Likeness. Further, CS Corp. agrees not to use any Likeness in advertising or as a mark while Schwab is alive without first obtaining Schwab's approval of his appearance in the Likeness, but such approval shall not be unreasonably withheld.

8. Remedies. CS Corp. and Schwab each acknowledge that the manufacture, sale or distribution of goods or the provision of services in breach of Section 7 of this Agreement would result in immediate and irreparable damage to the other. Each acknowledges and admits that there is no adequate remedy at law for such manufacture, sale, distribution or provision and agrees that the other shall be entitled to equitable relief by way of temporary and permanent injunctions, without bond, and such other further relief as any court having jurisdiction shall deem just and proper. However, such relief may not include an injunction or other prohibition against use of the Name and Likeness that is permitted by this agreement, a rescission of this Agreement or reversion of the rights granted to either party herein.

9. Assignment.

9.1 Subject to compliance with Section 9.2 below, CS Corp. may assign or license any or all rights granted to it herein: (i) as security under the Loan Documents; (ii) to Holdings, Inc., to Schwab, Inc. and to subsidiaries and affiliates of CS Corp., Holdings, Inc. and Schwab, Inc.; (iii) if Schwab gives his prior written consent or votes in favor of the assignment in his capacity as a director of CS Corp, Holdings, Inc. or Schwab, Inc., and (iv) after the death of Schwab. In exercise of their rights under the Loan Documents, the Banks and Agent may assign or license any and all rights assigned to them pursuant to the preceding sentence.

9.2 All assignments to Banks or Agent must be made expressly subject to all the terms and conditions of this Agreement. In any other assignment or license pursuant to the other provisions of Section 9.1, all assignees and licensees must join in all covenants of CS Corp. hereunder and assume joint and several liability for all obligations of CS Corp. hereunder, with such joinder and assumption being made for the express and direct benefit of Schwab. No assignment or license by CS Corp. shall relieve it of any of its obligations hereunder.

9.3 Except for assignments and licenses that both (i) are permitted by Section 9.1 and (ii) conform to the requirements of Section 9.2, neither CS Corp. nor Permitted Assignees and Licensees may assign or license any rights granted to CS Corp.

herein, and any purported assignment or license of such rights that is not permitted shall be null and void.

9.4 For purposes hereof "assignment" and "license" shall be construed in their broadest sense and shall include any purported direct or indirect transfer or other disposition, voluntary or involuntary, of any of such rights, including without limitation, any distribution upon dissolution, any merger or other reorganization to which CS Corp. or a Permitted Assignee or Licensee is a party unless the shareholders of such entity immediately before the merger or other reorganization retain the ability to elect a majority of the board of directors immediately after such merger or reorganization, any pledge or hypothecation of any of such rights, or the imposition of any lien upon such rights which is not fully and finally removed within 30 days following the date of such imposition, but does not include the sale of securities for cash or property.

10. Notices. Any notice, demand or other communication to be given hereunder by any party to another shall be in writing and delivered personally or sent by certified mail, postage prepaid, as follows:

CS CORP: The Charles Schwab Corporation
101 Montgomery Street
San Francisco, CA 94104
Attention: Lawrence J. Stupski, President

SCHWAB: Charles R. Schwab
c/o Charles Schwab & Co., Inc.
101 Montgomery Street
San Francisco, CA 94104

or to such other persons as may be designated in writing by the parties, by a notice given as aforesaid.

11. Joint and Several Liability. Holdings, Inc. and Schwab, Inc. join in all covenants of CS Corp. hereunder; and CS Corp., Holdings, Inc. and Schwab, Inc. each agree to be jointly and severally liable for all obligations of each of the others hereunder. Holdings, Inc. and Schwab, Inc. each acknowledge that its inclusion in the class of Permitted Assignees and Licensees is full and fair consideration for the liability that it is undertaking hereunder.

12. Miscellaneous. This Agreement shall be construed in accordance with the laws of California applicable to agreements made and to be performed entirely in that state. Section headings used herein are inserted for convenience only and are not part of this Agreement. None of the terms of this Agreement may be waived or modified except by an express agreement in writing signed by both parties. Nothing contained herein shall be construed to place the parties in the relationship of partners or joint venturers, and CS Corp. shall have no power to obligate or bind Schwab in any manner whatsoever. In any controversy hereunder the prevailing party shall be entitled to recover

its reasonable attorneys' fee and expenses from the opposing party or parties. This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof, and shall inure to the benefit of and shall be binding upon the parties, their respective heirs, executors, administrators, successors and permitted assigns.

13. Survival of Previous Actions; Effective Date.

13.1 This Agreement supersedes the original Assignment and License and the Amendment thereof; but all assignments, licenses, notices, waivers and consents previously effected by or given pursuant to either the original Assignment and License or the Amendment thereof or both shall survive and remain in full force and effect.

13.2 The Preamble to this Agreement and this Section 13 will become effective on the date of execution hereof as set forth in the paragraph next following. Sections 5.3, 5.5, 6.1 and 6.2 of this Agreement originated in the Amendment of the original Assignment and License and hence became effective as of July 30, 1987. Sections 5.1(a), and 5.1 (g) and 5.4 of this Agreement were revised in the Amendment of the original Assignment and License and hence became effective in their present form as of July 30, 1987, but the previous versions of those sections were effective from March 31, 1987 until July 30, 1987. All other portions of this Agreement became effective on March 31, 1987.

IN WITNESS WHEREOF, the parties hereto have affixed their signatures on the __ day of __________, 1988.

The Charles Schwab Corporation

/S/ Charles R. Schwab
Charles R. Schwab

by /S/ Lawrence J. Stupski
Lawrence J. Stupski,
President

Charles Schwab & Co., Inc.

by /S/ Lawrence J. Stupski
Lawrence J. Stupski,
President and Chief
Operating Officer

Schwab Holdings, Inc.

by /S/ Charles R. Schwab
Charles R. Schwab,
Chairman and Chief
Executive Officer

STATE OF CALIFORNIA)
) ss.
CITY AND COUNTY OF SAN FRANCISCO)

On this 25th day of January, 1988, before me, Sheila S. Providenza, the undersigned Notary Public, personally appeared Charles R. Schwab. personally known to me or proved to me on the basis of satisfactory evidence to be the person who executed the within instrument as Chairman for and on behalf of Charles Schwab & Co., Inc. and acknowledged to me that corporation executed it.

WITNESS my hand and official seal.

/S/ Sheila S. Providenza
Notary Public

OFFICIAL SEAL

STATE OF CALIFORNIA)
) ss.
CITY AND COUNTY OF SAN FRANCISCO)

On this 25th day of January, 1988, before me, Sheila S. Providenza, the undersigned Notary Public, personally appeared Charles R. Schwab. personally known to me or proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instruments, and acknowledged to me that he executed the same.

WITNESS my hand and official seal.

/S/ Sheila S. Providenza
Notary Public

OFFICIAL SEAL

STATE OF CALIFORNIA)
) ss.
CITY AND COUNTY OF SAN FRANCISCO)

On this 25th day of January, 1988, before me, Sheila S. Providenza, the undersigned Notary Public, personally appeared Lawrence J. Stupski. personally known to me or proved to me on the basis of satisfactory evidence to be the person who executed the within instrument as President for and on behalf of The Charles Schwab Corporation, Inc. and acknowledged to me that corporation executed it.

WITNESS my hand and official seal.

/S/ Sheila S. Providenza
Notary Public

OFFICIAL SEAL

STATE OF CALIFORNIA)
) ss.
CITY AND COUNTY OF SAN FRANCISCO)

On this 25th day of January, 1988, before me, Sheila S. Providenza, the undersigned Notary Public, personally appeared Lawrence J. Stupski. personally known to me or proved to me on the basis of satisfactory evidence to be the person who executed the within instrument as President and C.O.O. for and on behalf of the Schwab Holdings, Inc. and acknowledged to me that corporation executed it.

WITNESS my hand and official seal.

