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, 2021

or

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

For the transition period from ________ to ________

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.)

3000 Schwab Way, Westlake, TX 76262
(Address of principal executive offices and zip code)

Registrant's telephone number, including area code: (817) 859-5000

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock – $.01 par value per share	SCHW	New York Stock Exchange
Depositary Shares, each representing a 1/40th ownership interest in a share of 5.95% Non-Cumulative Preferred Stock, Series D	SCHW PrD	New York Stock Exchange
Depositary Shares, each representing a 1/40th ownership interest in a share of 4.450% Non-Cumulative Preferred Stock, Series J	SCHW PrJ	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 every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

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

Large accelerated filer ☒	Accelerated filer ☐
Non-accelerated filer ☐	Smaller reporting company ☐
Emerging growth company ☐	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

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, 2021, the aggregate market value of the voting stock held by non-affiliates of the registrant was $122.9 billion. For purposes of this information, the outstanding shares of Common Stock owned by directors and executive officers of the registrant were deemed to be shares of the voting stock held by affiliates.

As of January 31, 2022, 1,814,620,775 shares of $.01 par value Common Stock and 79,293,695 shares of $.01 par value Nonvoting Common Stock were outstanding.

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 17, 2022, by reference to that document.

THE CHARLES SCHWAB CORPORATION

Annual Report On Form 10-K
For Fiscal Year Ended December 31, 2021

TABLE OF CONTENTS

PART I

Item 1. Business

General Corporate Overview

The Charles Schwab Corporation (CSC) is a savings and loan holding company. CSC engages, through its subsidiaries (collectively referred to as Schwab or the Company), in wealth management, securities brokerage, banking, asset management, custody, and financial advisory services. At December 31, 2021, Schwab had $8.14 trillion in client assets, 33.2 million active brokerage accounts, 2.2 million corporate retirement plan participants, and 1.6 million banking accounts.

Principal business subsidiaries of CSC include the following:

- Charles Schwab & Co., Inc. (CS&Co), incorporated in 1971, a securities broker-dealer;
- TD Ameritrade, Inc., an introducing securities broker-dealer;
- TD Ameritrade Clearing, Inc. (TDAC), a securities broker-dealer that provides trade execution and clearing services to TD Ameritrade, Inc.;
- Charles Schwab Bank, SSB (CSB), our principal banking entity; and
- Charles Schwab Investment Management, Inc. (CSIM), the investment advisor for Schwab's proprietary mutual funds (Schwab Funds®) and for Schwab's exchange-traded funds (Schwab ETFs™).

Unless otherwise indicated, the terms "Schwab," "the Company," "we," "us," or "our" mean CSC together with its consolidated subsidiaries.

Schwab provides financial services to individuals and institutional clients through two segments – Investor Services and Advisor Services. The Investor Services segment provides retail brokerage, investment advisory, and banking and trust services to individual investors, and retirement plan services, as well as other corporate brokerage services, to businesses and their employees. The Advisor Services segment provides custodial, trading, banking and trust, and support services, as well as retirement business services, to independent registered investment advisors (RIAs), independent retirement advisors, and recordkeepers. These services are further described in the segment discussion below.

Effective January 1, 2021, CSC changed the designation of its corporate headquarters from San Francisco, California to Westlake, Texas. The Company maintains a nationwide presence across a network of branches and operations centers, and our Westlake location provides a centrally located hub for the Company.

Business Strategy and Competitive Environment

Schwab was founded on the belief that all Americans deserve access to a better investing experience. Although much has changed in the intervening years, our purpose remains clear – to champion every client's goals with passion and integrity. Guided by this purpose and our vision of creating the most trusted leader in investment services, management has adopted a strategy described as "Through Clients' Eyes."

This strategy emphasizes placing clients' perspectives, needs, and desires at the forefront. Because investing plays a fundamental role in building financial security, we strive to deliver a better investing experience for our clients – individual investors and the people and institutions who serve them – by disrupting longstanding industry practices on their behalf and providing superior service. We also aim to offer a broad range of products and solutions to meet client needs with a focus on transparency, value, and trust. In addition, management works to couple Schwab's scale and resources with ongoing expense discipline to keep costs low and ensure that products and solutions are affordable as well as responsive to client needs. In combination, these are the key elements of our "no trade-offs" approach to serving investors. We believe that following this strategy is the best way to maximize our market valuation and stockholder returns over time.

Management estimates that investable wealth in the United States (U.S.) (consisting of assets in defined contribution, retail wealth management and brokerage, and registered investment advisor channels, along with bank deposits) currently exceeds $70 trillion, which means the Company's $8.14 trillion in client assets leaves substantial opportunity for growth. Our strategy is based on the principle that developing trusted relationships will translate into more assets from both new and existing clients, ultimately driving more revenue, and along with expense discipline and thoughtful capital management, will generate earnings growth and build long-term stockholder value.

Within Investor Services, our competition in serving individual investors spans brokerage, wealth management, and asset management firms, as well as banks and trust companies. In the Advisor Services arena, we compete with institutional custodians, traditional and discount brokers, banks, and trust companies.

Across both segments, our key competitive advantages are:

- Scale and Size of the Business – As one of the largest investment services firms in the U.S., we are able to spread operating costs and amortize new investments over a large base of clients, and harness the resources to evolve capabilities to meet client needs.
- Operating Efficiency – Coupled with scale, our operating efficiency and sharing of infrastructure across different businesses creates a cost advantage that enables us to competitively price products and services while profitably serving clients of various sizes across multiple channels.
- Operating Structure – Providing bank and asset management services to broker-dealer clients helps serve a wider array of needs, thereby deepening relationships, enhancing the stability of client assets, and enabling diversified revenue streams.
- Brand and Corporate Reputation – In an industry dependent on trust, Schwab's reputation and brand across multiple constituents enable us to attract clients and employees while credibly introducing new products to the market.
- Service Culture – Delivering a great client experience earns the trust and loyalty of clients and increases the likelihood that those clients will refer others.
- Willingness to Disrupt – Management's willingness to challenge the status quo, including our own business practices, to benefit clients fosters innovation and continuous improvement, which helps to attract more clients and assets.

Business and Asset Acquisitions

Acquisition of TD Ameritrade

Effective October 6, 2020, the Company completed its acquisition of TD Ameritrade Holding Corporation (TDA Holding) and its consolidated subsidiaries (collectively referred to as "TD Ameritrade" or "TDA"). TD Ameritrade provides securities brokerage services, including trade execution, clearing services, and margin lending, through its broker-dealer subsidiaries; and futures and foreign exchange trade execution services through its futures commission merchant (FCM) and forex dealer member (FDM) subsidiary.

TDA provides services to individual retail investors and to RIAs predominantly through the Internet, a national branch network, and relationships with RIAs. TD Ameritrade's sources of net revenues primarily consist of trading revenue, bank deposit account fees, net interest revenue, and asset management and administration fees.

- TDA's trading revenue includes commissions earned on trades of certain securities and derivatives, as well as order flow revenue.
- Bank deposit account fees are earned through an insured deposit account agreement with TD Bank USA, National Association and TD Bank, National Association (together, the TD Depository Institutions), as well as bank deposit account sweep agreements with other third-party depository institutions, whereby uninvested cash held within eligible brokerage client accounts is swept into deposit accounts at the TD Depository Institutions and other third-party depository institutions.
- TDA's net interest revenue is generated primarily through margin lending, securities lending activity, as well as segregated and operating cash and investments. Interest-bearing liabilities primarily consist of interest-bearing payables to brokerage clients and long-term debt.
- TDA's asset management and administration fee revenue includes revenues earned on client assets invested in money market funds, other mutual funds, and certain investment programs. TDA's asset management and administration fees also include referral and asset-based program fees on its client assets managed by independent RIAs utilizing TDA's trading and investing platforms.

Integration Overview

The acquisition of TD Ameritrade significantly increases our scale to help support the Company's ongoing efforts to enhance the client experience, provide deeper resources for individual investors as well as RIAs, and continue to improve our operating efficiency. At the time the acquisition closed, TDA had approximately $1.6 trillion in client assets and approximately 14.5 million brokerage accounts. We are actively combining the respective strengths of Schwab and TD Ameritrade and investing in enhanced client experience capabilities to further our financial success for the benefit of clients, employees, and stockholders.

We expect to transition TDA clients to Schwab within 30 to 36 months from the October 6, 2020 date of acquisition. The Company has made significant progress in its efforts to reduce overlapping or redundant roles across the two firms and has largely completed the rationalization of CS&Co and TD Ameritrade, Inc. branch locations. These and other integration activities such as preparation for client transitions are expected to continue throughout the integration process. CS&Co, as well as TD Ameritrade, Inc. and TDAC, will continue to operate as separate broker-dealers to serve their respective clients while integration work continues.

Throughout the integration, the Company plans to generally adopt Schwab platforms and systems, though we're committed to leveraging material advantages in TD Ameritrade's platforms when appropriate, as exemplified by our retention of TD Ameritrade's thinkorswim® and thinkpipes® trading platforms, education, and tools into our offerings for retail and RIA clients. We are also retaining TD Ameritrade Institutional's customizable portfolio rebalancing solution iRebal® as part of our offering for independent advisor clients.

IDA Agreement

Concurrently with the execution of the Agreement and Plan of Merger, dated as of November 24, 2019, as amended (the Merger Agreement), CSC entered into an amended and restated insured deposit account agreement with the TD Depository Institutions (the IDA agreement). In accordance with the IDA agreement, which became effective October 6, 2020, cash held in eligible brokerage client accounts is swept off-balance sheet to deposit accounts at the TD Depository Institutions. Schwab provides recordkeeping and support services to the TD Depository Institutions with respect to the deposit accounts for which Schwab receives an aggregate monthly fee. Under the IDA agreement, the service fee on client cash deposits held at the TD Depository Institutions was reduced, relative to TD Ameritrade's agreement prior to acquisition, by 40%, from 25 basis points to 15 basis points for the life of the agreement. Prior to our acquisition, under TDA's prior insured deposit account agreement with the TD Depository Institutions, TDA had floors in place which enabled it to carve-out up to $20 billion of floating-rate investments from the applicable service fee during specified low-rate environments. Pursuant to the IDA agreement, the 15 basis point service fee now applies across all designated fixed and floating IDA balances.

See "Part II – Item 8 – Financial Statements and Supplementary Data – Notes to Consolidated Financial Statements" (Item 8) – Note 3 for more information on the TD Ameritrade acquisition. See also "Part II – Item 7 – Management's Discussion and Analysis of Financial Condition and Results of Operations (Item 7) – Capital Management" and Item 8 – Note 15 for additional information on the IDA agreement.

Acquisition of Assets of USAA's Investment Management Company and Other Acquisitions

On May 26, 2020, the Company completed its acquisition of the assets of USAA's Investment Management Company (USAA-IMCO). Along with the asset purchase agreement, the companies entered into a long-term referral agreement that makes Schwab the exclusive provider of wealth management and investment brokerage services for USAA members. The USAA-IMCO acquisition has added scale to the Company's operations through the addition of 1.1 million brokerage and managed portfolio accounts with approximately $80 billion in client assets at the acquisition date. The transaction also provides Schwab the opportunity to further expand our client base by serving USAA's members through the long-term referral agreement. See Item 8 – Note 3 for more information on the USAA-IMCO acquisition.

During 2020, the Company completed its acquisition of technology and intellectual property of Motif, a financial technology company. The Motif assets help us build on our existing capabilities and help accelerate our development of thematic and direct index investing for Schwab's retail investors and RIA clients. Also during 2020, the Company completed its acquisition of Wasmer, Schroeder & Company, LLC (Wasmer Schroeder), which adds established strategies and new separately managed account offerings to our fixed income lineup.

Products and Services

Schwab offers a broad range of products and services through intuitive end-to-end solutions, including robust digital capabilities, to address our clients' varying investment and financial needs. Examples of these offerings include the following:

- Brokerage – an array of full-feature brokerage accounts with equity and fixed income trading, margin lending, options trading, futures and forex trading, and cash management capabilities including third-party certificates of deposit;
- Mutual funds – third-party mutual funds through the Mutual Fund Marketplace®, including non-transaction fee mutual funds through the Mutual Fund OneSource® service, which also includes proprietary mutual funds, plus mutual fund trading and clearing services to broker-dealers;
- Exchange-traded funds (ETFs) – an extensive offering of ETFs, including both proprietary and third-party ETFs;
- Advice solutions – managed portfolios of both proprietary and third-party mutual funds and ETFs, separately managed accounts, customized personal advice for tailored portfolios, specialized planning, and full-time portfolio management;
- Banking – checking and savings accounts, first lien residential real estate mortgage loans (First Mortgages), home equity lines of credit (HELOCs), and pledged asset lines (PALs); and
- Trust – trust custody services, personal trust reporting services, and administrative trustee services.

These investing products and services are made available through two business segments – Investor Services and Advisor Services. Schwab's major sources of revenues are generated by both of the reportable segments, based on their respective levels of client assets and activity. Revenue is attributable to a reportable segment based on which segment has the primary responsibility for serving the client. The accounting policies of the reportable segments are the same as those described in Item 8 – Note 2.

Investor Services

Charles Schwab initially founded the Company over 40 years ago to provide individual investors with access to the financial markets at a highly competitive cost. The Company has expanded offerings over time in response to client needs, aiming to provide a compelling and often disruptive solution in the marketplace. The Investor Services segment includes the Retail Investor, Stock Plan Services, Retirement Plan Services, Compliance Solutions, Mutual Fund Clearing Services, and Off-Platform Sales business units.

Through the Retail Investor business unit, we offer individual investors access to a broad set of products, tools, education, trading, and advisory solutions. We provide advice and guidance through various relationship models. And we offer award-winning and 24/7 service to all our clients, regardless of asset levels, via a multi-channel service delivery model, which includes online, mobile, telephone, and branch support.

We believe in the power of investing and the importance of planning in helping clients achieve their financial goals. At the core of our offer is our broad set of relationship models that help personalize the investing journey for our clients and offer them the choice of where, when, and how they do business with us. Financial Consultants, Active Trader Financial Consultants, and Wealth Consultants in Schwab's branches and regional centers focus on building client relationships. We also have a range of roles to support clients with a broad set of specialized needs, including financial planning, managed investing, estate management, equity compensation and lending. Additionally, we have teams focused on supporting the advice and education needs of all our clients irrespective of asset levels at Schwab.

Our advisory solutions span a broad range of discretionary and non-discretionary choices, with minimum investments starting as low as $5,000, making it accessible to a broad set of investors. Our premier advisory solution, Schwab Private Client™, features a personal advice relationship with a designated Private Client Advisor, 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. We also offer referrals to an independent RIA in the Schwab Advisor Network®. These RIAs provide personalized portfolio management, financial planning, and wealth management solutions. For clients seeking a relationship in which investment decisions are fully delegated to a financial professional, Schwab offers several alternatives. We provide 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 the Windhaven Investment Management® Strategies, or equity securities and ETFs through the ThomasPartners Investment Management® Strategies. Through our acquisition of Wasmer Schroeder in 2020, more than 20 fixed income strategies and new separately managed account offerings have been made available to retail clients beginning in 2021, including two positive impact strategies and a multi-sector income strategy. The positive impact strategies utilize socially responsible investing, or a general investing strategy that considers not only traditional measures of risk and return, but environmental, social, and corporate governance (ESG) factors as well. We also refer 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. Schwab Intelligent Portfolios®, available since 2015, are for clients who are looking to have their assets professionally managed via a fully automated online investment advisory service. Schwab Intelligent Portfolios Premium®, a hybrid advisory service, offers clients an advisory service which combines unlimited guidance provided by a CERTIFIED FINANCIAL PLANNER™ and our robo-advice technology to make financial and investment planning more accessible to investors. Schwab Intelligent Income® is a low-cost solution designed to offer a simple, modern way to generate income from existing investment portfolios.

Clients of TD Ameritrade also have access to a suite of programs designed to meet their specific investment advisory needs. TDA's Selective Portfolios offers a broader range of goal-oriented portfolios made up of mutual funds and ETFs, through a combination of automated technology and professional insights. TDA's Personalized Portfolios offers clients tailored portfolios, supported by a team of investment professionals. Finally, TDA's AdvisorDirect® referral program provides clients with an introduction to an independent RIA that can assist in developing customized investment strategies around their unique goals.

Further, given our belief in the importance of financial planning, we offer a broad set of planning capabilities addressing a variety of planning needs. Our solutions include simple, free digital retirement calculators, our complimentary Digital Schwab® Plan available to all Schwab clients, as well as more complex planning solutions that are delivered by a Schwab representative who takes into account a client's personal and financial goals to build a tailored financial plan.

To meet the specific needs of clients who actively trade, Schwab offers integrated web- and software-based trading platforms, real-time market data, options trading, premium stock and futures research, and multi-channel access, as well as sophisticated account and trade management features, risk management and decision support tools, and dedicated personal support. 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. TD Ameritrade offers clients the robust thinkorswim® trading platform designed for the specialized needs of active traders, the Trading Learning Center to help build client knowledge through sequenced courses, the TDA Network, in-house financial network programming, and a trading community platform allowing traders to share ideas.

For U.S. clients wishing to invest in foreign equities, Schwab 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, Schwab serves both foreign investors and non-English-speaking U.S. clients who wish to trade or invest in U.S. dollar-based securities.

We also offer clients a range of self-service education and support tools, providing quick and efficient access to a broad lineup of information, research, tools, and administrative services, which clients can access according to their needs. Educational tools include workshops, webcasts, podcasts, interactive courses, and online information about investing, from which Schwab does not earn revenue. Since 2020, we've maintained virtual events to engage with retail and institutional clients amidst an unprecedented climate. Additionally, we provide various online research and analysis tools that are designed to help clients achieve better investment outcomes. As an example of analysis tools available to clients, 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 stocks of approximately 4,000 foreign companies. Another example of expanding access to investing includes Schwab Stock Slices™, a service which enables investors to purchase a single stock slice, or up to 10 different stock slices at once, from the S&P 500® commission-free through our online channels.

We also offer equity compensation plan sponsors full-service recordkeeping for stock plans, stock options, restricted stock, performance shares, stock appreciation rights, and a full range of participant support services through our Stock Plan Services business unit. 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.

Our Retirement Plan Services business unit offers a bundled 401(k) retirement plan product that provides retirement plan sponsors with extensive investment options, trustee or custodial services, and participant-level recordkeeping. Retirement 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 addition to an open architecture investment platform, we offer access to low cost index mutual funds and ETFs. Individuals investing for retirement through 401(k) plans can take advantage of bundled offerings of multiple investment choices, education, and third-party advice. 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. Services also include support for Roth 401(k) accounts, profit sharing, defined benefit plans, non-qualified plans, and Schwab Personal Choice Retirement Account®, a self-directed brokerage offering for retirement plans administered by Retirement Business Services within our Advisor Services segment.

Lastly, the Mutual Fund Clearing Services business unit provides open-end mutual fund trading, settlement, and related transactional services to banks, brokerage firms, and trust companies, and the Off-Platform Sales business unit offers proprietary mutual funds, ETFs, and collective trust funds (CTFs) outside the Company and not on the Schwab platform. They are included within the Investor Services segment given their leveraging of the products and services offered to individual investors.

Advisor Services

More than thirty years ago, Schwab supported a small group of entrepreneurial advisors who challenged the industry by creating independent firms. Through the Advisor Services segment, Schwab has become one of the largest providers of custodial, trading, banking, and support services to RIAs and their clients. We also provide retirement business services to independent retirement advisors and recordkeepers. Management believes that we can maintain our market position primarily through the efforts of our sales, support, technology, and business consulting service teams, which are dedicated to helping RIAs grow, compete, and succeed in serving their clients. In addition to focusing on superior service, we utilize technology to provide RIAs with a highly-developed, scalable platform for administering their clients' assets easily and efficiently. Advisor Services sponsors and hosts a variety of national, regional, local, and virtual events designed to help RIAs of all sizes and complexities identify and implement better ways to expand and efficiently manage their practices.

RIAs 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 RIAs to conduct daily business activities online with Schwab, including viewing and managing client account information and accessing news and market information. The website provides account servicing capabilities for RIAs, including account opening, money movement, transfer of assets, trading, checking status, and communicating with our service team. The site provides multi-year archiving of statements, trade confirms, and tax reports, along with document search capabilities. We also provide access to integrations with third-party platforms, which support a variety of advisor needs including client relationship management, portfolio management systems, trade order management, and financial planning. As an example, we offer Schwab Advisor Portfolio Connect®, a simplified portfolio management solution that is available free of charge to advisors to manage Schwab accounts. It delivers core capabilities and features through an intuitive modern experience, without the need to download and reconcile data.

The Advisor Services website also provides interactive tools, educational content, and thought leadership for advisors turning independent. We offer a variety of services to help RIAs grow and manage their practices, including business, technology, and operations consulting on a range of topics critical to an RIA's success, as well as an annual RIA benchmarking study to help firms understand key business metrics relative to peers. We also offer an array of services to help advisors establish their own independent practices through a robust prospect consulting offer. To support them throughout their transition, we offer access to business start-up and transition consultants, technology engineers, and dedicated service teams.

Schwab provides extensive educational materials, programs, and events to RIAs seeking to expand their knowledge of industry issues and trends, as well as sharpen their individual expertise and practice management skills. We conduct industry research on an ongoing basis, and hold a series of events and conferences every year to discuss topics of interest to RIAs, including business strategies and best practices. Schwab sponsors and hosts the annual IMPACT® conference, which provides a national forum for the Company, RIAs, and other industry participants to gather and share information and insights, as well as a multitude of smaller events across the country each year.

RIAs and their clients have access to our broad range of products and services, including individual securities, mutual funds, ETFs, fixed income products, managed accounts, cash products, bank lending, and trust services. By functioning as the custodian, Schwab earns revenue associated with the underlying client assets, predominantly through net interest revenue and asset management and administration fees. In this capacity, we do not charge the RIA or end client a custody fee.

For RIAs on the TD Ameritrade Institutional platform, TD Ameritrade's thinkpipes® trading platform offers a multitude of features, including real-time charting and efficient trading and allocation. The Company is working to integrate thinkpipes into its ongoing offerings as well as TD Ameritrade Institutional's customizable portfolio rebalancing solution iRebal® as part of our offering for RIA clients.

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. Retirement plan assets are held at Charles Schwab Trust Bank (Trust Bank) or trusteed by a separate, independent trustee. The Company and independent retirement plan providers work together to serve plan sponsors, combining the consulting and administrative expertise of the administrator with our investment, technology, trust, and custodial services. Retirement Business Services also offers the Schwab Personal Choice Retirement Account®, a self-directed brokerage offering for retirement plans.

Sources of Net Revenues

Schwab's largest sources of net revenues are net interest revenue, asset management and administration fees, trading revenue, and bank deposit account fees. These revenue streams are supported by the combination of bank, broker-dealer, and asset management operating subsidiaries, each of which brings specific capabilities that enable us to provide clients with the products and services they are seeking.

Net interest revenue is the difference between interest generated on interest-earning assets and interest paid on funding sources. Schwab's primary funding source for interest-earning assets is uninvested client cash balances held on our balance sheet as part of clients' overall relationship with the Company. Schwab's interest-earning assets are primarily comprised of high-quality fixed income securities, margin loans, and bank loans.

The majority of asset management and administration fees are earned from proprietary money market mutual funds, proprietary and third-party mutual funds and ETFs, and fee-based advisory solutions.

Trading revenue includes commissions earned for executing trades for clients in certain individual equities, options, futures, fixed income securities, and certain third-party mutual funds and ETFs; order flow revenue; and principal transaction revenue earned primarily from actions to support client trading in fixed income securities. Beginning in the fourth quarter of 2019, Schwab eliminated online trading commissions for U.S. and Canadian-listed stocks and ETFs, as well as the base charge on options.

Bank deposit account fees are primarily recognized pursuant to the Company's IDA agreement, as well as sweep agreements with other third-party depository institutions. Under these agreements, uninvested cash within eligible brokerage client accounts is swept off-balance sheet to deposit accounts at the TD Depository Institutions and other third-party depository institutions. Schwab provides recordkeeping and support services to the TD Depository Institutions and other third-party depository institutions for bank deposit account fees.

Regulation

As a participant in the securities, banking and financial services industries, Schwab is subject to extensive regulation under both federal and state laws by governmental agencies, supervisory authorities, and self-regulatory organizations (SROs). We are also subject to oversight by regulatory bodies in other countries in which we operate. These regulations affect our business operations and impose capital, client protection, and market conduct requirements.

<u>Holding Company and Bank Regulation</u>

CSC is a savings and loan holding company and is regulated, supervised, and examined by the Federal Reserve. On March 16, 2021, CSC's declaration electing to be treated as a Financial Holding Company (FHC) was deemed effective by the Federal Reserve. In addition to the activities that a savings and loan holding company that has not elected to be treated as an FHC is permitted to conduct, the Company may now also engage in activities that are financial in nature or incidental to a financial activity (FHC Activities), including securities underwriting, dealing and making markets in securities, various insurance underwriting activities, and making merchant banking investments in non-financial companies.

The Federal Reserve has the authority to limit an FHC's ability to conduct otherwise permissible FHC Activities if the FHC or any of its depository institution subsidiaries ceases to meet the applicable eligibility requirements, including requirements that the FHC and each of its depository institution subsidiaries maintain their status as "well-capitalized" and "well-managed." If the Federal Reserve finds that an FHC fails to meet these requirements, the FHC and its subsidiaries may not commence any new FHC Activity, either de novo or through an acquisition, without prior Federal Reserve approval. The Federal Reserve may also impose any additional limitations or conditions on the conduct or activities of the FHC or any of its subsidiaries as it deems appropriate. If the FHC still fails to satisfy the applicable eligibility requirements 180 days after the Federal Reserve's finding, the agency may require divestiture of all of the FHC's depository institution subsidiaries or, alternatively, the FHC may elect to cease all of its FHC Activities. In addition, if any depository institution controlled by an FHC fails to maintain at least a "Satisfactory" rating under the Community Reinvestment Act of 1977 (CRA), the FHC and its subsidiaries are prohibited from engaging in additional FHC Activities. As a result of our election to be treated as an FHC and the election of our depository institution subsidiaries to be deemed savings associations under the Home Owners' Loan Act (HOLA), such subsidiaries may be prohibited from making loans or other extensions of credit to any affiliate unless that affiliate engages only in activities permissible under section 4(c) of the Bank Holding Company Act (BHC).

CSC's three depository institution subsidiaries are CSB, CSC's principal depository institution subsidiary, Charles Schwab Premier Bank, SSB (CSPB), and Trust Bank. On March 20, 2020, CSB and CSPB converted from federal savings associations headquartered in Henderson, Nevada to Texas-chartered savings banks headquartered in Westlake, Texas. Trust Bank is a Nevada-chartered savings bank headquartered in Henderson, Nevada. CSB and CSPB are currently regulated, supervised, and examined by the Federal Reserve, the Texas Department of Savings and Mortgage Lending, the Consumer Financial Protection Bureau (CFPB), and the FDIC. Trust Bank is currently regulated, supervised and examined by the Nevada Financial Institutions Division, the CFPB, and the FDIC. CSC, CSB, CSPB, and Trust Bank are also subject to regulation and various requirements and restrictions under state and other federal laws.

This regulatory framework is designed to protect depositors and consumers, the safety and soundness of depository institutions and their holding companies, and the stability of the banking system as a whole. This framework affects the activities and investments of CSC and its subsidiaries and gives the regulatory authorities broad discretion in connection with their supervisory, examination and enforcement activities and policies. Below is a discussion of significant regulations.

Regulatory Capital and Liquidity Framework

Banking organizations are subject to the regulatory capital rules issued by the Federal Reserve and other U.S. banking regulators, including the Office of the Comptroller of the Currency (OCC) and the FDIC. In addition to minimum risk-based capital requirements, banking organizations must hold additional capital, referred to as buffers, to avoid being subject to limits on capital distributions and discretionary bonus payments to executive officers.

In October 2019, the Federal Reserve, OCC, and FDIC jointly adopted a final rule which became effective on December 31, 2019 (interagency regulatory capital and liquidity rules) that revised the regulatory capital and liquidity requirements for large U.S. banking organizations with $100 billion or more in total consolidated assets. The rules established four risk-based categories for determining the regulatory capital and liquidity requirements applicable to these institutions based on their total assets, cross-jurisdictional activity, weighted short-term wholesale funding, nonbank assets, and off-balance sheet exposure. CSC is subject to the requirements under Category III based on its total consolidated assets of between $250 billion and less than $700 billion and having less than $75 billion in cross-jurisdictional activity. If the average of our total consolidated assets for the four most recent calendar quarters is $700 billion or more, or the average of our cross-jurisdictional activity for the four most recent calendar quarters is $75 billion or more, we will move into Category II. As of December 31, 2021, CSC had total consolidated assets of approximately $670 billion and cross-jurisdictional activity of approximately $32 billion.

Capital requirements for Category III banking organizations include the generally applicable risk-based capital and Tier 1 leverage ratio requirements (the "standardized approach" framework), the minimum 3.0% supplementary leverage ratio, the countercyclical capital buffer, which is currently 0%, and for large bank holding companies, the stress capital buffer. As discussed below, starting in 2022, CSC, as a large savings and loan holding company will also become subject to the stress capital buffer requirement. Under the revised capital requirements, Category III organizations are not subject to the "advanced approaches" regulatory capital framework and are permitted to opt out of including accumulated other comprehensive income (AOCI) in their regulatory capital calculations. CSC made this opt out election, and commencing with the first quarter of 2020, now excludes AOCI from its regulatory capital. Category II organizations are not permitted to opt out of including AOCI in their regulatory capital calculations and have additional requirements for calculating risk-based capital ratios and risk-weighted assets.

As revised by the interagency regulatory capital and liquidity rules, Category III banking organizations with less than

$75 billion in average weighted short-term wholesale funding and their depository institution subsidiaries with $10 billion or more in total consolidated assets are subject to a reduced liquidity coverage ratio (LCR) rule requiring them to hold high quality liquid assets (HQLA) in an amount equal to at least 85% of their projected net cash outflows over a prospective 30-calendar-day period of acute liquidity stress, calculated on each business day. If an institution's average weighted short-term wholesale funding over the four most recent quarters is $75 billion or more, it will be required to comply with the full LCR rule and hold HQLA in an amount equal to 100% of its projected 30-day net cash outflows and will also be subject to daily (instead of monthly) liquidity reporting. We exceeded the $75 billion threshold as of the quarter ended March 31, 2021, and became subject to daily liquidity reporting on July 1, 2021, and the full LCR rule on October 1, 2021.

In October 2020, the Federal Reserve, OCC, and FDIC jointly adopted a final net stable funding ratio (NSFR) rule to strengthen the resilience of large bank and savings and loan holding companies by requiring them to maintain a minimum level of stable funding based on the liquidity characteristics of the holding company's assets, commitments, and derivative exposures over a one-year time horizon. The requirement is expressed as a ratio of a banking entity's available stable funding (ASF) to its required stable funding (RSF). Category III banking organizations with less than $75 billion in average weighted short-term wholesale funding and their depository institution subsidiaries with $10 billion or more in total consolidated assets are required to maintain ASF in an amount at least equal to 85% of its RSF on an ongoing, daily basis. The final NSFR rule became effective on July 1, 2021, and banking entities subject to the rule will be required to publicly disclose their quarterly NSFRs on a semi-annual basis beginning with the first and second quarters of 2023. As a result of our average weighted short-term wholesale funding exceeding the $75 billion threshold, we became subject to daily reporting of the NSFR to the Federal Reserve on July 1, 2021, and became subject to the full (100%) NSFR on October 1, 2021.

Certain banking organizations with trading assets and trading liabilities above thresholds are subject to the Market Risk Rule and must adjust their risk-based capital ratios to reflect a measure of market risk of their trading activities, perform calculations to measure market risk, including back-testing, and make regular quantitative and qualitative public disclosures. CSC will become subject to the rule later in 2022.

Capital Stress Testing

In the final enhanced prudential standards rules adopted concurrently in October 2019 with the interagency regulatory capital and liquidity rules, the Federal Reserve revised the capital stress testing regime applicable to savings and loan holding companies and state-chartered member banks. Under the new Federal Reserve capital stress testing rules, savings and loan holding companies that are Category III banking organizations are required to conduct biennial company-run stress tests in even-numbered years beginning in 2020. In 2020, CSC conducted company-run stress tests, reported the results of its stress testing to the Federal Reserve, and voluntarily published a summary of its stress test results. A Category II banking organization is subject to annual company-run stress testing.

In its enhanced prudential standards rules, the Federal Reserve also made Category III savings and loan holding companies subject to an annual supervisory stress testing requirement in which the Federal Reserve conducts its own stress testing analysis to evaluate the ability of a holding company to absorb losses in specified economic and financial conditions over a nine-quarter planning horizon using such analytical techniques as the agency determines are appropriate. This supervisory stress testing requirement will go into effect for CSC beginning with the 2022 stress testing cycle. To implement this requirement, the Federal Reserve also expanded the reporting requirements applicable to savings and loan holding companies commencing in the second quarter of 2020.

In January 2021, the Federal Reserve adopted a new rule making savings and loan holding companies with total consolidated assets of $100 billion or more, including CSC, subject to an annual Comprehensive Capital Analysis and Review (CCAR) process, which requires submission of an annual capital plan to the Federal Reserve. The rule also imposes a stress capital buffer requirement, floored at 2.5 percent of risk-weighted assets, that will replace CSC's current 2.5 percent capital conservation buffer. The capital plan requirement became effective for CSC with the 2022 CCAR cycle, and CSC's initial stress capital buffer requirement will be based on its 2022 CCAR stress testing results.

Additional Enhanced Prudential Standards

In addition to the revisions to the capital stress testing regime discussed above, the Federal Reserve's enhanced prudential standards rules also extended the applicability of certain additional enhanced prudential standards to large savings and loan holding companies, with the specific requirements tailored based on the same four-category framework utilized in the interagency regulatory capital and liquidity rules. These additional enhanced prudential standards, which have been applicable to large U.S. bank holding companies under section 165 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), include: risk management and risk committee requirements; liquidity risk management, stress testing, and buffer requirements; and single counterparty credit limits. CSC was required to comply with the new risk management and risk committee requirements, as well as the new liquidity risk-management, stress testing, and buffer requirements commencing on January 1, 2021. The single counterparty credit limits went into effect for CSC on January 1, 2022.

Insured Depository Institution Resolution Plans

The FDIC requires insured depository institutions with total consolidated assets of $50 billion or more to submit to the FDIC periodic plans providing for their resolution by the FDIC in the event of failure (resolution plans or so-called “living wills”) under the receivership and liquidation provisions of the Federal Deposit Insurance Act. Under this requirement, CSB has been required to file with the FDIC a periodic resolution plan demonstrating how the bank could be resolved in an orderly and timely manner in the event of receivership such that the FDIC would be able to: ensure that the bank’s depositors receive access to their deposits within one business day; maximize the net present value of the bank’s assets when disposed of; and minimize losses incurred by the bank’s creditors. In April 2019, the FDIC imposed a moratorium on resolution plan submissions. In January 2021, the FDIC announced that it would resume requiring resolution plan submissions for insured depository institutions with total consolidated assets of $100 billion or more and in June 2021, the FDIC announced a modified resolution plan approach for these insured depository institutions which extends the submission frequency to a three-year cycle, streamlines content requirements, and places enhanced emphasis on engagement with firms.