/S/ Sheila S. Providenza
Notary Public

OFFICIAL SEAL

Exhibit 10.271

THE CHARLES SCHWAB CORPORATION
DIRECTORS’ DEFERRED COMPENSATION PLAN
(As Amended through December 8, 2004)

THE CHARLES SCHWAB CORPORATION

DIRECTORS' DEFERRED COMPENSATION PLAN

Article I. Purpose

1.1 Establishment of the Plan. Effective as of January 1, 1996, The Charles Schwab Corporation (hereinafter, the "Company") hereby establishes The Charles Schwab Corporation Directors' Deferred Compensation Plan (the "Plan"), as set forth in this document. **Effective December 8, 2004, no further deferrals shall be permitted under the Plan except deferrals relating to payments earned prior to January 1, 2005.**

1.2 Purpose of the Plan. The Plan permits Directors to defer the payment of directors' fees that they may earn. The opportunity to elect such deferrals is provided in order to help the Company attract and retain outside directors. This Plan is unfunded and is maintained primarily for the purpose of providing deferred compensation for its outside directors. It is intended to be exempt from the participation, vesting, funding, and fiduciary requirements set forth in Title I of the Employee Retirement Income Security Act of 1974, as amended.

Article II. Definitions

2.1 Definitions. The following definitions are in addition to any other definitions set forth elsewhere in the Plan. Whenever used in the Plan, the capitalized terms in this section shall have the meanings set forth below unless otherwise required by the context in which they are used:

(a) "Administrator" the administrator described in section 3.1 that is selected by the Committee to assist in the administration of the Plan.

(b) "Beneficiary" means a person entitled to receive any benefit payments that remain to be paid after a Participant's death, as determined under section 6.3.

(c) "Board" means the Board of Directors of the Company.

(d) "Company" means The Charles Schwab Corporation, a Delaware corporation.

(e) "Committee" means the Compensation Committee of the Board.

(f) "Deferral Account" means the account representing deferrals of cash compensation, plus investment adjustments, as described in sections 5.4 and 5.5.

(g) "Director" means each member of the Board of the Directors who is not an employee of the Company or any of its subsidiaries. The term "Director" shall also include each member of the Board of Directors of any subsidiary of the Company who is not an employee of the Company or any of its subsidiaries, but only if the Committee has approved participation in the Plan for such subsidiary's non-employee directors.

(h) "Plan" means The Charles Schwab Corporation Directors' Deferred Compensation Plan, as in effect from time to time.

(i) "Plan Year" means the calendar year.

(j) "Termination" means the date a Participant ceases to be a Director.

(k) "Valuation Date" means each December 31 and any other date designated from time to time by the Committee for the purpose of determining the value of a Participant's Deferral Account balance pursuant to section 5.4.

2.2 Gender and Number. Except when otherwise indicated by the context, any masculine or feminine terminology shall also include the neuter and other gender, and the use of any term in the singular or plural shall also include the opposite number.

Article III. Administration

3.1 Committee and Administrator. The Committee shall administer the Plan and may select one or more persons to serve as the Administrator. The Administrator shall perform such administrative functions as the Committee may delegate to it from time to time. Any person selected to serve as the Administrator may, but need not, be a Committee member or an officer or employee of the Company. However, if a person serving as Administrator or a member of the Committee is a Participant, such person may not vote on a matter affecting his interest as a Participant.

The Committee shall have discretionary authority to construe and interpret the Plan provisions and resolve any ambiguities thereunder; to prescribe, amend, and rescind administrative rules relating to the Plan; to determine eligibility for benefits under the Plan; and to take all other actions that are necessary or appropriate for the administration of the Plan. Such interpretations, rules, and actions of the Committee shall be final and binding upon all concerned and, in the event of judicial review, shall be entitled to the maximum deference allowable by law. Where the Committee has delegated its responsibility for matters of interpretation and Plan administration to the Administrator, the actions of the Administrator shall constitute actions of the Committee.

Article IV. Participants

4.1 Participants. Each Director shall be eligible to participate in this Plan.

Article V. Deferrals

5.1 Deferrals. Each Director may elect to defer up to 100 percent of the fees otherwise receivable from the Company for service as a Director. Any such election must be made by entering a deferred compensation agreement with the Company, as evidenced by a form approved by and filed with the Administrator on or before the deadline specified by the Committee (which shall be no earlier than one month prior to the beginning of the election period for which the deferred fees are to be earned; provided that for the first year in which the Plan is in effect, the deferral election shall be made within the first thirty days of the election period). For this purpose, the election period shall be the calendar year; provided, however, that during periods in which the Plan is not in effect for a full calendar year or a Director is not a Participant for a full calendar year, the election period shall be the portion of the calendar year during which the Plan is in effect and the Director is an eligible Participant. Deferrals that have been elected shall occur throughout the election period in pro rata increments.

5.2 Deferral Procedures. Participants shall have an opportunity to elect deferrals each year. Unless the Committee specifies other rules for the deferrals that may be elected, deferrals may be made in increments of 10 percent or in a fixed dollar amount. If a deferral is elected, the

election shall be irrevocable. Deferral elections shall be made on a form prescribed by the Committee or the Administrator. As provided in section 6.7, any deferral is subject to any applicable tax withholding measures and may be reduced to satisfy any applicable tax withholding requirements.

5.3 Election of Time and Manner of Payment. At the time a Participant makes a deferral election under section 5.1, the Participant shall also designate the manner of payment and the date on which payments from his or her Deferral Account shall begin, from among the following options:

(i) a lump sum payable by the end of February in the year immediately following the Participant's Termination; or

(ii) a series of annual installments, commencing in the year following the Participant's Termination and payable each year on or before the end of February, over a period of five, ten, or fifteen years, as designated by the Participant.

A Participant may modify an election of the time for payment under circumstances determined by the Committee, provided that (i) a payment election may not be modified in a manner that would cause payments to commence earlier than the date payments would have commenced absent such modification, and (ii) all payment elections shall become irrevocable one year prior to the date on which payment will commence under the election.

If payment is due in the form of a lump sum, the payment shall equal the balance of the Deferral Account being paid, determined as of the Valuation Date coincident with or immediately preceding the payment date. If payment is due in the form of installments, the amount of each installment payment shall be equal to the quotient determined by dividing (A) the value of the portion of the Deferral Account to which the installment payment election applies (determined as of the Valuation Date coincident with or immediately preceding the date the payment is to be made), by (B) the number of years over which the installment payments are to be made, less the number of years in which prior payments attributable to such installment payment election have been made.

Notwithstanding the foregoing, however, if earnings or any other amounts credited to a Participant's Deferral Account do not otherwise meet any applicable requirements of the Internal Revenue Code allowing the Company and its Subsidiaries to receive a federal income tax deduction for such amounts upon paying them at the time provided under the Participant's election, the payment of such amounts, to the extent in excess of the amount that would be currently tax deductible, shall automatically be deferred until the earliest year that the payment can be deducted.

5.4 Accounts and Earnings. The Company shall establish a Deferral Account for each Participant who has elected a deferral under section 5.1 above, and its accounting records for the Plan with respect to each such Participant shall include a separate Deferral Account or subaccount for each deferral election of the Participant that could cause a payment made at a different time or in a different form from other payments of deferrals elected by the same Participant. Each Deferral Account balance shall reflect the Company's obligation to pay a deferred amount to a Participant or Beneficiary as provided in this Article V.

Under procedures approved by the Committee and communicated to Participants, a Participant shall elect between the following two alternatives with respect to the deferred amounts at the same time that the Participant elects to defer the fees payable for a calendar year (provided that elections made for the 1999 calendar year shall be made within 30 days of the date the Participant receives notice of the election, or such shorter time as may be specified by the Committee). Once made, a Participant's election for the method of payment may not be changed; however, a Participant may make a different election with respect to amounts that the Participant elects to defer in subsequent periods.

(1) Payment in Shares. Under this alternative, a Participant shall be credited with an award of Performance Shares pursuant to Section 4.7 of the 1992 Stock Incentive Plan, in a number of Performance Shares equal to (i) the amounts deferred hereunder, divided by (ii) the closing price of the Common Stock of the Company on the date the Deferral occurred. Performance Shares credited hereunder shall be issued to one or more grantor trusts formed by

the Company ("rabbi trusts") pursuant to Section 6.2 hereof. Any dividends paid on shares of the Common Stock of the Company issued to a rabbi trust shall be reinvested in Common Stock of the Company, which shall be treated as having been issued to the Participant as additional Performance Shares under the 1992 Stock Incentive Plan. Notwithstanding the foregoing, the crediting of assumed earnings shall not mean that any deferred compensation promise to a Participant is secured by particular investment assets or that the Participant is actually earning any form of investment income under the Plan.