As a savings and loan holding company, CSC is not subject to any separate holding company resolution plan requirement.

Consumer Financial Protection

The CFPB has broad rulemaking, supervisory and enforcement authority for a wide range of federal consumer protection laws relating to financial products. The CFPB has examination and primary enforcement authority over depository institutions with $10 billion or more in consolidated total assets.

Deposit Insurance Assessments

The FDIC’s Deposit Insurance Fund (DIF) provides insurance coverage for certain deposits, generally up to $250,000 per depositor per account ownership type, and is funded by quarterly assessments on insured depository institutions. The FDIC uses a risk-based deposit premium assessment system that, for large insured depository institutions with at least $10 billion in total consolidated assets, uses a scorecard method based on a number of factors, including the institution’s regulatory ratings, asset quality and brokered deposits. The deposit insurance assessment base is calculated as average consolidated total assets minus average tangible equity.

Brokered Deposits

In December 2020, the FDIC adopted amendments to its brokered deposits rule to establish a new framework for determining whether deposits made through arrangements between third parties and depository institutions constitute brokered deposits and more specifically to clarify the circumstances under which broker-dealers that place deposits with depository institutions through brokerage sweep arrangements such as CS&Co and TDAC qualify for the “primary purpose exception” from the definition of a deposit broker. Under the new framework, the FDIC established a new “25 percent” business relationship designated exception where a broker-dealer or other third party may qualify for the primary purpose exception by filing a notice with the FDIC indicating that less than 25 percent of its customer assets under administration for a particular business line are placed at depository institutions. The FDIC’s brokered deposit rule amendments became effective on April 1, 2021. Under the new framework, funds swept by our broker-dealer subsidiaries to CSB and Schwab’s other depository institution subsidiaries continue to qualify for the primary purpose exception.

Community Reinvestment Act

The CRA requires the primary federal bank regulatory agency for each of Schwab's depository institution subsidiaries to assess the subsidiary's record in meeting the credit needs of the communities served by the bank, including low- and moderate-income neighborhoods and persons. Institutions are assigned one of four ratings ("outstanding," "satisfactory," "needs to improve," or "substantial noncompliance"). The failure of an institution to receive at least a "satisfactory" rating could inhibit the institution or its holding company from undertaking certain activities, including acquisitions or opening branch offices.

Source of Strength

The Dodd-Frank Act codified the Federal Reserve's long-held position that a depository institution holding company must serve as a source of financial strength for its subsidiary depository institutions, the so-called "source of strength doctrine." In effect, the holding company may be compelled to commit resources to support the subsidiary in the event the subsidiary is in financial distress.

Volcker Rule

CSC and its subsidiaries are subject to the Volcker Rule, which generally prohibits proprietary trading or acquiring or retaining an ownership interest in, sponsoring, or having certain relationships with hedge funds and private equity funds, subject to certain exemptions, in each case as the applicable terms are defined in the Volcker Rule and the implementing regulations.

<u>Broker-Dealer, FCM, FDM, and Investment Advisor Regulation</u>

Our principal broker-dealer subsidiaries, CS&Co, TD Ameritrade, Inc., and TDAC, are each registered as a broker-dealer with the U.S. Securities and Exchange Commission (SEC or Commission), the fifty states, the District of Columbia, the U.S. Virgin Islands, and the Commonwealth of Puerto Rico. CS&Co, TD Ameritrade, Inc., CSIM, and certain of our other subsidiaries are registered as investment advisors with the SEC. Charles Schwab Futures and Forex LLC (CSFF, formerly known as TD Ameritrade Futures & Forex LLC) is registered as an FCM and FDM with the Commodity Futures Trading Commission (CFTC).

Much of the regulation of broker-dealers has been delegated to SROs. Our principal broker-dealers are each members of the Financial Industry Regulatory Authority, Inc. (FINRA) and the Municipal Securities Rulemaking Board (MSRB). In addition, CS&Co is a member of Nasdaq Stock Market, Cboe EDGX and MEMX, and TDAC is a member of NYSE Arca, Nasdaq Stock Market, Cboe EDGX and MEMX. In addition to the SEC, the primary regulators of our principal broker-dealers are FINRA and, for municipal securities, the MSRB. The National Futures Association (NFA) is the primary regulator for CSFF's futures, commodities, and forex trading activities.

The principal purpose of regulating these entities is the protection of clients and securities markets. The regulations 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, and the conduct of directors, officers, and employees.

Our principal broker-dealer entities are 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 intended to ensure the general financial soundness and liquidity of broker-dealers. CSC itself is not a registered broker-dealer and it is not subject to the Uniform Net Capital Rule.

The Uniform Net Capital Rule prohibits broker-dealers from paying cash dividends, making unsecured advances or loans or repaying subordinated loans 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.

In addition to net capital requirements, as a self-clearing broker-dealer, CS&Co, and as a clearing broker-dealer, TDAC, are subject to cash deposit and collateral requirements with clearing houses, such as the Depository Trust & Clearing Corporation and Options Clearing Corporation, which may fluctuate significantly from time to time based upon the nature and size of clients' trading activity and market volatility.

As a result of our operations in countries outside the U.S., we are also subject to rules and regulations issued by certain foreign authorities, including the Financial Conduct Authority (FCA) in the United Kingdom, the Securities and Futures Commission (SFC) in Hong Kong, and the Monetary Authority of Singapore (MAS) in Singapore.

Financial Services Regulation

Bank Secrecy Act of 1970 and USA PATRIOT Act of 2001

CSC and its subsidiaries that conduct financial services activities are subject to the Bank Secrecy Act of 1970 (BSA), as amended by the USA PATRIOT Act of 2001, which requires financial institutions to develop and implement programs reasonably designed to achieve compliance with these regulations. The BSA and USA PATRIOT Act include a variety of monitoring, recordkeeping and reporting requirements (such as currency transaction reporting and suspicious activity reporting), as well as identity verification and client due diligence requirements which are intended to detect, report and/or prevent money laundering and the financing of terrorism. In addition, CSC and various subsidiaries of the Company are subject to U.S. sanctions programs administered by the Office of Foreign Assets Control.

Human Capital

We believe that hiring people who share our corporate purpose of helping clients achieve their financial goals is an essential element of executing our "Through Clients' Eyes" strategy, and we seek to attract, retain, and motivate the talent Schwab needs to successfully serve our clients and grow our business. As of December 31, 2021, Schwab had full-time, part-time, and temporary employees, and persons employed on a contract basis, that represented the equivalent of approximately 33,400 full-time employees.

Schwab offers a compensation package that rewards both employee and company performance. The package encompasses an array of compensation components in addition to base pay including performance-based incentive pay, equity awards, recognition awards, and a range of health and wellness benefits. We also offer benefits and resources designed to help our employees achieve their financial goals, including a 401(k) plan, an employee stock purchase plan, financial planning consultations, and disability and life insurance options. In addition, Schwab offers programs to help with employee career growth including development and leadership programs as well as reimbursement for qualified business-related education and training. We also encourage and empower employees to volunteer in the communities where we live and work, offering paid time off for every employee to volunteer in his or her community.

As we move through the COVID-19 pandemic, we've created a Workplace Flexibility Program (WFP) to provide managers and employees with greater flexibility with remote work options. The WFP is designed to balance the importance our employees place on workplace flexibility with the benefit of in-person interactions to train and learn from one another, build human connections, and maintain Schwab's culture as we serve our clients.

We know that through workplace diversity, we gain a wider range of perspectives and experiences, which supports our strategy and helps us better serve our clients. We focus on attracting a diversity of talent by maintaining a strong employer brand and expanding where and how we meet prospective employees. We recruit from underrepresented communities through targeted campus recruiting, scholarship programs, and partnerships with professional organizations. We also offer coaching programs for college students from underrepresented communities to help develop career skills and learn about internship and career opportunities at Schwab. For Schwab employees, we support a number of Employee Resource Groups (ERGs) which are employee-driven and provide support, leadership development opportunities, and connection to our diverse marketplace. Our ERGs are made up of employees who share characteristics or life experiences and are committed to enhancing diversity and inclusion at Schwab. Additionally, our leaders are explicitly responsible for creating an environment where all people can do their best work, and for fostering the development of high-performance teams that recognize the value of diverse perspectives, skills and backgrounds. We regularly request feedback from our employees through surveys.

Available Information

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

On our website, https://www.aboutschwab.com, we post the following filings after they are electronically filed with or furnished to the SEC: annual reports on Form 10-K, quarterly reports on Form 10-Q, 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. In addition, the website also includes the Dodd-Frank Act stress test results, our regulatory capital disclosures based on Basel III, and our quarterly average LCR.

All such filings are available free of charge either on our website or by request via email (investor.relations@schwab.com), or mail (Charles Schwab Investor Relations at 211 Main Street, San Francisco, CA 94105).

Item 1A. Risk Factors

We face a variety of risks that may affect our operations, financial results, or stock price and many of those risks are driven by factors that we 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 our operations or financial results.

For a discussion of our risk management governance and processes, including operational risk, compliance risk, credit risk, market risk, and liquidity risk, see Risk Management and Capital Management in Part II, Item 7.

<u>**Economic and Market Risks**</u>

The challenging economic environment triggered by the coronavirus (COVID-19) pandemic has impacted and will continue to impact our business, results of operations, and financial condition.

The onset of the COVID-19 pandemic adversely impacted the economic environment and credit markets, leading to lower interest rates across the curve, heightened volatility in the financial markets, and market-driven credit spread movements in certain sectors within our portfolio of investment securities. Although certain economic conditions improved in 2021, the pandemic continues to evolve and certain impacts of the pandemic, including short-term interest rates, may continue to have a negative impact on our net interest revenue, bank deposit account fee revenue, and asset management and administration fees. Additionally, in March 2020, we experienced a significant increase in client cash balances held at our bank and broker-dealer subsidiaries which caused our Tier 1 Leverage Ratio to decline into the buffer we maintain between our long-term operating objective and our regulatory requirement. We will continue to have limits on our ability to return excess capital to stockholders, including through share repurchases, until the ratio returns to higher levels.

The pandemic has also impacted our client service quality at times. Certain of our client service response and processing times increased as a result of very high levels of client engagement and our clients experienced and may continue to occasionally experience delays accessing and using our website and mobile applications. While we have focused on hiring additional client service employees, we, like many employers, continue to face challenges retaining and hiring employees. In addition, we recently experienced and may again experience staffing shortages at our call centers and branches due to the rapid spread of new variants of COVID-19. Many of our employees and those of our outsourced service providers are working remotely and this has at times contributed to the increase in response and processing times, particularly when we have experienced the temporary loss of services from some of our outsourced service providers. We consider service quality to be an important part of the client experience and our failure to meet client expectations could result in decreased client satisfaction.

These and other impacts of the COVID-19 pandemic have had and will likely continue to have the effect of heightening many of the other risks described elsewhere in this “Risk Factors” section. The extent to which the COVID-19 pandemic, or the emergence of another wide-spread health crisis, impacts our business, results of operations and financial condition will depend on future developments, which are highly uncertain, including the scope and duration of the outbreak, actions taken by governmental authorities to contain the financial and economic impact and the spread of the outbreak, the effect on our clients, employees, and outsourced service providers, changes in credit quality and spreads, and reactions in the financial markets.

Developments in the business, economic, and geopolitical environment could negatively impact our business.

Our 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 our control. Deterioration in the housing and credit markets, reduction in interest rates, and decreases in securities valuations negatively impact our results of operations and capital resources.

The monetary policies of the Federal Reserve, which regulates the supply of money and credit in the United States, have a significant effect on our operating results. Actions taken by the Federal Reserve, including changes in its target funds rate and balance sheet management, are difficult to predict and can affect our net interest revenue and bank deposit account fees. These policies could also have implications for clients' allocation to cash; higher or lower client cash balances have an impact on our capital requirements as well as liquidity implications if such changes in allocation are sudden.

A significant change in client cash allocations could negatively impact our income.

We rely heavily on client cash balances to generate revenue. Cash awaiting investment in a portion of our client brokerage accounts is swept to our banking subsidiaries and those bank deposits are then used to extend loans to clients and purchase investment securities. We also sweep a portion of such cash to unconsolidated third-party financial institutions pursuant to the IDA agreement and agreements with other third-party financial institutions, through which we earn bank deposit account fees. A significant reduction in our clients' allocation to cash, a change in the allocation of that cash, or a transfer of cash away from the Company, could reduce our income.

Significant interest rate changes could affect our profitability.

The direction and level of interest rates are important factors in our earnings. A decline in interest rates may have a negative impact on our net interest revenue and our bank deposit account fee revenue. A low interest rate environment may also have a negative impact on our asset management and administration fee revenues when we have to waive a portion of our management fees for certain Schwab-sponsored money market mutual funds in order to continue providing a positive return to clients. The significant reduction in interest rates related to the COVID-19 pandemic has had, and will continue to have, a negative impact on our revenue related to interest rates and has caused us to waive management fees for certain funds.

Although we believe we are positioned to benefit from a rising interest rate environment, a rise in interest rates may cause our funding costs to increase if market conditions or the competitive environment induces us to raise our interest rates to avoid losing deposits, or replace deposits with higher cost funding sources without offsetting increases in yields on interest-earning assets can reduce our net interest revenue.

The announced phase-out of the London Interbank Offered Rate (LIBOR) could negatively impact our net interest revenue and will continue to require operational work.

Certain securities in our investment portfolio, the floating rate loans we offered, and certain series of our outstanding preferred stock reference LIBOR as the benchmark rate to determine the applicable interest rate, payment amount or floating dividend rates. While we have substantially transitioned our financial models and systems away from LIBOR, in limited circumstances we still use LIBOR. When LIBOR is discontinued as announced, there will be uncertainty or differences in the calculation of the applicable interest rate or payment amount depending on the terms of the governing instruments. This could result in different financial performance for previously booked transactions. The calculation of interest rates under the replacement benchmarks could also impact our net interest revenue. LIBOR may also perform differently during the phase-out period than in the past which could result in lower interest payments and a reduction in the value of certain securities in our investment portfolio. In addition, further operational work will be required to transition our legacy loan portfolio to alternate reference rates that are consistent with the fallback language included in the contracts. See also Part II – Item 7. – Risk Management for additional information regarding the Company's consideration of the phase-out of LIBOR.

Compliance Risks

Extensive regulation of our businesses may subject us to significant penalties or limitations on business activities.

As a participant in the securities, banking, and financial services industries, we are subject to extensive regulation under federal, state, and foreign laws by governmental agencies, supervisory authorities and SROs. The costs and uncertainty related to complying with such regulations continue to increase. These regulations affect our business operations and impose capital, client protection, and market conduct requirements on us as well as restrictions on the activities that we are allowed to conduct. We become subject to increasing regulatory scrutiny as we grow.

Regulators have broad discretion in connection with their supervisory and enforcement activities and examination policies and could prevent us from pursuing our business strategy. Regulators could also limit our ability to grow, including adding assets, launching new products, making acquisitions, and undertaking strategic investments. Our banking regulators could require CSC and/or our banking subsidiaries to hold more capital, increase liquidity, or limit their ability to pay dividends or CSC's ability to repurchase or redeem shares. Despite our efforts to comply with applicable legal requirements, there are a number of risks, particularly in areas where applicable laws or regulations may be unclear or where regulators could revise their previous guidance. Any enforcement actions or other proceedings brought by our regulators against us or our affiliates, officers or employees could result in fines, penalties, cease and desist orders, enforcement actions, suspension, disqualification or expulsion, or other disciplinary sanctions, including limitations on our business activities, any of which could harm our reputation and adversely affect our results of operations and financial condition.

While we maintain systems and procedures designed to ensure that we comply 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 our reputation and our relationships with our regulators and could restrict the ability of institutional investment managers to invest in our securities.

Legislation or changes in rules and regulations could negatively affect our business and financial results.

New legislation, rules, regulations and guidance, or changes in the interpretation or enforcement of existing federal, state, foreign and SRO rules, regulations and guidance, including changes relating to mutual funds, standards of conduct with clients, conflicts of interest, regulatory treatment of deposit accounts, and order routing practices and order-related revenues may directly affect our operations and profitability or our specific business lines. Our profitability could also be affected by rules and regulations that 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 we conduct, modifications to our business practices, more stringent capital and liquidity requirements, increased deposit insurance assessments or additional costs and could limit our ability to return capital to stockholders. These changes may also require us to invest significant management attention and resources to evaluate and make necessary changes to our compliance, risk management, treasury and operations functions.

Failure to meet capital adequacy and liquidity guidelines could affect our financial condition.

CSC, together with its banking, broker-dealer, and FCM/FDM subsidiaries, must meet certain capital and liquidity standards, subject to qualitative judgments by regulators about the adequacy of our capital and our internal assessment of our capital needs. The Uniform Net Capital Rule limits the ability of our broker-dealer entities to transfer capital to CSC and other affiliates. New regulatory capital, liquidity, capital planning, and stress testing requirements may limit or otherwise restrict how we utilize our capital, including paying dividends, stock repurchases, and redemptions, and may require us to increase our capital and/or liquidity or to limit our growth. Failure by either CSC or its banking subsidiaries to meet minimum capital requirements could result in certain mandatory and additional discretionary actions by regulators that, if undertaken, could have a negative impact on us. In addition, failure by CSC or our banking subsidiaries to maintain a sufficient amount of capital to satisfy their capital conservation buffer and countercyclical capital buffer requirements would result in restrictions on our ability to make capital distributions and discretionary cash bonus payments to executive officers. Any requirement that we increase our regulatory capital, replace certain capital instruments which presently qualify as Tier 1 Capital, or increase regulatory capital ratios or liquidity, could require us to liquidate assets, deleverage or otherwise change our business and/or investment plans, which may adversely affect our financial results. Issuing additional common stock would dilute the ownership of existing stockholders.

In January 2021, the Federal Reserve adopted a final rule, effective with the 2022 CCAR cycle, making large savings and loan holding companies, including CSC, subject to the CCAR process, which requires submission of an annual capital plan. The plan must include a description of all planned capital actions, including dividends or stock repurchases, over a nine-quarter planning horizon beginning with the first quarter of the calendar year the capital plan is submitted. The rule also imposes a stress capital buffer requirement, floored at 2.5 percent of risk-weighted assets, that will replace CSC's current 2.5 percent capital conservation buffer for our risk-based capital ratios. The stress capital buffer will equal, as a percentage of total risk-weighted assets, the sum of (i) the difference between a firm's starting common equity Tier 1 capital ratio and the low point under the severely adverse scenario of the Federal Reserve's supervisory stress test plus (ii) the ratio of the firm's projected four quarters of common stock dividends for the fourth through seventh quarters of the planning horizon to risk-weighted assets as projected under CCAR. The imposition of a stress capital buffer requirement could change the way in which our minimum risk-based capital ratios are calculated and make us subject to progressively more stringent constraints on capital actions if we approach our minimum ratios. This could lead to restrictions on our ability to pay or increase dividends or otherwise return capital to stockholders.

If the average of CSC's total consolidated assets for four consecutive calendar quarters reaches $700 billion, or if the average of cross-jurisdictional activity for four consecutive calendar quarters reaches $75 billion, CSC will become subject to more stringent Category II requirements, including annual stress testing, the advanced approaches framework, and the inability to opt out of including AOCI in regulatory capital calculations. At December 31, 2021, CSC had approximately $670 billion in total assets and cross-jurisdictional activity of approximately $32 billion.

We are subject to litigation and regulatory investigations and proceedings and may not be successful in defending against claims or proceedings.

The financial services industry faces significant litigation and regulatory risks. We are 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. We are also the subject of inquiries, investigations, and proceedings by regulatory and other governmental agencies.

Litigation and arbitration claims include those brought by our clients and the clients of third party advisors whose assets are custodied with us. 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 we were found to have infringed on a third-party patent, or other intellectual property rights, we could incur substantial damages, and in some circumstances could be enjoined from using certain technology, or providing certain products or services.

Actions brought against us may result in settlements, awards, injunctions, fines, penalties or other results adverse to us, including reputational harm. Even if we are successful in defending against these actions, the defense of such matters may result in us incurring significant expenses. A substantial judgment, settlement, fine, or penalty could be material to our operating results or cash flows for a particular future period, depending on our results for that period. In market downturns and periods of heightened volatility, the volume of legal claims and amount of damages sought in litigation and regulatory proceedings against financial services companies have historically increased.

Operational Risk

Security breaches of our systems, or those of our clients or third parties, may subject us to significant liability and damage our reputation.

Our business involves the secure processing, storage, and transmission of confidential information about our clients and us. Information security risks for financial institutions are increasing, in part because of the use of the internet and mobile and cloud technologies to conduct financial transactions, and the increased sophistication and activities of organized crime, activists, hackers and other external parties, including foreign state actors. Our systems and those of other financial institutions have been and will continue to be the target of cyber attacks, malicious code, computer viruses, ransomware, and denial of service attacks that could result in unauthorized access, misuse, loss or destruction of data (including confidential client information), account takeovers, unavailability of service or other events. Despite our efforts to ensure the integrity of our systems, we 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, employee misconduct.

Given the high volume of transactions that we process, the large number of clients, counterparties and third-party service providers with which we do business, including cloud service providers, and the increasing sophistication of cyber attacks, a cyber attack could occur and persist for an extended period of time before being detected. The extent of a particular cyber attack and the steps we may need to take to investigate the attack may not be immediately clear, and it may take a significant amount of time before an investigation is completed and full and reliable information about the attack is known. During such time we would not necessarily know the extent of the harm or how best to remediate it, and certain errors or actions could be repeated or compounded before they are discovered and remediated, all or any of which would further increase the costs and consequences of a cyber attack.

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

We also face risk related to external fraud involving the misappropriation and use of clients' user names, passwords or other personal information to gain access to our clients' financial accounts. This could occur from the compromise of clients' personal electronic devices or as a result of a data security breach at an unrelated company where clients' personal information is taken and then made available to fraudsters. 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. Losses reimbursed to clients under our guarantee against unauthorized account activity could have a negative impact on our business, financial condition and results of operations.

Technology and operational failures or errors could subject us to losses, litigation, regulatory actions, and reputational damage.

We must process, record and monitor a large number of transactions and our operations are highly dependent on the integrity of our technology systems and our ability to make timely enhancements and additions to our systems. System interruptions, errors or downtime can result from a variety of causes, including changes in client use patterns, technological failure, changes to our systems, linkages with third-party systems and power failures and can have a significant impact on our business and operations. Our systems are vulnerable to disruptions from human error, execution errors, errors in models such as those used for asset management, capital planning and management, risk management, stress testing and compliance, employee misconduct, unauthorized trading, external fraud, computer viruses, distributed denial of service attacks, cyber attacks, terrorist attacks, natural disaster, extreme weather, power outage, capacity constraints, software flaws, events impacting key business partners and vendors, and similar events. For example, we 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. Cloud technologies are critical to the operation of our systems and platforms and our reliance on cloud technologies is growing. Cloud service disruptions may lead to delays in accessing data that is important to our businesses and may hinder our clients' access to our platforms. It could take an extended period of time to restore full functionality to our technology or other operating systems in the event of an unforeseen occurrence, which could affect our ability to process and settle client transactions. Moreover, instances of fraud or other misconduct might also negatively impact our reputation and client confidence in the Company, in addition to any direct losses that might result from such instances. The ways that fraudulent activity is attempted is continuously evolving and while we monitor for new types of fraud, there may be a delay in recognizing the fraud is happening. Besides potential losses, shutting down the fraudulent activity often requires a balance with client experience. Despite our 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 we will not suffer unexpected losses, reputational damage or regulatory action due to technology or other operational failures or errors, including those of our vendors or other third parties.

While we devote substantial attention and resources to the reliability, capacity and scalability of our systems, extraordinary trading volumes, such as those that occurred in 2020 and the first quarter of 2021, could cause our computer systems to operate at unacceptably slow speeds or even fail, affecting our ability to process client transactions and potentially resulting in some clients' orders being executed at prices they did not anticipate. For example, certain of our client service response and processing times increased in 2020 as a result of very high levels of client engagement and our clients experienced delays accessing our systems during periods when there was an unusually high volume of client activity. Disruptions in service and slower system response times could result in substantial losses, decreased client satisfaction, reputational damage, and regulatory inquiries. We are also dependent on the integrity and performance of securities exchanges, clearing houses, market makers, dealers, and other intermediaries to which client orders are routed for execution and settlement. System failures and constraints and transaction errors at such intermediaries could result in delays and erroneous or unanticipated execution prices and cancelled orders, cause substantial losses for us and for our clients, and subject us to claims from our clients for damages, and cause reputational harm.

Our investment management operations may subject us to fiduciary or other legal liability for client losses.

Fund and trust management and administration are complex activities and include functions such as recordkeeping and accounting, security pricing, corporate actions, compliance with investment restrictions, daily net asset value computations, account reconciliations, and required distributions to fund shareholders. Failure to properly perform operational tasks, or the misrepresentation of our services and products could subject us to regulatory sanctions, penalties or litigation and result in reputational damage, liability to clients, and the termination of investment management or administration agreements and the withdrawal of assets under our management.

In the management and administration of funds and client accounts, we use quantitative models and other tools and resources to support investment decisions and processes, including those related to risk assessment, portfolio management, trading and hedging activities and product valuations. Errors in the design, function, or underlying assumptions used in these models and tools, particularly if we fail to detect the errors over an extended period, could subject us to claims of a breach of fiduciary duty and potentially large liabilities for make-whole payments, litigation, and/or regulatory fines.

We rely on outsourced service providers to perform key functions.

We rely on external service providers to perform certain key technology, cloud infrastructure, 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 our confidential client, employee, or company information, could cause us to incur losses and could harm our reputation. An interruption in or the cessation of service by any external service provider as a result of systems failures, capacity constraints, financial difficulties, natural disasters, extreme weather, power outage, public health crises, political developments or for any other reason, and our inability to make alternative arrangements in a timely manner could disrupt our operations, impact our ability to offer certain products and services, and result in financial losses to us. As a result of certain stay at home restrictions related to the COVID-19 pandemic, we temporarily lost the services from some of our outsourced service providers which contributed to increased client service response and processing times. Switching to an alternative service provider may require a transition period and result in less efficient operations.

We rely on financial intermediaries to execute and settle client orders.

We rely on market makers, dealers, securities exchanges, clearing houses, and other financial intermediaries to execute and settle our clients' orders. The unwillingness or inability of any of these parties to perform their usual functions coupled with the unavailability of alternative arrangements could result in our clients' orders not getting executed or settled. This may be due to market volatility, uneconomic trading conditions, capacity constraints, financial constraints, system failures, unanticipated trading halts invoked by securities exchanges, market closures, or other reasons. Our inability to get client orders executed or settled because of the unwillingness or inability of these parties to perform their usual functions could result in client dissatisfaction and reputational harm and expose us to client claims for damages.

<u>Liquidity Risk</u>

A significant decrease in our liquidity could negatively affect our business as well as reduce client confidence in us.

Maintaining adequate liquidity is crucial to our business operations, including transaction settlement, custody requirements, and lending commitments, among other liquidity needs. We meet our liquidity needs primarily from working capital and cash generated by client activity as well as external financing. Fluctuations in client cash or deposit balances, as well as market conditions or changes in regulatory treatment of client deposits, may affect our ability to meet our liquidity needs. A reduction in our liquidity position could reduce client confidence in us, which could result in the transfer of client assets and accounts, or could cause us to fail to satisfy our liquidity requirements, including the LCR. In addition, if our 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, pay dividends on CSC's preferred stock, or return capital to common stockholders. In addition, CSC may need to provide additional funding to such subsidiaries.

Factors which may adversely affect our liquidity position include CS&Co and TDAC having temporary liquidity demands due to timing differences between brokerage transaction settlements and the availability of segregated cash balances, fluctuations in cash held in banking or brokerage client accounts, a dramatic increase in our lending activities (including margin, mortgage-related, and personal lending), increased capital requirements, changes in regulatory guidance or interpretations, other regulatory changes, or a loss of market or client confidence in us resulting in unanticipated withdrawals of client funds. As a member firm of securities and derivatives clearing houses, we are required to deposit cash, stock and/or government securities for margin requirements and to clearing funds. The margin requirements may fluctuate significantly from time to time based upon the nature and size of clients' trading activity and market volatility. For example, as a result of recent market volatility the National Securities Clearing Corporation increased margin requirements for member firms and we were required to deposit additional funds. Clearing houses could also require additional funds from member firms if a clearing member defaults on its obligations to the clearing house in an amount larger than its own margin and clearing fund deposits.

When available cash is not sufficient for our liquidity needs, we may 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, CS&Co, and TDAC maintain 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 which can be used to sell securities, 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.

Credit Risk

We may suffer significant losses from our credit exposures.

Our 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 we have policies and procedures designed to manage this risk, the policies and procedures may not be fully effective. Our exposure mainly results from margin lending, clients' options and futures trading, securities lending, mortgage lending, pledged asset lending, our role as a counterparty in financial contracts and investing activities, and indirectly from the investing activities of certain of the proprietary funds we sponsor.

When clients purchase securities on margin, borrow on lines of credit collateralized by securities, or trade options or futures, we are 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, especially if there is a lack of liquidity. As a result of our TD Ameritrade acquisition, our margin, options and futures business has materially increased and market liquidity may represent an increased risk.

We have exposure to credit risk associated with our investments. Those investments are subject to price fluctuations. Loss of value of securities can negatively affect earnings if management determines that such loss of value has resulted from a credit loss. The evaluation of whether a credit loss exists is a matter of judgment, which includes the assessment of multiple factors. If management determines that a security's decline in fair value is the result of a credit loss, an allowance for credit losses on the security will be recorded and a corresponding loss will be recognized in current earnings. Even if a decline in fair value of a security is not determined to have resulted from a credit loss, if we were ever forced to sell the security sooner than intended prior to maturity due to liquidity needs, we would have to recognize any unrealized losses at that time.

Our bank loans primarily consist of First Mortgages, HELOCs, and PALs. Increases in delinquency and default rates, housing and stock price declines, increases in the unemployment rate, and other economic factors, including from the continuing impact of the COVID-19 pandemic, can result in increases in allowances for credit losses and related credit loss expense, as well as write downs on such loans.

Heightened credit exposures to specific counterparties or instruments can increase our risk of loss. Examples 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
- Client margins, options or futures, pledged assets, and securities lending activities collateralized by or linked to securities of a single issuer, index, or industry.

We sponsor a number of proprietary money market mutual funds and other proprietary funds. Although we have no obligation to do so, we may decide for competitive or other reasons to provide credit, liquidity or other support to our funds in the event of significant declines in valuation of fund holdings or significant redemption activity that exceeds available liquidity. Such support could cause us to take significant charges, could reduce our liquidity and, in certain situations, could, with respect to proprietary funds other than money market mutual funds, result in us having to consolidate one or more funds in our financial statements. If we choose not to provide credit, liquidity or other support in such a situation, we could suffer reputational damage and its business could be adversely affected.

Risks Related to Our TD Ameritrade Acquisition

We may fail to realize the anticipated cost savings and other benefits of the TD Ameritrade acquisition, which could adversely affect the value of our stock.

The success of our TD Ameritrade acquisition will continue to depend, in significant part, on our ability to realize the anticipated cost savings and other benefits from integrating the businesses of Schwab and TD Ameritrade which is subject to certain risks. If we are not able to successfully combine the businesses of Schwab and TD Ameritrade within the anticipated time frame, or at all, the anticipated cost savings and other benefits of the merger may not be realized fully or at all or may take longer to realize than expected, the combined business may not perform as expected and the value of our common stock may be adversely affected.

It is possible that the integration process could result in the loss of key Schwab or TD Ameritrade employees, the loss of clients, the disruption of either company's or both companies' ongoing businesses or in unexpected integration issues, higher than expected integration costs and an overall post-completion integration process that takes longer than originally anticipated.

Most of the integration planning and execution work is currently being done remotely due to the COVID-19 pandemic. The inability to work in-person and on-site with information technology and management oversight has and will continue to make some of the integration work more challenging, particularly with regard to technology. We will need to continue to hire a significant number of technology personnel and contract staff and rely on a number of critical technology vendors in order to complete the integration work relating to technology platforms and systems within the target timeframe. In addition, we may experience delays in acquiring the technology and infrastructure components needed for the integration due to pandemic-related supply chain disruptions. We have to make certain assumptions for integration planning and subsequent changes to integration plans impact the timing and cost of the integration. For example, as a result of the higher levels of trading volumes that we recently experienced, we had to increase capacity from the original technology build-out plan. In addition, at times the attention of certain members of our management and other resources may be diverted from integration work to critical day-to-day business operations. We may also encounter challenges integrating TD Ameritrade technologies into Schwab platforms. Any of these factors could make timely achievement of integration milestones more challenging, particularly with regard to technology and systems.

We will continue to incur significant integration costs in connection with the integration of TD Ameritrade.

We will continue to incur significant non-recurring costs related to formulating and implementing integration plans with respect to combining the operations of Schwab and TD Ameritrade, including technology-related, workforce and facilities consolidation costs. We continue to assess the magnitude of these costs, and additional unanticipated costs may be incurred in the integration of the two companies' businesses.

We may have difficulty attracting, motivating and retaining executives and other employees during the integration of TD Ameritrade.

Uncertainty about the effect of the TD Ameritrade integration on Schwab and TD Ameritrade employees may impair our ability to attract, retain and motivate personnel. Employee retention may be particularly challenging during the integration process, as employees of Schwab and TD Ameritrade may experience uncertainty about their future roles with the combined business. If employees of Schwab or TD Ameritrade depart, the integration of the companies may be more difficult and the combined business may be harmed. Furthermore, we may have to incur significant costs in identifying, hiring and retaining replacements for departing employees and may lose significant expertise and talent relating to the businesses of Schwab or TD Ameritrade, and our ability to realize the anticipated benefits of the acquisition may be adversely affected. In addition, there could be disruptions to or distractions for the workforce and management associated with integrating employees into Schwab.

The TD Ameritrade acquisition may not be accretive to our earnings per share, which may negatively affect the market price of our common stock.

Based on the anticipated synergies between Schwab and TD Ameritrade, we expect the acquisition to be accretive to our earnings per share in the third year following completion of the merger. However, future events and conditions could reduce or delay the accretion that is currently projected or result in the acquisition being dilutive to our earnings per share, including adverse changes in market conditions, additional transaction and integration related costs and other factors such as the failure to realize some or all of the benefits anticipated in the acquisition. Any dilution of, reduction in, or delay of any accretion to, our earnings per share could cause the price of shares of our common stock to decline or grow at a reduced rate.

Other Business Risks

Potential strategic transactions could have a negative impact on our financial position.