(2) Issuance of Stock Options Under the 1992 Stock Incentive Plan. Under this alternative, a Participant may elect, in lieu of receiving any payments from the Plan, to be issued nonqualified stock options pursuant to Section 4.6 of The Charles Schwab Corporation 1992 Stock Incentive Plan. A Participant who elects this alternative shall, on the date the fees deferred pursuant to Section 5.1 hereof would otherwise have been payable, be issued a number of nonqualified stock options with a fair market value equal to the amounts deferred, as determined under the valuation methods set forth in Exhibit A hereto.

5.5 Maintenance of Accounts. The Accounts of each Participant shall be entered on the books of the Company and shall represent a liability, payable when due under this Plan, from the general assets of the Company. Prior to benefits becoming due hereunder, the Company shall expense the liability for such accounts in accordance with policies determined appropriate by the Company's auditors. Except to the extent provided pursuant to the second paragraph of this section 5.5, the Accounts created for a Participant by the Company shall not be funded by a trust or an insurance contract; nor shall any assets of the Company be segregated or identified to such account; nor shall any property or assets of the Company be pledged, encumbered, or otherwise subjected to a lien or security interest for payment of benefits hereunder.

5.6 Change in Control. In the event of a Change in Control (as defined below), the following rules shall apply:

(a) All Participants shall continue to have a fully vested, nonforfeitable interest in their Deferral Accounts.

(b) Deferrals of amounts for the year that includes the Change in Control shall cease beginning with the first payment otherwise due that follows the Change in Control.

(c) A special allocation of earnings on all Deferral Accounts shall be made under section 5.4 as of the date of the Change in Control on a basis no less favorable to Participants than the method being followed prior to the Change in Control.

(d) All payments of deferred amounts following a Change in Control, whether or not they have previously begun, shall be made in a lump sum no later than 30 days following the Change in Control and, except as provided in section 5.3 with respect to installment payments in progress, shall be in an amount equal to the full Deferral Account balance, as adjusted pursuant to paragraph (c) above, as of the date of the Change in Control.

(e) Nothing in this Plan shall prevent a Participant from enforcing any rules in a contract or another plan of the Company or any Subsidiary concerning the method of determining the amount of fees or other form of compensation to which a Participant may become entitled following a change in control, or the time at which that compensation is to be paid in the event of a change in control.

For purposes of this Plan, a "Change in Control" means any of the following:

(1) The acquisition by any individual, entity or group (within the meaning of Section 13(d) (3) or 14 (d) (2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either (i) the then outstanding shares of common stock of the Corporation (the "Outstanding Corporation Common Stock") or (ii) the combined voting power of the then outstanding voting securities of the Corporation entitled to vote generally in the election of directors (the "Outstanding Corporation Voting Securities"); provided,

however,

however, that for purposes of this paragraph (1), the following acquisitions shall not constitute a Change of Control: (i) any acquisition directly from the Company, (ii) any acquisition by the Company, (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company, or (iv) any acquisition by any corporation pursuant to a transaction which complies with clauses (i), (ii) and (iii) of paragraph (3) hereof; or

(2) Individuals who, as of January 1, 1996, constitute the Board (the “Incumbent Board”) cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to January 1, 1996 whose election, or nomination for election by the Company’s shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(3) Consummation of a reorganization, merger or consolidation, or sale or other disposition of all or substantially all of the assets of the Company (a “Business Combination”), in each case, unless, following such Business Combination, (i) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Corporation Common Stock and Outstanding Corporation Voting Securities immediately prior to such Business Combination beneficially

own, directly or indirectly, more than 50% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination, of the Outstanding Corporation Common Stock and Outstanding Corporation Voting Securities, as the case may be, (ii) no Person (excluding any corporation resulting from such Business Combination or any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 20% or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination and (iii) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(4) Approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

A Change of Control shall occur on the first day on which any of the preceding conditions has been satisfied. However, notwithstanding the foregoing, this

section 5.6 shall not apply to any Participant who alone or together with one or more other persons acting as a partnership, limited partnership, syndicate, or other group for the purpose of acquiring, holding or disposing of securities of the Company, triggers a "Change in Control" within the meaning of paragraphs (1) and (2) above. Moreover, no acquisition by (i) Charles Schwab and/or his spouse or any of his lineal descendants or (ii) any trust created by or for the benefit of Charles Schwab and/or his spouse or any of his lineal descendants or (iii) the Schwab Family Foundation shall constitute a Change of Control.

5.7 Payment of Deferred Amounts. A Participant shall have a fully vested, nonforfeitable interest in his or her Deferral Account balance at all times. However, vesting does not confer a right to payment other than in the manner elected by the Participant pursuant to section 5.3 (subject to any modification that may occur pursuant to section 5.4, 5.6 or 5.8). Upon the expiration of a deferral period selected by the Participant in one or more deferral elections, the Company shall pay to such Participant (or to the Participant's Beneficiary, in the case of the Participant's death), an amount equal to the balance of the Participant's Account attributable to such expiring deferral elections, plus any assumed earnings (determined by the Company pursuant to section 5.4) thereon.

5.8 Acceleration of Payment. The Committee, in its discretion, upon receipt of a written request from a Participant, may accelerate the payment of all or any portion of the unpaid balance of a Participant's Deferral Account in the event of the Participant's death, permanent disability, or upon its determination that the Participant (or his Beneficiary in the case of his death) has incurred a severe, unforeseeable financial hardship creating an immediate and heavy need for cash that cannot reasonably be satisfied from sources other than an accelerated payment from this Plan. The Committee in making its determination may consider such factors and require such information as it deems appropriate.

Article VI. General Provisions

6.1 Unfunded Obligation. The deferred amounts to be paid to Participants pursuant to this Plan constitute unfunded obligations of the Company. Except to the extent specifically provided hereunder, the Company is not required to segregate any monies from its general funds, to create any trusts, or to make any special deposits with respect to this obligation. Title to and beneficial ownership of any investments, including any grantor trust investments which the Company has determined and directed the Administrator to make to fulfill obligations under this Plan shall at all times remain in the Company. Any investments and the creation or maintenance of any trust or Accounts shall not create or constitute a trust or a fiduciary relationship between the Administrator or the Company and a Participant, or otherwise create any vested or beneficial interest in any Participant or his or her Beneficiary or his or her creditors in any assets of the Company whatsoever. The Participants shall have no claim for any changes in the value of any assets which may be invested or reinvested by the Company in an effort to match its liabilities under this Plan.

6.2 Informal Funding Vehicles. To the extent required pursuant to Section 5.4(1), the Company shall arrange for the establishment and use of a grantor trust or other informal funding vehicle to facilitate the payment of benefits and to discharge the liability of the Company and participating Affiliates under this Plan to the extent of payments actually made from such trust or other informal funding vehicle. In addition, the Company may, but need not, arrange for the establishment and use of such a grantor trust or other informal funding vehicle to the extent otherwise permitted pursuant to the Plan.

Any investments and any creation or maintenance of memorandum accounts or a trust or other informal funding vehicle shall not create or constitute a trust or a fiduciary relationship between the Committee or the Company or an affiliate and a Participant, or otherwise confer on any Participant or Beneficiary or his or her creditors a vested or beneficial interest in any assets of the Company or any Affiliate whatsoever. Participants and Beneficiaries shall have no claim against the Company or any Affiliate for any changes in the value of any assets which may be invested or reinvested by the Company or any Affiliate with respect to this Plan.

6.3 Beneficiary. The term "Beneficiary" shall mean the person or persons to whom payments are to be paid pursuant to the terms of the Plan in the event of the Participant's death. A Participant may designate a Beneficiary on a form provided by the Administrator, executed by the Participant, and delivered to the Administrator. The Administrator may require the consent of the Participant's spouse to a designation if the designation specifies a Beneficiary other than the spouse. Subject to the foregoing, a Participant may change a Beneficiary designation at any time. Subject to the property rights of any prior spouse, if no Beneficiary is designated, if the designation is ineffective, or if the Beneficiary dies before the balance of the Account is paid, the balance shall be paid to the Participant's surviving spouse, or if there is no surviving spouse, to the Participant's estate.

6.4 Incapacity of Participant or Beneficiary. Every person receiving or claiming benefits under the Plan shall be conclusively presumed to be mentally competent and of age until the date on which the Administrator receives a written notice, in a form and manner acceptable to the Administrator, that such person is incompetent or a minor, for whom a guardian or other person legally vested with the care of his person or estate has been appointed; provided, however, that if the Administrator finds that any person to whom a benefit is payable under the Plan is unable to care for his or her affairs because of incompetency, or because he or she is a minor, any payment due (unless a prior claim therefor shall have been made by a duly appointed legal representative) may be paid to the spouse, a child, a parent, a brother or sister, or to any person or institution considered by the Administrator to have incurred expense for such person otherwise entitled to payment. To the extent permitted by law, any such payment so made shall be a complete discharge of liability therefor under the Plan.

If a guardian of the estate of any person receiving or claiming benefits under the Plan is appointed by a court of competent jurisdiction, benefit payments may be made to such guardian provided that proper proof of appointment and continuing qualification is furnished in a form and manner acceptable to the Administrator. In the event a person claiming or receiving benefits under the Plan is a minor, payment may be made to the custodian of an account for such person

under the Uniform Gifts to Minors Act. To the extent permitted by law, any such payment so made shall be a complete discharge of any liability therefor under the Plan.

6.5 Nonassignment. The right of a Participant or Beneficiary to the payment of any amounts under the Plan may not be assigned, transferred, pledged or encumbered nor shall such right or other interests be subject to attachment, garnishment, execution, or other legal process.

6.6 No Right to Continued Service. Nothing in the Plan shall be construed to confer upon any Participant any right to continue as a Director of the Company.

6.7 Tax Withholding. Any appropriate taxes shall be withheld from payments made to Participants pursuant to the Plan. To the extent tax withholding is payable in connection with the Participant's deferral of income rather than in connection with the payment of deferred amounts, such withholding may be made from amounts currently payable to the Participant, or, as determined by the Administrator, the amount of the deferral elected by the Participant may be reduced in order to satisfy required tax withholding for any applicable taxes.

6.8 Claims Procedure and Arbitration. The Company shall establish a reasonable claims procedure consistent with the requirements of the Employee Retirement Income Security Act of 1974, as amended. Following a Change in Control of the Company (as determined under section 5.6) the claims procedure shall include the following arbitration procedure.

Since time will be of the essence in determining whether any payments are due to the Participant under this Plan following a Change in Control, a Participant may submit any claim for payment to arbitration as follows: On or after the second day following the Termination or other event triggering a right to payment, the claim may be filed with an arbitrator of the Participant's choice by submitting the claim in writing and providing a copy to the Company. The arbitrator must be:

(a) a member of the National Academy of Arbitrators or one who currently appears on arbitration panels issued by the Federal Mediation and Conciliation Service or the American Arbitration Association; or

(b) a retired judge of the State in which the claimant is a resident who served at the appellate level or higher. The arbitration hearing shall be held within 72 hours (or as soon thereafter as possible) after filing of the claim unless the Participant and the Company agree to a later date. No continuance of said hearing shall be allowed without the mutual consent of the Participant and the Company. Absence from or nonparticipation at the hearing by either party shall not prevent the issuance of an award. Hearing procedures which will expedite the hearing may be ordered at the arbitrator's discretion, and the arbitrator may close the hearing in his or her sole discretion upon deciding he or she has heard sufficient evidence to satisfy issuance of an award. In reaching a decision, the arbitrator shall have no authority to ignore, change, modify, add to or delete from any provision of this Plan, but instead is limited to interpreting this Plan. The arbitrator's award shall be rendered as expeditiously as possible, and unless the arbitrator rules within seven days after the close of the hearing, he will be deemed to have ruled in favor of the Participant. If the arbitrator finds that any payment is due to the Participant from the Company, the arbitrator shall order the Company to pay that amount to the Participant within 48 hours after the decision is rendered. The award of the arbitrator shall be final and binding upon the Participant and the Company. Judgment upon the award rendered by the arbitrator may be entered in any court in any State of the United States. In the case of any arbitration regarding this Agreement, the Participant shall be awarded the Participant's costs, including attorney's fees. Such fee award may not be offset against the deferred compensation due hereunder. The Company shall pay the arbitrator's fee and all necessary expenses of the hearing, including stenographic reporter if employed.

6.9 Termination and Amendment. The Committee may from time to time amend, suspend or terminate the Plan, in whole or in part, and if the Plan is suspended or terminated, the

Committee may reinstate any or all of its provisions. Except as otherwise required by law, the Committee may delegate to the Administrator all or any of its foregoing powers to amend, suspend, or terminate the Plan. Any such amendment, suspension, or termination may affect future deferrals without the consent of any Participant or Beneficiary. However, with respect to deferrals that have already occurred, no amendment, suspension or termination may impair the right of a Participant or a designated Beneficiary to receive payment of the related deferred compensation in accordance with the terms of the Plan prior to the effective date of such amendment, suspension or termination, unless the affected Participant or Beneficiary gives his express written consent to the change.

6.10 Applicable Law. The Plan shall be construed and governed in accordance with applicable federal law and, to the extent not preempted by such federal law, the laws of the State of California.

Exhibit A

For purposes of determining the number of Options to be granted Under the Stock Option Investment Election, Options will be valued under the Black-Scholes method, based on the following assumptions:

- Assumed Option Term = 5 years
- Volatility = Actual volatility over the 3 year period immediately preceding the grant
- Risk Free Interest Rate = 5 year Treasury Note Rate
- Dividend Yield = Current Annual Dividend Yield On Option Grant Date (Quarterly Dividend x 4) / Market Price on Option Grant Date = Dividend Yield

Sample Calculation: ($.028 x 4)/ $55 = .2%

- Fair Market Value = Closing Price Of Schwab Common Stock on Date of Grant (Same as Date of Retainer and Meeting Fee Payment)
- Exercise Price = Same as above

Sample Stock Option Calculation

- Fees Deferred / Black Scholes Valuation = Number of Stock Option grants from Deferral Election

Sample Calculation: $14,250 / $23.82 = 598.2368 Stock Options, rounded up to nearest full option, = grant of 599 Stock Options.

Exhibit 10.272

THE CHARLES SCHWAB CORPORATION

DEFERRED COMPENSATION PLAN

(As Amended Through December 8, 2004)

Table of Contents

Article I. Purpose		1
1.1	Establishment of the Plan	1
1.2	Purpose of the Plan	1
Article II. Definitions		1
2.1	Definitions	1
2.2	Gender and Number	3
Article III. Administration		3
3.1	Committee and Administrator	3
Article IV Participants		3
4.1	Participants	3
Article V Deferrals		3
5.1	Salary Deferrals	3
5.2	Deferrals of Bonuses, Commissions and Other Cash Incentive Compensation	4
5.3	Deferral Procedures	4
5.4	Election of Time and Manner of Payment	4
5.5	Accounts and Earnings	6
5.6	Maintenance of Accounts	6
5.7	Change in Control	7
5.8	Payment of Deferred Amounts	8
5.9	Acceleration of Payment	8
Article VI General Provisions		9
6.1	Unfunded Obligation	9
6.2	Informal Funding Vehicles	9
6.3	Beneficiary	9
6.4	Incapacity of Participant or Beneficiary	10
6.5	Nonassignment	10
6.6	No Right to Continued Employment	10
6.7	Tax Withholding	10
6.8	Claims Procedure and Arbitration	11
6.9	Termination and Amendment	11
6.10	Applicable Law	12

THE CHARLES SCHWAB CORPORATION
DEFERRED COMPENSATION PLAN

Article I. Purpose

1.1 Establishment of the Plan.

Effective as of July 1, 1994, The Charles Schwab Corporation (hereinafter, the “Company”) hereby establishes The Charles Schwab Corporation Deferred Compensation Plan (the “Plan”), as set forth in this document.

Effective December 8, 2004, no further deferrals shall be permitted under the Plan except deferrals relating to payments earned prior to January 1, 2005.