We evaluate potential strategic transactions, including business combinations, acquisitions, and dispositions. Any such transaction could have a material impact on our financial position, results of operations, or cash flows. The process of evaluating, negotiating, effecting, and integrating 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. The integration process could result in the disruption of ongoing businesses or changes to inconsistent standards, controls, procedures and policies that could adversely affect our ability to maintain relationships with clients, employees, outsourced service providers and vendors. In addition, an acquisition may cause us to assume liabilities or become subject to litigation or regulatory proceedings or require the amortization of a large amount of acquired intangible assets. Further, we may not realize the anticipated benefits from an acquisition in a timely manner or at all (including without limitation the recent acquisition of TD Ameritrade), and any future acquisition could be dilutive to our current stockholders' percentage ownership or to earnings per common share (EPS).

Our 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 or part of an entity being acquired or sold. To the extent we enter into an agreement to buy or sell an entity or part of an entity, there can be no guarantee that the transaction will close when expected, or at all. If a material transaction does not close, our stock price could decline.

Our industry is highly competitive and characterized by aggressive price competition.

We operate in a highly competitive environment with a broad array of competitors from large integrated banks to venture-capital backed private companies. We continually monitor our pricing in relation to competitors and periodically adjust interest rates on deposits and loans, fees for advisory services, expense ratios on mutual funds and ETFs, trade commission rates, and other pricing and incentives to sustain our competitive position. Increased price competition from other financial services firms to attract clients, such as reduced commissions, higher deposit rates, reduced mutual fund or ETF expense ratios, or the increased use of incentives, could impact our results of operations and financial condition.

We face competition in hiring and retaining qualified employees.

The market for qualified personnel in our business is highly competitive. At various times, different functions and roles are in especially high demand in the market, compelling us to pay more to attract talent. Recently, the challenge and cost for us to retain and hire talent has increased. In September 2021, we implemented a 5% salary increase for almost all of our employees. Our ability to continue to compete effectively will depend upon our ability to attract new employees and retain existing employees while managing compensation costs.

We need to continue to hire a significant number of technology personnel and contract staff to complete the TD Ameritrade integration work within the target timeframe. Demand for skilled technology professionals is high and we may experience delays in hiring the appropriate skilled resources.

Our stock price has fluctuated historically, and may continue to fluctuate.

Our stock price can be volatile. Among the factors that may affect the volatility of our stock price are the following:

- Speculation in the investment community or the press about, or actual changes in, our competitive position, organizational structure, executive team, operations, financial condition, financial reporting and results, expense discipline, strategic transactions, progress on achieving the expected benefits from our TD Ameritrade acquisition, or ratings from third parties;
- The announcement of new products, services, acquisitions, or dispositions by us or our 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; and
- Sales of a substantial number of shares of our common stock by large stockholders.

Changes in the stock market generally, or as it concerns our industry, as well as geopolitical, corporate, regulatory, business, and economic factors may also affect our 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, among other things, to 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.

Our ongoing relationships with TD Bank and its affiliates could have a negative impact on us.

Although our acquisition of TD Ameritrade was structured such that completion of the merger would not result in CSC either (i) being deemed to be "controlled" by TD Bank (as that term is interpreted by the Federal Reserve under the BHC Act or HOLA) or (ii) being deemed to be in "control" of any of TD Bank's depository institutions, changes in circumstances could trigger presumptions of control under the Federal Reserve's regulations. This could occur if TD Bank and its affiliates own more than 9.9% of Schwab common stock, as interpreted in accordance with the applicable rules of the Federal Reserve. While the Stockholder Agreement between CSC and TD Bank prohibits TD Bank and its affiliates from exceeding the 9.9% threshold, it could happen unintentionally. This presumption of control could also be triggered if the revenue generated to either us or to any of the TD Bank depository institutions exceeds a certain percentage. The Stockholder Agreement contains provisions to address such situations.

Under the IDA agreement, we are only permitted to reduce the deposit balances swept to the TD Depository Institutions by a set amount during each 12-month period, subject to certain limitations and adjustments including only moving IDA balances designated as floating-rate obligations and maintaining a minimum $50 billion IDA sweep balance through June 2031. The bank deposit account fee revenue that we earn related to the IDA agreement may be less than the net interest revenue that we could have earned if the deposit balances were swept to our banking subsidiaries rather than the TD Depository Institutions. When we are permitted to reduce the IDA balances, we can only move the balances to our banking subsidiaries if we have sufficient capital. In addition, in a low rate environment it is possible that the sweep arrangement fee computation could result in a negative amount that we would be required to pay the TD Depository Institutions, resulting in us having an expense rather than revenue.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

As part of our real estate energy management program, Schwab incorporates sustainable practices and procedures to guide our facilities' design, materials, and building technologies. A summary of Schwab's significant locations is presented in the following table.

December 31, 2021	Square Footage	
(amounts in thousands)	Leased	Owned
Location		
Corporate headquarters:		
Westlake, TX	188	687
Service and other office space:		
Denver, CO	—	767
Phoenix, AZ	32	728
Omaha, NE	119	578
Austin, TX	—	561
San Francisco, CA	417	—
Southlake, TX	13	375
St. Louis, MO	—	319
Chicago, IL	237	—
Jersey City, NJ	208	—
Indianapolis, IN	—	161
Orlando, FL	159	—
Richfield, OH	—	117
San Diego, CA	111	—
El Paso, TX	—	105

The square footage amounts presented in the table above are net of space that has been subleased to third parties. Our corporate headquarters, data centers, offices, and service centers support both of our segments.

The Company's acquisition of TD Ameritrade expanded the Company's branch footprint. As of December 31, 2021, the Company had approximately 400 domestic branch offices in 48 states and the District of Columbia, as well as locations in Puerto Rico, the United Kingdom, Hong Kong, and Singapore. Substantially all branch offices are located in leased premises.

Item 3. Legal Proceedings

For a discussion of legal proceedings, see Item 8 – Note 15.

Item 4. Mine Safety Disclosures

Not applicable.

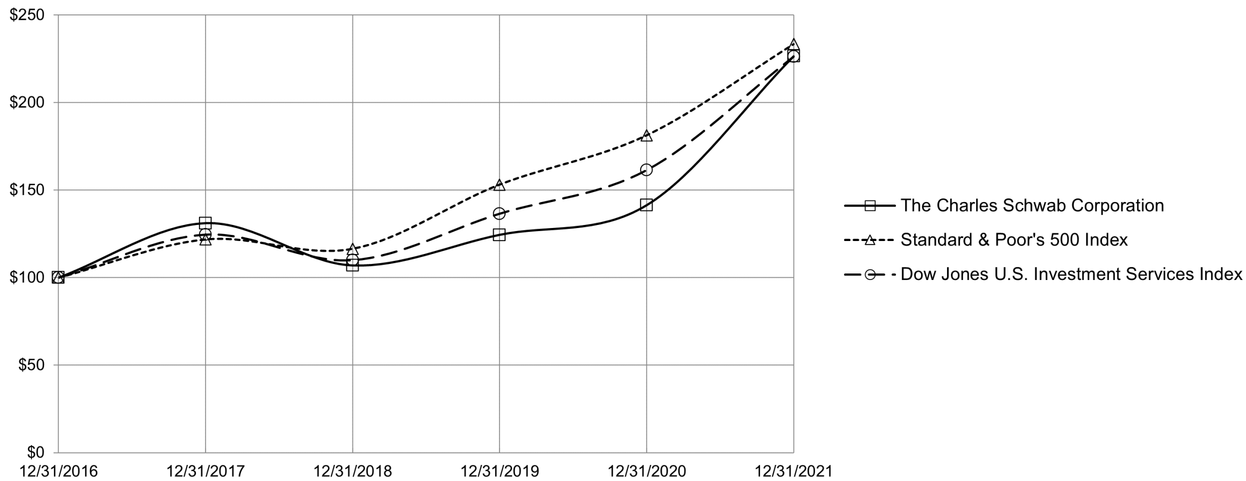
PART II

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

Market Information

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 31, 2022, was 5,451. The closing market price per share on that date was $87.70.

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



December 31,		2016		2017		2018		2019		2020		2021
The Charles Schwab Corporation	$	100	$	131	$	107	$	125	$	141	$	227
Standard & Poor's 500 Index	$	100	$	122	$	116	$	153	$	181	$	233
Dow Jones U.S. Investment Services Index	$	100	$	125	$	110	$	137	$	161	$	226

Securities Authorized for Issuance Under Equity Compensation Plans

For information relating to compensation plans under which our equity securities are authorized for issuance, see Item 8 – Note 21 and Part III – Item 12.

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 2021 (in millions, except number of shares, which are in thousands, and per share amounts):

Month	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Publicly Announced Program
October:				
Share repurchase program [1]	—	$ —	—	$ 1,780
Employee transactions [2]	39	$ 74.16	N/A	N/A
November:				
Share repurchase program [1]	—	$ —	—	$ 1,780
Employee transactions [2]	614	$ 82.07	N/A	N/A
December:				
Share repurchase program [1]	—	$ —	—	$ 1,780
Employee transactions [2]	120	$ 80.73	N/A	N/A
Total:				
Share repurchase program [1]	—	$ —	—	$ 1,780
Employee transactions [2]	773	$ 81.46	N/A	N/A

[1] All shares were repurchased under an authorization approved by CSC's Board of Directors of up to $4.0 billion of common stock publicly announced by CSC on January 30, 2019. The authorization does 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. CSC 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.

N/A Not applicable.

Item 6. Reserved

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," "could," "would," "expand," "aim," "maintain," "continue," "seek," 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 estimates based on the best judgment of Schwab's senior management. These statements relate to, among other things:

- Maximizing our market valuation and stockholder returns over time; our belief that developing trusted relationships will translate into more client assets which drives revenue and, along with expense discipline and thoughtful capital management, generates earnings growth and builds stockholder value; and maintaining our market position (see Business Strategy and Competitive Environment and Products and Services in Part I, Item 1);
- Expected benefits from the TD Ameritrade and other recently completed acquisitions; and expected timing for the TD Ameritrade client conversion (see Business and Asset Acquisitions in Part I, Item 1; Overview – Business and Asset Acquisitions in Part II, Item 7; Business Acquisitions in Part II, Item 8 – Note 3; and Exit and Other Related Liabilities in Note 16);
- The impact of legal proceedings and regulatory matters (see Legal Proceedings in Part I, Item 3; and Commitments and Contingencies in Part II, Item 8 – Note 15);
- Driving strategic priorities of scale and efficiency, win-win monetization and segmentation (see Overview in Part II, Item 7);
- Cost estimates and timing related to the TD Ameritrade integration, including acquisition and integration-related costs and capital expenditures, cost synergies, and exit and other related costs (see Overview – Business and Asset Acquisitions in Part II, Item 7; Results of Operations – Total Expenses Excluding Interest; and Exit and Other Related Liabilities in Part II, Item 8 – Note 16);
- The adjustment of rates paid on client-related liabilities; and money market fund fee waivers (see Results of Operations – Net Interest Revenue and Asset Management and Administration Fees in Part II, Item 7);
- Capital expenditures (see Results of Operations – Total Expenses Excluding Interest in Part II, Item 7);
- The phase-out of the use of LIBOR (see Risk Management – Expected Phase-out of LIBOR in Part II, Item 7);
- Sources of liquidity, capital, and level of dividends; and Tier 1 Leverage Ratio operating objective (see Liquidity Risk, Capital Management, Regulatory Capital Requirements, and Dividends in Part II, Item 7);
- The migration of IDA balances to our balance sheet (see Capital Management – Regulatory Capital Requirements in Part II, Item 7; and Commitments and Contingencies in Part II, Item 8 – Note 15);
- The expected impact of new accounting standards not yet adopted (see Summary of Significant Accounting Policies in Part II, Item 8 – Note 2); and
- The likelihood of indemnification and guarantee payment obligations and clients failing to fulfill contractual obligations (see Commitments and Contingencies in Part II, Item 8 – Note 15 and Financial Instruments Subject to Off-Balance Sheet Credit Risk – Client Trade Settlement in Note 17).

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:

- General market conditions, including equity valuations, trading activity, the level of interest rates – which can impact money market fund fee waivers, and credit spreads;
- Our ability to attract and retain clients, develop trusted relationships, and grow client assets;
- Client use of our advisory and lending solutions and other products and services;
- The level of client assets, including cash balances;
- Competitive pressure on pricing, including deposit rates;

- Client sensitivity to rates;
- Regulatory guidance;
- Capital and liquidity needs and management;
- Our ability to manage expenses;
- Our ability to attract and retain talent;
- Our ability to develop and launch new and enhanced products, services, and capabilities, as well as enhance our infrastructure, in a timely and successful manner;
- Our ability to monetize client assets;
- The scope and duration of the COVID-19 pandemic and actions taken by governmental authorities to contain the spread of the virus and the economic impact;
- Our ability to support client activity levels;
- The risk that expected cost synergies and other benefits from the TD Ameritrade and other recent acquisitions may not be fully realized or may take longer to realize than expected and that integration-related expenses may be higher than expected;
- The ability to successfully implement integration strategies and plans relating to TD Ameritrade;
- The timing and scope of integration-related and other technology projects;
- Real estate and workforce decisions;
- Migrations of BDA balances;
- Prepayment levels for mortgage-backed securities;
- Client cash allocations;
- LIBOR trends;
- Adverse developments in litigation or regulatory matters and any related charges;
- Potential breaches of contractual terms for which we have indemnification and guarantee obligations; and
- Client activity, including daily average trades; margin balances; and balance sheet cash.

Certain of these factors, as well as general risk factors affecting the Company, are discussed in greater detail in Risk Factors in Part I, Item 1A.

GLOSSARY OF TERMS

Active brokerage accounts: Brokerage accounts with activity within the preceding 270 days.

Accumulated Other Comprehensive Income (AOCI): A component of stockholders’ equity which primarily includes unrealized gains and losses on available for sale (AFS) securities.

Asset-backed securities: Debt securities backed by financial assets such as loans or receivables.

Assets receiving ongoing advisory services: Market value of all client assets custodied at the Company under the guidance of an independent advisor or enrolled in one of Schwab’s advice solutions at the end of the reporting period.

Bank deposit account balances (BDA balances): Clients’ uninvested cash balances held off-balance sheet in deposit accounts at unconsolidated third-party financial institutions, pursuant to the IDA agreement and agreements with other third-party financial institutions. Average BDA balances represent the daily average balance for the reporting period.

Basel III: Global regulatory standards on bank capital adequacy and liquidity issued by the Basel Committee on Banking Supervision.

Basis point: One basis point equals $1/100^{th}$ of 1%, or 0.01%.

Client assets: The market value, as of the end of the reporting period, of all client assets in our custody, BDA balances, and proprietary products, which includes both cash and securities. Average client assets are the daily average client asset balance for the reporting period.

Client cash as a percentage of client assets: Calculated as the value, at the end of the reporting period, of all money market fund balances, bank deposits, Schwab One® balances, BDA balances, and certain cash equivalents divided by client assets.

Common Equity Tier 1 (CET1) Capital: The sum of common stock and related surplus net of treasury stock, retained earnings, AOCI, and qualifying minority interests, less applicable regulatory adjustments and deductions.

Common Equity Tier 1 Risk-Based Capital Ratio: The ratio of CET1 Capital to total risk-weighted assets as of the end of the period.

Core net new client assets: Net new client assets before significant one-time inflows or outflows, such as acquisitions/ divestitures or extraordinary flows (generally greater than $10 billion) relating to a specific client. These flows may span multiple reporting periods.

Customer Protection Rule: Refers to Rule 15c3-3 of the Securities Exchange Act of 1934.

Daily Average Trades (DATs): Includes daily average revenue trades by clients, trades by clients in asset-based pricing relationships, and all commission-free trades.

Debt to total capital ratio: Calculated as total debt divided by stockholders’ equity and total debt.

Delinquency roll rates: The rates at which loans transition through delinquency stages, ultimately resulting in a loss. Schwab considers a loan to be delinquent if it is 30 days or more past due.

Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act): Regulatory reform legislation containing numerous provisions which expanded prudential regulation of large financial services companies.

Duration: Duration is typically used to measure the expected change in value of a financial instrument for a 1% change in interest rates, expressed in years.

Final Regulatory Capital Rules: Refers to the regulatory capital rules issued by U.S. banking agencies which implemented Basel III and relevant provisions of Dodd-Frank Act, which apply to savings and loan holding companies, as well as federal savings banks.

First mortgages: Refers to first lien residential real estate mortgage loans.

Full-time equivalent employees: Represents the total number of hours worked divided by a 40-hour work week for the following categories: full-time, part-time, and temporary employees and persons employed on a contract basis.

High Quality Liquid Assets (HQLA): HQLA is defined by the Federal Reserve, but includes assets that are actively traded and readily convertible to cash in times of stress.

Insured Deposit Account (IDA) Agreement: The IDA agreement with the TD Depository Institutions.

Interest-bearing liabilities: Primarily includes bank deposits, payables to brokerage clients, short-term borrowings, and long-term debt on which Schwab pays interest.

Interest-earning assets: Primarily includes cash and cash equivalents, cash and investments segregated, receivables from brokerage clients, investment securities, and bank loans on which Schwab earns interest.

Investment grade: Defined as a rating equivalent to a Moody's Investors Service (Moody's) rating of "Baa3" or higher, or a Standard & Poor's Rating Group (Standard & Poor's) or Fitch Ratings, Ltd (Fitch) rating of "BBB-" or higher.

Liquidity Coverage Ratio (LCR): The ratio of HQLA to projected net cash outflows during a 30-day stress scenario.

Loan-To-Value (LTV) ratio: Calculated as the principal amount of a loan divided by the value of the collateral securing the loan.

Margin loans: Money borrowed against the value of certain stocks, bonds, and mutual funds in a client portfolio. The borrowed money can be used to purchase additional securities or to meet short-term financial needs.

Master netting arrangement: An agreement between two counterparties that have multiple contracts with each other that provides for net settlement of all contracts through a single cash payment in the event of default or termination of any one contract.

Mortgage-backed securities: A type of asset-backed security that is secured by a mortgage or group of mortgages.

Net interest margin: Net interest revenue (annualized for interim periods) divided by average interest-earning assets.

Net new client assets: Total inflows of client cash and securities to Schwab less client outflows. Inflows include dividends and interest; outflows include commissions and fees. Capital gains distributions are excluded.

Net Stable Funding Ratio (NSFR): The ratio of the amount of available stable funding relative to the amount of required stable funding.

New brokerage accounts: All brokerage accounts opened during the period, as well as any accounts added via acquisition.

Nonperforming assets: The total of nonaccrual loans and other real estate owned.

Order flow revenue: Net compensation received from markets and firms to which our broker-dealer subsidiaries send equity and options orders. The amount reflects rebates received for certain types of orders, less fees paid for orders where exchange fees or other charges apply.

Pledged Asset Line® (PAL): A non-purpose revolving line of credit from a banking subsidiary secured by eligible assets held in a separate pledged brokerage account maintained at CS&Co.

Return on average common stockholders' equity: Calculated as net income available to common stockholders (annualized for interim periods) divided by average common stockholders' equity.

Risk-weighted assets: Computed by assigning specific risk-weightings to assets and off-balance sheet instruments for capital adequacy calculations.

Tier 1 Capital: The sum of CET1 Capital and additional Tier 1 Capital instruments and related surplus, less applicable adjustments and deductions.

Tier 1 Leverage Ratio: End-of-period Tier 1 Capital divided by adjusted average total consolidated assets for the period.

Trading days: Days in which the markets/exchanges are open for the buying and selling of securities. Early market closures are counted as half-days.

U.S. federal banking agencies: Refers to the Federal Reserve, the OCC, the FDIC, and the CFPB.

Uniform Net Capital Rule: Refers to Rule 15c3-1 under the Securities Exchange Act of 1934, which specifies minimum capital requirements that are intended to ensure the general financial soundness and liquidity of broker-dealers at all times.

OVERVIEW

Management focuses on several client activity and financial metrics in evaluating Schwab's financial position and operating performance. We believe that metrics relating to net new and total client assets, as well as client cash levels and utilization of advisory services, offer perspective on our business momentum and client engagement. Data on new and total client brokerage accounts provides additional perspective on our ability to attract and retain new business. Total net revenue growth, pre-tax profit margin, EPS, return on average common stockholders' equity, and the Consolidated Tier 1 Leverage Ratio provide broad indicators of Schwab's overall financial health, operating efficiency, and ability to generate acceptable returns. Total expenses excluding interest as a percentage of average client assets is a measure of operating efficiency.

Our consolidated financial statements include the results of operations and financial condition of TD Ameritrade beginning on October 6, 2020, as discussed below. Results for the years ended December 31, 2021, 2020, and 2019 are as follows:

	Growth Rate 1-Year 2020-2021	2021	2020	2019
Client Metrics				
Net new client assets (in billions) [1]	(74)%	$ 516.2	$ 1,952.5	$ 222.8
Core net new client assets (in billions)	98%	$ 558.2	$ 281.9	$ 211.7
Client assets (in billions, at year end)	22%	$ 8,138.0	$ 6,691.7	$ 4,038.8
Average client assets (in billions)	64%	$ 7,493.8	$ 4,579.0	$ 3,682.0
New brokerage accounts (in thousands) [2]	(61)%	7,306	18,627	1,568
Active brokerage accounts (in thousands, at year end)	12%	33,165	29,629	12,333
Assets receiving ongoing advisory services (in billions, at year end)	23%	$ 4,064.4	$ 3,300.1	$ 2,106.8
Client cash as a percentage of client assets (at year end)		10.9%	12.3%	11.3%
Company Financial Information and Metrics				
Total net revenues	58%	$ 18,520	$ 11,691	$ 10,721
Total expenses excluding interest	46%	10,807	7,391	5,873
Income before taxes on income	79%	7,713	4,300	4,848
Taxes on income	86%	1,858	1,001	1,144
Net income	77%	$ 5,855	$ 3,299	$ 3,704
Preferred stock dividends and other	93%	495	256	178
Net income available to common stockholders	76%	$ 5,360	$ 3,043	$ 3,526
Earnings per common share — diluted [3]	33%	$ 2.83	$ 2.12	$ 2.67
Net revenue growth from prior year		58%	9%	6%
Pre-tax profit margin		41.6%	36.8%	45.2%
Return on average common stockholders' equity		11%	9%	19%
Expenses excluding interest as a percentage of average client assets		0.14%	0.16%	0.16%
Consolidated Tier 1 Leverage Ratio (at year end)		6.2%	6.3%	7.3%
Non-GAAP Financial Measures [4]				
Adjusted total expenses [5]		$ 9,724	$ 6,759	$ 5,820
Adjusted diluted EPS [3]		$ 3.25	$ 2.45	$ 2.70
Return on tangible common equity		22%	15%	21%

(1) 2021 includes outflows of $42.0 billion from certain mutual fund clearing services clients. 2020 includes inflows of $1.6 trillion related to the acquisition of TD Ameritrade, $79.9 billion related to the acquisition of the assets of USAA-IMCO, $8.5 billion related to the acquisition of Wasmer Schroeder, and $10.9 billion from a mutual fund clearing services client. 2019 includes inflows of $11.1 billion from certain mutual fund clearing services clients.

(2) 2020 includes 14.5 million new brokerage accounts related to the acquisition of TD Ameritrade and 1.1 million new brokerage accounts related to the acquisition of assets from USAA-IMCO.

(3) In connection with the acquisition of TD Ameritrade, Schwab issued approximately 586 million common shares to TD Ameritrade stockholders, increasing our weighted average common shares outstanding for the years ended December 31, 2021 and 2020, compared to the year ended December 31, 2019.

(4) See Non-GAAP Financial Measures for further details and a reconciliation of such measures to GAAP reported results.

(5) Adjusted total expenses is a non-GAAP financial measure adjusting total expenses excluding interest. See Non-GAAP Financial Measures.

2021 Compared to 2020

Schwab delivered strong growth and financial performance in 2021, consistently executing on our "Through Clients' Eyes" strategy throughout a fluctuating macroeconomic environment. Early in 2021 we saw strengthened investor optimism, fueled by an advancing economic recovery and signs of improvement in the COVID-19 pandemic. As the year progressed, debates increased over the pace of economic growth, the path of inflation, and the ultimate impact of multiple global market disruptions. After major equity indices rose throughout the first half of 2021, they were essentially flat during the summer months before ending the year at near-record levels. While short-term interest rates remained near zero throughout 2021, longer-term rates began to rise initially, then eased and rose again as the 10-year Treasury yield finally ended 2021 at 1.52%, up 59 basis points from year-end 2020.

Investors were actively engaged with the markets throughout 2021, including extraordinary trading volume in the first quarter, and client activity throughout the remainder of the year also generally exceeded the fourth quarter of 2020 when we included TD Ameritrade in our results for the first time. Asset gathering was strong throughout 2021, as core net new assets totaled $558.2 billion, representing an 8% annual organic growth rate from year-end 2020. We ended 2021 with $8.14 trillion in client assets and 33.2 million brokerage accounts, representing increases of 22% and 12%, respectively, from December 31, 2020. Even as we worked to support heightened levels of client activity during 2021, the Company continued to drive progress across our key strategic priorities of scale and efficiency, win-win monetization, and segmentation. We made significant progress on our integration of TD Ameritrade, and continue to expect to complete client conversion within 30 to 36 months from the October 6, 2020 acquisition date.

Schwab produced strong financial performance during 2021, reflecting consistent execution of our strategy, strong client engagement, and a generally supportive macroeconomic backdrop. Net income totaled $5.9 billion during 2021, increasing 77% from 2020, while diluted earnings per common share (EPS) amounted to $2.83, increasing 33% from the prior year. Adjusted diluted EPS [(1)], which excludes acquisition and integration-related costs, amortization of acquired intangible assets, and related income tax effects, amounted to $3.25, increasing 33% from 2020. Our financial results were significantly impacted by the inclusion of TD Ameritrade for the full year of 2021.

Total net revenues increased 58% from 2020 to reach $18.5 billion in 2021, supported by growth across all of our major revenue streams. Net interest revenue totaled $8.0 billion in 2021, increasing 31% from 2020 primarily due to the inclusion of TD Ameritrade as well as significant growth in interest-earning assets, including rising investment portfolio balances and increased utilization of our range of lending products, partially offset by lower average yields. Asset management and administration fees grew 23% over the prior year to reach $4.3 billion due to the inclusion of TD Ameritrade as well as rising balances in advice solutions and both proprietary and third-party mutual funds and ETFs, partially offset by lower revenue on money market funds.

Trading revenue was $4.2 billion in 2021, nearly three times the prior year total of $1.4 billion, as the full-year inclusion of TD Ameritrade and the overall strong trading environment drove a significant increase in DATs. Trading revenue was also helped in 2021 by a higher proportion of derivatives trades, which contributed to higher revenue per trade. A full year of bank deposit account fees totaled $1.3 billion in 2021. BDA balances totaled $158.6 billion at December 31, 2021, down 3% from the year-end 2020 balance of $163.5 billion, reflecting migrations to Schwab's balance sheet during 2021.

Total expenses excluding interest were $10.8 billion in 2021, increasing 46% from 2020 due to the full-year inclusion of TD Ameritrade's results as well as higher compensation and benefits expense, which was driven by additional headcount to support our expanding client base and a higher bonus accrual, as well as merit increases and a 5% employee salary increase we implemented at the end of the third quarter. During 2021, acquisition and integration-related costs were $468 million, increasing from $442 million in 2020, and amortization of acquired intangible assets totaled $615 million, rising from $190 million in 2020. Exclusive of these items, adjusted total expenses [(1)] were $9.7 billion in 2021, increasing 44% from 2020.

Return on average common stockholders' equity was 11% in 2021, growing from 9% in 2020, and return on tangible common equity [(1)] (ROTCE) was 22% in 2021, up from 15% in 2020. The increases in both return on average common stockholders' equity and ROTCE were primarily a result of significantly higher net income in 2021.

[(1)] Adjusted diluted EPS, adjusted total expenses, and return on tangible common equity are non-GAAP financial measures. Please see Non-GAAP Financial Measures for further details and a reconciliation of such measures to GAAP reported results.

The Company continued its consistent approach to balance sheet management in 2021, supporting overall growth and liquidity. Total balance sheet assets rose to $667.3 billion at December 31, 2021, increasing 22% from year-end 2020, driven primarily by client asset flows, as well as $10.6 billion in BDA balance migrations. We also added a net $10.2 billion to outstanding short-term borrowings and long-term debt for liquidity management purposes, and increased preferred stock by a net $2.3 billion to help support continued business growth. The Company's Tier 1 Leverage Ratio was 6.2% at year-end 2021.

Though significantly heightened client activity levels during the first quarter of 2021 impacted our service quality at times, we took multiple actions to better deliver the service experience our clients deserve and rely on, including enhancing online self-service capabilities, streamlining our call-routing processes, and increasing hiring. Our efforts began yielding results early in the year, with significant improvement in client service levels by the end of the first quarter, and our service levels continued to be improved throughout the remainder of 2021 as client activity moderated.

2020 Compared to 2019

Throughout the extraordinary macroeconomic environment that persisted during 2020, Schwab continued to execute on key strategic initiatives, and produced solid financial results. The impact of COVID-19, along with social and political turmoil, created an unprecedented combination of personal and macroeconomic challenges for our clients, employees, and stockholders. While working through these challenges, we progressed in advancing the Company's strategic goals to drive scale, monetization, and segmentation in ways that benefit our clients. Among the Company's key accomplishments in 2020 were the successful completion of the acquisition of TD Ameritrade and three other strategic acquisitions, as discussed below.

The COVID-19 pandemic's rapid escalation in early 2020 was accompanied by volatile equity markets and the Federal Reserve's further easing of monetary policy. As the year progressed, government aid packages and vaccine developments helped settle the markets, with the S&P 500® erasing its pandemic-related losses to finish up 16% for the year. Throughout 2020, client engagement with the financial markets greatly increased over the prior year, as client trading activity reached record levels. Core net new assets totaled $281.9 billion in 2020, representing our third consecutive year of over $200 billion. Total client assets reached $6.69 trillion spread across 29.6 million brokerage accounts, up 66% and 140%, respectively, from year-end 2019.

Against this backdrop, Schwab's net income totaled $3.3 billion, down $405 million, or 11% from 2019, while the Company produced diluted EPS of $2.12, representing a decrease of 21% relative to 2019. Adjusted diluted EPS [(1)] amounted to $2.45 in 2020, down 9% from $2.70 in 2019.

Total net revenues reached $11.7 billion for the year, increasing 9% from 2019. During March 2020, the Federal Reserve acted to support the economy by cutting the Fed Funds rate from 1.75% to near zero and announcing significant asset purchase programs. Mortgage refinancing activity subsequently accelerated, and our net interest margin was impacted by both significantly lower interest rates and increased prepayments of mortgage-backed securities held in our investment portfolio. Strong growth in interest-earning assets via client inflows and allocation decisions, as well as our acquisitions of TD Ameritrade and assets of USAA-IMCO, helped limit the decrease in net interest revenue to 6%, resulting in a full-year 2020 total of $6.1 billion.

Growing balances in advisory solutions and a rebound in equity markets in 2020 helped drive an 8% increase in asset management and administration fees, which totaled $3.5 billion in 2020. Record client trading activity and the addition of TD Ameritrade in the fourth quarter contributed to an 88% increase in trading revenue, which reached $1.4 billion for the year, more than offsetting a full-year impact of the commission reductions implemented in the fourth quarter of 2019. With the TD Ameritrade acquisition, our fourth quarter 2020 results included bank deposit account fee revenue for the first time, which totaled $355 million for the period from October 6, through December 31, 2020.

Total expenses excluding interest increased 26% in 2020 to $7.4 billion, which included significant costs related to our acquisitions. With the completion of four acquisitions during the year, acquisition and integration-related costs totaled $442 million in 2020, representing a significant increase from the $26 million incurred in 2019. Amortization of acquired intangible assets also increased, totaling $190 million in 2020 compared with $27 million in 2019. Exclusive of these items, adjusted total expenses [(1)] increased 16% from 2019. Return on average common stockholders' equity was 9% in 2020, down from 19% in 2019. ROTCE [(1)] was 15% in 2020, down from 21% in 2019. The 2020 decreases in both return on average common stockholders' equity and ROTCE were due to lower net income as well as significantly higher balances of common equity due to the TDA acquisition and higher AOCI in 2020, driven by unrealized gains in our AFS investment portfolio.

[(1)] Adjusted diluted EPS, adjusted total expenses, and return on tangible common equity are non-GAAP financial measures. Please see Non-GAAP Financial Measures for further details and a reconciliation of such measures to GAAP reported results.

Throughout 2020, the Company maintained its disciplined approach to capital management, helping sustain significant balance sheet growth. Schwab's consolidated total assets ended 2020 at $549 billion, representing growth of $255 billion, or 87%, from year-end 2019, reflecting both our organic growth as well as the acquisitions of TD Ameritrade and the assets of USAA-IMCO. Through offerings in April and December, the Company issued preferred stock totaling approximately $5 billion in 2020, bringing total preferred stock to approximately $7.7 billion, or approximately 25% of Tier 1 Capital at December 31, 2020. The Company's Tier 1 Leverage Ratio was 6.3% at December 31, 2020.

Business and Asset Acquisitions

TD Ameritrade

Effective October 6, 2020, the Company completed its acquisition of TD Ameritrade. TD Ameritrade provides securities brokerage services, including trade execution, clearing services, and margin lending, through its broker-dealer subsidiaries; and futures and foreign exchange trade execution services through its FCM and FDM subsidiary. At the time of closing, TD Ameritrade had approximately $1.6 trillion in client assets and approximately 14.5 million brokerage accounts. TD Ameritrade's assets and liabilities were revalued and recorded at their estimated fair value as of the date of acquisition.

The Company expects to continue to incur significant acquisition and integration-related costs and integration-related capital expenditures throughout the integration process. Such costs have included, and are expected to continue to include, professional fees, such as legal, advisory, and accounting fees, compensation and benefits expenses for employees and contractors involved in the integration work, and costs for technology enhancements. The Company has also incurred exit and other related costs to attain anticipated synergies, which are primarily comprised of employee compensation and benefits such as severance pay, other termination benefits, and retention costs, as well as costs related to facility closures such as accelerated amortization and depreciation or impairments of assets in those locations.

The Company's estimates of the nature, amounts, and timing of recognition of acquisition and integration-related costs remain subject to change based on a number of factors, including the expected duration and complexity of the integration process and the continued uncertainty of the current economic environment. More specifically, factors that could cause variability in our expected acquisition and integration-related costs include the level of employee attrition, workforce redeployment from eliminated positions into open roles, changes in the levels of client activity, as well as increased real estate-related exit cost variability due to effects of the COVID-19 pandemic including changes in remote working trends.

As a result of the significant growth seen beginning in late 2020 and early 2021 across key client volume metrics, including the number of active brokerage accounts, DATs, and peak daily trades, the Company determined in 2021 to increase the scope of technology work related to the integration. In 2021, we commenced greater technology build-out to support the expanded volumes of our combined client base. Based on our current integration plans and expanded scope of technology work, the Company continues to expect to complete client conversion within 30 to 36 months from the October 6, 2020 acquisition date, and we expect to incur total acquisition and integration-related costs and capital expenditures of between $2.0 billion and $2.2 billion.