1.2 Purpose of the Plan.

The Plan permits participating employees to defer the payment of certain cash compensation that they may earn. The opportunity to elect such deferrals is provided in order to help the Company attract and retain key employees. This Plan is unfunded and is maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees. It is accordingly intended to be exempt from the participation, vesting, funding, and fiduciary requirements set forth in Title I of the Employee Retirement Income Security Act of 1974.

Article II. Definitions

2.1 Definitions.

The following definitions are in addition to any other definitions set forth elsewhere in the Plan. Whenever used in the Plan, the capitalized terms in this section shall have the meanings set forth below unless otherwise required by the context in which they are used:

(a) “Administrator” the administrator described in section 3.1 that is selected by the Committee to assist in the administration of the Plan.

(b) “Beneficiary” means a person entitled to receive any benefit payments that remain to be paid after a Participant’s death, as determined under section 6.3.

(c) “Board” means the Board of Directors of the Company.

(d) “Company” means The Charles Schwab Corporation, a Delaware corporation.

(e) “Category 1 Participant” and “Category 2 Participant” each refer to a specific Participant group and have the meaning set forth in section 4.1.

(f) “Committee” means the Compensation Committee of the Board.

(g) “Deferral Account” means the account representing deferrals of cash compensation, plus investment adjustments, as described in sections 5.5 and 5.6.

(h) “Participant” means any employee who meets the eligibility requirements of the Plan, as set forth in Article 4, and includes, where appropriate to the context, any former employee who is entitled to benefits under this Plan.

(i) “Plan” means The Charles Schwab Corporation Deferred Compensation Plan, as in effect from time to time.

(j) “Plan Year” means the calendar year.

(k) “Retirement” shall mean:

(l) any termination of employment with the Company and its Subsidiaries with the exception of U.S. Trust Corporation for any reason other than death at any time after the Participant has attained age fifty (50), but only if, at the time of such termination, the Participant has been credited with at least seven (7) Years of Service; provided, however, that with respect to any payments made on account of a deferral election made prior to November 1, 1994, Retirement shall also mean any termination of employment with the Company and its Subsidiaries for any reason other than death after the Participant has attained age 55; and

(m) any termination of employment from U.S. Trust Corporation for any reason other than death at any time after (i) the Participant has attained age sixty-five (65); (ii) the sum of the Participant’s age and credited Years of Service, at the time of such termination, is equal to or greater than eighty (80); or (iii) the Participant has attained age sixty (60), but only if, at the time of such termination, the Participant has been credited with at least ten (10) Years of Service.

For purposes of this subparagraph (k), the term “Years of Service” shall have the same meaning given to it under the SchwabPlan Retirement Savings and Investment Plan (or any successor plan).

(n) “Subsidiary” means a corporation or other business entity in which the Company owns, directly or indirectly, securities with more than 80 percent of the total voting power.

(o) “Valuation Date” means each December 31 and any other date designated from time to time by the Committee for the purpose of determining the value of a Participant’s Deferral Account balance pursuant to section 5.5.

2.2 Gender and Number.

Except when otherwise indicated by the context, any masculine or feminine terminology shall also include the neuter and other gender, and the use of any term in the singular or plural shall also include the opposite number.

Article III. Administration

3.1 Committee and Administrator.

The Committee shall administer the Plan and may select one or more persons to serve as the Administrator. The Administrator shall perform such administrative functions as the Committee may delegate to it from time to time. Any person selected to serve as the Administrator may, but need not, be a Committee member or an officer or employee of the Company. However, if a person serving as Administrator or a member of the Committee is a Participant, such person may not vote on a matter affecting his interest as a Participant. The Committee shall have discretionary authority to construe and interpret the Plan provisions and resolve any ambiguities thereunder; to prescribe, amend, and rescind administrative rules relating to the Plan; to select the employees who may participate and to terminate the future participation of any such employees; to determine eligibility for benefits under the Plan; and to take all other actions that are necessary or appropriate for the administration of the Plan. Such interpretations, rules, and actions of the Committee shall be final and binding upon all concerned and, in the event of judicial review, shall be entitled to the maximum deference allowable by law. Where the Committee has delegated its responsibility for matters of interpretation and Plan administration to the Administrator, the actions of the Administrator shall constitute actions of the Committee.

Article IV Participants

4.1 Participants.

Officers and other key employees of the Company and each of its Subsidiaries shall be eligible to participate in this Plan upon selection by the Committee. To be nominated for participation, an employee must be highly compensated or have significant responsibility for the management, direction and/or success of the Company as a whole or a particular business unit thereof. Directors of the Company who are full-time employees of the Company shall be eligible to participate in the Plan. Participating employees of the Company in the position of executive vice president or above shall be “Category 1 Participants.” All other participating employees shall be “Category 2 Participants.”

Article V Deferrals

5.1 Salary Deferrals.

Each Category 2 Participant selected under Section 4.1 may elect to defer up to 50 percent of his regular base salary (subject to the provisions of this Article V). Any such election must be made by entering a deferred compensation agreement with the employer, as evidenced by a form approved by and filed with the Administrator on or before the deadline specified by the Administrator (which shall be no earlier than one month prior to the beginning of the election period for which the deferred salary is to be earned). For this purpose, the election period shall

be the calendar year; provided, however, that during periods in which the Plan is not in effect for a full calendar year or an employee is not a Participant for a full calendar year, the election period shall be the portion of the calendar year during which the Plan is in effect and the employee is an eligible Participant. Notwithstanding the foregoing, a person who is not a Participant at the beginning of a calendar year shall not be allowed to elect a deferral of compensation that takes effect during that year without the consent of the Committee. Salary deferrals that have been elected shall occur throughout the election period in equal increments for each payroll period.

5.2 Deferrals of Bonuses, Commissions and Other Cash Incentive Compensation.

Each Category 1 Participant and each Category 2 Participant may elect to defer all or any portion (subject to the provisions of this Article V) of (a) his or her commissions; and (b) any amount that he or she subsequently earns under an annual cash bonus program and/or a long-term cash incentive compensation program of the Company or a participating Subsidiary. Any such election must be made by entering a deferred compensation agreement with the employer, as evidenced by a form approved by the Committee that is filed with the Administrator on or before the deadline specified by the Administrator. For annual cash bonuses, this deadline shall be no earlier than one month prior to the beginning of year (or portion thereof) for which the bonus will be earned. For commissions and other cash incentive compensation, this deadline shall be a date no later than six months before the end of the year or other period for which the commissions or incentive compensation will be earned. Rules similar to those in Section 5.1 shall apply in cases where the Plan is not in existence or an employee is not a Participant for the full period in which an annual cash bonus, commission or long-term incentive compensation award is earned.

5.3 Deferral Procedures.

Participants eligible to elect salary deferrals under section 5.1 shall have an opportunity to do so each year. Participants eligible to elect deferrals under section 5.2 shall have a separate opportunity to do so for each (a) cash bonus under an annual bonus program; (b) cash bonus or incentive payment under a long-term incentive plan; and (c) commission that they may earn. Unless the Committee specifies other rules for the deferrals that may be elected, the minimum deferral shall be 20 percent of the compensation to which a deferral election applies; and, subject to the maximum percentage allowed under section 5.1 or 5.2, as applicable, deferrals in excess of the minimum allowable percentage may be made only in increments of 10 percent. If a deferral is elected, the election shall be irrevocable with respect to the particular compensation that is subject to the election. Deferral elections shall be made on a form prescribed by the Committee or the Administrator. As provided in section 6.7, any deferral is subject to appropriate tax withholding measures and may be reduced to satisfy tax withholding requirements.

5.4 Election of Time and Manner of Payment.

At the time a Participant makes a deferral election under section 5.1 or 5.2, the Participant shall also designate the manner of payment and the date on which payments from his or her Deferral Account shall begin, from among the following options:

(a) A lump sum payable by the end of February of any year that the Participant specifies;

(b) a lump sum payable by the end of February in the year immediately following the Participant's Retirement;

(c) a series of annual installments, commencing in any year selected by the Participant and payable each year on or before the end of February, over a period of four years; or

(d) a series of annual installments, commencing in the year following the Participant's Retirement and payable each year on or before the end of February, over a period of five, ten, or fifteen years, as designated by the Participant.

However, if a Participant terminates employment for any reason other than Retirement, the payment of the Participant's entire Deferral Account, including any unpaid installments pursuant to clause (c) above, shall be made in a single lump sum by the end of February in the year next following the year in which the Participant terminates employment, notwithstanding the terms of the Participant's election.

Any election of a specified payment date pursuant to clauses (a) or (b), above, shall be subject to any restrictions that the Committee may, in its sole discretion, choose to establish in order to limit the number of different payment dates that a Participant may have in effect at one time.

A Participant may modify an election of the time for payment under circumstances determined by the Committee, provided that (a) a payment election may not be modified in a manner that would cause payments to commence earlier than the date payments would have commenced absent such modification, and (b) all payment elections shall become irrevocable one year prior to the date on which payment will commence under the election.

If payment is due in the form of a lump sum, the payment shall equal the balance of the Deferral Account being paid, determined as of the Valuation Date coincident with or immediately preceding the payment date. If payment is due in the form of installments, the amount of each installment payment shall be equal to the quotient determined by dividing (A) the value of the portion of the Deferral Account to which the installment payment election applies (determined as of the Valuation Date coincident with or immediately preceding the date the payment is to be made), by (B) the number of years over which the installment payments are to be made, less the number of years in which prior payments attributable to such installment payment election have been made.

Notwithstanding the foregoing, however, if earnings or any other amounts credited to a Participant's Deferral Account are not considered performance-based compensation, within the meaning of Section 162(m) of the Internal Revenue Code, and do not otherwise meet Internal Revenue Code conditions allowing the Company and its Subsidiaries to receive a federal income tax deduction for such amounts upon paying them at the time provided under the Participant's election, the payment of such amounts, to the extent in excess of the amount that would be currently tax deductible, shall automatically be deferred until the earliest year that the payment can be deducted.

5.5 Accounts and Earnings.

The Company shall establish a Deferral Account for each Participant who has elected a deferral under section 5.1 or 5.2 above, and its accounting records for the Plan with respect to each such Participant shall include a separate Deferral Account or subaccount for each deferral election of the Participant that could cause a payment made at a different time or in a different form from other payments of deferrals elected by the same Participant. Each Deferral Account balance shall reflect the Company's obligation to pay a deferred amount to a Participant or Beneficiary as provided in this Article V. Under procedures approved by the Committee and communicated to Participants, a Participant's Deferral Account balance shall be increased periodically (not less frequently than annually) to reflect an assumed earnings increment, based on an interest rate or other benchmark selected by the Committee and in effect at the time. Until the time for determining the amount to be paid to the Participant or Beneficiary, such assumed earnings shall accrue from each Valuation Date on the Deferral Account balance as of that date and shall be credited to the account as of the next Valuation Date. The rate of earnings may, but need not, be determined with reference to the actual rate of earnings on assets held under any existing grantor trust or other informal funding vehicle that is in effect pursuant to section 6.2. Any method of crediting earnings that is followed from time to time may, with reasonable advance notice to affected Participants, be revoked or revised prospectively as of the beginning of any new Plan Year. Earnings that have been credited for any Plan Year, like deferred amounts that have been previously credited to a Participant, shall not be reduced or eliminated retroactively unless they were credited in error. The crediting of assumed earnings shall not mean that any deferred compensation promise to a Participant is secured by particular investment assets or that the Participant is actually earning interest or any other form of investment income under the Plan. Consistent with the foregoing authority to exercise flexibility in establishing a method for crediting assumed earnings on account balances, the Committee may, but need not, consult with Participants about their investment preferences and may, but need not, institute a program of assumed earnings that tracks the investment performance in a Participant's qualified defined contribution plan account or in an assumed participant-directed investment arrangement.

5.6 Maintenance of Accounts.

The Accounts of each Participant shall be entered on the books of the Company and shall represent a liability, payable when due under this Plan, out of the general assets of the Company. Prior to benefits becoming due hereunder, the Company shall expense the liability for such accounts in accordance with policies determined appropriate by the Company's auditors. Except to the extent provided pursuant to the second paragraph of this section 5.6, the Accounts created for a Participant by the Company shall not be funded by a trust or an insurance contract; nor shall any assets of the Company be segregated or identified to such account; nor shall any property or assets of the Company be pledged, encumbered, or otherwise subjected to a lien or security interest for payment of benefits hereunder. Notwithstanding that the amounts to be paid hereunder to Participants constitute an unfunded obligation of the Company, the Company may direct that an amount equal to any portion of the Accounts shall be invested by the Company as the Company, in its sole discretion, shall determine. The Committee may in its sole discretion determine that all or any portion of an amount equal to the Accounts shall be paid into one or more grantor trusts that may be established by the Company for the purpose of providing a potential source of funds to pay Plan benefits. The Company may designate an investment

advisor to direct the investment of funds that may be used to pay benefits, including the investment of assets of any grantor trusts hereunder.

5.7 Change in Control.

In the event of a Change in Control (as defined below), the following rules shall apply:

(a) All Participants shall continue to have a fully vested, nonforfeitable interest in their Deferral Accounts.

(b) Deferrals of amounts for the year that includes the Change in Control shall cease beginning with the first payroll period that follows the Change in Control.

(c) A special allocation of earnings on all Deferral Accounts shall be made under section 5.5 as of the date of the Change in Control on a basis no less favorable to Participants than the method being followed prior to the Change in Control.

(d) All payments of deferred amounts following a Change in Control, whether or not they have previously begun, shall be made in a cash lump sum no later than 30 days following the Change in Control and, except as provided in section 5.4 with respect to installment payments in progress, shall be in an amount equal to the full Deferral Account balance, as adjusted pursuant to paragraph (c) above, as of the date of the Change in Control.

(e) Nothing in this Plan shall prevent a Participant from enforcing any rules in a contract or another plan of the Company or any Subsidiary concerning the method of determining the amount of a bonus, incentive compensation, or other form of compensation to which a Participant may become entitled following a change in control, or the time at which that compensation is to be paid in the event of a change in control.

For purposes of this Plan, a "Change in Control" means any of the following:

(1) Any "person" who, alone or together with all "affiliates" and "associates" of such person, is or becomes (A) an "acquiring person" or (B) the "beneficial owner" of 35% of the outstanding voting securities of the Company (the terms "person", "affiliates", "associates" and "beneficial owner" are used as such terms are used in the Securities Exchange Act of 1934 and the General Rules and Regulations thereunder); provided, however, that a "Change in Control" shall not be deemed to have occurred if such "person" is Charles R. Schwab, the Company, any subsidiary or any employee benefit plan or employee stock plan of the Company or of any Subsidiary, or any trust or other entity organized, established or holding shares of such voting securities by, for or pursuant to, the terms of any such plan; or

(2) Individuals who at the beginning of any period of two consecutive calendar years constitute the Board cease for any reason, during such period, to constitute at least a majority thereof, unless the election, or the nomination for election by the Company's Shareholders, of each new

Board Member was approved by a vote of at least three-quarters (3/4) of the Board members then still in office who were Board members at the beginning of such period; or

(3) Approval by the shareholders of the Company of:

(A) the dissolution or liquidation of the Company;

(B) the sale or transfer of substantially all of the Company's business and/or assets to a person or entity which is not a "subsidiary" (any corporation or other entity a majority or more of whose outstanding voting stock or voting power is beneficially owned directly or indirectly by the Company); or

(C) an agreement to merge or consolidate, or otherwise reorganize, with one or more entities which are not subsidiaries (as defined in (B) above), as a result of which less than 50% of the outstanding voting securities of the surviving or resulting entity are, or are to be, owned by former shareholders of the Company; or

(4) The Board agrees by a majority vote that an event has or is about to occur that, in fairness to the Participants, is tantamount to a Change in Control.

A Change of Control shall occur on the first day on which any of the preceding conditions has been satisfied. However, notwithstanding the foregoing, this section 5.7 shall not apply to any Participant who alone or together with one or more other persons acting as a partnership, limited partnership, syndicate, or other group for the purpose of acquiring, holding or disposing of securities of the Company, triggers a "Change in Control" within the meaning of paragraphs (1) and (2) above.