Acquisition and integration-related costs, which are inclusive of related exit costs, totaled $468 million and $442 million for the years ended December 31, 2021 and 2020, respectively, and the Company expects to incur acquisition and integration-related costs of approximately $350-$400 million in 2022. Over the course of the integration, we continue to expect to realize annualized cost synergies of between $1.8 billion and $2.0 billion, and, through December 31, 2021, we have achieved approximately half of this amount on an annualized run-rate basis. The Company expects to have realized approximately 60% of our estimated annualized cost synergies by year-end 2022, with much of the remaining estimated cost synergies expected to be realized after the completion of client conversion and into 2024. Estimated timing and amounts of synergy realization are subject to change as we progress in the integration. See also Results of Operations – Total Expenses Excluding Interest, Non-GAAP Financial Measures, and Item 8 – Notes 3 and 16.

Assets of USAA-IMCO and Other Acquisitions

On May 26, 2020, the Company completed its acquisition of the assets of USAA-IMCO for $1.6 billion in cash. Along with the asset purchase agreement, the companies entered into a long-term referral agreement that makes Schwab the exclusive provider of wealth management and investment brokerage services for USAA members. The USAA-IMCO acquisition has added scale to the Company's operations through the addition of 1.1 million brokerage and managed portfolio accounts with approximately $80 billion in client assets at the acquisition date. The transaction also provides Schwab the opportunity to further expand our client base by serving USAA's members through the long-term referral agreement. See Item 8 – Note 3 for more information on the USAA-IMCO acquisition.

(Tabular Amounts in Millions, Except Ratios, or as Noted)

In addition, during 2020 the Company completed its acquisition of technology and intellectual property of Motif, a financial technology company. The Motif assets help us build on our existing capabilities and help accelerate our development of thematic and direct index investing for Schwab's retail investors and RIA clients. Also during 2020, the Company completed its acquisition of Wasmer Schroeder, which adds established strategies and new separately managed account offerings to our existing fixed income lineup.

RESULTS OF OPERATIONS

Total Net Revenues

Total net revenues of $18.5 billion and $11.7 billion for the years ended December 31, 2021 and 2020, respectively, represented growth of 58% and 9% from the prior periods. The increases in 2021 and 2020 were due primarily to our acquisition of TD Ameritrade, which contributed total net revenues of $7.6 billion in 2021 and $1.7 billion in 2020 from October 6, through December 31, 2020.

Year Ended December 31,		2021		2020		2019	
	Growth Rate 2020-2021	Amount	% of Total Net Revenues	Amount	% of Total Net Revenues	Amount	% of Total Net Revenues
Net interest revenue							
Interest revenue	30%	$ 8,506	46%	$ 6,531	56%	$ 7,580	71%
Interest expense	14%	(476)	(3)%	(418)	(4)%	(1,064)	(10)%
Net interest revenue	31%	8,030	43%	6,113	52%	6,516	61%
Asset management and administration fees							
Mutual funds, ETFs, and collective trust funds (CTFs)	11%	1,961	11%	1,770	15%	1,747	16%
Advice solutions	38%	1,993	11%	1,443	12%	1,198	11%
Other	22%	320	1%	262	3%	266	3%
Asset management and administration fees	23%	4,274	23%	3,475	30%	3,211	30%
Trading revenue							
Commissions	177%	2,050	11%	739	6%	549	5%
Order flow revenue	N/M	2,053	11%	621	6%	135	1%
Principal transactions	(13)%	49	—	56	—	68	1%
Trading revenue	193%	4,152	22%	1,416	12%	752	7%
Bank deposit account fees	N/M	1,315	7%	355	3%	—	—
Other	126%	749	5%	332	3%	242	2%
Total net revenues	58%	$ 18,520	100%	$ 11,691	100%	$10,721	100%

N/M Not meaningful. Percentage changes greater than 200% are presented as not meaningful.

Net Interest Revenue

Schwab's primary interest-earning assets include cash and cash equivalents; cash and investments segregated; margin loans, which constitute the majority of receivables from brokerage clients; investment securities; and bank loans. Revenue on interest-earning assets is affected by various factors, such as the composition of assets, prevailing interest rates and spreads at the time of origination or purchase, changes in interest rates on floating rate securities and loans, and changes in prepayment levels for mortgage-backed and other asset-backed securities and loans. Fees earned and expenses incurred on securities lending and borrowing activities are conducted by our broker-dealer subsidiaries using assets held in client brokerage accounts.

Schwab's interest-bearing liabilities include bank deposits, payables to brokerage clients, short-term borrowings (e.g., Federal Home Loan Bank (FHLB) advances, commercial paper, secured borrowings by our broker-dealer subsidiaries, repurchase agreements), and long-term debt. Schwab deploys the funds from these sources into the assets outlined above. As Schwab builds its client base, we attract new client sweep cash, which is a primary driver of funding balance sheet growth. We do not use short-term, wholesale borrowings to support our long-term investment activity, but may use such funding for short-term liquidity purposes or to provide temporary funding. Non-interest-bearing funding sources include stockholders' equity, certain client cash balances, and other miscellaneous liabilities.

(Tabular Amounts in Millions, Except Ratios, or as Noted)

The Company's investment strategy is structured to produce an increase in net interest revenue when interest rates rise while attempting to moderate the decrease in net interest revenue when interest rates fall. In order to keep interest-rate sensitivity within established limits, management actively monitors and adjusts interest-rate sensitivity through changes in the balance sheet, primarily by adjusting the composition of our banking subsidiaries' investment portfolios. Schwab establishes the rates paid on client-related liabilities, and management expects that it will generally adjust the rates paid on these liabilities at some fraction of any movement in short-term rates. See also Risk Management – Interest Rate Risk Simulations.

As the U.S. economic recovery continued in 2021, interest rates remained historically low. Short-term rates remained near zero throughout 2021; longer-term interest rates began to rise early in the year, then remained largely unchanged before rising again in the fourth quarter. Elevated levels of prepayments on mortgage-backed securities persisted throughout the continued low interest rate environment in 2021 and resulted in accelerated reinvestment of the AFS portfolio; purchases of AFS securities totaled $171.7 billion. Schwab saw consistent strength in new client brokerage accounts and net new client assets throughout 2021, driving growth in Schwab's interest-earning assets. At the same time, client engagement in the equity markets increased and clients were net buyers of equity securities and other investment products, resulting in outflows of client cash and partially offsetting the growth in interest-earning assets.

Late in the first quarter of 2020, the Federal Reserve cut the federal funds target overnight rate from 1.75% to near zero; on the longer end of the curve, the 10-year Treasury rate declined by over 120 basis points. Lower interest rates across maturities persisted from the end of the first quarter through the end of 2020, while credit spreads also compressed. Moreover, changes in the economic environment throughout 2020 resulting from the COVID-19 pandemic drove significantly higher levels of client cash sweep balances. As these balances rapidly accumulated in the first quarter of 2020, the Company initially placed a substantial amount in excess reserves held at the Federal Reserve, and subsequently deployed a significant amount of this cash build-up throughout 2020. AFS securities purchases in 2020 totaled $202.2 billion, and these purchases were made at rates below the average yield on the existing AFS portfolio due to the low interest rate environment.

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,	2021			2020			2019		
	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	$ 40,325	$ 40	0.10%	$ 39,052	$ 120	0.30%	$ 23,512	$ 518	2.17%
Cash and investments segregated	43,942	24	0.05%	34,100	141	0.41%	15,694	345	2.17%
Receivables from brokerage clients	77,768	2,455	3.11%	28,058	848	2.97%	19,270	821	4.20%
Available for sale securities [1,2]	357,122	4,641	1.30%	253,555	4,537	1.78%	58,181	1,560	2.67%
Held to maturity securities [1,2]	—	—	—	—	—	—	134,708	3,591	2.65%
Bank loans	28,789	620	2.15%	20,932	545	2.60%	16,832	584	3.47%
Total interest-earning assets	547,946	7,780	1.41%	375,697	6,191	1.64%	268,197	7,419	2.75%
Securities lending revenue		720			334			147	
Other interest revenue		6			6			14	
Total interest-earning assets	$ 547,946	$ 8,506	1.54%	$ 375,697	$ 6,531	1.73%	$ 268,197	$ 7,580	2.80%
Funding sources									
Bank deposits	$ 381,549	$ 54	0.01%	$ 291,206	$ 93	0.03%	$ 212,605	$ 700	0.33%
Payables to brokerage clients	91,667	9	0.01%	46,347	12	0.02%	24,353	79	0.33%
Short-term borrowings [3]	3,040	9	0.30%	89	—	0.20%	17	—	2.36%
Long-term debt	17,704	384	2.17%	8,992	289	3.22%	7,199	258	3.58%
Total interest-bearing liabilities	493,960	456	0.09%	346,634	394	0.11%	244,174	1,037	0.42%
Non-interest-bearing funding sources	53,986			29,063			24,023		
Securities lending expense		24			33			38	
Other interest expense		(4)			(9)			(11)	
Total funding sources	$ 547,946	$ 476	0.09%	$ 375,697	$ 418	0.11%	$ 268,197	$ 1,064	0.39%
Net interest revenue		$ 8,030	1.45%		$ 6,113	1.62%		$ 6,516	2.41%

[1] Amounts have been calculated based on amortized cost. Interest revenue on investment securities is presented net of related premium amortization.
[2] On January 1, 2020, the Company transferred all of its investment securities designated as held to maturity (HTM) to the AFS category. See Item 8 – Note 6.
[3] Interest revenue or expense was less than $500 thousand in the period or periods presented.

Net interest revenue increased $1.9 billion or 31%, in 2021 from 2020, primarily due to the inclusion of TD Ameritrade as well as significant growth in overall interest-earning assets, including higher investment portfolio balances and margin lending, as well as growth in securities lending revenue and bank loans, partially offset by lower average yields. Accelerated premium amortization stemming from elevated prepayments of mortgage-related debt securities in the AFS portfolio continued in 2021 and partially offset the growth in net interest revenue. Net premium amortization of investment securities totaled $2.3 billion in 2021 and $1.6 billion in 2020. TD Ameritrade contributed total net interest revenue of $1.9 billion during the year ended December 31, 2021 and $443 million in 2020 from October 6, through December 31, 2020.

Average interest-earning assets for 2021 were higher by 46%, compared to 2020. This increase was largely due to higher bank deposits and payables to brokerage clients, which resulted from strong net new client asset inflows, continued heightened client cash allocations driven by the low interest rate environment, BDA balance migrations, and the inclusion of TD Ameritrade for all of 2021.

Our net interest margin declined to 1.45% in 2021, from 1.62% in 2020. This decrease was driven primarily by lower overall yields received on interest-earning assets, in part due to purchases of investment securities in 2020 and 2021 at rates below the average yield on the AFS portfolio. This more than offset the benefit of increased securities lending revenue and higher margin utilization in 2021, which comprised 39% of net interest revenue during 2021, growing from 19% of net interest revenue in 2020.

Net interest revenue decreased $403 million, or 6%, in 2020 from 2019, due primarily to lower average investment yields, partially offset by growth in interest-earning assets and our acquisition of TD Ameritrade. Accelerated premium amortization on debt securities in 2020 also contributed to the reduction in net interest revenue, as the decline in long-term interest rates in 2020 resulted in higher prepayments of mortgage-related debt securities. Average interest-earning assets for 2020 were higher by 40%, compared to 2019. This increase in average interest-earning assets was primarily driven by higher client cash balances in bank deposits and payables to brokerage clients, due to higher client cash allocations and our acquisitions of TD Ameritrade and assets of USAA-IMCO. TD Ameritrade contributed approximately $12.0 billion of average interest-earning assets and $9.6 billion of average interest-bearing liabilities to Schwab's full-year 2020 averages.

Our net interest margin decreased to 1.62% in 2020, from 2.41% in 2019. This decrease was driven primarily by lower yields received on interest-earning assets due largely to the Federal Reserve's 2019 and 2020 interest rate reductions as well as higher premium amortization on mortgage-related debt securities. Due to the low interest rate environment, purchases of investment securities in 2020 were made at rates below the average yield on the existing AFS portfolio, which negatively impacted our net interest margin.

Asset Management and Administration Fees

Asset management and administration fees include mutual fund, ETF, and CTF service fees and fees for other asset-based financial services provided to individual and institutional clients. Schwab earns mutual fund, ETF, and CTF service fees for shareholder services, administration, and investment management provided to its proprietary funds, and recordkeeping and shareholder services provided to third-party funds. Asset management and administration fees are based upon the daily balances of client assets invested in these funds and do not include securities lending revenues earned by proprietary mutual funds, ETFs, and CTFs, as those amounts, net of program fees, are credited to the fund shareholders. Proprietary CTFs may, but generally do not, directly participate in securities lending. The fair values of client assets included in proprietary and third-party mutual funds, ETFs, and CTFs are based on quoted market prices and other observable market data.

We also earn asset management fees for advice solutions, which include managed portfolios, specialized strategies, and customized investment advice. Other asset management and administration fees include various asset-based fees such as trust fees, 401(k) recordkeeping fees, mutual fund clearing fees, and non-balance based service and transaction fees. Asset management and administration fees attributable to TD Ameritrade are primarily earned on client assets invested in money market mutual funds and other mutual funds, as well as advice solutions.

Asset management and administration fees vary with changes in the balances of client assets due to market fluctuations and client activity.

(Tabular Amounts in Millions, Except Ratios, or as Noted)

The following table presents asset management and administration fees, average client assets, and average fee yields:

Year Ended December 31,	2021			2020			2019		
	Average Client Assets	Revenue	Average Fee	Average Client Assets	Revenue	Average Fee	Average Client Assets	Revenue	Average Fee
Schwab money market funds before fee waivers	$ 155,821	$ 457	0.29%	$ 200,119	$ 605	0.30%	$ 173,558	$ 525	0.30%
Fee waivers		(326)			(127)			—	
Schwab money market funds	155,821	131	0.08%	200,119	478	0.24%	173,558	525	0.30%
Schwab equity and bond funds, ETFs, and CTFs	423,999	380	0.09%	301,598	300	0.10%	267,213	298	0.11%
Mutual Fund OneSource® and other non-transaction fee funds	229,342	724	0.32%	192,464	599	0.31%	191,552	606	0.32%
Other third-party mutual funds and ETFs (1,2)	898,248	726	0.08%	525,379	393	0.07%	478,037	318	0.07%
Total mutual funds, ETFs, and CTFs (3)	$ 1,707,410	1,961	0.11%	$1,219,560	1,770	0.15%	$1,110,360	1,747	0.16%
Advice solutions (3)									
Fee-based	$ 452,503	1,993	0.44%	$ 306,010	1,443	0.47%	$ 246,888	1,198	0.49%
Non-fee-based	89,911	—	—	73,161	—	—	70,191	—	—
Total advice solutions	$ 542,414	1,993	0.37%	$ 379,171	1,443	0.38%	$ 317,079	1,198	0.38%
Other balance-based fees (4)	614,787	259	0.04%	451,350	208	0.05%	432,613	216	0.05%
Other (5)		61			54			50	
Total asset management and administration fees		$ 4,274			$ 3,475			$ 3,211	

(1) Beginning in the fourth quarter of 2019, Schwab ETF OneSource™ was discontinued as a result of the elimination of online trading commissions for U.S. and Canadian-listed ETFs.
(2) Beginning in the fourth quarter of 2020, includes third-party money funds related to the acquisition of TD Ameritrade.
(3) Average client assets for advice solutions may also include the asset balances contained in the mutual fund and/or ETF categories listed above.
(4) Includes various asset-related fees, such as trust fees, 401(k) recordkeeping fees, and mutual fund clearing fees and other service fees.
(5) Includes miscellaneous service and transaction fees relating to mutual funds and ETFs that are not balance-based.

Asset management and administration fees increased by $799 million, or 23%, in 2021 from 2020, due to the acquisition of TD Ameritrade, as well as additional growth in advice solutions and proprietary and third-party mutual funds and ETFs, which were due in part to strength in net new client assets and equity markets in 2021. These increases were partially offset by the effect of money market fund fee waivers due to lower portfolio yields as well as lower money market fund balances. Asset management and administration fees attributable to TD Ameritrade were $598 million in 2021 and $131 million from October 6, through December 31, 2020. The amount of fee waivers in coming quarters is dependent on a variety of factors, including the level of short-term interest rates and client preferences across our money market fund line-up.

Asset management and administration fees increased by $264 million, or 8%, in 2020 from 2019, primarily due to higher balances in advice solutions, including managed account assets from USAA and TD Ameritrade, overall gains in equity markets, as well as higher purchased money market funds and other third-party mutual funds and ETFs, in 2020 relative to 2019. These increases were partially offset by the effect of money market fund fee waivers due to declining portfolio yields.

The following table presents a roll forward of client assets for the Schwab money market funds, Schwab equity and bond funds, ETFs, and CTFs, and Mutual Fund OneSource® and other non-transaction fee (NTF) funds. The following funds generated 29%, 40%, and 45% of the asset management and administration fees earned during 2021, 2020, and 2019, respectively:

	Schwab Money Market Funds			Schwab Equity and Bond Funds, ETFs, and CTFs			Mutual Fund OneSource® and Other NTF Funds		
Year Ended December 31,	2021	2020	2019	2021	2020	2019	2021	2020	2019
Balance at beginning of period	$176,089	$200,826	$153,472	$341,689	$286,275	$209,471	$223,857	$202,068	$180,532
Net inflows (outflows)	(29,621)	(25,894)	44,077	48,291	17,200	26,039	(15,760)	(20,246)	(19,930)
Net market gains (losses) and other	41	1,157	3,277	64,884	38,214	50,765	26,843	42,035	41,466
Balance at end of period	$146,509	$176,089	$200,826	$454,864	$341,689	$286,275	$234,940	$223,857	$202,068

Trading Revenue

Trading revenue includes commissions, order flow revenue, and principal transaction revenues. Commission revenue is affected by volume and mix of trades executed. Order flow revenue is comprised of rebate payments received from trade execution venues to which our broker-dealer subsidiaries send equity and option orders. Order flow revenue is affected by volume and mix of client trades, as well as pricing received from trade execution venues. Principal transaction revenue is recognized primarily as a result of accommodating clients' fixed income trading activity, and includes adjustments to the fair value of securities positions held to facilitate such client trading activity.

The following table presents trading revenue and related information:

Year Ended December 31,	Growth Rate 2020-2021	2021	2020	2019
Trading Revenue	193%	$ 4,152	$ 1,416	$ 752
Clients' daily average trades (DATs) (in thousands)	150%	6,507.0	2,602.6	748.9
Number of trading days	—	251.5	252.0	250.5
Revenue per trade (1)	18%	$ 2.54	$ 2.16	$ 4.01

Note: Effective October 7, 2019, CS&Co eliminated online trade commissions for U.S. and Canadian-listed stocks and ETFs, as well as the base charge on options. TD Ameritrade, Inc. also does not charge for these types of trades and does not have a base charge on options.
(1) Revenue per trade is calculated as trading revenue divided by DATs multiplied by the number of trading days.

Trading revenue increased $2.7 billion, or 193% in 2021 compared to 2020, primarily due to the acquisition of TD Ameritrade and heightened client engagement, which drove significantly higher DATs throughout 2021. This increased trading activity and a higher percentage of derivatives trades drove significant growth in commissions and order flow revenue. Overall, TD Ameritrade contributed $3.3 billion of trading revenue during the year ended December 31, 2021, compared with $667 million of trading revenue from October 6, 2020 through December 31, 2020.

Trading revenue increased by $664 million, or 88%, in 2020 compared to 2019, primarily due to the acquisition of TD Ameritrade. In addition, the Company saw a significant increase in DATs and higher order flow revenue in 2020, which were partially offset by the Company's October 2019 pricing actions. Order flow revenue increased by $486 million in 2020 compared to 2019. This increase in order flow revenue in 2020 was due to the acquisition of TD Ameritrade and a higher volume of trades throughout 2020 relative to 2019.

Bank Deposit Account Fees

In connection with our acquisition of TD Ameritrade, the Company began earning bank deposit account fee revenue beginning in the fourth quarter of 2020 pursuant to the IDA agreement and arrangements with other third-party banks. Bank deposit account fees are primarily affected by average BDA balances and the floating- and fixed-rate reference yields. Fees earned under the IDA agreement are affected by changes in interest rates and the composition of balances designated as fixed- and floating-rate.

Bank deposit account fees totaled $1.3 billion for the year ended December 31, 2021 and $355 million from October 6, 2020 through December 31, 2020. During the year ended December 31, 2021 and the period of October 6, 2020 through December 31, 2020, the total average BDA balance was $158.4 billion and $161.3 billion, respectively, of which approximately 80% was designated as fixed-rate obligation amounts and approximately 20% as floating-rate obligation amounts for both periods.

During 2021, the Company transferred $10.6 billion of BDA balances to its balance sheet from the TD Depository Institutions and other third-party banks. Transfers of BDA balances to Schwab's balance sheet result in lower balances upon which bank deposit account fee revenue is earned but provide a source of funding to invest in interest-earning assets to increase net interest revenue. See also Capital Management and Item 8 – Note 15 for discussion of the IDA agreement and the potential to move IDA balances to Schwab's balance sheet.

Other Revenue

Other revenue includes exchange processing fees, certain service fees, software fees, and non-recurring gains. Other revenue increased $417 million, or 126%, in 2021 compared to 2020 primarily due to the full-year inclusion of TD Ameritrade's results in 2021. Other revenue attributable to TD Ameritrade totaled $462 million and $110 million in 2021 and 2020, respectively.

Other revenue increased $90 million, or 37%, in 2020 compared to 2019 primarily due to higher exchange processing fees resulting from higher trade volumes and the acquisition of TD Ameritrade.

Total Expenses Excluding Interest

The following table shows a comparison of total expenses excluding interest:

	Growth Rate 2020-2021	2021	2020	2019
Compensation and benefits				
Salaries and wages	31%	$ 3,161	$ 2,416	$ 1,958
Incentive compensation	55%	1,443	932	804
Employee benefits and other	40%	846	606	558
Total compensation and benefits	38%	$ 5,450	$ 3,954	$ 3,320
Professional services	18%	994	843	702
Occupancy and equipment	39%	976	703	559
Advertising and market development	49%	485	326	307
Communications	66%	587	353	253
Depreciation and amortization	33%	549	414	322
Amortization of acquired intangible assets	N/M	615	190	27
Regulatory fees and assessments	69%	275	163	122
Other	97%	876	445	261
Total expenses excluding interest	46%	$ 10,807	$ 7,391	$ 5,873
Expenses as a percentage of total net revenues				
Compensation and benefits		29%	34%	31%
Advertising and market development		3%	3%	3%
Full-time equivalent employees (in thousands)				
At year end	4%	33.4	32.0	19.7
Average	36%	32.5	23.9	20.0

N/M Not meaningful. Percentage changes greater than 200% are presented as not meaningful.

Total expenses excluding interest increased $3.4 billion, or 46%, in 2021 from 2020, and $1.5 billion, or 26%, in 2020 from 2019. Total expenses excluding interest included amounts from TD Ameritrade of $3.1 billion in 2021 and $943 million in 2020 from October 6, through December 31, 2020. Adjusted total expenses, which excludes acquisition and integration-related costs and amortization of acquired intangible assets, increased $3.0 billion, or 44%, in 2021 from 2020 and $939 million, or 16%, in 2020 from 2019. See Non-GAAP Financial Measures for further details and a reconciliation of such measures to GAAP reported results.

Total compensation and benefits increased in 2021 from 2020 due to the inclusion of TD Ameritrade and growth in employee headcount. The 2021 increase reflected TDA's full-year contribution of $1.2 billion of compensation and benefits expense compared with $453 million in 2020. The increase in 2021 was also due to additional headcount to support our expanding client base and service levels amidst heightened client engagement, a higher bonus accrual, annual merit increases, as well as a 5% employee salary increase and other targeted compensation adjustments that went into effect in late 2021. Total compensation and benefits expense increased from 2020 to 2019, primarily due to an overall increase in employee headcount related to our acquisitions of TDA and USAA-IMCO. The increase in 2020 from 2019 also reflected the Company's payment of $1,000 to all non-officer employees in March 2020 to help them cover costs incurred due to the COVID-19 pandemic. Compensation and benefits included acquisition and integration-related costs of $283 million and $235 million in 2021 and 2020, respectively.

Professional services expense increased in 2021 from 2020, primarily due to the inclusion of TDA's results of operations and overall growth in the business. The increase in 2020 from 2019 was primarily due to acquisition and integration-related costs in 2020 of $158 million.

Occupancy and equipment expense increased in 2021 from 2020, primarily due the inclusion of TDA's results of operations, costs related to the integration of TD Ameritrade, and overall growth in the business. The increase in 2020 from 2019 was primarily due to the inclusion of TDA's results of operations from October 6, 2020 forward, as well as an increase in technology equipment costs associated with higher client trade volumes and overall growth in the business.

Advertising and market development expense increased in 2021 from 2020, primarily due the inclusion of TDA's results of operations.

Communications expense increased in 2021 from 2020 primarily due to the inclusion of TDA's results of operations, as well as higher communications expense due to higher customer trade volumes and overall growth of the business. The increase in 2020 from 2019 was primarily due to the inclusion of TDA's results of operations from October 6, 2020 forward and higher news and quotation services expenses due to higher trade volumes.

Depreciation and amortization expenses grew in 2021 from 2020, primarily from growth in fixed assets from the TDA acquisition. As a result of capital expenditures to support growth in the business and the integration of TD Ameritrade, 2021 also reflected higher amortization of purchased and internally developed software and higher depreciation of hardware, as well as higher depreciation of buildings. The growth in 2020 from 2019 was primarily due to higher amortization of purchased and internally developed software, higher depreciation and amortization of equipment, office facilities, and property recognized in the TDA acquisition, as well as higher depreciation of buildings and equipment related to the expansion of our U.S. campuses in 2019 and 2020. As a result of significant capital expenditures in 2021 and anticipated for 2022 as described below, the Company expects to recognize higher depreciation and amortization expense in 2022. The periods over which depreciation and amortization are recognized on these capitalized costs are based on the expected useful lives of the types of assets capitalized and when the assets are placed into service.

Amortization of acquired intangible assets increased in 2021 from 2020 and in 2020 from 2019 as a result of the acquisitions completed during 2020.

Regulatory fees and assessments increased in 2021 from 2020, primarily as result of the inclusion of TDA's results of operations and overall growth in the business, including higher FDIC assessments due to asset growth. The increase in 2020 from 2019 was primarily due to the inclusion of TDA's results of operations from October 6, 2020 forward, and higher FDIC insurance assessments and other regulatory assessments due to growth in assets and overall growth of the business in 2020.

Other expenses increased in 2021 from 2020, primarily due to the inclusion of TDA's results of operations and a charge of approximately $200 million for a regulatory matter in 2021 (see Item 8 – Note 15), partially offset by certain lower clearing charges and exchange fees. The increase in 2020 from 2019 was primarily from the inclusion of TDA's results of operations from October 6, 2020 forward, and increases in processing fees and related expenses due to higher client trade volumes and market volatility. These increases were partially offset by lower travel and entertainment expense in 2020. Other expenses in 2020 included acquisition and integration-related costs of $30 million.

Capital expenditures primarily include capitalized software costs, information technology and telecommunications equipment, and buildings. Total capital expenditures were $1.0 billion, $741 million, and $753 million in 2021, 2020, and 2019, respectively. The increase in capital expenditures in 2021 from 2020 was primarily due to higher information technology and telecommunications equipment and higher capitalized software costs, partially offset by lower building expansion in 2021. The increases in spending in 2021 reflect investments made to support our TDA integration efforts and enhance our technological infrastructure to support greater capacity for our expanding client base. Capital expenditures decreased in 2020 compared to 2019 primarily due to lower building expansion in 2020, largely offset by higher capitalized software costs. Capitalized software costs totaled $559 million, $453 million, and $188 million in 2021, 2020, and 2019, respectively. Investments in information technology and telecommunications equipment were $340 million, $60 million, and $81 million in 2021, 2020, and 2019, respectively. Investments in buildings were $102 million, $173 million, and $397 million in 2021, 2020, and 2019, respectively.

Capital expenditures were 6% of total net revenues in 2021, within our estimated range for the year. In 2022, we will continue to invest to support the TDA integration and greater capacity for our expanding client base. We anticipate capital expenditures in 2022 will be approximately 4-5% of total net revenues. Our longer term expectation for capital expenditures remains in the range of 3-5% of total net revenues.

Taxes on Income

Schwab's effective income tax rate on income before taxes was 24.1% in 2021, 23.3% in 2020, and 23.6% in 2019. The increase in the effective tax rate in 2021 from 2020 was primarily related to non-recurring federal tax benefits recognized in 2020, including settlement of the IRS examination for tax years 2011-2014, the tax impact of a non-deductible regulatory matter charge in 2021 (see Item 8 – Note 15), and additional income tax expense from the filing of 2020 tax returns during 2021. Partially offsetting the increases in the effective tax rate from these items was an increase in equity compensation tax deduction benefits during 2021. The decrease in the effective tax rate in 2020 from 2019 was primarily due to federal and state tax benefits recognized during 2020, including settlement of the IRS examination of tax years 2011-2014, the expiration of the statute of limitations on certain federal and state uncertain tax positions, and tax benefits realized from the filing of state tax returns, as well as an increase in Low-Income Housing Tax Credit (LIHTC) benefits. Offsetting the decrease in the effective tax rate from these items was an increase in nondeductible acquisition costs and FDIC insurance premium disallowance, as well as a decrease in equity compensation tax deduction benefits.

Segment Information

Revenues and expenses are attributed to the two segments based on which segment services the client. Management evaluates the performance of the segments on a pre-tax basis. Segment assets and liabilities are not used for evaluating segment performance or in deciding how to allocate resources to segments. Net revenues in both segments are generated from the underlying client assets and trading activity; differences in the composition of net revenues between the segments are based on the composition of client assets, client trading frequency, and pricing unique to each. While both segments leverage the scale and efficiency of our platforms, segment expenses reflect the dynamics of serving millions of clients in Investor Services versus the thousands of RIAs on the Advisor Services platform.

The Company integrated its business and asset acquisitions during 2020 into its two existing reportable segments. Revenues and expenses from our acquisition of USAA-IMCO are allocated to Investor Services only; revenues and expenses from TD Ameritrade and our other 2020 acquisitions are attributed to both Investor Services and Advisor Services based on which segment services the client. See Item 8 – Note 3 for more information regarding acquisitions.

Financial information for our segments is presented in the following table:

	Investor Services				Advisor Services				Total			
Year Ended December 31,	Growth Rate 2020-2021	2021	2020	2019	Growth Rate 2020-2021	2021	2020	2019	Growth Rate 2020-2021	2021	2020	2019
Net Revenues												
Net interest revenue	38%	$ 6,052	$4,391	$ 4,685	15%	$ 1,978	$ 1,722	$ 1,831	31%	$ 8,030	$ 6,113	$ 6,516
Asset management and administration fees	23%	3,130	2,544	2,289	23%	1,144	931	922	23%	4,274	3,475	3,211
Trading revenue	N/M	3,753	1,156	503	53%	399	260	249	193%	4,152	1,416	752
Bank deposit account fees	N/M	964	255	—	N/M	351	100	—	N/M	1,315	355	—
Other	115%	562	262	146	167%	187	70	96	126%	749	332	242
Total net revenues	68%	14,461	8,608	7,623	32%	4,059	3,083	3,098	58%	18,520	11,691	10,721
Expenses Excluding Interest	50%	8,289	5,529	4,284	35%	2,518	1,862	1,589	46%	10,807	7,391	5,873
Income before taxes on income	100%	$ 6,172	$3,079	$ 3,339	26%	$ 1,541	$ 1,221	$ 1,509	79%	$ 7,713	$ 4,300	$ 4,848
Net new client assets (in billions) [1,2,3]	(82)%	$ 200.9	$1,106.4	$ 115.6	(63)%	$ 315.3	$ 846.1	$ 107.2	(74)%	$ 516.2	$1,952.5	$ 222.8

(1) In 2021, Investor Services includes outflows of $42.0 billion from mutual fund clearing services clients.

(2) In 2020, Investor Services includes inflows of $890.7 billion related to the acquisition of TD Ameritrade and $79.9 billion related to the acquisition of assets of USAA-IMCO. Additionally, 2020 and 2019 include inflows of $10.9 billion and $11.1 billion, respectively, from certain mutual fund clearing services clients.

(3) In 2020, Advisor Services includes inflows of $680.6 billion related to the acquisition of TD Ameritrade and $8.5 billion related to the acquisition of Wasmer Schroeder.

N/M Not meaningful. Percentage changes greater than 200% are presented as not meaningful.

Segment Net Revenues

Investor Services and Advisor Services total net revenues increased by 68% and 32%, respectively, in 2021 compared to 2020. Both segments experienced growth in all revenue line items, primarily due to the full-year inclusion of TD Ameritrade's results in 2021. In addition, net interest revenue increased for Advisor Services due to growth in interest-earning assets, partially offset by lower average yields. Growth in asset management and administration fees in Investor Services was supported by growth in advice solutions, and asset management and administration fees increased in both segments due to rising balances in proprietary and third-party mutual funds and ETFs, partially offset by money market fund fee waivers and lower money market fund balances. The increase in trading revenue for Investor Services was supported by heightened client trading activity. Bank deposit account fee revenue was earned at both segments for the full year in 2021 compared to only the fourth quarter of 2020, following the October 6, 2020 TD Ameritrade acquisition.

Investor Services total net revenues increased by 13% in 2020 from 2019, while Advisor Services total net revenues remained relatively consistent year-over-year. Investor Services' growth was primarily due to an increase in trading revenue, higher asset management and administration fees, and the initial recognition of bank deposit account fees in the fourth quarter of 2020, partially offset by lower net interest revenue. For Advisor Services, bank deposit account fees largely offset a decrease in net interest revenue, while trading revenue and asset management and administration fees were consistent with 2019. Trading revenue increased significantly in the Investor Services segment primarily due to the TD Ameritrade acquisition and higher trade volumes in 2020. Asset management and administration fees increased in 2020 for Investor Services primarily due to higher balances in advice solutions, including managed account assets from USAA and TD Ameritrade, as well as higher purchased money market funds and other third-party mutual funds and ETFs, partially offset by the effect of money fund fee waivers. Net interest revenue decreased for both segments primarily due to lower average investment yields, partially offset by growth in interest-earning assets.

Segment Expenses Excluding Interest

Investor Services and Advisor Services total expenses excluding interest increased by 50% and 35%, respectively, in 2021 compared to 2020, primarily due to the inclusion of a full year of TD Ameritrade's results of operations. In addition, both segments saw higher compensation and benefits expenses due to additional headcount increases to support our expanding client base and service levels amidst heightened client engagement, higher bonus accrual, as well as annual merit increases and a 5% employee salary increase that went into effect late in the third quarter. For Investor Services, total expenses excluding interest also increased due to a charge of approximately $200 million in 2021 for a regulatory matter (see Item 8 – Note 15).

Investor Services and Advisor Services total expenses excluding interest increased by 29% and 17%, respectively, in 2020 compared to 2019, primarily due to the inclusion of TD Ameritrade's expenses from October 6, 2020 forward and acquisition and integration-related costs. Compensation and benefits increased in both segments primarily due to the acquisition of TDA and overall headcount growth to support our expanding client base, with Investor Services increasing more significantly due to greater headcount growth from the TDA acquisition and the hiring of approximately 400 former USAA employees in connection with the USAA-IMCO acquisition. Both segments also saw increases in professional services, depreciation and amortization, amortization of acquired intangible assets, and other expenses, primarily due to the inclusion of TDA's expenses from October 6, 2020 forward as well as acquisition and integration-related costs, with Investor Services' expenses increasing more significantly due to overall size of the segment's client base and greater client base growth from TDA.

RISK MANAGEMENT

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

Our risk management process is comprised of risk identification and assessment, risk measurement, risk monitoring and reporting, and risk mitigation controls; we use periodic risk and control self-assessments, control testing programs, and internal audit reviews to evaluate the effectiveness of these internal controls. The activities and governance that comprise the risk management process are described below.

As part of our integration of TD Ameritrade, the Company has aligned TD Ameritrade's risk management practices with Schwab's risk appetite. Our integration work included evaluating new or changed risks impacting the combined company, and taking action through various means. Though integration work continues, the Company's operations, inclusive of TD Ameritrade, remain consistent with our Enterprise Risk Management (ERM) framework.

Culture

The Board of Directors has approved an ERM framework that incorporates our purpose, vision, and values, which form the bedrock of our corporate culture and set the tone for the organization.

We designed the ERM Framework to enable a comprehensive approach to managing risks encountered by Schwab in its business activities. The framework incorporates key concepts commensurate with the size, risk profile, complexity, and continuing growth of the Company. Risk appetite, which is defined as the amount of risk the Company is willing to accept in pursuit of its corporate strategy, is developed by executive management and approved by the Board of Directors.

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 organization, and escalating significant issues to the Board of Directors.

We have established risk metrics and reporting that enable 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.

The Chief Risk Officer regularly reports activities of the Global Risk Committee to the Risk Committee of the Board of Directors. The Board Risk Committee in turn assists the Board of Directors in fulfilling its oversight responsibilities with respect to our risk management program, including approving risk appetite statements and related key risk appetite metrics and reviewing reports relating to risk issues from functional areas of corporate risk management, legal, and internal audit.

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

- Operational Risk Oversight Committee – provides oversight of and approves operational risk management policies, risk tolerance levels, and operational risk governance processes, and includes sub-committees covering Information Security, Technology, Fraud, Third-Party Risk, Data, and Model Governance;
- Compliance Risk Committee – provides oversight of compliance risk management programs (inclusive of Anti-Money Laundering/Sanctions, Conduct, Fiduciary, and Privacy), policies, and risk tolerance levels providing an aggregate view of compliance risk exposure and employee conduct, including subcommittees covering Fiduciary and Conflicts of Interest Risk and International Compliance Risk;
- Financial Risk Oversight Committee – provides oversight of and approves credit, market, liquidity, and capital risk policies, limits, and exposures; and
- New Products and Services Risk Oversight Committee – provides oversight of, and approves corporate policy and procedures relating to, the risk governance of new products and services.

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

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

In addition, the Disclosure Committee is responsible for monitoring and evaluating the effectiveness of our disclosure controls and procedures and 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 risk arises due to potential inadequacies or failures related to people, internal processes, and systems, or from external events or relationships impacting the Company and/or any of its key business partners and third parties. While operational risk is inherent in all business activities, we rely on a system of internal controls and risk management practices designed to keep operational risk and operational losses within the Company's risk appetite. We have specific policies and procedures to identify and manage operational risk, and use control testing programs, and internal audit reviews to evaluate the effectiveness of these internal controls. Where appropriate, we manage the impact of operational loss and litigation expense through the purchase of insurance. The insurance program is specifically designed to address our key operational risks and to maintain compliance with local laws and regulation.

Schwab's operations are highly dependent on the integrity and resilience of our critical business functions and technology systems. To the extent Schwab experiences business or system interruptions, errors or downtime (which could result from a variety of causes, including natural disasters, terrorist attacks, technological failure, cyber attacks, changes to systems, linkages with third-party systems, extreme weather, and power failures), our business and operations could be negatively impacted. To minimize business interruptions and ensure the capacity to continue operations during an incident regardless of duration, Schwab maintains a backup and recovery infrastructure which includes facilities for backup and communications, a geographically dispersed workforce, and routine testing of business continuity and disaster recovery plans and a well-established incident management program.

Information Security risk is the risk of unauthorized access, use, disclosure, disruption, modification, recording or destruction of the firm's information or systems. We have designed and implemented an information security program that knits together complementary tools, controls and technologies to protect systems, client accounts and data. We continuously monitor the systems and work collaboratively with government agencies, law enforcement and other financial institutions to address potential threats. We use advanced monitoring systems to identify suspicious activity and deter unauthorized access by internal or external actors. We also maintain policies and procedures, which apply to employees, contractors, and third parties, regarding the standard of care expected with all data, whether the data is internal company information, employee information, or non-public client information. This includes limiting the number of employees who have access to clients' personal information and internal authentication measures enforced to protect against the unauthorized use of employee credentials. All employees who handle sensitive information are trained in privacy and security. Schwab's conduct and cybersecurity teams monitor activity looking for suspicious behavior. These capabilities allow us to identify and quickly act on attempted intrusions.

Fraud risk arises from attempted or actual theft of financial assets or other property of any client or the Company. Schwab is committed to protecting the Company's and its clients' assets from fraud and complying with all applicable laws and regulations to prevent, detect and report fraudulent activity. Schwab manages fraud risk through policies, procedures and controls. We also take affirmative steps to prevent and detect fraud and report, to appropriate authorities, any known or suspected acts of fraud in accordance with existing laws and requirements.

Schwab also faces operational risk when we employ the services of various third parties, including domestic and international outsourcing of certain technology, processing, servicing, and support functions. We manage the exposure to third-party risk and promote a culture of resiliency through internal policies, procedures and controls, and contractual provisions, control standards, ongoing monitoring of third-party performance, and appropriate testing with third-party service providers.

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 organization, 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. We have established a policy that aligns with Federal Reserve guidance on Model Risk Management SR11-7 to describe the roles and responsibilities of all key stakeholders in model development, management, and use. All models 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 determines the scope of model governance activities.

Incentive Compensation risk is the potential for adverse consequences resulting from compensation plans that do not balance the execution of our strategy with risk and financial rewards, potentially encouraging imprudent risk-taking by employees. We have implemented risk management processes, including a policy, to identify, evaluate, assess, and manage risks associated with incentive compensation plans and the activities of certain employees, defined as Covered Employees, who have the authority to expose the Company to material amounts of risk.

Compliance Risk

Schwab faces compliance risk which is the potential exposure to 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 products and services, supervision of employees, and the adequacy of our controls. The Company and its affiliates are subject to extensive regulation by federal, state and foreign regulatory authorities, including SROs.

We 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 conduct and ethics, sales and trading practices, marketing and communications, extension of credit, client funds and securities, books and records, anti-money laundering, privacy, and employment policies.

Privacy risk is the risk of unauthorized collection, use, storage, or sharing of personal information, including data incidents and other mismanagement of personal information. We manage privacy risk through policies, procedures, and controls reasonably designed to achieve and/or monitor compliance with these laws and regulations.

Anti-money laundering/Sanctions risk is the risk of legal or regulatory sanctions, fines or penalties, financial loss, or damage to reputation resulting from the failure to comply with the Bank Secrecy Act/Anti-Money Laundering (BSA/AML) and Office of Foreign Assets Control (OFAC)/global sanctions (collectively, "AML") laws, regulations, rules, or other regulatory requirements. Schwab manages this risk through daily monitoring, a system of internal controls, education and training for appropriate personnel, and developing risk-based procedures for conducting ongoing customer due diligence and complying with beneficial ownership requirements for legal entity customers.

Conduct risk arises from inappropriate, unethical, or unlawful behavior of the Company, its employees or third parties acting on the Company's behalf that may result in detriment to the Company's clients, financial markets, the Company, and/or the Company's employees. We manage this risk through policies, procedures, a system of internal controls, including personnel monitoring and surveillance. Conduct-related matters are escalated through appropriate channels by the Corporate Responsibility Officer.

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. We manage this risk by establishing policy and 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 policy and 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. Our exposure to credit risk mainly results from investing activities in our liquidity and investment portfolios, mortgage lending, margin lending and client option and futures activities, pledged asset lending, securities lending activities, and our role as a counterparty in other financial contracts. To manage the risks of such losses, we have established policies and procedures, which include setting and reviewing credit limits, monitoring of credit limits and quality of counterparties, and adjusting margin, PAL, option, and futures requirements for certain securities and instruments.

Liquidity and Investment Portfolios

Schwab has exposure to credit risk associated with its investment portfolios, which include U.S. agency and non-agency mortgage-backed securities, asset-backed securities, corporate debt securities, U.S. agency notes, U.S. Treasury securities, certificates of deposit, U.S. state and municipal securities, commercial paper, and foreign government agency securities.

At December 31, 2021, substantially all securities in the investment portfolios were rated investment grade. 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 or U.S. government-sponsored enterprises.

Mortgage Lending Portfolio

The bank loan portfolio includes First Mortgages, HELOCs, PALs (discussed below), and other loans. The credit risk exposure related to loans is actively managed through individual loan and portfolio reviews. 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 credit losses.

Our residential loan underwriting guidelines include maximum 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 size is conforming or jumbo).

Schwab does not originate or purchase residential loans that allow for negative amortization and does not originate or 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. For more information on credit quality indicators relating to Schwab's bank loans, see Item 8 – Note 7.

Securities and Instrument-Based Lending Portfolios

Collateral arrangements relating to margin loans, PALs, option and futures positions, securities lending agreements, and securities purchased under agreements to resell (resale agreements) include provisions that require additional collateral in the event of market fluctuations. Additionally, for margin loans, PALs, options and futures positions, and securities lending agreements, collateral arrangements require that the fair value of such collateral sufficiently exceeds the credit exposure in order to maintain a fully secured position.

Other Counterparty Exposures

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 clients or a counterparty fail to meet their obligations to the Company.

Market Risk

Market risk is the potential for changes in earnings or the value of financial instruments held by Schwab as a result of fluctuations in interest rates, equity prices, or market conditions. Schwab is exposed to market risk primarily from changes in interest rates within our interest-earning assets relative to changes in the costs of funding sources that finance these assets.

To manage interest rate risk, we have established policies and procedures, which include setting limits on net interest revenue risk and economic value of equity (EVE) risk. To remain within these limits, we manage the maturity, repricing, and cash flow characteristics of the investment portfolios. Management monitors established guidelines to stay within the Company's risk appetite.

Our measurement of interest rate risk involves assumptions that are inherently uncertain and, as a result, cannot precisely estimate the impact of changes in interest rates on net interest revenue, bank deposit account fees, or EVE. 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. Financial instruments are also subject to the risk that valuations will be negatively affected by changes in demand and the underlying market for a financial instrument.

(Tabular Amounts in Millions, Except Ratios, or as Noted)

We are 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 client securities loaned out as part of the brokerage securities lending activities. Equity market valuations may also affect the level of brokerage client trading activity, margin borrowing, and overall client engagement with Schwab. Additionally, we earn mutual fund and ETF 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 we earn.

Our market risk related to financial instruments held for trading is not material.

Interest Rate Risk Simulations

Net Interest Revenue Simulation

For our net interest revenue sensitivity analysis, we use net interest revenue simulation modeling techniques to evaluate and manage the effect of changing interest rates. The simulations include all balance sheet interest rate-sensitive assets and liabilities. Key assumptions include the projection of interest rate scenarios with rate floors, prepayment speeds of mortgage-related investments, repricing of financial instruments, and reinvestment of matured or paid-down securities and loans.

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 investment securities, margin loans, and bank loans. These assets are sensitive to changes in interest rates and changes in prepayment levels that tend to increase in a declining rate environment and decrease in a rising rate environment. Because we establish the rates paid on certain brokerage client cash balances and bank deposits and the rates charged on certain margin and bank loans, and control the composition of our investment securities, we have some ability to manage our net interest spread, depending on competitive factors and market conditions.

Net interest revenue sensitivity analysis assumes 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 we actively manage the consolidated balance sheet and interest rate exposure, in all likelihood we would take steps to manage additional interest rate exposure that could result from changes in the interest rate environment.

The following table shows the simulated change to net interest revenue over the next 12 months beginning December 31, 2021 and 2020 of a gradual 100 basis point increase or decrease in market interest rates relative to prevailing market rates at the end of each reporting period:

December 31,	2021	2020
Increase of 100 basis points	14.1%	14.2%
Decrease of 100 basis points	(4.5)%	(4.3)%

The Company's simulated increase of 100 basis points in market interest rates had a slightly lower impact on net interest revenue at year-end 2021 compared with year-end 2020 due to an increase in the Company's projected repricing of client deposit rates across higher market interest rate scenarios, which was partially offset as a result of holding a higher allocation of floating-rate assets on the balance sheet at December 31, 2021 relative to the prior year-end. A simulated decrease of 100 basis points in market interest rates had a slightly larger impact year-over-year primarily as a result of holding a higher allocation of floating-rate assets.

Higher short-term interest rates would positively impact net interest revenue as yields on interest-earning assets are expected to rise faster than the cost of funding sources. A decline in interest rates could negatively impact the yield on the Company's investment and loan portfolio to a greater degree than any offsetting reduction in interest expense from funding sources, compressing net interest margin.

In addition to measuring the effect of a gradual 100 basis point parallel increase or decrease in current interest rates, we regularly simulate the effects of larger parallel- and non-parallel shifts in interest rates on net interest revenue.

Bank Deposit Account Fees Simulation

Consistent with the presentation on the consolidated statement of income, the sensitivity of bank deposit account fee revenue to interest rate changes is assessed separately from the net interest revenue simulation described above. As of December 31, 2021 and 2020, simulated changes in bank deposit account fee revenue from gradual 100 basis point changes in market interest rates relative to prevailing market rates did not have a significant impact on the Company's total net revenues.

Economic Value of Equity Simulation

Management also uses EVE simulations to measure interest rate risk. EVE sensitivity measures the long-term impact of interest rate changes on the net present value of assets and liabilities. EVE is calculated by subjecting the balance sheet to hypothetical instantaneous shifts in the level of interest rates. This analysis is highly dependent upon asset and liability assumptions based on historical behaviors as well as our expectations of the economic environment. Key assumptions in our EVE calculation include projection of interest rate scenarios with rate floors, prepayment speeds of mortgage-related investments, term structure models of interest rates, non-maturity deposit behavior, and pricing assumptions. Our net interest revenue, bank deposit account fee revenue, and EVE simulations reflect the assumption of non-negative investment yields.

Phase-out of LIBOR

The Company continues to prepare for the phasing-out of LIBOR, undertaking many efforts coordinated by its firm-wide transition team. The LIBOR transition team is overseen by executive leadership and has organized its efforts to address both client-impacting and non-client-impacting workstreams. From a client perspective, the Company has established pages on the client-facing websites for CS&Co and TD Ameritrade, Inc. to provide information for our clients to help them understand how they may be impacted by LIBOR's discontinuation. In addition, we maintain internal informational resources for our client-facing employees' awareness regarding LIBOR's phase-out.

The Company's largest exposures to LIBOR are certain investment securities and loans. In purchasing new investment securities, we ensure that appropriate fallback language is in place in the event that LIBOR becomes unavailable or is deemed unreliable, and we have sold certain securities lacking appropriate fallback language. Additionally, in accordance with regulatory feedback, we are limiting our purchases of LIBOR-based securities, and we ensure that any new purchases of LIBOR-based securities were issued prior to January 1, 2022. As of December 31, 2021, substantially all of the Company's remaining investment securities with exposure to LIBOR provide for appropriate fallback in the event LIBOR is no longer available. Consistent with guidance from the Alternative Reference Rate Committee, a group of private-market participants jointly convened by the Federal Reserve Board and the Federal Reserve Bank of New York to help ensure a successful transition from LIBOR, the Company phased-out the use of LIBOR as a reference rate in new loans prior to year-end 2021, and the Company's portfolio of legacy loans have fallback language if LIBOR is no longer available.

Certain of the Company's technology systems and financial models have historically utilized LIBOR, and we have now substantially transitioned our financial models and systems to alternative reference rates. In addition, we have transitioned the Company's IDA agreement and certain intercompany lending agreements that previously were tied to LIBOR to other appropriate reference rates.

Additional transition efforts to prepare for the phasing-out of LIBOR are ongoing. The floating dividend rates for our Series A, E, and F preferred stock are based on LIBOR. In addition, operational work remains to transition our legacy loan portfolio, in accordance with expected regulatory guidance, to alternate reference rates that are consistent with the fallback language included in the contracts.

Liquidity Risk

Liquidity risk is the potential that Schwab will be unable to sell assets or meet cash flow obligations when they come due without incurring unacceptable losses.

(Tabular Amounts in Millions, Except Ratios, or as Noted)

Due to its role as a source of financial strength, CSC's liquidity needs are primarily driven by the liquidity and capital needs of: CS&Co, TD Ameritrade, Inc., and TDAC, our principal broker-dealer subsidiaries; the capital needs of the banking subsidiaries; principal and interest due on corporate debt; dividend payments on CSC's preferred stock; and returns of capital to common stockholders. The liquidity needs of our broker-dealer subsidiaries are primarily driven by client activity including trading and margin lending activities and capital expenditures. The capital needs of the banking subsidiaries are primarily driven by client deposit levels. We have established liquidity policies to support the successful execution of business strategies, while ensuring ongoing and sufficient liquidity to meet operational needs and satisfy applicable regulatory requirements under both normal and stressed conditions. We seek to maintain client confidence in the balance sheet and the safety of client assets by maintaining liquidity and diversity of funding sources to allow the Company to meet its obligations. To this end, we have established limits and contingency funding scenarios to support liquidity levels during both business as usual and stressed conditions.

We employ a variety of methodologies to monitor and manage liquidity. We conduct regular liquidity stress testing to develop a consolidated view of liquidity risk exposures and to ensure our ability to maintain sufficient liquidity during market-related or company-specific liquidity stress events. Liquidity is also tested at certain subsidiaries and results are reported to the Financial Risk Oversight Committee. A number of early warning indicators are monitored to help identify emerging liquidity stresses in the market or within the organization and are reviewed with management as appropriate.

Primary Funding Sources

Schwab's primary source of funds is cash generated by client activity which includes bank deposits and cash balances in client brokerage accounts. These funds are used to purchase investment securities and extend loans to clients.

Other sources of funds may include cash flows from operations, maturities and sales of investment securities, repayments on loans, securities lending of assets held in client brokerage accounts, repurchase agreements, and cash provided by external financing.

To meet daily funding needs, we maintain liquidity in the form of overnight cash deposits and short-term investments. For unanticipated liquidity needs, we also maintain a buffer of highly liquid investments, including U.S. Treasury securities.

Additional Funding Sources

In addition to internal sources of liquidity, Schwab has access to external funding. The need for short-term borrowings from external debt facilities arises primarily from timing differences between cash flow requirements, scheduled liquidation of interest-earning investments, movements of cash to meet regulatory brokerage client cash segregation requirements, and general corporate purposes. We maintain policies and procedures necessary to access funding and test discount window borrowing procedures on a periodic basis.

The following table describes external debt facilities available at December 31, 2021:

Description	Borrower	Outstanding	Available
Federal Home Loan Bank secured credit facilities	Banking subsidiaries	$ —	$ 63,476
Federal Reserve discount window	Banking subsidiaries	—	11,957
Uncommitted, unsecured lines of credit with various external banks	CSC, CS&Co	—	1,522
Unsecured commercial paper [(1)]	CSC	3,006	1,994
Committed, unsecured credit facility with various external banks	TDAC	—	600
Secured uncommitted lines of credit with various external banks [(2)]	TDAC	1,850	—

[(1)] In October 2021, the Company increased the amount of commercial paper available to issue from $1.5 billion to $5.0 billion.
[(2)] Secured borrowing capacity is made available based on TDAC's ability to provide acceptable collateral to the lenders as determined by the credit agreements.

Our banking subsidiaries maintain secured credit facilities with the FHLB. Amounts available under these facilities are dependent on the value of our First Mortgages, HELOCs, and the fair value of certain of our investment securities that are pledged as collateral. These credit facilities are also available as backup financing in the event the outflow of client cash from the banking subsidiaries' respective balance sheets is greater than maturities and paydowns on investment securities and bank loans.

(Tabular Amounts in Millions, Except Ratios, or as Noted)

Our banking subsidiaries also have access to short-term secured funding through the Federal Reserve discount window. Amounts available under the Federal Reserve discount window are dependent on the fair value of certain investment securities that are pledged as collateral. Our banking subsidiaries may also engage with external banks in repurchase agreements collateralized by investments securities as another source of short-term liquidity.

CSC has a commercial paper program of which proceeds are used for general corporate purposes. The maturities of the Commercial Paper Notes may vary, but are not to exceed 270 days from the date of issue. CSC's ratings for these short-term borrowings were P1 by Moody's, A1 by Standard & Poor's, and F1 by Fitch at December 31, 2021 and 2020. CSC also has a universal automatic shelf registration statement on file with the SEC, which enables it to issue debt, equity, and other securities. CS&Co maintains uncommitted, unsecured bank credit lines with a group of banks as a source of short-term liquidity, which can also be accessed by CSC. TDAC maintains a senior unsecured committed revolving credit facility with an aggregate borrowing capacity of $600 million, which matures in April 2022. TDAC also maintains secured uncommitted lines of credit, under which TDAC borrows on either a demand or short-term basis and pledges client margin securities as collateral.

To support growth in margin loan balances at our broker-dealer subsidiaries while meeting our LCR requirements, the Company issues commercial paper or draws on secured lines of credit, in addition to capital markets issuances.

Liquidity Coverage Ratio

Beginning October 1, 2021, Schwab became subject to the full (100%) LCR, which requires the Company to hold HQLA in an amount equal to at least 100% of the Company's projected net cash outflows over a prospective 30-calendar-day period of acute liquidity stress, calculated each business day. See Item 1 – Regulation for additional information. The Company was in compliance with the full LCR rule at December 31, 2021, and the table below presents information about our average daily LCR:

	Average for the Three Months Ended December 31, 2021
Total eligible HQLA	$ 117,507
Net cash outflows	$ 110,405
LCR	106%

Borrowings

The Company had $4.9 billion of short-term borrowings outstanding as of December 31, 2021 and none at December 31, 2020. Long-term debt is primarily comprised of Senior Notes and totaled $18.9 billion and $13.6 billion at December 31, 2021 and 2020, respectively.

The following table provides information about our Senior Notes outstanding as of December 31, 2021:

	Par Outstanding	Maturity	Weighted-Average Interest Rate	Moody's	Standard & Poor's	Fitch
CSC Senior Notes	$ 17,768	2022 - 2031	2.35%	A2	A	A
TDA Holding Senior Notes	963	2022 - 2029	3.06%	A2	A	—

(Tabular Amounts in Millions, Except Ratios, or as Noted)

All debt issuances in 2021, 2020, and 2019 were senior unsecured obligations. Additional details of these debt issuances are as follows:

Issuance Date		Issuance Amount	Maturity Date	Interest Rate	Interest Payable
May 22, 2019	$	600	5/22/2029	3.250%	Semi-annually
March 24, 2020	$	600	3/24/2025	4.200%	Semi-annually
March 24, 2020	$	500	3/22/2030	4.625%	Semi-annually
December 11, 2020	$	1,250	3/11/2026	0.900%	Semi-annually
December 11, 2020	$	750	3/11/2031	1.650%	Semi-annually
March 18, 2021	$	1,250	3/18/2024	SOFR [1] + 0.500%	Quarterly
March 18, 2021	$	1,500	3/18/2024	0.750%	Semi-annually
March 18, 2021	$	1,250	3/20/2028	2.000%	Semi-annually
May 13, 2021	$	500	5/13/2026	SOFR [1] + 0.520%	Quarterly
May 13, 2021	$	1,000	5/13/2026	1.150%	Semi-annually
May 13, 2021	$	750	5/13/2031	2.300%	Semi-annually
August 26, 2021	$	850	12/1/2031	1.950%	Semi-annually

[1] Secured Overnight Financing Rate

During the third quarter of 2021, we completed a debt exchange offer related to certain senior notes issued by TDA Holding for an equivalent amount of senior notes issued by CSC. For further discussion of the exchange, see Item 8 – Note 13.

Equity Issuances and Redemptions

CSC's preferred stock issued and net proceeds for 2020 and 2021 shown below. The Company did not issue any equity through external offerings during 2019.

	Date Issued and Sold		Net Proceeds
Series G	April 30, 2020	$	2,470
Series H	December 11, 2020	$	2,470
Series I	March 18, 2021	$	2,222
Series J	March 30, 2021	$	584

On June 1, 2021, the Company redeemed all of the outstanding shares of its 6.00% Non-Cumulative Perpetual Preferred Stock, Series C, and the corresponding depositary shares. The redemption was funded with the net proceeds from the Series J preferred stock offering.

For further discussion, see Item 8 – Note 13 for the Company's outstanding debt and borrowing facilities and Item 8 – Note 19 for equity outstanding balances, issuances, and redemptions.

Contractual Obligations

Schwab's principal contractual obligations as of December 31, 2021 include credit-related financial instruments, representing our banking subsidiaries' commitments to extend credit to banking clients, purchase mortgage loans, and fund CRA investments; payments on short-term borrowings and long-term debt; purchase obligations for services such as advertising and marketing, telecommunications, hardware- and software-related agreements, and professional services; and lease payments including legally-binding minimum lease payments for leases signed but not yet commenced. For information on our contractual obligations for credit-related financial instruments, short-term borrowings and long-term debt, and leases, see Part II, Item 8 – Notes 15, 13, and 14, respectively. As of December 31, 2021, the Company had total short-term purchase obligations of $484 million and total long-term purchase obligations of $532 million.

Schwab also enters into guarantees and other similar arrangements in the ordinary course of business. For information on these arrangements, see Item 8 – Notes 7, 11, 13, 15, and 17. Pursuant to the IDA agreement, certain brokerage client deposits are required to be swept off-balance sheet to the TD Depository Institutions. We also maintain agreements pursuant to which certain client brokerage cash deposits are swept to other third-party depository institutions. See Item 8 – Notes 3 and 15 for additional information on the IDA agreement.

CAPITAL MANAGEMENT

Schwab seeks to manage capital to a level and composition sufficient to support execution of our business strategy, including anticipated balance sheet growth inclusive of migration of IDA balances (see further discussion below), providing financial support to our subsidiaries, and sustained access to the capital markets, while at the same time meeting our regulatory capital requirements and serving as a source of financial strength to our banking subsidiaries. Schwab's primary sources of capital are funds generated by the operations of subsidiaries and securities issuances by CSC in the capital markets. To ensure that Schwab has sufficient capital to absorb unanticipated losses or declines in asset values, we have adopted a policy to remain well capitalized even in stressed scenarios.

Internal guidelines are set, for both CSC and its regulated subsidiaries, to ensure capital levels are in line with our strategy and regulatory requirements. Capital forecasts are reviewed monthly at Asset-Liability Management and Pricing Committee and Financial Risk Oversight Committee meetings. A number of early warning indicators are monitored to help identify potential problems that could impact capital. In addition, we monitor the subsidiaries' capital levels and requirements. Subject to regulatory capital requirements and any required approvals, any excess capital held by subsidiaries is transferred to CSC in the form of dividends and returns of capital. When subsidiaries have need of additional capital, funds are provided by CSC as equity investments and also as subordinated loans (in a form approved as regulatory capital by regulators) for CS&Co. The details and method used for each cash infusion are based on an analysis of the particular entity's needs and financing alternatives. The amounts and structure of infusions must take into consideration maintenance of regulatory capital requirements, debt/equity ratios, and equity double leverage ratios.

Schwab conducts regular capital stress testing to assess the potential financial impacts of various adverse macroeconomic and company-specific events to which the Company could be subjected. The objective of the capital stress testing is (1) to explore various potential outcomes – including rare and extreme events and (2) to assess impacts of potential stressful outcomes on both capital and liquidity. Additionally, we have a comprehensive Capital Contingency Plan to provide action plans for certain low probability/high impact capital events that the Company might face. The Capital Contingency Plan is issued under the authority of the Financial Risk Oversight 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. The results of the stress testing indicate there are two scenarios which could stress the Company's capital: (1) inflows of balance sheet cash during a period of very low interest rates and (2) outflows of balance sheet cash when other sources of financing are not available and the Company is required to sell assets to fund the flows at a loss. The Capital Contingency Plan is reviewed annually and updated as appropriate.

For additional information, see Business – Regulation in Part I, Item 1.

Regulatory Capital Requirements

CSC is subject to capital requirements set by the Federal Reserve and is required to serve as a source of strength for our banking subsidiaries and to provide financial assistance if our banking subsidiaries experience financial distress. Schwab is required to maintain a Tier 1 Leverage Ratio for CSC of at least 4%, and we have a long-term operating objective of 6.75%-7.00%. Due to the relatively low risk of our balance sheet assets and risk-based capital ratios at CSC and CSB that are well in excess of regulatory requirements, the Tier 1 Leverage Ratio is the most restrictive capital constraint on CSC's asset growth.

Our banking subsidiaries are subject to capital requirements set by their regulators that are substantially similar to those imposed on CSC by the Federal Reserve. Our banking subsidiaries' failure to remain well capitalized could result in certain mandatory and possibly additional discretionary actions by the regulators that could have a direct material effect on the banks. Schwab's principal banking subsidiary, CSB, is required to maintain a Tier 1 Leverage Ratio of at least 5% to be well capitalized, but seeks to maintain a ratio of at least 6.25%. Based on its regulatory capital ratios at December 31, 2021, CSB is considered well capitalized.

(Tabular Amounts in Millions, Except Ratios, or as Noted)

CSB is also subject to regulatory requirements that restrict and govern the terms of affiliate transactions. In addition, CSB is required to provide notice to, and may be required to obtain approval from, the Federal Reserve and the Texas Department of Savings and Mortgage Lending (TDSML) to declare dividends to CSC. As broker-dealers, CS&Co, TDAC, and TD Ameritrade, Inc., are subject to regulatory requirements of the Uniform Net Capital Rule, which is intended to ensure the general financial soundness and liquidity of broker-dealers. These regulations prohibit the broker-dealer subsidiaries from paying cash dividends, making unsecured advances and loans to CSC and employees, and repaying subordinated borrowings from CSC if such payment would result in a net capital amount below prescribed thresholds. At December 31, 2021, CS&Co, TDAC, and TD Ameritrade, Inc. were in compliance with their respective net capital requirements.

In addition to the capital requirements above, Schwab's subsidiaries are subject to other regulatory requirements intended to ensure financial soundness and liquidity. See Item 8 – Note 23 for additional information on the components of stockholders' equity and information on the capital requirements of significant subsidiaries.

The following table details the capital ratios for CSC consolidated and CSB:

December 31,	2021		2020	
	CSC	CSB	CSC	CSB
Total stockholders' equity	$ 56,261	$ 27,035	$ 56,060	$ 22,223
Less:				
Preferred stock	9,954	—	7,733	—
Common Equity Tier 1 Capital before regulatory adjustments	$ 46,307	$ 27,035	$ 48,327	$ 22,223
Less:				
Goodwill, net of associated deferred tax liabilities	$ 11,857	$ 13	$ 11,897	$ 13
Other intangible assets, net of associated deferred tax liabilities	7,579	—	8,103	—
Deferred tax assets, net of valuation allowances and deferred tax liabilities	13	12	17	12
AOCI adjustment	(1,109)	(1,004)	5,394	4,672
Common Equity Tier 1 Capital	$ 27,967	$ 28,014	$ 22,916	$ 17,526
Tier 1 Capital	$ 37,921	$ 28,014	$ 30,649	$ 17,526
Total Capital	37,950	28,033	30,688	17,558
Risk-Weighted Assets	141,969	104,409	123,881	91,062
Total Leverage Exposure	614,466	400,532	491,469	325,437
Common Equity Tier 1 Capital/Risk-Weighted Assets	19.7%	26.8%	18.5%	19.2%
Tier 1 Capital/Risk-Weighted Assets	26.7%	26.8%	24.7%	19.2%
Total Capital/Risk-Weighted Assets	26.7%	26.8%	24.8%	19.3%
Tier 1 Leverage Ratio	6.2%	7.1%	6.3%	5.5%
Supplementary Leverage Ratio	6.2%	7.0%	6.2%	5.4%

As a result of significant inflows of client cash in 2020, our Tier 1 Leverage Ratio for consolidated CSC and CSB declined below our long-term operating objectives. In 2021, the Company's issuances of preferred stock and strength in earnings helped to largely maintain our Tier 1 Leverage Ratio, even as bank deposits and payables to brokerage clients grew by a total of $107.2 billion, or 23%, during the year. We ended 2021 with a consolidated Tier 1 Leverage Ratio of 6.2%, down slightly from the prior year-end of 6.3%. Earnings in 2021 as well as capital contributions from CSC drove an increase in CSB's Tier 1 Leverage Ratio from 5.5% at year-end 2020 to 7.1% at year-end 2021. Though our Tier 1 Leverage Ratio is below our long-term operating objective for consolidated CSC, this ratio is well above the regulatory minimum. The pace of return to our long-term operating objective over time depends on a number of factors including the overall size of the Company's balance sheet, earnings, and capital issuance and deployment.

IDA Agreement

Through December 31, 2021, Schwab had moved $10.1 billion of IDA balances to its balance sheet, which included uninsured balances and certain international account balances. The Company's overall capital management strategy includes supporting migration of IDA balances in future periods as available pursuant to the terms of the IDA agreement. The Company's ability to migrate these balances to its balance sheet is dependent upon multiple factors including having sufficient capital levels to sustain these incremental deposits and the availability of IDA balances designated as floating-rate obligations. See Item 8 – Note 15 for further information on the IDA agreement.

(Tabular Amounts in Millions, Except Ratios, or as Noted)

Dividends

Since the initial dividend in 1989, CSC has paid 131 consecutive quarterly dividends and has increased the quarterly dividend rate 25 times, resulting in a 20% 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, CSC currently targets its common and nonvoting common stock cash dividend at approximately 20% to 30% of net income.

The Board of Directors of the Company declared a quarterly cash dividend increase per common share during 2020 as shown below:

Date of Declaration	Quarterly Cash Increase Per Common Share	% Increase	New Quarterly Dividend Per Common Share
January 30, 2020	$ 0.01	6%	$ 0.18

In addition, on January 26, 2022, the Board of Directors of the Company declared a two cent, or 11%, increase in the quarterly cash dividend to $0.20 per common share.