5.8 Payment of Deferred Amounts.

A Participant shall have a fully vested, nonforfeitable interest in his or her Deferral Account balance at all times. However, vesting does not confer a right to payment other than in the manner elected by the Participant pursuant to section 5.4 (subject to any modification that may occur pursuant to section 5.5, 5.7 or 5.9). Upon the expiration of a deferral period selected by the Participant in one or more deferral elections, the Company shall pay to such Participant (or to the Participant's Beneficiary, in the case of the Participant's death) an amount equal to the balance of the Participant's Account attributable to such expiring deferral elections, plus assumed earnings (determined by the Company pursuant to section 5.5) thereon.

5.9 Acceleration of Payment.

The Committee, in its discretion, upon receipt of a written request from a Participant, may accelerate the payment of all or any portion of the unpaid balance of a Participant's Deferral

Account in the event of the Participant's Retirement, death, permanent disability, resignation or termination of employment, or upon its determination that the Participant (or his Beneficiary in the case of his death) has incurred a severe, unforeseeable financial hardship creating an immediate and heavy need for cash that cannot reasonably be satisfied from sources other than an accelerated payment from this Plan. The Committee in making its determination may consider such factors and require such information as it deems appropriate.

Article VI General Provisions

6.1 Unfunded Obligation.

The deferred amounts to be paid to Participants pursuant to this Plan constitute unfunded obligations of the Company. Except to the extent specifically provided hereunder, the Company is not required to segregate any monies from its general funds, to create any trusts, or to make any special deposits with respect to this obligation. Title to and beneficial ownership of any investments, including any grantor trust investments which the Company has determined and directed the Administrator to make to fulfill obligations under this Plan shall at all times remain in the Company. Any investments and the creation or maintenance of any trust or Accounts shall not create or constitute a trust or a fiduciary relationship between the Administrator or the Company and a Participant, or otherwise create any vested or beneficial interest in any Participant or his or her Beneficiary or his or her creditors in any assets of the Company whatsoever. The Participants shall have no claim for any changes in the value of any assets which may be invested or reinvested by the Company in an effort to match its liabilities under this Plan.

6.2 Informal Funding Vehicles.

Notwithstanding section 6.1, the Company may, but need not, arrange for the establishment and use of a grantor trust or other informal funding vehicle to facilitate the payment of benefits and to discharge the liability of the Company and participating Affiliates under this Plan to the extent of payments actually made from such trust or other informal funding vehicle. Any investments and any creation or maintenance of memorandum accounts or a trust or other informal funding vehicle shall not create or constitute a trust or a fiduciary relationship between the Committee or the Company or an affiliate and a Participant, or otherwise confer on any Participant or Beneficiary or his or her creditors a vested or beneficial interest in any assets of the Company or any Affiliate whatsoever. Participants and Beneficiaries shall have no claim against the Company or any Affiliate for any changes in the value of any assets which may be invested or reinvested by the Company or any Affiliate with respect to this Plan.

6.3 Beneficiary.

The term "Beneficiary" shall mean the person or persons to whom payments are to be paid pursuant to the terms of the Plan in the event of the Participant's death. A Participant may designate a Beneficiary on a form provided by the Administrator, executed by the Participant, and delivered to the Administrator. The Administrator may require the consent of the Participant's spouse to a designation if the designation specifies a Beneficiary other than the spouse. Subject to the foregoing, a Participant may change a Beneficiary designation at any time. Subject to the property rights of any prior spouse, if no Beneficiary is designated, if the

designation is ineffective, or if the Beneficiary dies before the balance of the Account is paid, the balance shall be paid to the Participant's surviving spouse, or if there is no surviving spouse, to the Participant's estate.

6.4 Incapacity of Participant or Beneficiary.

Every person receiving or claiming benefits under the Plan shall be conclusively presumed to be mentally competent and of age until the date on which the Administrator receives a written notice, in a form and manner acceptable to the Administrator, that such person is incompetent or a minor, for whom a guardian or other person legally vested with the care of his person or estate has been appointed; provided, however, that if the Administrator finds that any person to whom a benefit is payable under the Plan is unable to care for his or her affairs because of incompetency, or because he or she is a minor, any payment due (unless a prior claim therefor shall have been made by a duly appointed legal representative) may be paid to the spouse, a child, a parent, a brother or sister, or to any person or institution considered by the Administrator to have incurred expense for such person otherwise entitled to payment. To the extent permitted by law, any such payment so made shall be a complete discharge of liability therefor under the Plan.

If a guardian of the estate of any person receiving or claiming benefits under the Plan is appointed by a court of competent jurisdiction, benefit payments may be made to such guardian provided that proper proof of appointment and continuing qualification is furnished in a form and manner acceptable to the Administrator. In the event a person claiming or receiving benefits under the Plan is a minor, payment may be made to the custodian of an account for such person under the Uniform Gifts to Minors Act. To the extent permitted by law, any such payment so made shall be a complete discharge of any liability therefor under the Plan.

6.5 Nonassignment.

The right of a Participant or Beneficiary to the payment of any amounts under the Plan may not be assigned, transferred, pledged or encumbered nor shall such right or other interests be subject to attachment, garnishment, execution, or other legal process.

6.6 No Right to Continued Employment.

Nothing in the Plan shall be construed to confer upon any Participant any right to continued employment with the Company, nor shall the Plan interfere in any way with the right of the Company to terminate the employment of such Participant at any time without assigning any reason therefor.

6.7 Tax Withholding.

Appropriate taxes shall be withheld from cash payments made to Participants pursuant to the Plan. To the extent tax withholding is payable in connection with the Participant's deferral of income rather than in connection with the payment of deferred amounts, such withholding may be made from other wages and salary currently payable to the Participant, or, as determined by the Administrator, the amount of the deferral elected by the Participant may be reduced in order to satisfy required tax withholding for employment taxes and any other taxes.

6.8 Claims Procedure and Arbitration.

The Senior Vice President, Specialty Services of Charles Schwab & Co., Inc. shall establish a reasonable claims procedure consistent with the requirements of the Employee Retirement Income Security Act of 1974, as amended. Following a Change in Control of the Company (as determined under section 5.8) the claims procedure shall include the following arbitration procedure. Following a Change in Control of the Company (as determined under section 5.8) the claims procedure shall include the following arbitration procedure. Since time will be of the essence in determining whether any payments are due to the Participant under this Plan following a Change in Control, a Participant may submit any claim for payment to arbitration as follows: On or after the second day following the termination of the Participant's employment or other event triggering a right to payment, the claim may be filed with an arbitrator of the Participant's choice by submitting the claim in writing and providing a copy to the Company. The arbitrator must be (a) a member of the National Academy of Arbitrators or one who currently appears on arbitration panels issued by the Federal Mediation and Conciliation Service or the American Arbitration Association; or (b) a retired judge of the State in which the claimant is a resident who served at the appellate level or higher. The arbitration hearing shall be held within 72 hours (or as soon thereafter as possible) after filing of the claim unless the Participant and the Company agree to a later date. No continuance of said hearing shall be allowed without the mutual consent of the Participant and the Company. Absence from or nonparticipation at the hearing by either party shall not prevent the issuance of an award. Hearing procedures which will expedite the hearing may be ordered at the arbitrator's discretion, and the arbitrator may close the hearing in his or her sole discretion upon deciding he or she has heard sufficient evidence to satisfy issuance of an award. In reaching a decision, the arbitrator shall have no authority to ignore, change, modify, add to or delete from any provision of this Plan, but instead is limited to interpreting this Plan. The arbitrator's award shall be rendered as expeditiously as possible, and unless the arbitrator rules within seven days after the close of the hearing, he will be deemed to have ruled in favor of the Participant. If the arbitrator finds that any payment is due to the Participant from the Company, the arbitrator shall order the Company to pay that amount to the Participant within 48 hours after the decision is rendered. The award of the arbitrator shall be final and binding upon the Participant and the Company. Judgment upon the award rendered by the arbitrator may be entered in any court in any State of the United States. In the case of any arbitration regarding this Agreement, the Participant shall be awarded the Participant's costs, including attorney's fees. Such fee award may not be offset against the deferred compensation due hereunder. The Company shall pay the arbitrator's fee and all necessary expenses of the hearing, including stenographic reporter if employed.

6.9 Termination and Amendment.

The Committee may from time to time amend, suspend or terminate the Plan, in whole or in part, and if the Plan is suspended or terminated, the Committee may reinstate any or all of its provisions. Except as otherwise required by law, the Committee may delegate to the Administrator all or any of its foregoing powers to amend, suspend, or terminate the Plan. Any such amendment, suspension, or termination may affect future deferrals without the consent of any Participant or Beneficiary. However, with respect to deferrals that have already occurred, no amendment, suspension or termination may impair the right of a Participant or a designated Beneficiary to receive payment of the related deferred compensation in accordance with the terms of the Plan prior to the effective date of such amendment, suspension or termination,

unless the affected Participant or Beneficiary gives his express written consent to the change.

6.10 Applicable Law.

The Plan shall be construed and governed in accordance with applicable federal law and, to the extent not preempted by such federal law, the laws of the State of California.

THE CHARLES SCHWAB CORPORATION

EXHIBIT 12.1

Computation of Ratio of Earnings to Fixed Charges and
Ratio of Earnings to Fixed Charges and Preferred Stock Dividends
(Dollar amounts in millions)
(Unaudited)

Year Ended December 31,	2014	2013	2012	2011	2010
Earnings before taxes on earnings	$ 2,115	$ 1,705	$ 1,450	$ 1,392	$ 779
Fixed charges					
Interest expense:					
Deposits from banking clients	30	31	42	62	105
Payables to brokerage clients	2	3	3	3	2
Long-term debt	73	69	103	108	92
Other	(3)	2	2	2	-
Total	102	105	150	175	199
Interest portion of rental expense	71	69	68	62	56
Total fixed charges (A)	173	174	218	237	255
Earnings before taxes on earnings and fixed charges (B)	$ 2,288	$ 1,879	$ 1,668	$ 1,629	$ 1,034
Ratio of earnings to fixed charges (B) ÷ (A) [1]	13.2	10.8	7.7	6.9	4.1
Ratio of earnings to fixed charges, excluding deposits from banking clients and payables to brokerage clients interest expense [2]	16.0	13.2	9.4	9.1	6.3
Total fixed charges	$ 173	$ 174	$ 218	$ 237	$ 255
Preferred stock dividends [3]	96	97	70	-	-
Total fixed charges and preferred stock dividends (C)	$ 269	$ 271	$ 288	$ 237	$ 255
Ratio of earnings to fixed charges and preferred stock dividends (B) ÷ (C) [1]	8.5	6.9	5.8	6.9	4.1
Ratio of earnings to fixed charges and preferred stock dividends, excluding deposits from banking clients and payables to brokerage clients interest expense [2]	9.5	7.8	6.7	9.1	6.3

(1) The ratios of earnings to fixed charges and earnings to fixed charges and preferred stock dividends are calculated in accordance with SEC requirements. For such purposes, "earnings" consist of earnings before taxes on earnings and fixed charges. "Fixed charges" consist of interest expense as listed above, and one-third of rental expense, which is estimated to be representative of the interest factor.

(2) Because interest expense incurred in connection with both deposits from banking clients and payables to brokerage clients is completely offset by interest revenue on related investments and loans, the Company considers such interest to be an operating expense. Accordingly, the ratio of earnings to fixed charges, excluding deposits from banking clients and payables to brokerage clients interest expense, and the ratio of earnings to fixed charges and preferred stock dividends, excluding deposits from banking clients and payables to brokerage clients interest expense, reflect the elimination of such interest expense as a fixed charge.

(3) The preferred stock dividend amounts represent the pre-tax earnings that would be required to pay the dividends on outstanding preferred stock.

EXHIBIT 21.1

Subsidiaries of the Registrant

Pursuant to Item 601 (b)(21)(ii) of Regulation S-K, certain subsidiaries of the Registrant have been omitted which, considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary (as defined in Rule 1-02(w) of Regulation S-X) as of December 31, 2014.

The following is a listing of the significant subsidiaries of the Registrant:

Schwab Holdings, Inc. (holding company for Charles Schwab & Co., Inc.), a Delaware corporation

Charles Schwab & Co., Inc., a California corporation

Charles Schwab Bank, a Federal Savings Association

Charles Schwab Investment Management, Inc., a Delaware corporation

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following Registration Statements of our report dated February 23, 2015, relating to the consolidated financial statements and financial statement schedule of The Charles Schwab Corporation and the effectiveness of The Charles Schwab Corporation's internal control over financial reporting appearing in this Annual Report on Form 10-K of The Charles Schwab Corporation for the year ended December 31, 2014.

Filed on Form S-3:

Registration Statement No. 333-200939	(Debt Securities, Preferred Stock, Depository Shares, Common Stock, Purchase Contracts, Warrants, and Units Consisting of Two or More Securities)

Filed on Form S-8:

Registration Statement No. 333-192893	(The Charles Schwab Corporation Financial Consultant Career Achievement Award Program)
Registration Statement No. 333-189553	(The Charles Schwab Corporation 2013 Stock Incentive Plan)
Registration Statement No. 333-175862	(The Charles Schwab Corporation 2004 Stock Incentive Plan)
Registration Statement No. 333-173635	(optionsXpress Holdings, Inc. 2008 Equity Incentive Plan, optionsXpress Holdings, Inc. 2005 Equity Incentive Plan, and optionsXpress, Inc. 2001 Equity Incentive Plan)
Registration Statement No. 333-144303	(The Charles Schwab Corporation Employee Stock Purchase Plan)
Registration Statement No. 333-131502	(The Charles Schwab Corporation Deferred Compensation Plan II)
Registration Statement No. 333-101992	(The Charles Schwab Corporation 2004 Stock Incentive Plan)
Registration Statement No. 333-71322	(The SchwabPlan Retirement Savings and Investment Plan)
Registration Statement No. 333-63448	(The Charles Schwab Corporation 2004 Stock Incentive Plan)
Registration Statement No. 333-47107	(The Charles Schwab Corporation 2004 Stock Incentive Plan)
Registration Statement No. 333-44793	(Charles Schwab Profit Sharing and Employee Stock Ownership Plan)

/s/ Deloitte & Touche LLP

San Francisco, California
February 23, 2015

THE CHARLES SCHWAB CORPORATION

EXHIBIT 31.1

CERTIFICATION PURSUANT TO RULE 13a-14(a)/15d-14(a), AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Walter W. Bettinger II, certify that:

1. I have reviewed this Annual Report on Form 10-K of The Charles Schwab Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 23, 2015

/s/ Walter W. Bettinger II
Walter W. Bettinger II
President and Chief Executive Officer

THE CHARLES SCHWAB CORPORATION

EXHIBIT 31.2

CERTIFICATION PURSUANT TO RULE 13a-14(a)/15d-14(a), AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Joseph R. Martinetto, certify that:

1. I have reviewed this Annual Report on Form 10-K of The Charles Schwab Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 23, 2015

/s/ Joseph R. Martinetto
Joseph R. Martinetto
Executive Vice President and Chief Financial Officer

THE CHARLES SCHWAB CORPORATION

EXHIBIT 32.1

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of The Charles Schwab Corporation (the Company) on Form 10-K for the year ended December 31, 2014 (the Report), I, Walter W. Bettinger II, President and Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the periods presented therein.

/s/ Walter W. Bettinger II
Walter W. Bettinger II
President and Chief Executive Officer

Date: February 23, 2015

A signed original of this written statement required by Section 906 has been provided to The Charles Schwab Corporation and will be retained by The Charles Schwab Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

THE CHARLES SCHWAB CORPORATION

EXHIBIT 32.2

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of The Charles Schwab Corporation (the Company) on Form 10-K for the year ended December 31, 2014 (the Report), I, Joseph R. Martinetto, Executive Vice President and Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the periods presented therein.

/s/ Joseph R. Martinetto
Joseph R. Martinetto
Executive Vice President
and Chief Financial Officer

Date: February 23, 2015

A signed original of this written statement required by Section 906 has been provided to The Charles Schwab Corporation and will be retained by The Charles Schwab Corporation and furnished to the Securities and Exchange Commission or its staff upon request.