The following table details the CSC cash dividends paid and per share amounts:

Year Ended December 31,	2021		2020	
	Cash Paid	Per Share Amount	Cash Paid	Per Share Amount
Common and Nonvoting Common Stock	$ 1,366	$ 0.72	$ 1,039	$ 0.72
Series A Preferred Stock [1]	28	70.00	28	70.00
Series C Preferred Stock [2]	18	30.00	36	60.00
Series D Preferred Stock [3]	45	59.52	45	59.52
Series E Preferred Stock [4]	28	4,625.00	28	4,625.00
Series F Preferred Stock [5]	25	5,000.00	25	5,000.00
Series G Preferred Stock [6]	134	5,375.00	79	3,150.35
Series H Preferred Stock [7]	97	3,888.89	N/A	N/A
Series I Preferred Stock [8]	63	2,811.11	N/A	N/A
Series J Preferred Stock [9]	18	29.80	N/A	N/A

(1) Dividends paid semi-annually until February 1, 2022 and quarterly thereafter.
(2) Series C Preferred Stock was redeemed on June 1, 2021. Prior to redemption, dividends paid quarterly and the final dividend was paid on June 1, 2021.
(3) Dividends paid quarterly.
(4) Dividends paid semi-annually until March 1, 2022 and quarterly thereafter.
(5) Dividends paid semi-annually until December 1, 2027 and quarterly thereafter.
(6) Series G Preferred Stock was issued on April 30, 2020. Dividends are paid quarterly, and the first dividend was paid on September 1, 2020.
(7) Series H Preferred Stock was issued on December 11, 2020. Dividends are paid quarterly, and the first dividend was paid on March 1, 2021.
(8) Series I Preferred Stock was issued on March 18, 2021. Dividends are paid quarterly, and the first dividend was paid on June 1, 2021.
(9) Series J Preferred Stock was issued on March 30, 2021. Dividends are paid quarterly, and the first dividend was paid on June 1, 2021.
N/A Not applicable.

Share Repurchases

On January 30, 2019, CSC publicly announced that its Board of Directors authorized the repurchase of up to $4.0 billion of common stock. The authorization does not have an expiration date. There were no repurchases of CSC's common stock under this authorization during the years ended December 31, 2021 or 2020. As of December 31, 2021, $1.8 billion remained on our existing authorization.

FOREIGN EXPOSURE

At December 31, 2021, Schwab had exposure to non-sovereign financial and non-financial institutions in foreign countries, as well as agencies of foreign governments. At December 31, 2021, the fair value of these holdings totaled $12.5 billion, with the top three exposures being to issuers and counterparties domiciled in the United Kingdom at $5.2 billion, France at $3.9 billion, and Sweden at $754 million. At December 31, 2020, the fair value of these holdings totaled $10.1 billion, with the top three exposures being to issuers and counterparties domiciled in France at $6.7 billion, Germany at $1.2 billion, and Canada at $880 million. In addition, Schwab had outstanding margin loans to foreign residents of $3.3 billion and $2.2 billion at December 31, 2021 and 2020, respectively.

FAIR VALUE OF FINANCIAL INSTRUMENTS

Schwab uses the market approach to determine the fair value of certain financial assets and liabilities recorded at fair value, and to determine fair value disclosures. See Item 8 – Notes 2 and 18 for more information on our assets and liabilities recorded at fair value.

CRITICAL ACCOUNTING ESTIMATES

The consolidated financial statements of Schwab have been prepared in accordance with GAAP. Item 8 – Note 2 contains more information on our significant accounting policies made in applying these accounting principles.

While the majority of the 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 Schwab's financial position and financial results. These critical accounting estimates are described below. Management regularly reviews the estimates and assumptions used in the preparation of the financial statements for reasonableness and adequacy.

Management has discussed the development and selection of these critical accounting estimates with the Audit Committee of the Board of Directors. 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.

Income Taxes

Schwab estimates income tax expense based on amounts expected to be owed to the various tax jurisdictions in which we operate, including federal, state and local domestic jurisdictions, and immaterial amounts owed to several foreign jurisdictions. The estimated income tax expense is reported in the consolidated statements of income in taxes on income. Accrued taxes are reported in other assets or accrued expenses and other liabilities on the consolidated balance sheets and represent the net estimated amount due to or to be received from taxing jurisdictions either currently or deferred to future periods. Deferred taxes arise from differences between assets and liabilities measured for financial reporting purposes versus income tax reporting purposes. Deferred tax assets are recognized if, in management's judgment, their realizability is determined to be more likely than not. Uncertain tax positions that meet the more likely than not recognition threshold are measured to determine the amount of benefit to recognize. An uncertain tax position is measured at the largest amount of benefit management believes is more likely than not to be realized upon settlement. In estimating accrued taxes, we assess the relative merits and risks of the appropriate tax treatment considering statutory, judicial and regulatory guidance in the context of the tax position. Because of the complexity of tax laws and regulations, interpretation can be difficult and subject to legal judgment given specific facts and circumstances.

Changes in the estimate of accrued taxes occur periodically due to changes in tax rates, interpretations of tax laws, the status of examinations being conducted by various taxing authorities, and newly enacted statutory, judicial and regulatory guidance that impacts the relative merits and risks of tax positions. These changes, when they occur, affect accrued taxes and can be significant to the operating results of the Company. See Item 8 – Note 22 for more information on the Company's income taxes.

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, 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. Significant judgment is required in making these estimates, and the actual cost of resolving a matter may ultimately differ materially from the amount reserved. See Item 8 – Note 15 for more information on the Company's contingencies related to legal and regulatory reserves.

Business Combinations

We have accounted for our acquisitions using the acquisition method of accounting. The acquisition method requires us to make significant estimates and assumptions, especially at the acquisition date as we allocate the purchase price to the estimated fair values of acquired tangible and intangible assets and the liabilities assumed. We also use our best estimates to determine the useful lives of the tangible and definite-lived intangible assets, which impact the periods over which depreciation and amortization of those assets are recognized. These best estimates and assumptions are inherently uncertain as they pertain to forward looking views of our businesses, client behavior, and market conditions. In our acquisitions, we have also recognized goodwill at the amount by which the purchase price paid exceeds the fair value of the net assets acquired. See Item 8 – Notes 2 and 3 for more information on our valuation methods and the results of applying the acquisition method of accounting, including the estimated fair values of the assets acquired and liabilities assumed, and, where relevant, the estimated remaining useful lives.

Our ongoing accounting for goodwill and the tangible and intangible assets acquired requires us to make significant estimates and assumptions as we exercise judgement to evaluate these assets for impairment. Our processes and accounting policies for evaluating impairments are further described in Item 8 – Note 2. One of our reporting units has an immaterial amount of goodwill. The results of the 2021 annual goodwill impairment testing for our other two reporting units indicated that the estimated fair values substantially exceeded their carrying amounts.

(Tabular Amounts in Millions, Except Ratios, or as Noted)

NON-GAAP FINANCIAL MEASURES

In addition to disclosing financial results in accordance with generally accepted accounting principles in the U.S. (GAAP), Management's Discussion and Analysis of Financial Condition and Results of Operations contain references to the non-GAAP financial measures described below. We believe these non-GAAP financial measures provide useful supplemental information about the financial performance of the Company, and facilitate meaningful comparison of Schwab's results in the current period to both historic and future results. These non-GAAP measures should not be considered a substitute for, or superior to, financial measures calculated in accordance with GAAP, and may not be comparable to non-GAAP financial measures presented by other companies.

Schwab's use of non-GAAP measures is reflective of certain adjustments made to GAAP financial measures as described below.

Non-GAAP Adjustment or Measure	Definition	Usefulness to Investors and Uses by Management
Acquisition and integration-related costs and amortization of acquired intangible assets	Schwab adjusts certain GAAP financial measures to exclude the impact of acquisition and integration-related costs incurred as a result of the Company's acquisitions, amortization of acquired intangible assets, and, where applicable, the income tax effect of these expenses. Adjustments made to exclude amortization of acquired intangible assets are reflective of all acquired intangible assets, which were recorded as part of purchase accounting. These acquired intangible assets contribute to the Company's revenue generation. Amortization of acquired intangible assets will continue in future periods over their remaining useful lives.	We exclude acquisition and integration-related costs and amortization of acquired intangible assets for the purpose of calculating certain non-GAAP measures because we believe doing so provides additional transparency of Schwab's ongoing operations, and is useful in both evaluating the operating performance of the business and facilitating comparison of results with prior and future periods. Acquisition and integration-related costs fluctuate based on the timing of acquisitions and integration activities, thereby limiting comparability of results among periods, and are not representative of the costs of running the Company's ongoing business. Amortization of acquired intangible assets is excluded because management does not believe it is indicative of the Company's underlying operating performance.
Return on tangible common equity	Return on tangible common equity represents annualized adjusted net income available to common stockholders as a percentage of average tangible common equity. Tangible common equity represents common equity less goodwill, acquired intangible assets – net, and related deferred tax liabilities.	Acquisitions typically result in the recognition of significant amounts of goodwill and acquired intangible assets. We believe return on tangible common equity may be useful to investors as a supplemental measure to facilitate assessing capital efficiency and returns relative to the composition of Schwab's balance sheet.

The Company also uses adjusted diluted EPS and return on tangible common equity as components of performance criteria for employee bonus and certain executive management incentive compensation arrangements. The Compensation Committee of CSC's Board of Directors maintains discretion in evaluating performance against these criteria.

The following tables present reconciliations of GAAP measures to non-GAAP measures:

	Year Ended December 31,		
	2021	2020	2019
Total expenses excluding interest (GAAP)	$ 10,807	$ 7,391	$ 5,873
Acquisition and integration-related costs [1]	(468)	(442)	(26)
Amortization of acquired intangible assets	(615)	(190)	(27)
Adjusted total expenses (non-GAAP)	$ 9,724	$ 6,759	$ 5,820

[1] Acquisition and integration-related costs for 2021 primarily consist of $283 million of compensation and benefits, $132 million of professional services, and $39 million of occupancy and equipment. Acquisition and integration-related costs for 2020 primarily consist of $235 million of compensation and benefits, $158 million of professional services, and $30 million of other expense. Substantially all acquisition and integration-related costs for 2019 are included in professional services expense.

(Tabular Amounts in Millions, Except Ratios, or as Noted)

	Year Ended December 31,					
	2021		2020		2019	
	Amount	Diluted EPS	Amount	Diluted EPS	Amount	Diluted EPS
Net income available to common stockholders (GAAP), Earnings per common share — diluted (GAAP)	$ 5,360	$ 2.83	$ 3,043	$ 2.12	$ 3,526	$ 2.67
Acquisition and integration-related costs	468	.25	442	.31	26	.02
Amortization of acquired intangible assets	615	.32	190	.13	27	.02
Income tax effects [1]	(268)	(.15)	(154)	(.11)	(13)	(.01)
Adjusted net income available to common stockholders (non-GAAP), Adjusted diluted EPS (non-GAAP)	$ 6,175	$ 3.25	$ 3,521	$ 2.45	$ 3,566	$ 2.70

[1] The income tax effects of the non-GAAP adjustments are determined using an effective tax rate reflecting the exclusion of non-deductible acquisition costs and are used to present the acquisition and integration-related costs and amortization of acquired intangible assets on an after-tax basis.

	Year Ended December 31,		
	2021	2020	2019
Return on average common stockholders' equity (GAAP)	11%	9%	19%
Average common stockholders' equity	$ 47,318	$ 33,640	$ 18,415
Less: Average goodwill	(11,952)	(6,590)	(1,227)
Less: Average acquired intangible assets — net	(9,685)	(5,059)	(140)
Plus: Average deferred tax liabilities related to goodwill and acquired intangible assets — net	1,919	1,005	67
Average tangible common equity	$ 27,600	$ 22,996	$ 17,115
Adjusted net income available to common stockholders [1]	$ 6,175	$ 3,521	$ 3,566
Return on tangible common equity (non-GAAP)	22%	15%	21%

[1] See table above for the reconciliation of net income available to common stockholders to adjusted net income available to common stockholders (non-GAAP).

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

For a discussion of the quantitative and qualitative disclosures about market risk, see Risk Management in Part II, Item 7.

Item 8. Financial Statements and Supplementary Data

TABLE OF CONTENTS

Consolidated Statements of Income

(In Millions, Except Per Share Amounts)

Year Ended December 31,	2021	2020	2019
Net Revenues			
Interest revenue	$ 8,506	$ 6,531	$ 7,580
Interest expense	(476)	(418)	(1,064)
Net interest revenue	8,030	6,113	6,516
Asset management and administration fees [(1)]	4,274	3,475	3,211
Trading revenue	4,152	1,416	752
Bank deposit account fees	1,315	355	—
Other	749	332	242
Total net revenues	18,520	11,691	10,721
Expenses Excluding Interest			
Compensation and benefits	5,450	3,954	3,320
Professional services	994	843	702
Occupancy and equipment	976	703	559
Advertising and market development	485	326	307
Communications	587	353	253
Depreciation and amortization	549	414	322
Amortization of acquired intangible assets	615	190	27
Regulatory fees and assessments	275	163	122
Other	876	445	261
Total expenses excluding interest	10,807	7,391	5,873
Income before taxes on income	7,713	4,300	4,848
Taxes on income	1,858	1,001	1,144
Net Income	5,855	3,299	3,704
Preferred stock dividends and other	495	256	178
Net Income Available to Common Stockholders	$ 5,360	$ 3,043	$ 3,526
Weighted-Average Common Shares Outstanding:			
Basic	1,887	1,429	1,311
Diluted	1,897	1,435	1,320
Earnings Per Common Shares Outstanding [(2)]:			
Basic	$ 2.84	$ 2.13	$ 2.69
Diluted	$ 2.83	$ 2.12	$ 2.67

[(1)] Includes fee waivers of $326 million and $127 million for the years ended December 31, 2021 and 2020, respectively.

[(2)] For the years ended December 31, 2021 and 2020, the Company had voting and nonvoting common stock outstanding. As the participation rights, including dividend and liquidation rights, are identical between the voting and nonvoting stock classes, basic and diluted earnings per share are the same for each class. See Notes 19 and 25 for additional information.

See Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

(In Millions)

Year Ended December 31,	2021	2020	2019
Net income	$ 5,855	$ 3,299	$ 3,704
Other comprehensive income (loss), before tax:			
Change in net unrealized gain (loss) on available for sale securities:			
Net unrealized gain (loss)	(8,521)	6,961	430
Other reclassifications included in other revenue	(4)	(4)	(6)
Change in net unrealized gain (loss) on held to maturity securities:			
Amortization of amounts previously recorded upon transfer to held to maturity from available for sale	—	—	36
Other	(11)	8	(14)
Other comprehensive income (loss), before tax	(8,536)	6,965	446
Income tax effect	2,033	(1,659)	(106)
Other comprehensive income (loss), net of tax	(6,503)	5,306	340
Comprehensive Income (Loss)	$ (648)	$ 8,605	$ 4,044

See Notes to Consolidated Financial Statements.

Consolidated Balance Sheets

(In Millions, Except Per Share and Share Amounts)

December 31,		2021		2020
Assets				
Cash and cash equivalents	$	62,975	$	40,348
Cash and investments segregated and on deposit for regulatory purposes (including resale agreements of $13,096 and $14,904 at December 31, 2021 and 2020, respectively)		53,949		50,399
Receivables from brokerage clients — net		90,565		64,440
Available for sale securities (amortized cost of $391,482 and $330,248 at December 31, 2021 and 2020, respectively)		390,054		337,400
Bank loans — net		34,636		23,813
Equipment, office facilities, and property — net		3,442		2,883
Goodwill		11,952		11,952
Acquired intangible assets — net		9,379		9,991
Other assets		10,318		7,783
Total assets	$	667,270	$	549,009
Liabilities and Stockholders' Equity				
Bank deposits	$	443,778	$	358,022
Payables to brokerage clients		125,671		104,201
Accrued expenses and other liabilities		17,791		17,094
Short-term borrowings		4,855		—
Long-term debt		18,914		13,632
Total liabilities		611,009		492,949
Stockholders' equity:				
Preferred stock — $.01 par value per share; aggregate liquidation preference of $10,100 and $7,850 at December 31, 2021 and 2020, respectively		9,954		7,733
Common stock — 3 billion shares authorized; $.01 par value per share; 1,994,895,180 shares issued at December 31, 2021 and 2020		20		20
Nonvoting common stock — 300 million shares authorized; $.01 par value per share; 79,293,695 shares issued at December 31, 2021 and 2020		1		1
Additional paid-in capital		26,741		26,515
Retained earnings		25,992		21,975
Treasury stock, at cost — 180,959,274 and 193,577,648 shares at December 31, 2021 and 2020, respectively		(5,338)		(5,578)
Accumulated other comprehensive income (loss)		(1,109)		5,394
Total stockholders' equity		56,261		56,060
Total liabilities and stockholders' equity	$	667,270	$	549,009

See Notes to Consolidated Financial Statements.

Consolidated Statements of Stockholders' Equity

(In Millions)

	Preferred Stock	Common Stock Shares	Common Stock Amount	Nonvoting Common Stock Shares	Nonvoting Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Treasury Stock, at cost	Accumulated Other Comprehensive Income (Loss)	Total
Balance at December 31, 2018	$ 2,793	1,488	$ 15	—	$ —	$ 4,499	$ 17,329	$ (3,714)	$ (252)	$ 20,670
Net income	—	—	—	—	—	—	3,704	—	—	3,704
Other comprehensive income (loss), net of tax	—	—	—	—	—	—	—	—	340	340
Dividends declared on preferred stock	—	—	—	—	—	—	(161)	—	—	(161)
Dividends declared on common stock — $.68 per share	—	—	—	—	—	—	(899)	—	—	(899)
Repurchase of common stock	—	—	—	—	—	—	—	(2,220)	—	(2,220)
Stock option exercises and other	—	—	—	—	—	(56)	—	174	—	118
Share-based compensation	—	—	—	—	—	171	—	—	—	171
Other	—	—	—	—	—	42	(13)	(7)	—	22
Balance at December 31, 2019	2,793	1,488	15	—	—	4,656	19,960	(5,767)	88	21,745
Net income	—	—	—	—	—	—	3,299	—	—	3,299
Other comprehensive income (loss), net of tax	—	—	—	—	—	—	—	—	5,306	5,306
Acquisition of TD Ameritrade	—	509	5	77	1	21,757	—	(5)	—	21,758
Issuance of preferred stock, net	4,940	—	—	—	—	—	—	—	—	4,940
Dividends declared on preferred stock	—	—	—	—	—	—	(240)	—	—	(240)
Dividends declared on common stock — $.72 per share	—	—	—	—	—	—	(1,040)	—	—	(1,040)
Stock option exercises and other	—	—	—	—	—	(121)	—	200	—	79
Share-based compensation	—	—	—	—	—	192	—	—	—	192
Other	—	(2)	—	2	—	31	(4)	(6)	—	21
Balance at December 31, 2020	7,733	1,995	20	79	1	26,515	21,975	(5,578)	5,394	56,060
Net income	—	—	—	—	—	—	5,855	—	—	5,855
Other comprehensive income (loss), net of tax	—	—	—	—	—	—	—	—	(6,503)	(6,503)
Issuance of preferred stock, net	2,806	—	—	—	—	—	—	—	—	2,806
Redemption of preferred stock	(585)	—	—	—	—	—	(15)	—	—	(600)
Dividends declared on preferred stock	—	—	—	—	—	—	(456)	—	—	(456)
Dividends declared on common stock — $.72 per share	—	—	—	—	—	—	(1,367)	—	—	(1,367)
Stock option exercises and other	—	—	—	—	—	(84)	—	305	—	221
Share-based compensation	—	—	—	—	—	229	—	—	—	229
Other	—	—	—	—	—	81	—	(65)	—	16
Balance at December 31, 2021	$ 9,954	1,995	$ 20	79	$ 1	$ 26,741	$ 25,992	$ (5,338)	$ (1,109)	$ 56,261

See Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

(In Millions)

Year Ended December 31,	2021	2020	2019
Cash Flows from Operating Activities			
Net income	$ 5,855	$ 3,299	$ 3,704
Adjustments to reconcile net income to net cash provided by (used for) operating activities:			
Share-based compensation	254	204	183
Depreciation and amortization	549	414	322
Amortization of acquired intangible assets	615	190	27
Provision (benefit) for deferred income taxes	53	(138)	2
Premium amortization, net, on available for sale securities	2,346	1,586	446
Other	372	349	199
Net change in:			
Investments segregated and on deposit for regulatory purposes	(3,398)	(10,208)	(977)
Receivables from brokerage clients	(26,168)	(14,609)	(125)
Other assets	(1,152)	4	(709)
Payables to brokerage clients	21,470	22,909	6,494
Accrued expenses and other liabilities	1,322	2,852	(241)
Net cash provided by (used for) operating activities	2,118	6,852	9,325
Cash Flows from Investing Activities			
Purchases of available for sale securities	(171,732)	(202,171)	(31,815)
Proceeds from sales of available for sale securities	13,306	4,801	24,495
Principal payments on available for sale securities	94,912	63,247	21,616
Purchases of held to maturity securities	—	—	(19,441)
Principal payments on held to maturity securities	—	—	19,606
Net change in bank loans	(10,845)	(5,675)	(1,730)
Cash acquired in acquisitions, net of cash paid	—	14,748	—
Purchases of equipment, office facilities, and property	(916)	(631)	(708)
Purchases of Federal Home Loan Bank stock	—	(26)	(27)
Proceeds from sales of Federal Home Loan Bank stock	—	32	24
Purchases of Federal Reserve stock	(245)	(191)	—
Other investing activities	(143)	15	(56)
Net cash provided by (used for) investing activities	(75,663)	(125,851)	11,964
Cash Flows from Financing Activities			
Net change in bank deposits	85,756	137,928	(11,329)
Proceeds from commercial paper and secured lines of credit	11,107	1,234	1,400
Repayment of commercial paper and secured lines of credit	(6,255)	(1,234)	(1,400)
Issuance of long-term debt	7,036	3,070	593
Repayment of long-term debt	(1,822)	(700)	—
Repurchases of common stock	—	—	(2,220)
Net proceeds from preferred stock offerings	2,806	4,940	—
Redemption of preferred stock	(600)	—	—
Dividends paid	(1,822)	(1,280)	(1,060)
Proceeds from stock options exercised	221	79	118
Other financing activities	(104)	(55)	(41)
Net cash provided by (used for) financing activities	96,323	143,982	(13,939)
Increase (Decrease) in Cash and Cash Equivalents, including Amounts Restricted	22,778	24,983	7,350
Cash and Cash Equivalents, including Amounts Restricted at Beginning of Year	70,560	45,577	38,227
Cash and Cash Equivalents, including Amounts Restricted at End of Year	$ 93,338	$ 70,560	$ 45,577

Continued on following page.

Continued from previous page.

Year Ended December 31,	2021	2020	2019
Supplemental Cash Flow Information			
Non-cash investing activity:			
Securities transferred from held to maturity to available for sale, at fair value	$ —	$ 136,099	$ 8,771
Additions of equipment, office facilities, and property	$ 125	$ 110	$ 45
Acquisition of TD Ameritrade	$ —	$ 21,758	$ —
Non-cash financing activity:			
Extinguishment of finance lease obligation through an assignment agreement	$ —	$ —	$ 52
Other Supplemental Cash Flow Information			
Cash paid during the period for:			
Interest	$ 501	$ 434	$ 1,075
Income taxes	$ 2,053	$ 803	$ 1,199
Amounts included in the measurement of lease liabilities	$ 212	$ 163	$ 133
Leased assets obtained in exchange for new operating lease liabilities	$ 89	$ 160	$ 97
Leased assets obtained in exchange for new finance lease liabilities	$ 109	$ —	$ —

December 31,	2021	2020	2019
Reconciliation of cash, cash equivalents and amounts reported within the balance sheet [1]			
Cash and cash equivalents	$ 62,975	$ 40,348	$ 29,345
Restricted cash and cash equivalents amounts included in cash and investments segregated and on deposit for regulatory purposes	30,363	30,212	16,232
Total cash and cash equivalents, including amounts restricted shown in the statement of cash flows	$ 93,338	$ 70,560	$ 45,577

[1] For more information on the nature of restrictions on restricted cash and cash equivalents, see Note 23.

See Notes to Consolidated Financial Statements.

1. Introduction and Basis of Presentation

The Charles Schwab Corporation (CSC) is a savings and loan holding company. CSC engages, through its subsidiaries (collectively referred to as Schwab or the Company), in wealth management, securities brokerage, banking, asset management, custody, and financial advisory services.

Principal business subsidiaries of CSC include the following:

- Charles Schwab & Co., Inc. (CS&Co), incorporated in 1971, a securities broker-dealer;
- TD Ameritrade, Inc., an introducing securities broker-dealer;
- TD Ameritrade Clearing, Inc. (TDAC), a securities broker-dealer that provides trade execution and clearing services to TD Ameritrade, Inc.;
- Charles Schwab Bank, SSB (CSB), our principal banking entity; and
- Charles Schwab Investment Management, Inc. (CSIM), the investment advisor for Schwab's proprietary mutual funds (Schwab Funds®) and for Schwab's exchange-traded funds (Schwab ETFs™).

Schwab's securities broker-dealers have approximately 400 domestic branch offices in 48 states and the District of Columbia, as well as locations in Puerto Rico, the United Kingdom, Hong Kong, and Singapore.

Unless otherwise indicated, the terms "Schwab," "the Company," "we," "us," or "our" mean CSC together with its consolidated subsidiaries.

The accompanying consolidated financial statements include CSC and its subsidiaries. Intercompany balances and transactions have been eliminated. These consolidated financial statements have been prepared in conformity with GAAP, which require management to make certain estimates and assumptions that affect the reported amounts in the accompanying financial statements and in the related disclosures. These estimates are based on information available as of the date of the consolidated financial statements. While management makes its best judgment, actual amounts or results could differ from those estimates. Certain estimates relate to taxes on income, legal and regulatory reserves, and fair values of assets acquired and liabilities assumed, as well as goodwill recognized, in business combinations.

Effective October 6, 2020, the Company completed its acquisition of TDA Holding and its consolidated subsidiaries (collectively referred to as "TD Ameritrade" or "TDA"). Our consolidated financial statements include the results of operations and financial condition of TD Ameritrade beginning on October 6, 2020. See Note 3 for additional information on our acquisition of TD Ameritrade.

Principles of Consolidation

Schwab evaluates all entities in which it has financial interests for consolidation, except for money market funds, which are specifically excluded from consolidation guidance. When an entity is evaluated for consolidation, Schwab determines whether its interest in the entity constitutes a controlling financial interest under either the variable interest entity (VIE) model or the voting interest entity (VOE) model. In evaluating whether Schwab's interest in a VIE is a controlling financial interest, we consider whether our involvement in the context of the design, purpose, and risks of the VIE, as well as any involvement of related parties, provides us with (i) the power to direct the most significant activities of the VIE, and (ii) the obligation to absorb losses or receive benefits that are significant to the VIE. If both of these conditions exist, then Schwab would be the primary beneficiary of that VIE and consolidate it. Based upon the assessments for all of our interests in VIEs, there are no cases where the Company is the primary beneficiary; therefore, we are not required to consolidate any VIEs. See Note 11 for further information about VIEs. Schwab consolidates all VOEs in which it has majority-voting interests.

Investments in entities in which Schwab does not have a controlling financial interest are accounted for under the equity method of accounting when we have the ability to exercise significant influence over operating and financing decisions of the entity or by accounting policy for investments in certain types of limited liability entities. Investments in entities for which Schwab does not apply the equity method are generally carried at cost and adjusted for impairment and observable price changes of the identical or similar investments of the same issuer (adjusted cost method), except for certain investments in qualified affordable housing projects which are accounted for under the proportional amortization method. All equity method, adjusted cost method, and proportional amortization method investments are included in other assets on the consolidated balance sheets.

2. Summary of Significant Accounting Policies

Revenue recognition

Net interest revenue

Net interest revenue is not within the scope of Accounting Standards Codification (ASC) 606 *Revenue From Contracts With Customers* (ASC 606), because it is generated from financial instruments covered by various other areas of GAAP. Net interest revenue is the difference between interest generated on interest earning assets and interest paid on funding sources. Our primary interest earning assets include cash and cash equivalents; segregated cash and investments; margin loans; investment securities; and bank loans. Fees earned and incurred on securities borrowing and lending activities, which are conducted by the Company's broker-dealer subsidiaries on assets held in client brokerage accounts, are also included in interest revenue and expense.

Asset management and administration fees

The majority of asset management and administration fees are generated through our proprietary and third-party mutual fund and ETF offerings, as well as fee-based advisory solutions. Mutual fund and ETF service fees are charged for investment management, shareholder, and administration services provided to Schwab Funds® and Schwab ETFs™, as well as recordkeeping, shareholder, and administration services provided to third-party funds. Advice solutions fees are charged for brokerage and asset management services provided to advice solutions clients. Both mutual fund and ETF service fees and advice solutions fees are earned and recognized over time. Fees are generally based on a percentage of the daily value of assets under management and are collected on a monthly or quarterly basis.

Trading revenue

Trading revenue is primarily generated through commissions earned for executing trades for clients in individual equities, options, fixed income securities, and certain third-party mutual funds and ETFs, as well as order flow revenue. Commissions revenue is earned when the trades are executed and collected when the trades are settled. Order flow revenue is comprised of rebate payments received from execution venues to which our broker-dealer subsidiaries send equity and option orders. Order flow revenue is recognized when the trades are executed and is collected on a monthly or quarterly basis.

Bank deposit account fees

Bank deposit account fees consist of revenues resulting from sweep programs offered to certain clients whereby uninvested client cash is swept off-balance sheet to FDIC-insured (up to specified limits) accounts at the TD Depository Institutions and other third-party depository institutions. The Company provides marketing, recordkeeping, and support services related to these sweep programs to the TD Depository Institutions and other third-party depository institutions in exchange for bank deposit account fees. These revenues are based on floating and fixed yields as elected by the Company subject to certain requirements, less interest paid to clients and other applicable fees. Bank deposit account fees are earned and recognized over time and collected on a monthly basis.

Other revenue

Other revenue includes exchange processing fees, certain service fees, software fees, and non-recurring gains. Generally, the most significant portion of other revenue is exchange processing fees, which are comprised of fees the Company's broker-dealer subsidiaries charge clients to offset the exchange processing fees imposed on us by third-parties. Exchange processing fees are earned and collected when the trade is executed and are recognized gross of amounts remitted to the third-parties, which are included in other expenses.

Unsatisfied performance obligations

We do not have any unsatisfied performance obligations other than those that are subject to an elective practical expedient under ASC 606. The practical expedient applies to and is elected for contracts where we recognize revenue at the amount to which we have the right to invoice for services performed.

Cash and cash equivalents

Schwab considers all highly liquid investments that mature in three months or less from the time of acquisition and that are not segregated and on deposit for regulatory purposes to be cash and cash equivalents. Cash and cash equivalents include money market funds, deposits with banks, certificates of deposit, commercial paper, and U.S. Treasury securities. Cash and cash equivalents also include balances that our banking subsidiaries maintain at the Federal Reserve.

Cash and investments segregated and on deposit for regulatory purposes

Pursuant to Rule 15c3-3 of the Securities Exchange Act of 1934 and other applicable regulations, Schwab maintains cash or qualified securities in segregated reserve accounts for the exclusive benefit of clients. Cash and investments segregated and on deposit for regulatory purposes include resale agreements, which are collateralized by U.S. Government and agency securities. Resale agreements are accounted for as collateralized financing transactions that are recorded at their contractual amounts plus accrued interest. Under these resale agreements, the Company obtains collateral with a market value equal to or in excess of the principal amount loaned and the interest accrued. 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 and unrealized gains and losses are included in earnings.

Schwab applies the practical expedient based on collateral maintenance provisions under ASC 326 *Financial Instruments – Credit Losses* (ASC 326), in estimating an allowance for credit losses for resale agreements. This practical expedient can be applied for financial assets with collateral maintenance provisions requiring the borrower to continually adjust the amount of the collateral securing the financial assets as a result of fair value changes in the collateral. In accordance with the practical expedient, when the Company reasonably expects that borrowers (or counterparties, as applicable) will replenish the collateral as required, there is no expectation of credit losses when the collateral's fair value is greater than the amortized cost of the financial asset. If the amortized cost exceeds the fair value of collateral, then credit losses are estimated only on the unsecured portion.

Receivables from brokerage clients

Receivables from brokerage clients include margin loans to securities brokerage clients and other trading receivables from clients. Margin loans are collateralized by client securities and are carried at the amount receivable, net of an allowance for credit losses. Collateral is required to be maintained at specified minimum levels at all times. The Company monitors margin levels and requires clients to provide additional collateral, or reduce margin positions, to meet minimum collateral requirements if the fair value of the collateral changes. Schwab applies the practical expedient based on collateral maintenance provisions in estimating an allowance for credit losses for margin loans. An allowance for credit losses on unsecured or partially secured receivables from brokerage clients is estimated based on the aging of those receivables. Unsecured balances due to confirmed fraud are reserved immediately. The Company's policy is to charge off any delinquent margin loans, including the accrued interest on such loans, no later than at 90 days past due. Accrued interest charged off is recognized as credit loss expense and is included in other expenses in the consolidated statements of income. Clients with margin loans have agreed to allow Schwab to pledge collateralized securities in accordance with federal regulations. The collateral is not reflected in the consolidated financial statements.

Other securities owned at fair value

Other securities owned are included in other assets on the consolidated balance sheets and recorded at fair value based on quoted market prices or other observable market data. Unrealized gains and losses are included in earnings. Client-held fractional shares are included in other securities owned for client positions for which off-balance sheet treatment pursuant to ASC 940 *Financial Services – Brokers and Dealers* is not applicable and the derecognition criteria in ASC 860 *Transfers and Servicing,* are not met. These client-held fractional shares have related repurchase liabilities that are accounted for at fair value with unrealized gains and losses included in earnings. See Fair values of assets and liabilities below in this Note 2 for further information on these repurchase liabilities.

AFS investment securities

AFS investment securities are recorded at fair value and unrealized gains and losses, other than losses related to credit factors, are reported, net of taxes, in AOCI included in stockholders' equity. Realized gains and losses from sales of AFS investment securities are determined using the specific-identification method and are included in other revenue. Interest income is recognized using the effective interest method based on the contractual terms of the security. Where applicable, prepayments are accounted for as they occur (i.e., prepayments are not estimated).

An AFS investment security is impaired if the fair value of the security is less than its amortized cost basis. Management evaluates AFS investment securities with unrealized losses to determine whether the security impairment has resulted from a credit loss or other factors. This evaluation is performed quarterly on an individual security basis.

The evaluation of whether credit loss exists is inherently judgmental. This evaluation considers multiple factors including: the financial condition of the issuer; the payment structure of the security; external credit ratings; our internal credit ratings; the security's market implied credit spread; for asset-backed securities, the amount of credit support provided by the structure of the security to absorb credit losses on the underlying collateral; recent events specific to the issuer and the issuer's industry; and whether all scheduled principal and interest payments have been received.

If management determines that the impairment of an AFS investment security (or a portion of the impairment) is related to credit losses, an allowance for credit losses is recorded for that security through a charge to earnings. The allowance for credit losses is measured as the difference between the amortized cost and the present value of expected cash flows and is limited to the difference between amortized cost and the fair value of the security. The Company estimates credit losses on a discounted cash flow basis using the security's effective interest rate. Changes in the allowance for credit losses are recorded through earnings in the period of the change.

If it is determined that the Company intends to sell the impaired security or if it is more likely than not that the Company will be required to sell the security before any anticipated recovery of the amortized cost basis, any allowance for credit losses of that security will be written off and the amortized cost basis of the security will be written down to fair value with any incremental impairment recorded through earnings.

The Company excludes accrued interest from the fair value and the amortized cost basis of the AFS investment securities for the purposes of identifying and measuring impairment of the securities. AFS investment securities are placed on nonaccrual status on a timely basis and any accrued interest receivable is reversed through interest income.

Securities borrowed and securities loaned

Securities borrowed transactions require Schwab to deliver cash to the lender in exchange for securities; the receivables from these transactions are included in other assets on the consolidated balance sheets. For securities loaned, Schwab receives collateral in the form of cash in an amount equal to or greater than the market value of securities loaned; the payables from these transactions are included in accrued expenses and other liabilities on the consolidated balance sheets. The market value of securities borrowed and loaned is monitored and collateral is adjusted to ensure full collateralization. Fees received or paid are recorded in interest revenue or interest expense. Schwab applies the practical expedient based on collateral maintenance provisions in estimating an allowance for credit losses for securities borrowed receivables.

Bank loans and related allowance for loan losses

Bank loans held for investments are recorded at amortized cost, which is comprised of the contractual principal amounts adjusted for unamortized direct origination costs or net purchase discounts or premiums. Direct origination costs and premiums and discounts are recognized in interest revenue using the effective interest method over the contractual life of the loan and are adjusted for actual prepayments. Additionally, management estimates an allowance for credit losses, which is deducted from the amortized cost basis of loans to arrive at the amount expected to be collected. The bank loan portfolio includes three portfolio segments: residential real estate, PALs, and other loans. We use these segments when developing and documenting our methodology for determining the allowance for credit losses. The residential real estate portfolio segment is divided into two classes of financing receivables for purposes of monitoring and assessing credit risk: First Mortgages and HELOCs.

Schwab records an allowance for credit losses through a charge to earnings based on our estimate of current expected credit losses for the existing portfolio. We review the allowance for credit losses quarterly, taking into consideration current economic conditions, reasonable and supportable forecasts, the composition of the existing loan portfolio, past loss experience, and any other risks inherent in the portfolio to ensure that the allowance for credit losses is maintained at an appropriate level.

PALs are collateralized by marketable securities with liquid markets. Credit lines are over-collateralized and borrowers are required to maintain collateral at specified levels at all times. The required collateral levels are determined based on the type of security pledged. Additionally, collateral market value is monitored on a daily basis and a borrower’s credit line may be reduced or collateral may be liquidated if the collateral is in danger of falling below specified levels. As such, the credit loss inherent within this portfolio is limited. Schwab applies the practical expedient based on collateral maintenance provisions in estimating an allowance for credit losses for PALs.

The methodology to establish an allowance for credit losses for the residential real estate portfolio segment utilizes statistical models that estimate prepayments, defaults, and expected losses for this portfolio segment based on predicted behavior of individual loans within the segment. The methodology also evaluates concentrations in the classes of financing receivables, including loan products within those classes, year of origination, and geographical distribution of collateral.

Expected credit 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, borrower FICO scores, and current key interest rates including U.S. Treasury, SOFR, and LIBOR rates. The more significant variables in the simulation include delinquency roll rates, loss severity, housing prices, interest rates, and the unemployment rate. Delinquency roll rates (i.e., the rates at which loans transition through delinquency stages and ultimately result in a loss) are estimated from our historical loss experience adjusted for current trends and market information, which includes current and forecasted conditions. Loss severity (i.e., loss given default) estimates are based on our historical loss experience and market trends, both current and forecasted. The loss severity estimate used in the allowance for credit 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. The unemployment rate forecast is typically based on the recent consensus of regularly published economic surveys. Linear interpolation is applied to revert to long-term trends after the reasonable and supportable forecast period.

The methodology described above results in loss factors that are applied to the amortized cost basis of loans, exclusive of accrued interest receivable, to determine the allowance for credit losses for First Mortgages and HELOCs.

Management also estimates a liability for expected credit losses on the Company’s commitments to extend credit related to unused HELOCs and commitments to purchase first mortgages. See Note 15 for additional information on these commitments. The liability is calculated by applying the loss factors described above to the commitments expected to be funded and is included in accrued expenses and other liabilities on the consolidated balance sheets. The liability for expected credit losses on these commitments and related activity were immaterial for all periods presented.

Schwab considers loan modifications in which it makes an economic concession to a borrower experiencing financial difficulty to be troubled debt restructurings (TDRs).

Nonaccrual, nonperforming and impaired loans

First Mortgages, HELOCs, PALs, 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. HELOC loans secured by a second lien are placed on non-accrual status if the associated first lien 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 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. Loans on nonaccrual status and other real estate owned are considered nonperforming assets.

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 credit losses and the loan balance. Our charge-off policy for First Mortgage 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 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. The Company's policy for PALs is to charge off any delinquent loans no later than at 90 days past due.

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, office facilities, and property include certain capitalized costs of acquired or internally developed software. Costs for internally developed software are capitalized when the costs relate to development of approved projects for our internal needs that result in additional functionality. Costs related to preliminary project and post-project activities are expensed as incurred. Equipment, office facilities, and property (other than land) are depreciated on a straight-line basis over their estimated useful lives. Estimated useful lives are as follows:

All equipment types and furniture	3 to 10 years
Buildings	40 years
Building and land improvements	20 years
Software	3 to 10 years (1)
Leasehold improvements	Lesser of useful life or lease term

(1) Amortized over contractual term if less than three 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.

Equipment, office facilities, and property acquired in a business combination are recognized at their estimated fair values as of the date of acquisition. The fair values of real property, personal property, construction in progress, and land acquired are estimated using a sales comparison and cost approach, including consideration of functional and economic obsolescence. The Company determined the weighted-average useful lives of the assets based on the current condition and expected future use of the assets as of the date of acquisition.

Goodwill

Goodwill is not amortized but is tested for impairment annually or whenever indications of impairment exist. Impairment exists when the carrying amount of a reporting unit exceeds its estimated fair value, resulting in an impairment charge for this excess, with the maximum charge limited to the carrying value of goodwill allocated to that reporting unit. Our annual impairment testing date is April 1st. Schwab 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 considers macroeconomic and other industry-specific factors, such as trends in short-term and long-term interest rates and the ability to access capital, and 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, as well as a market capitalization analysis.

Intangible assets

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

Intangible assets acquired in a business combination are recognized at their estimated fair values as of the date of acquisition. The fair values of the intangible assets acquired in the TD Ameritrade and USAA-IMCO acquisitions were determined using the following valuation methods:

Acquired intangible asset	Acquisition	Method
Client relationships	TD Ameritrade, USAA-IMCO	Multi-period excess earnings
Trade names	TD Ameritrade	Relief from royalty
Royalty-free license	USAA-IMCO	Relief from royalty
Brokerage referral agreement	USAA-IMCO	With-and-without
Existing technology	TD Ameritrade	Cost

The multi-period excess earnings method starts with a forecast of all of the expected future net cash flows associated with the asset and the relief from royalty method starts with a forecast of the royalties saved by the Company because it owns the asset. The with-and-without method quantifies the difference between forecasted cash flows with the asset and without the asset. The forecasts are then adjusted to present value by applying an appropriate discount rate that reflects the risks associated with the cash flow streams. The cost approach uses replacement cost as an indicator of fair value.

Low-income housing tax credit (LIHTC) investments

We account for investments in qualified affordable housing projects using the proportional amortization method if the applicable requirements are met. The proportional amortization method amortizes the cost of the investment over the period in which the investor expects to receive tax credits and other tax benefits, and the resulting amortization is recognized as a component of taxes on income. The carrying value of LIHTC investments is included in other assets on the consolidated balance sheets. Unfunded commitments related to LIHTC investments are included in accrued expenses and other liabilities on the consolidated balance sheets.

Leases

The Company primarily has operating leases for corporate offices, branch locations, and server equipment and determines if an arrangement is a lease at inception. Leases with an initial term of 12 months or less are not recorded on the balance sheet; we recognize lease expense for these leases on a straight-line basis over the lease term. The Company has also elected to not record leases acquired in a business combination on the balance sheet if the remaining term as of the acquisition date is 12 months or less. Right-of-use (ROU) assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The lease liability may include payments that depend on a rate or index (such as the Consumer Price Index), measured using the rate or index at the commencement date. Payments that vary because of changes in facts or circumstances occurring after the commencement date are considered variable. These payments are not recognized as part of the lease liability and are expensed in the period incurred. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The amortization of finance lease ROU assets and the interest expense on finance lease liabilities are recognized over the lease term. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

We have lease agreements with lease and non-lease components. For the majority of our leases (real estate leases), the Company has elected the practical expedient to account for the lease and non-lease components as a single lease component. We have not elected the practical expedient for equipment leases and account for lease and non-lease components separately for those classes of leases.

As the rates implicit in our leases are not readily determinable, we use our incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. Our lease terms may include periods covered by options to extend when it is reasonably certain that we will exercise those options. The lease terms may also include periods covered by options to terminate when it is reasonably certain that we will not exercise that option.

Advertising and market development

Advertising and market development activities include the cost to produce and distribute marketing campaigns as well as client incentives and discounts. Where it applies to these costs, the Company's accounting policy is to expense when incurred.

Income taxes

Schwab 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 such changes are enacted. Uncertain tax positions are evaluated to determine whether they are more likely than not to be sustained upon examination. When tax positions are more likely than not to be sustained upon examination the difference between positions taken on tax return filings and estimated potential tax settlement outcomes are recognized in accrued expenses and other liabilities. If a position is not more likely than not to be sustained, then none of the tax benefit is recognized in Schwab's financial statements. Accrued interest and penalties relating to unrecognized tax benefits are recorded in taxes on income. Schwab records amounts within AOCI net of taxes. Income tax effects are released from AOCI using the specific-identification method.

Share-based compensation

Share-based compensation includes employee and board of director stock options and restricted stock units. Schwab measures compensation expense for these share-based payment arrangements based on their estimated fair values as of the grant date. The fair value of the share-based award is recognized over the service period as share-based compensation. Share-based compensation expense is based on options or units expected to vest and therefore is reduced for estimated forfeitures. Per the Company's accounting policy election, forfeitures are estimated at the time of grant and reviewed annually based on the Company's historical forfeiture experience. Share-based compensation expense is adjusted in subsequent periods if actual forfeitures differ from estimated forfeitures. The excess tax benefits or deficiencies from the exercise of stock options and the vesting of restricted stock units are recorded in taxes on income.

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 third-party 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 measured at fair value on a recurring basis

Schwab's assets and liabilities measured at fair value on a recurring basis include: certain cash equivalents, certain investments segregated and on deposit for regulatory purposes, AFS securities, and certain other assets and accrued expenses and other liabilities. The Company uses the market approach 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. Quoted prices for investments in exchange-traded securities represent end-of-day close prices published by exchanges. Quoted prices for money market funds and other mutual funds represent reported net asset values. 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 in active markets do not exist, the Company uses prices obtained from independent third-party pricing services to measure the fair value of investment assets, and we generally obtain prices from three independent third-party pricing sources for such assets recorded at fair value.

Our primary independent pricing service provides prices for our fixed income investments such as commercial paper; certificates of deposits; U.S. government and agency securities; state and municipal securities; corporate debt securities; asset-backed securities; foreign government agency securities; and non-agency commercial mortgage-backed securities. Such prices are based on observable trades, broker/dealer quotes, 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. We compare the prices obtained from the 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. Schwab 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 material differences in the amounts recorded.

Liabilities measured at fair value on a recurring basis include repurchase liabilities related to client-held fractional shares of equities, ETFs, and other securities. See Other securities owned at fair value above in this Note 2 for the treatment of client-held fractional shares. The Company has elected the fair value option pursuant to ASC 825 *Financial Instruments* for the repurchase liabilities to match the measurement and accounting of the related client-held fractional shares. The fair values of the repurchase liabilities are based on quoted market prices or other observable market data consistent with the related client-held fractional shares. Unrealized gains and losses on client-held fractional shares offset the unrealized gains and losses on the corresponding repurchase liabilities, resulting in no impact to the consolidated statements of income. The Company's liabilities to repurchase client-held fractional shares do not have credit risk, and, as a result, the Company has not recognized any gains or losses in the consolidated statements of income or comprehensive income attributable to instrument-specific credit risk for these repurchase liabilities. The repurchase liabilities are included in accrued expenses and other liabilities on the consolidated balance sheet.

New Accounting Standards

No new accounting standards that are material to the Company were adopted during the year ended December 31, 2021. There are currently no new accounting standards not yet adopted that are material to the Company.

3. Business Acquisitions

TD Ameritrade

On October 6, 2020 Schwab completed its previously announced acquisition of TD Ameritrade for $21.8 billion in stock. As a result of the acquisition, TDA Holding became a wholly-owned subsidiary of CSC. TD Ameritrade provides securities brokerage services, including trade execution, clearing services, and margin lending, through its broker-dealer subsidiaries, and futures and foreign exchange trade execution services through its FCM and FDM subsidiary.

(Tabular Amounts in Millions, Except Per Share Data, Option Price Amounts, Ratios, or as Noted)

In exchange for each share of TD Ameritrade common stock, TD Ameritrade stockholders received 1.0837 shares of CSC common stock, except for TD Bank and its affiliates which received a portion in nonvoting common stock. In connection with the transaction, Schwab issued approximately 586 million common shares to TD Ameritrade stockholders consisting of approximately 509 million shares of common stock and approximately 77 million shares of nonvoting common stock, as described below. Subsequently, TD Bank and its affiliates exchanged common stock for nonvoting common stock and held approximately 79 million shares of nonvoting common stock as of December 31, 2021. For further details on the new class of nonvoting common stock, see Note 19.

The fair value of the purchase price transferred upon completion of the acquisition includes the fair value of CSC common stock and nonvoting common stock that was issued to TD Ameritrade stockholders, as well as the fair value of assumed TD Ameritrade equity awards attributable to pre-combination services.

The purchase price was calculated as follows:

Fair value of consideration for TD Ameritrade outstanding common stock	$	21,664
Fair value of replaced TD Ameritrade equity awards attributable to pre-combination services [1]		94
Purchase price	$	21,758

[1] Share-based awards held by TD Ameritrade employees prior to the acquisition date were assumed by Schwab and converted into share-based awards with respect to CSC common stock, after giving effect to the exchange ratio of 1.0837. Such share-based awards are otherwise subject to the same terms and conditions as were applicable immediately before the merger, except for performance-based restricted stock units which were converted into time-based restricted stock units. The portion of the fair value of the share-based awards that relates to services performed by the employees prior to the acquisition date is included in the purchase price.

The Company accounted for the TD Ameritrade acquisition as a business combination under GAAP and accordingly, the purchase price was allocated to the assets acquired and liabilities assumed based on their fair values, except for certain exceptions to the recognition principle of acquisition accounting, such as leases, share-based payments, and income taxes, as of the date of acquisition. Information regarding the acquisition is final and there were no adjustments to the provisional purchase price and fair value estimates presented in the 2020 Form 10-K.

The following table summarizes the purchase price, fair values of the assets acquired and liabilities assumed, and resulting goodwill as of the October 6, 2020 acquisition date.

Purchase price	$	21,758
Fair value of assets acquired:		
Cash and cash equivalents		3,484
Cash and investments segregated and on deposit for regulatory purposes		14,236
Receivables from brokerage clients		28,009
Available for sale securities		1,779
Acquired intangible assets		8,880
Equipment, office facilities, and property		470
Other assets		3,088
Total assets acquired		59,946
Fair value of liabilities assumed:		
Payables to brokerage clients		37,599
Accrued expenses and other liabilities		6,975
Long-term debt		3,829
Total liabilities assumed		48,403
Fair value of net identifiable assets acquired		11,543
Goodwill		10,215

(Tabular Amounts in Millions, Except Per Share Data, Option Price Amounts, Ratios, or as Noted)

The identifiable tangible and intangible assets of $470 million and $8.9 billion, respectively, are subject to depreciation and amortization. The following table summarizes the major classes of tangible and intangible assets and their respective fair values and weighted-average useful lives:

	Fair Value	Weighted-Average Useful Life (Years)
Equipment, office facilities, and property		
Real property [1]	$ 226	37
Personal property [2]	162	2
Construction in progress	49	N/A
Land	33	N/A
Total equipment, office facilities, and property	$ 470	
Acquired intangible assets		
Client relationships	$ 8,700	20
Existing technology	165	2
Trade names	15	2
Total acquired intangible assets	$ 8,880	

[1] Consists primarily of buildings.
[2] Consists primarily of equipment and leasehold improvements.
N/A Not applicable.

Goodwill of $10.2 billion is primarily attributable to the scale, skill sets, operations, and synergies that can be leveraged to enable the combined company to build a stronger enterprise and will not be deductible for tax purposes. The goodwill assigned to the Investor Services and Advisor Services segments were $6.4 billion and $3.8 billion, respectively.

The Company's consolidated statements of income include total net revenues and net income attributable to the TD Ameritrade acquisition of $1.7 billion and $583 million, respectively, for the period October 6, 2020 through December 31, 2020.

In connection with the TD Ameritrade acquisition, the Company incurred various professional fees and other costs such as advisory, legal, and accounting fees. In total, the Company incurred acquisition costs of $56 million and $11 million for the years ended December 31, 2020 and 2019, respectively, which are primarily included in professional services on the consolidated statements of income.

USAA-IMCO

On May 26, 2020, the Company completed its acquisition of the assets of USAA-IMCO for $1.6 billion in cash. Along with the asset purchase agreement, the companies entered into a long-term referral agreement that makes Schwab the exclusive provider of wealth management and investment brokerage services for USAA members. The USAA-IMCO acquisition has added scale to the Company's operations through the addition of over one million brokerage and managed portfolio accounts with approximately $80 billion in client assets at the acquisition date. The transaction also provides Schwab the opportunity to further expand our client base by serving USAA's members through the long-term referral agreement.

The Company accounted for the USAA-IMCO acquisition as a business combination under GAAP and accordingly, the purchase price was allocated to the assets acquired and liabilities assumed based on their fair values as of the date of acquisition. During the three months ended September 30, 2020, we made a $43 million post-closing adjustment to the purchase price resulting in reductions of $9 million and $34 million to our initial estimates of the fair value of the intangible assets acquired and goodwill, respectively. The Company finalized the valuation of assets and liabilities during the three months ended December 31, 2020, resulting in no additional adjustments to the estimated fair values as of the date of acquisition.

(Tabular Amounts in Millions, Except Per Share Data, Option Price Amounts, Ratios, or as Noted)

The following table summarizes the purchase price, fair values of the assets acquired and liabilities assumed, and resulting goodwill as of the May 26, 2020 acquisition date, adjusted for the post-closing adjustments described above.

Purchase price	$	1,581
Fair value of assets acquired:		
Cash segregated and on deposit for regulatory purposes		4,392
Receivables from brokerage clients		80
Acquired intangible assets		1,109
Total assets acquired		5,581
Fair value of liabilities assumed:		
Payables to brokerage clients		4,472
Total liabilities assumed		4,472
Fair value of net identifiable assets acquired	$	1,109
Goodwill	$	472

The identifiable intangible assets of $1.1 billion are subject to amortization. The following table summarizes the major classes of intangible assets acquired and their respective fair values and weighted-average useful lives:

		Fair Value	Weighted-Average Useful Life (Years)
Customer relationships	$	962	18
Brokerage referral agreement [(1)]		142	20
Royalty-free license		5	7
Total acquired intangible assets	$	1,109	

[(1)] The brokerage referral agreement has an initial term of 5 years and is automatically renewable for one-year increments thereafter.

Goodwill recorded of $472 million, primarily attributable to the additional scale and anticipated synergies from the USAA-IMCO acquisition, was assigned to the Investor Services segment and is deductible for tax purposes.

The Company's consolidated statements of income include total net revenues and net loss attributable to the USAA-IMCO acquisition of $235 million and $51 million, respectively, for the period May 26, 2020 through December 31, 2020.

In connection with the acquisition, the Company agreed to reimburse USAA for certain contract termination and other fees and severance costs incurred by USAA. These costs totaled $21 million for the year ended December 31, 2020 and are included in other expense on the consolidated statements of income. Additionally, the Company incurred various professional fees and other costs related to the USAA-IMCO acquisition, such as advisory, legal, and accounting fees. In total, the Company incurred acquisition costs of $54 million and $14 million for the years ended December 31, 2020 and 2019, respectively, which are primarily included in professional services, other expense, and compensation and benefits on the consolidated statements of income.

Pro Forma Financial Information (Unaudited)

The following table presents unaudited pro forma financial information as if the TD Ameritrade and USAA-IMCO acquisitions had occurred on January 1, 2019. The unaudited pro forma results reflect after-tax adjustments for acquisition costs, amortization and depreciation of acquired intangible and tangible assets, the impact of the amended IDA agreement which reduced the service fee on client cash deposits held at the TD Depository Institutions to 15 basis points from the 25 basis points paid by TD Ameritrade under its previous IDA agreement, and other immaterial adjustments for the effects of purchase accounting, and do not reflect potential revenue growth or cost savings that may be realized as a result of the acquisitions. Pro forma net income for the year ended December 31, 2020 excludes after-tax acquisition costs for both Schwab and the acquirees of $156 million. These costs and after-tax acquisition costs of $40 million incurred in 2019 by Schwab and the acquirees are included in pro forma net income for the year ended December 31, 2019.

(Tabular Amounts in Millions, Except Per Share Data, Option Price Amounts, Ratios, or as Noted)

The unaudited pro forma financial information is presented for informational purposes only, and is not necessarily indicative of future operations or results had the TD Ameritrade and USAA-IMCO acquisitions been completed as of January 1, 2019.

	Year Ended December 31,	
	2020	2019
Total net revenues	$ 16,617	$ 16,897
Net income available to common stockholders	4,617	5,121

4. Revenue Recognition

Disaggregated Revenue

Disaggregation of Schwab's revenue by major source is as follows:

Year Ended December 31,	2021	2020	2019
Net interest revenue			
Cash and cash equivalents	$ 40	$ 120	$ 518
Cash and investments segregated	24	141	345
Receivables from brokerage clients	2,455	848	821
Available for sale securities	4,641	4,537	1,560
Held to maturity securities	—	—	3,591
Bank loans	620	545	584
Securities lending revenue	720	334	147
Other interest revenue	6	6	14
Interest revenue	8,506	6,531	7,580
Bank deposits	(54)	(93)	(700)
Payables to brokerage clients	(9)	(12)	(79)
Short-term borrowings	(9)	—	—
Long-term debt	(384)	(289)	(258)
Securities lending expense	(24)	(33)	(38)
Other interest expense	4	9	11
Interest expense	(476)	(418)	(1,064)
Net interest revenue	8,030	6,113	6,516
Asset management and administration fees			
Mutual funds, ETFs, and CTFs	1,961	1,770	1,747
Advice solutions	1,993	1,443	1,198
Other	320	262	266
Asset management and administration fees	4,274	3,475	3,211
Trading revenue			
Commissions	2,050	739	549
Order flow revenue	2,053	621	135
Principal transactions	49	56	68
Trading revenue	4,152	1,416	752
Bank deposit account fees	1,315	355	—
Other	749	332	242
Total net revenues	$ 18,520	$ 11,691	$ 10,721

For a summary of revenue provided by our reportable segments, see Note 24. The recognition of revenue is not impacted by the operating segment in which revenue is generated.

(Tabular Amounts in Millions, Except Per Share Data, Option Price Amounts, Ratios, or as Noted)

5. Receivables from and Payables to Brokerage Clients

Receivables from and payables to brokerage clients are detailed below:

December 31,	2021	2020
Receivables		
Margin loans	$ 87,365	$ 60,865
Other brokerage receivables	3,200	3,575
Receivables from brokerage clients — net [1]	$ 90,565	$ 64,440
Payables		
Interest-bearing payables	$ 107,551	$ 84,642
Non-interest-bearing payables	18,120	19,559
Payables to brokerage clients	$ 125,671	$ 104,201

[1] The allowance for credit losses for receivables from brokerage clients and related activity were immaterial for all periods presented.

At December 31, 2021 and 2020, approximately 17% of total CS&Co and TD Ameritrade, Inc. client accounts were located in California.

(Tabular Amounts in Millions, Except Per Share Data, Option Price Amounts, Ratios, or as Noted)

6. Investment Securities

The amortized cost, gross unrealized gains and losses, and fair value of the Company's AFS investment securities are as follows:

December 31, 2021	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for sale securities				
U.S. agency mortgage-backed securities	$ 335,803	$ 3,141	$ 4,589	$ 334,355
U.S. Treasury securities	21,394	13	125	21,282
Asset-backed securities [(1)]	17,547	79	80	17,546
Corporate debt securities [(2)]	12,310	143	109	12,344
U.S. state and municipal securities	1,611	81	5	1,687
Non-agency commercial mortgage-backed securities	1,170	20	—	1,190
Certificates of deposit	1,000	—	1	999
Foreign government agency securities	425	—	—	425
Commercial paper	200	—	—	200
Other	22	4	—	26
Total available for sale securities	$ 391,482	$ 3,481	$ 4,909	$ 390,054
December 31, 2020				
Available for sale securities				
U.S. agency mortgage-backed securities	$ 283,911	$ 7,005	$ 563	$ 290,353
Asset-backed securities [(1)]	18,808	174	84	18,898
Corporate debt securities [(2)]	12,408	388	—	12,796
U.S. Treasury securities	10,631	25	—	10,656
U.S. state and municipal securities	1,544	153	—	1,697
Foreign government agency securities	1,411	2	—	1,413
Non-agency commercial mortgage-backed securities	1,213	52	—	1,265
Certificates of deposit	300	—	—	300
Other	22	—	—	22
Total available for sale securities	$ 330,248	$ 7,799	$ 647	$ 337,400

[(1)] Approximately 58% and 51% of asset-backed securities held as of December 31, 2021 and 2020, respectively, were Federal Family Education Loan Program Asset-Backed Securities. Asset-backed securities collateralized by credit card receivables represented approximately 30% and 36% of the asset-backed securities held as of December 31, 2021 and 2020, respectively.

[(2)] As of December 31, 2021 and 2020 approximately 31% and 46%, respectively of the total AFS in corporate debt securities were issued by institutions in the financial services industry.

On January 1, 2019 the Company transferred certain U.S. agency mortgage-backed securities with a fair value of $8.8 billion from the HTM category to the AFS category as permitted by ASU 2017-12, "*Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities"* (ASU 2017-12). This transfer resulted in a net of tax increase to AOCI of $19 million.

In October 2019, the Federal Reserve issued a final enhanced prudential standards rule, and the Federal Reserve, the Office of the Comptroller of the Currency, and the FDIC jointly issued a final regulatory capital and liquidity rule. With total consolidated assets of $294.0 billion at December 31, 2019, CSC was designated as a Category III firm pursuant to the framework established by the final rules. Accordingly, the Company opted to exclude AOCI from its regulatory capital as permitted by the regulatory capital and liquidity rule beginning January 1, 2020. In accordance with ASC 320 *Investment – Debt Securities* and as of January 1, 2020, the Company transferred all of its investment securities designated as HTM to the AFS category without tainting our intent to hold other debt securities to maturity. At the date of transfer, these securities had a total amortized cost of $134.7 billion and a total net unrealized gain of $1.4 billion.

(Tabular Amounts in Millions, Except Per Share Data, Option Price Amounts, Ratios, or as Noted)

In January 2022, the Company transferred $108.8 billion of U.S. agency mortgage-backed securities with a total net unrealized loss at the time of transfer of $2.4 billion from the AFS category to the HTM category.

At December 31, 2021, our banking subsidiaries had pledged securities with a fair value of $49.6 billion as collateral to secure borrowing capacity on secured credit facilities with the FHLB (see Note 13). Our banking subsidiaries also pledge investment securities as collateral to secure borrowing capacity at the Federal Reserve discount window, and had pledged securities with a fair value of $12.0 billion as collateral for this facility at December 31, 2021. The Company also pledges securities issued by federal agencies to secure certain trust deposits. The fair value of these pledged securities was $1.3 billion at December 31, 2021.

Securities with unrealized losses, aggregated by category and period of continuous unrealized loss, of AFS investment securities are as follows:

	Less than 12 months		12 months or longer		Total	
December 31, 2021	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available for sale securities						
U.S. agency mortgage-backed securities	$ 186,955	$ 3,216	$ 38,007	$ 1,373	$ 224,962	$ 4,589
U.S. Treasury securities	16,658	125	21	—	16,679	125
Asset-backed securities	6,093	58	2,708	22	8,801	80
Corporate debt securities	4,713	99	197	10	4,910	109
Certificates of deposit	799	1	—	—	799	1
U.S. state and municipal securities	191	4	5	1	196	5
Total	$ 215,409	$ 3,503	$ 40,938	$ 1,406	$ 256,347	$ 4,909
December 31, 2020						
Available for sale securities						
U.S. agency mortgage-backed securities	$ 61,706	$ 551	$ 4,774	$ 12	$ 66,480	$ 563
Asset-backed securities	1,398	13	5,822	71	7,220	84
Total	$ 63,104	$ 564	$ 10,596	$ 83	$ 73,700	$ 647

At December 31, 2021, substantially all rated securities in the investment portfolios were investment grade. 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 or U.S. government-sponsored enterprises.

For a description of management's quarterly evaluation of AFS securities in unrealized loss positions see Note 2. No amounts were recognized as credit loss expense and no securities were written down to fair value through earnings for the years ended December 31, 2021 and 2020. None of the Company's AFS securities held as of December 31, 2021 and 2020 had an allowance for credit losses. Prior to the Company's adoption of ASU 2016-13, "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" (ASU 2016-13) on January 1, 2020, no amount was recognized as other-than-temporary impairment in earnings or other comprehensive income during the year ended December 31, 2019.

The Company had $683 million and $634 million of accrued interest receivable as of December 31, 2021 and 2020, respectively, for AFS securities. These amounts are excluded from the amortized cost basis of AFS securities and included in other assets on the consolidated balance sheets. There were no write-offs of accrued interest receivable on AFS securities during the years ended December 31, 2021 and 2020.

(Tabular Amounts in Millions, Except Per Share Data, Option Price Amounts, Ratios, or as Noted)

In the table below, mortgage-backed securities and other asset-backed securities have been allocated to maturity groupings based on final contractual maturities. As borrowers may have the right to call or prepay certain obligations underlying our investment securities, actual maturities may differ from the scheduled contractual maturities presented below.

The maturities of AFS investment securities are as follows:

December 31, 2021	Within 1 year	After 1 year through 5 years	After 5 years through 10 years	After 10 years	Total
U.S. agency mortgage-backed securities	$ 3,483	$ 20,916	$ 71,705	$ 238,251	$ 334,355
U.S. Treasury securities	4,049	14,569	2,664	—	21,282
Asset-backed securities	—	4,922	3,003	9,621	17,546
Corporate debt securities	1,634	6,443	4,267	—	12,344
U.S. state and municipal securities	23	150	1,010	504	1,687
Non-agency commercial mortgage-backed securities	—	—	—	1,190	1,190
Certificates of deposit	300	699	—	—	999
Foreign government agency securities	101	324	—	—	425
Commercial paper	200	—	—	—	200
Other	—	—	—	26	26
Total fair value	$ 9,790	$ 48,023	$ 82,649	$ 249,592	$ 390,054
Total amortized cost	$ 9,761	$ 47,336	$ 82,556	$ 251,829	$ 391,482
Weighted-average yield [(1)]	1.28%	1.89%	1.78%	1.11%	1.35%

[(1)] The weighted-average yield is computed using the amortized cost at December 31, 2021.

Proceeds and gross realized gains and losses from sales of AFS investment securities are as follows:

Year Ended December 31,	2021	2020	2019
Proceeds	$ 13,306	$ 4,801	$ 24,495
Gross realized gains	40	5	16
Gross realized losses	36	1	10

(Tabular Amounts in Millions, Except Per Share Data, Option Price Amounts, Ratios, or as Noted)

7. Bank Loans and Related Allowance for Credit Losses

The composition of bank loans and delinquency analysis by portfolio segment and class of financing receivable is as follows:

December 31, 2021	Current	30-59 days past due	60-89 days past due	≥90 days past due and other nonaccrual loans [3]	Total past due and other nonaccrual loans	Total loans	Allowance for credit losses	Total bank loans – net
Residential real estate:								
First Mortgages [1,2]	$ 21,022	$ 41	$ 1	$ 26	$ 68	$ 21,090	$ 13	$ 21,077
HELOCs [1,2]	637	2	—	9	11	648	2	646
Total residential real estate	21,659	43	1	35	79	21,738	15	21,723
Pledged asset lines	12,698	3	8	—	11	12,709	—	12,709
Other	207	—	—	—	—	207	3	204
Total bank loans	$ 34,564	$ 46	$ 9	$ 35	$ 90	$ 34,654	$ 18	$ 34,636
December 31, 2020								
Residential real estate:								
First Mortgages [1,2]	$ 14,804	$ 27	$ 1	$ 72	$ 100	$ 14,904	$ 22	$ 14,882
HELOCs [1,2]	823	1	1	17	19	842	5	837
Total residential real estate	15,627	28	2	89	119	15,746	27	15,719
Pledged asset lines	7,901	10	5	—	15	7,916	—	7,916
Other	181	—	—	—	—	181	3	178
Total bank loans	$ 23,709	$ 38	$ 7	$ 89	$ 134	$ 23,843	$ 30	$ 23,813

[1] First Mortgages and HELOCs include unamortized premiums and discounts and direct origination costs of $91 million and $72 million at December 31, 2021 and 2020, respectively.
[2] At December 31, 2021 and 2020, 46% and 45%, respectively, of the First Mortgage and HELOC portfolios were concentrated in California. These loans have performed in a manner consistent with the portfolio as a whole.
[3] There were no loans accruing interest that were contractually 90 days or more past due at December 31, 2021 or 2020.

At December 31, 2021, CSB had pledged the full balance of First Mortgages and HELOCs pursuant to a blanket lien status collateral arrangement to secure borrowing capacity on a secured credit facility with the FHLB (see Note 13).

Changes in the allowance for credit losses on bank loans were as follows:

	December 31, 2021					December 31, 2020					December 31, 2019				
	First Mortgages	HELOCs	Total residential real estate	Other	Total	First Mortgages	HELOCs	Total residential real estate	Other	Total	First Mortgages	HELOCs	Total residential real estate	Other	Total
Balance at beginning of year	$ 22	$ 5	$ 27	$ 3	$ 30	$ 11	$ 4	$ 15	$ 3	$ 18	$ 14	$ 5	$ 19	2	$ 21
Adoption of ASU 2016-13	—	—	—	—	—	1	—	1	—	1	—	—	—	—	—
Charge-offs	—	—	—	(1)	(1)	—	—	—	—	—	—	—	—	—	—
Recoveries	—	1	1	—	1	1	—	1	—	1	1	1	2	—	2
Provision for credit losses	(9)	(4)	(13)	1	(12)	9	1	10	—	10	(4)	(2)	(6)	1	(5)
Balance at end of year	$ 13	$ 2	$ 15	$ 3	$ 18	$ 22	$ 5	$ 27	$ 3	$ 30	$ 11	$ 4	$ 15	$ 3	$ 18

As discussed in Note 2, PALs are subject to the collateral maintenance practical expedient under ASC 326. All PALs were fully collateralized by securities with fair values in excess of borrowings as of December 31, 2021 and 2020, respectively. Therefore, no allowance for credit losses for PALs as of those dates was required.

The economy continued to strengthen overall in 2021, however, COVID-19 has continued to affect the pace of recovery. Management's macroeconomic outlook reflects continued moderate growth in home prices and lower unemployment anticipated over the near term. This macroeconomic outlook, along with the continued strong credit quality metrics in the bank loans portfolio, result in a lower modeled projection of loss rates compared to December 31, 2020.

A summary of bank loan-related nonperforming assets and troubled debt restructurings is as follows:

December 31,	2021	2020
Nonaccrual loans [1]	$ 35	$ 89
Other real estate owned [2]	1	1
Total nonperforming assets	36	90
Troubled debt restructurings	—	1
Total nonperforming assets and troubled debt restructurings	$ 36	$ 91

[1] Nonaccrual loans include nonaccrual troubled debt restructurings.
[2] Included in other assets on the consolidated balance sheets.

Credit Quality

In addition to monitoring delinquency, Schwab monitors the credit quality of First Mortgages and HELOCs by stratifying the portfolios by the following:

- Year of origination;
- Borrower FICO scores at origination (Origination FICO);
- Updated borrower FICO scores (Updated FICO);
- Loan-to-value (LTV) ratios at origination (Origination LTV); and
- Estimated Current LTV ratios (Estimated Current LTV).

Borrowers’ FICO scores are provided by an independent third-party credit reporting service and generally updated quarterly. The Origination LTV and Estimated Current LTV 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 updated on a monthly basis by reference to a home price appreciation index.

(Tabular Amounts in Millions, Except Per Share Data, Option Price Amounts, Ratios, or as Noted)

The credit quality indicators of the Company's First Mortgages and HELOCs are detailed below:

	First Mortgages Amortized Cost Basis by Origination Year									
December 31, 2021	2021	2020	2019	2018	2017	pre-2017	Total First Mortgages	Revolving HELOCs amortized cost basis	HELOCs converted to term loans	Total HELOCs
Origination FICO										
<620	$ 1	$ 1	$ —	$ —	$ —	$ 1	$ 3	$ —	$ —	$ —
620 – 679	34	25	5	1	6	19	90	—	2	2
680 – 739	1,306	524	146	41	98	215	2,330	61	60	121
≥740	11,649	4,454	1,049	165	354	996	18,667	308	217	525
Total	$ 12,990	$ 5,004	$ 1,200	$ 207	$ 458	$ 1,231	$ 21,090	$ 369	$ 279	$ 648
Origination LTV										
≤70%	$ 11,234	$ 4,159	$ 948	$ 160	$ 351	$ 909	$ 17,761	$ 305	$ 199	$ 504
>70% – ≤90%	1,756	845	252	47	107	319	3,326	64	78	142
>90% – ≤100%	—	—	—	—	—	3	3	—	2	2
Total	$ 12,990	$ 5,004	$ 1,200	$ 207	$ 458	$ 1,231	$ 21,090	$ 369	$ 279	$ 648
Weighted Average Updated FICO										
<620	$ 5	$ 2	$ 1	$ —	$ 2	$ 12	$ 22	$ 2	$ 6	$ 8
620 – 679	96	69	19	7	8	30	229	6	14	20
680 – 739	1,265	421	115	24	53	149	2,027	51	39	90
≥740	11,624	4,512	1,065	176	395	1,040	18,812	310	220	530
Total	$ 12,990	$ 5,004	$ 1,200	$ 207	$ 458	$ 1,231	$ 21,090	$ 369	$ 279	$ 648
Estimated Current LTV (1)										
≤70%	$ 11,707	$ 4,961	$ 1,196	$ 206	$ 455	$ 1,229	$ 19,754	$ 368	$ 277	$ 645
>70% – ≤90%	1,283	43	4	1	3	2	1,336	1	2	3
>90% – ≤100%	—	—	—	—	—	—	—	—	—	—
>100%	—	—	—	—	—	—	—	—	—	—
Total	$ 12,990	$ 5,004	$ 1,200	$ 207	$ 458	$ 1,231	$ 21,090	$ 369	$ 279	$ 648
Percent of Loans on Nonaccrual Status	0.03%	0.10%	0.03%	0.03%	0.03%	1.40%	0.12%	0.64%	2.33%	1.39%

(1) Represents the LTV for the full line of credit (drawn and undrawn) for revolving HELOCs.

(Tabular Amounts in Millions, Except Per Share Data, Option Price Amounts, Ratios, or as Noted)

	First Mortgages Amortized Cost Basis by Origination Year								
December 31, 2020	2020	2019	2018	2017	pre-2017	Total First Mortgages	Revolving HELOCs amortized cost basis	HELOCs converted to term loans	Total HELOCs
Origination FICO									
<620	$ 1	$ —	$ —	$ —	$ 2	$ 3	$ —	$ —	$ —
620 – 679	29	13	3	8	31	84	1	3	4
680 – 739	794	355	105	181	419	1,854	82	80	162
≥740	7,150	2,452	449	858	2,054	12,963	380	296	676
Total	$ 7,974	$ 2,820	$ 557	$ 1,047	$ 2,506	$ 14,904	$ 463	$ 379	$ 842
Origination LTV									
≤70%	$ 6,653	$ 2,211	$ 396	$ 793	$ 1,935	$ 11,988	$ 351	$ 269	$ 620
>70% – ≤90%	1,321	609	161	254	568	2,913	112	107	219
>90% – ≤100%	—	—	—	—	3	3	—	3	3
Total	$ 7,974	$ 2,820	$ 557	$ 1,047	$ 2,506	$ 14,904	$ 463	$ 379	$ 842
Weighted Average Updated FICO									
<620	$ 5	$ 2	$ 1	$ 4	$ 19	$ 31	$ 3	$ 9	$ 12
620 – 679	67	34	16	21	60	198	12	20	32
680 – 739	784	252	66	121	281	1,504	58	55	113
≥740	7,118	2,532	474	901	2,146	13,171	390	295	685
Total	$ 7,974	$ 2,820	$ 557	$ 1,047	$ 2,506	$ 14,904	$ 463	$ 379	$ 842
Estimated Current LTV (1)									
≤70%	$ 6,999	$ 2,582	$ 533	$ 1,034	$ 2,490	$ 13,638	$ 452	$ 368	$ 820
>70% – ≤90%	975	238	24	13	16	1,266	11	9	20
>90% – ≤100%	—	—	—	—	—	—	—	1	1
>100%	—	—	—	—	—	—	—	1	1
Total	$ 7,974	$ 2,820	$ 557	$ 1,047	$ 2,506	$ 14,904	$ 463	$ 379	$ 842
Percent of Loans on Nonaccrual Status	0.09%	0.38%	1.02%	0.87%	1.57%	0.48%	1.37%	2.80%	2.02%

(1) Represents the LTV for the full line of credit (drawn and undrawn) for revolving HELOCs.

At December 31, 2021, First Mortgage loans of $17.0 billion had adjustable interest rates. Substantially all of these mortgages have initial fixed interest rates for three to ten years and interest rates that adjust annually thereafter. Approximately 28% of the balance of these mortgages consisted of loans with interest-only payment terms. The interest rates on approximately 89% of the balance of these interest-only loans are not scheduled to reset for three or more years. Schwab's mortgage loans do not include interest terms described as temporary introductory rates below current market rates.

At December 31, 2021 and 2020, Schwab had $57 million and $43 million, respectively, of accrued interest on bank loans, which is excluded from the amortized cost basis of bank loans and included in other assets on the consolidated balance sheets.

The 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.

The following table presents HELOCs converted to amortizing loans during each period presented:

December 31,	2021	2020
HELOCs converted to amortizing loans	$ 19	$ 26

(Tabular Amounts in Millions, Except Per Share Data, Option Price Amounts, Ratios, or as Noted)

The following table presents when current outstanding HELOCs will convert to amortizing loans:

December 31, 2021	Balance
Converted to an amortizing loan by period end	$ 279
Within 1 year	16
> 1 year – 3 years	72
> 3 years – 5 years	65
> 5 years	216
Total	$ 648

At December 31, 2021, $495 million of the HELOC portfolio was secured by second liens on the associated properties. Second lien mortgage loans typically possess a higher degree of credit risk given the subordination to the first lien holder in the event of default. In addition to the credit monitoring activities described previously, Schwab also monitors credit risk by reviewing the delinquency status of the first lien loan on the associated property. At December 31, 2021, the borrowers on approximately 53% of HELOC loan balances outstanding only paid the minimum amount due.

8. Equipment, Office Facilities, and Property

Equipment, office facilities, and property are detailed below:

December 31,	2021	2020
Software	$ 2,524	$ 2,314
Buildings	1,640	1,444
Information technology and telecommunications equipment	679	509
Leasehold improvements	462	455
Construction in progress	429	325
Land	208	208
Other	388	295
Total equipment, office facilities, and property	6,330	5,550
Accumulated depreciation and amortization	(2,888)	(2,667)
Total equipment, office facilities, and property — net	$ 3,442	$ 2,883

(Tabular Amounts in Millions, Except Per Share Data, Option Price Amounts, Ratios, or as Noted)

9. Goodwill and Acquired Intangible Assets

Acquired intangible assets and goodwill are detailed below:

	December 31, 2021			December 31, 2020		
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Client relationships	$ 10,089	$ (908)	$ 9,181	$ 10,089	$ (386)	$ 9,703
Technology	305	(197)	108	305	(112)	193
Trade names	116	(26)	90	113	(18)	95
Total acquired intangible assets	$ 10,510	$ (1,131)	$ 9,379	$ 10,507	$ (516)	$ 9,991

Estimated future annual amortization expense for acquired intangible assets as of December 31, 2021 is as follows:

2022	$ 596
2023	534
2024	518
2025	512
2026	508
Thereafter	6,630
Total	$ 9,298

Note: The above schedule excludes indefinite-lived intangible assets of $81 million.

The changes in the carrying amount of goodwill, as allocated to our reportable segments, are presented in the following table:

	Investor Services	Advisor Services	Total
Balance at December 31, 2019	$ 1,096	$ 131	$ 1,227
Goodwill acquired in TD Ameritrade acquisition	6,380	3,835	10,215
Goodwill acquired in other acquisitions	494	16	510
December 31, 2020	7,970	3,982	11,952
Goodwill acquired and other changes during the period	—	—	—
Balance at December 31, 2021	$ 7,970	$ 3,982	$ 11,952

See Note 3 for additional information on the Company's acquisitions.

As of our annual testing date, we performed an assessment of each of the Company's reporting units. Based on this analysis, we concluded that goodwill was not impaired. There were no indicators that goodwill was impaired after our annual testing date. Schwab did not recognize any goodwill impairment in any of the years presented.

(Tabular Amounts in Millions, Except Per Share Data, Option Price Amounts, Ratios, or as Noted)

10. Other Assets

The components of other assets are as follows:

December 31,	2021	2020
Other receivables from brokers, dealers, and clearing organizations	$ 2,475	$ 1,748
Receivables — interest, dividends, and other	1,615	1,180
Other securities owned at fair value [(1)]	1,584	687
Other investments [(2)]	1,526	1,019
Operating lease ROU assets	842	937
Customer contract receivables [(3)]	637	579
Securities borrowed	582	873
Capitalized contract costs	344	303
Other	713	457
Total other assets	$ 10,318	$ 7,783

(1) Includes fractional shares held in client brokerage accounts. Corresponding repurchase liabilities in an equal amount for these client-held fractional shares are included in accrued expenses and other liabilities on the consolidated balance sheet. See also Notes 2 and 18.

(2) Includes LIHTC investments and certain other CRA-related investments (see Note 11). This item also includes investments in FHLB stock of $29 million at December 31, 2021 and 2020, which are required to be held as a condition of borrowing with the FHLB (see Note 13) and can only be sold to the issuer at its par value. Any cash dividends received from investments in FHLB stock are recognized as interest revenue in the consolidated statements of income. CSB and CSPB are members of the Federal Reserve and as a condition of membership, are required to hold Federal Reserve stock. Other investments also includes investments in FRB stock of $436 million and $191 million at December 31, 2021 and 2020, respectively.

(3) Represents substantially all receivables from contracts with customers within the scope of ASC 606. Schwab does not have any other significant contract assets or contract liability balances as of December 31, 2021 or 2020.

Capitalized contract costs

Capitalized contract costs relate to incremental costs of obtaining a contract with a customer, including sales commissions paid to employees for obtaining contracts with clients, and are presented in the table above. These costs are amortized to expense on a straight-line basis over a period that is consistent with how the related revenue is recognized. Amortization expense related to capitalized contract costs was $69 million, $63 million, and $55 million during the years ended December 31, 2021, 2020, and 2019, respectively, which was recorded in compensation and benefits expense on the consolidated statements of income.

11. Variable Interest Entities

As of December 31, 2021 and 2020, all of Schwab's involvement with variable interest entities (VIEs) is through CSB's CRA-related investments and most of these are related to LIHTC investments. As part of CSB's community reinvestment initiatives, CSB invests in funds that make equity investments in multifamily affordable housing properties and receives tax credits and other tax benefits for these investments. During 2021, 2020, and 2019, CSB recorded amortization of $71 million, $56 million, and $39 million, respectively, and recognized tax credits and other tax benefits of $90 million, $69 million, and $47 million, respectively, associated with these investments. The amortization, as well as the tax credits and other tax benefits, are included in taxes on income.

(Tabular Amounts in Millions, Except Per Share Data, Option Price Amounts, Ratios, or as Noted)

Aggregate assets, liabilities, and maximum exposure to loss

The aggregate assets, liabilities, and maximum exposure to loss from those VIEs in which Schwab holds a variable interest, but is not the primary beneficiary, are summarized in the table below:

	December 31, 2021			December 31, 2020		
	Aggregate assets	Aggregate liabilities	Maximum exposure to loss	Aggregate assets	Aggregate liabilities	Maximum exposure to loss
LIHTC investments [1]	$ 915	$ 530	$ 915	$ 649	$ 344	$ 649
Other CRA investments [2]	161	—	211	118	—	152
Total	$ 1,076	$ 530	$ 1,126	$ 767	$ 344	$ 801

[1] Aggregate assets and aggregate liabilities are included in other assets and accrued expenses and other liabilities, respectively, on the consolidated balance sheets.
[2] Other CRA investments are accounted for as loans at amortized cost, equity method investments, AFS securities, or using the adjusted cost method. Aggregate assets are included in AFS securities, bank loans – net, or other assets on the consolidated balance sheets.

Schwab's maximum exposure to loss would result from the loss of the investments, including any committed amounts. CSB's funding of these remaining commitments is dependent upon the occurrence of certain conditions, and CSB expects to pay substantially all of these commitments between 2022 and 2025. During the years ended December 31, 2021, 2020, and 2019, Schwab did not provide or intend to provide financial or other support to the VIEs that it was not contractually required to provide.

12. Bank Deposits

Bank deposits consist of interest-bearing and non-interest-bearing deposits as follows:

December 31,	2021	2020
Interest-bearing deposits:		
Deposits swept from brokerage accounts	$ 412,287	$ 332,513
Checking	22,786	17,785
Savings and other	7,234	6,739
Total interest-bearing deposits	442,307	357,037
Non-interest-bearing deposits	1,471	985
Total bank deposits	$ 443,778	$ 358,022

13. Borrowings

CSC Senior Notes

CSC's Senior Notes are unsecured obligations. CSC may redeem some or all of the Senior Notes of each series prior to their maturity, subject to certain restrictions, and the payment of an applicable make-whole premium in certain instances. Interest is payable semi-annually for the fixed-rate Senior Notes and quarterly for the floating-rate Senior Notes.

TDA Holding Senior Notes

TDA Holding's Senior Notes are unsecured obligations. TDA Holding may redeem some or all of the Senior Notes of each series prior to their maturity, subject to certain restrictions, and the payment of an applicable make-whole premium in certain instances. Interest is payable semi-annually for the fixed-rate Senior Notes.

(Tabular Amounts in Millions, Except Per Share Data, Option Price Amounts, Ratios, or as Noted)

The following table lists long-term debt by instrument outstanding as of December 31, 2021 and 2020.

	Date of Issuance	Principal Amount Outstanding 2021	Principal Amount Outstanding 2020
CSC Fixed-rate Senior Notes:			
3.250% due May 21, 2021	05/22/18	$ —	$ 600
3.225% due September 1, 2022	08/29/12	256	256
2.650% due January 25, 2023	12/07/17	800	800
3.550% due February 1, 2024	10/31/18	500	500
0.750% due March 18, 2024	03/18/21	1,500	—
3.750% due April 1, 2024 (1)	09/24/21	350	—
3.000% due March 10, 2025	03/10/15	375	375
4.200% due March 24, 2025	03/24/20	600	600
3.625% due April 1, 2025 (1)	09/24/21	418	—
3.850% due May 21, 2025	05/22/18	750	750
3.450% due February 13, 2026	11/13/15	350	350
0.900% due March 11, 2026	12/11/20	1,250	1,250
1.150% due May 13, 2026	05/13/21	1,000	—
3.200% due March 2, 2027	03/02/17	650	650
3.300% due April 1, 2027 (1)	09/24/21	744	—
3.200% due January 25, 2028	12/07/17	700	700
2.000% due March 20, 2028	03/18/21	1,250	—
4.000% due February 1, 2029	10/31/18	600	600
3.250% due May 22, 2029	05/22/19	600	600
2.750% due October 1, 2029 (1)	09/24/21	475	—
4.625% due March 22, 2030	03/24/20	500	500
1.650% due March 11, 2031	12/11/20	750	750
2.300% due May 13, 2031	05/13/21	750	—
1.950% due December 1, 2031	08/26/21	850	—
CSC Floating-rate Senior Notes:			
Three-month LIBOR + 0.32% due May 21, 2021	05/22/18	—	600
SOFR + 0.500% due March 18, 2024	03/18/21	1,250	—
SOFR + 0.520% due May 13, 2026	05/13/21	500	—
Total CSC Senior Notes		17,768	9,881
TDA Holding Fixed-rate Senior Notes:			
2.950% due April 1, 2022	03/09/15	750	750
3.750% due April 1, 2024 (1)	11/01/18	50	400
3.625% due April 1, 2025 (1)	10/22/14	82	500
3.300% due April 1, 2027 (1)	04/27/17	56	800
2.750% due October 1, 2029 (1)	08/16/19	25	500
TDA Holding Floating-rate Senior Notes:			
Three-month LIBOR + 0.43% due November 1, 2021	11/01/18	—	600
Total TDA Holding Senior Notes		963	3,550
Finance lease liabilities		94	6
Unamortized premium — net		180	249
Debt issuance costs		(91)	(54)
Total long-term debt		$ 18,914	$ 13,632

(1) During 2021, we completed an offer to exchange certain senior notes issued by TDA Holding for senior notes issued by CSC. Of the approximately $2.2 billion in aggregate principal amount of TDA Holding's senior notes offered in the exchange, 90%, or approximately $2.0 billion, were tendered and accepted. The new senior notes issued by CSC have the same interest rates and maturity dates as the TDA Holding senior notes. The $213 million not exchanged remained outstanding across four series of senior notes issued by TDA Holding. The debt exchange was treated as a debt modification for accounting purposes.

(Tabular Amounts in Millions, Except Per Share Data, Option Price Amounts, Ratios, or as Noted)

Annual maturities on all long-term debt outstanding at December 31, 2021, are as follows:

	Maturities
2022	$ 1,036
2023	829
2024	3,673
2025	2,237
2026	3,100
Thereafter	7,950
Total maturities	18,825
Unamortized premium — net	180
Debt issuance costs	(91)
Total long-term debt	$ 18,914

Short-term borrowings: CSC has the ability to issue up to $5.0 billion of commercial paper notes ($1.5 billion at December 31, 2020) with maturities of up to 270 days. CSC had $3.0 billion of commercial paper notes outstanding at December 31, 2021 and none outstanding at December 31, 2020. CSC and CS&Co also have access to uncommitted lines of credit with external banks with total borrowing capacity of $1.5 billion; no amounts were outstanding as of December 31, 2021 or 2020.

Our banking subsidiaries maintain secured credit facilities with the FHLB. Amounts available under these facilities are dependent on the amount of our First Mortgages, HELOCs, and the fair value of certain of their investment securities that are pledged as collateral. As of December 31, 2021 and 2020, the collateral pledged provided a total borrowing capacity of $63.5 billion and $55.1 billion, respectively, of which no amounts were outstanding at the end of either year.

Our banking subsidiaries have access to funding through the Federal Reserve discount window. Amounts available are dependent upon the fair value of certain investment securities that are pledged as collateral. As of December 31, 2021 and 2020, our collateral pledged provided total borrowing capacity of $12.0 billion and $7.9 billion, respectively, of which no amounts were outstanding at the end of either year.

Our banking subsidiaries may engage with external banks in repurchase agreements collateralized by investment securities as another source of short-term liquidity. The Company had no borrowings outstanding pursuant to such repurchase agreements at December 31, 2021 or 2020.

TDAC maintains secured uncommitted lines of credit, under which TDAC borrows on either a demand or short-term basis and pledges client margin securities as collateral. There was $1.9 billion outstanding under the secured uncommitted lines of credit as of December 31, 2021. There were no borrowings outstanding under these secured uncommitted lines of credit as of December 31, 2020. See Note 17 for additional information.

TDAC maintains a senior unsecured committed revolving credit facility with an aggregate borrowing capacity of $600 million, which matures in April 2022. Additionally, at December 31, 2020, TDAC maintained an $850 million unsecured committed revolving credit facility which matured in April 2021 and was not renewed. There were no borrowings outstanding under the TDAC senior revolving facilities as of December 31, 2021 or December 31, 2020.

(Tabular Amounts in Millions, Except Per Share Data, Option Price Amounts, Ratios, or as Noted)

14. Leases

The following table details the amounts and locations of operating lease assets and liabilities on the consolidated balance sheet:

December 31,		2021	2020
Lease assets:	Balance Sheet Classification		
Operating lease ROU assets	Other assets	$ 842	$ 937
Lease liabilities:			
Operating lease liabilities	Accrued expenses and other liabilities	$ 932	$ 1,033

The Company had immaterial sublease income for the years ended December 31, 2021 and 2020.

The components of lease expense are as follows:

Year Ended December 31,	2021	2020	2019
Lease Cost			
Operating lease cost [1]	$ 220	$ 166	$ 137
Variable lease cost [2]	48	34	34

[1] Includes an immaterial amount attributable to short-term leases.
[2] Includes payments that are entirely variable and amounts that represent the difference between payments based on an index or rate that is reflected in the lease liability and what is actually incurred.

The following tables present supplemental operating lease information:

December 31,	2021	2020
Lease Term and Discount Rate		
Weighted-average remaining lease term (years)	6.63	7.02
Weighted-average discount rate	2.48%	2.86%

Maturity of Lease Liabilities	Operating Leases [1]
2022	$ 191
2023	185
2024	149
2025	128
2026	103
Thereafter	257
Total lease payments	1,013
Less: Interest	81
Present value of lease liabilities	$ 932

[1] Operating lease payments exclude $40 million of legally binding minimum lease payments for leases signed, but not yet commenced. These leases will commence between 2022 and 2023 with lease terms of five years to 15 years.

The Company had finance lease ROU assets included in equipment, office facilities, and property – net of $93 million and finance lease liabilities of $94 million included in long-term debt on the consolidated balance sheet as of December 31, 2021. Finance leases were immaterial as of December 31, 2020.

(Tabular Amounts in Millions, Except Per Share Data, Option Price Amounts, Ratios, or as Noted)

15. Commitments and Contingencies

Loan Portfolio: CSB provides a co-branded loan origination program for CSB clients (the Program) with Rocket Mortgage, LLC (Rocket Mortgage®), formerly known as Quicken Loans, LLC. Pursuant to the Program, Rocket Mortgage originates and services First Mortgages and HELOCs for CSB clients. Under the Program, CSB purchases certain First Mortgages and HELOCs that are originated by Rocket Mortgage. CSB purchased First Mortgages of $14.0 billion and $8.7 billion during 2021 and 2020, respectively. CSB purchased HELOCs with commitments of $418 million and $458 million during 2021 and 2020, respectively.

The Company's commitments to extend credit on bank lines of credit and to purchase First Mortgages are as follows:

December 31,	2021	2020
Commitments to extend credit related to unused HELOCs, PALs, and other lines of credit	$ 6,193	$ 8,141
Commitments to purchase First Mortgage loans	1,824	1,917
Total	$ 8,017	$ 10,058

Guarantees and indemnifications: Schwab 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. We partially satisfy the margin requirements by arranging unsecured standby LOCs, in favor of the Options Clearing Corporation, which are issued by several banks. At December 31, 2021, the aggregate face amount of these LOCs totaled $15 million. There were no funds drawn under any of these LOCs at December 31, 2021. In connection with its securities lending activities, Schwab 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 amounts it has posted as collateral. The Company also engages third-party firms to clear clients' futures and options on futures transactions and to facilitate clients' foreign exchange trading, and has agreed to indemnify these firms for losses that they may incur from the client transactions introduced to them by the Company. The potential requirement for the Company to make payments under these arrangements is remote. Accordingly, no liability has been recognized for these guarantees.

IDA agreement: The Company's IDA agreement with the TD Depository Institutions became effective on October 6, 2020. The IDA agreement creates responsibilities of the Company and certain contingent obligations. Pursuant to the IDA agreement, uninvested cash within eligible brokerage client accounts is swept off-balance sheet to deposit accounts at the TD Depository Institutions. Schwab provides recordkeeping and support services to the TD Depository Institutions with respect to the deposit accounts for which Schwab receives an aggregate monthly fee. Though unlikely, in the event the sweep arrangement fee computation were to result in a negative amount in any given month, Schwab would be required to pay the TD Depository Institutions.

The IDA agreement also provides that, as of July 1, 2021, Schwab has the option to migrate up to $10 billion of IDA balances every 12 months to Schwab's balance sheet, subject to certain limitations and adjustments. The Company's ability to migrate these balances to its balance sheet is dependent upon multiple factors including having sufficient capital levels to sustain these incremental deposits and certain binding limitations specified in the IDA agreement, including the requirement that Schwab can only move IDA balances designated as floating-rate obligations. In addition, Schwab also must maintain a minimum $50 billion IDA balance through June 2031, and at least 80% of the IDA balances must be designated as fixed-rate obligations through June 2026.

The total ending IDA balance was $147.2 billion as of December 31, 2021, and $154.1 billion as of December 31, 2020. Were IDA balances to decline below the required IDA balance minimum, Schwab could be required to direct additional sweep cash from its balance sheet to the IDA program. Through December 31, 2021, Schwab had moved $10.1 billion of IDA balances to its balance sheet, which included uninsured balances and certain international account balances. Subsequent to December 31, 2021, the Company moved approximately $10 billion of additional IDA balances to its balance sheet.

Legal contingencies: Schwab 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.

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; and potential opportunities for settlement and the status of any settlement discussions. It may not be reasonably possible to estimate 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.

Schwab 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 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.

Schwab Intelligent Portfolios® SEC Investigation: As disclosed on July 1, 2021, the Company has been responding to an enforcement investigation by the SEC arising from a compliance examination and concerning historic disclosures related to the Schwab Intelligent Portfolios digital advisory solution. In connection with a tentative agreement reached with SEC staff to resolve the matter, financial results for 2021 included a liability and related non-deductible charge of approximately $200 million. Completion of any settlement is always contingent on a vote of the Commission. The Company continues to cooperate with SEC staff with the goal of fully resolving the matter.

TD Ameritrade Acquisition Litigation: As disclosed previously, Schwab and TD Ameritrade have been responding to a lawsuit challenging the acquisition which was filed on May 12, 2020 in the Delaware Court of Chancery (Hawkes v. Bettino et al.) on behalf of a proposed class of TD Ameritrade's stockholders, excluding, among others, TD Bank. The initial complaint named as defendants each member of the TD Ameritrade board of directors at the time the acquisition was approved, as well as TD Bank and Schwab. On June 11, 2020, plaintiff dismissed a claim that had sought to enjoin voting on or consummation of the acquisition. On February 5, 2021, plaintiff filed an amended complaint naming an officer and certain directors of TD Ameritrade at the time the acquisition was approved, as well as TD Bank, certain TD Bank related entities, and Schwab. The amended complaint asserts separate claims for breach of fiduciary duty by the TD Ameritrade officer, certain members of the TD Ameritrade board and TD Bank, and against Schwab for aiding and abetting such breaches, the allegation being that the amendment of the Insured Deposit Account Agreement TD Bank negotiated directly with Schwab allowed TD Bank to divert merger consideration from TD Ameritrade's minority public stockholders. Plaintiff seeks to recover monetary damages, costs and attorneys' fees. Schwab and the other defendants consider the allegations to be entirely without merit and on April 29, 2021, filed motions to dismiss the remaining claims in the lawsuit.

Crago Order Routing Litigation: On July 13, 2016, a securities class action lawsuit was filed in the U.S. District Court for the Northern District of California on behalf of a putative class of customers executing equity orders through CS&Co. The lawsuit names CS&Co and CSC as defendants and alleges that an agreement under which CS&Co routed orders to UBS Securities LLC between July 13, 2011 and December 31, 2014 violated CS&Co's duty to seek best execution. Plaintiffs seek unspecified damages, interest, injunctive and equitable relief, and attorneys' fees and costs. Defendants consider the allegations to be entirely without merit and have been vigorously contesting the lawsuit. After a first amended complaint was dismissed with leave to amend, plaintiffs filed a second amended complaint on August 14, 2017. Defendants again moved to dismiss, and in a decision issued December 5, 2017, the court denied the motion. Plaintiffs filed a motion for class certification on April 30, 2021, and in a decision on October 27, 2021, the court denied the motion and held that certification of a class action is inappropriate. Plantiffs sought review of the order denying class certification by the Ninth Circuit Court of Appeals, which was denied, and on February 3, 2022, plantiffs filed a motion for reconsideration of that denial, which is pending.

Ford Order Routing Litigation: On September 15, 2014, TDA Holding, TD Ameritrade, Inc. and its former CEO, Frederick J. Tomczyk, were sued in the U.S. District Court for the District of Nebraska on behalf of a putative class of TD Ameritrade, Inc. clients alleging that defendants failed to seek best execution and made misrepresentations and omissions regarding its order routing practices. Plaintiffs seek unspecified damages and injunctive and other relief. Defendants consider the allegations to be entirely without merit and have been vigorously contesting the lawsuit. On September 14, 2018, the District Court granted plaintiff's motion for class certification, and defendants petitioned for an immediate appeal of the District Court's class certification decision. On April 23, 2021, the U.S. Court of Appeals, 8th Circuit, issued a decision reversing the District Court's certification of a class and remanding the case back to the District Court for further proceedings. Plaintiffs have renewed their motion for class certification with the District Court, and a motion by defendants to compel the case to arbitration was denied by the District Court as premature.

16. Exit and Other Related Liabilities

As a result of the significant growth seen beginning in late 2020 and early 2021 across key client volume metrics, including the number of active brokerage accounts, clients' daily average trades, and peak daily trades, the Company determined in 2021 to increase the scope of technology work related to the integration of TD Ameritrade. In 2021, we commenced greater technology build-out to support the expanded volumes of our combined client base. Based on our current integration plans and expanded scope of technology work, the Company continues to expect to complete client conversion within 30 to 36 months from the October 6, 2020 acquisition date.

To achieve our integration objectives, the Company expects to recognize significant additional acquisition and integration-related costs and capital expenditures throughout the integration process. Such acquisition and integration-related costs have included, and are expected to continue to include, professional fees, such as legal, advisory, and accounting fees, compensation and benefits expenses for employees and contractors involved in the integration work, and costs for technology enhancements.

The Company's acquisition and integration-related spending also includes exit and other related costs, which are primarily comprised of employee compensation and benefits such as severance pay, other termination benefits, and retention costs, as well as costs related to facility closures such as accelerated amortization and depreciation or impairments of assets in those locations. Exit and other related costs are a component of the Company's overall acquisition and integration-related spending, and support the Company's ability to achieve integration objectives including expected synergies.

Our estimates of the nature, amounts, and timing of recognition of acquisition and integration-related costs remain subject to change based on a number of factors, including the expected duration and complexity of the integration process and the continued uncertainty of the current economic environment. More specifically, factors that could cause variability in our expected acquisition and integration-related costs include the level of employee attrition, workforce redeployment from eliminated positions into open roles, changes in the levels of client activity, as well as increased real estate-related exit cost variability due to the effects of the COVID-19 pandemic including changes in remote working trends.

Inclusive of costs recognized through December 31, 2021, Schwab currently expects to incur total exit and other related costs for the integration of TD Ameritrade ranging from $650 million to $1 billion, consisting of employee compensation and benefits, facility exit costs, and certain other costs. During the years ended December 31, 2021 and 2020, the Company recognized $108 million and $186 million for acquisition-related exit costs, respectively. The Company expects the remaining exit and other related costs will be incurred and charged to expense over the next 21 to 33 months; some costs are expected to be incurred after client conversion. In addition to ASC 420 *Exit or Disposal Cost Obligations*, certain of the costs associated with these activities are accounted for in accordance with ASC 360 *Property, Plant and Equipment*, ASC 712 *Compensation – Nonretirement Post Employment Benefits*, ASC 718 *Compensation – Stock Compensation*, and ASC 842 *Leases*.

(Tabular Amounts in Millions, Except Per Share Data, Option Price Amounts, Ratios, or as Noted)

The following is a summary of the activity in the Company's exit and other related liabilities for the years ended December 31, 2021 and 2020:

	Investor Services Employee Compensation and Benefits	Advisor Services Employee Compensation and Benefits	Total
Balance at December 31, 2019	$ —	$ —	$ —
Exit and other related liabilities assumed in business acquisition	18	5	23
Amounts recognized in expense [(1)]	138	38	176
Costs paid or otherwise settled	(70)	(19)	(89)
Balance at December 31, 2020 [(2)]	$ 86	$ 24	$ 110
Amounts recognized in expense [(1)]	66	17	83
Costs paid or otherwise settled	(124)	(34)	(158)
Balance at December 31, 2021 [(2)]	$ 28	$ 7	$ 35

(1) Amounts recognized in expense for severance pay and other termination benefits, as well as retention costs, are primarily included in compensation and benefits on the consolidated statements of income. The year ended December 31, 2021 includes a reduction of the liability resulting from changes in estimates of $9 million and $2 million in Investor Services and Advisor Services, respectively.
(2) Included in accrued and expenses and other liabilities on the consolidated balance sheets.

The following table summarizes the exit and other related costs recognized in expense for the year ended December 31, 2021:

	Investor Services			Advisor Services			
	Employee Compensation and Benefits	Facility Exit Costs [(1)]	Investor Services Total	Employee Compensation and Benefits	Facility Exit Costs [(1)]	Advisor Services Total	Total
Compensation and benefits	$ 66	$ —	$ 66	$ 17	$ —	$ 17	$ 83
Occupancy and equipment	—	18	18	—	4	4	22
Professional services	—	1	1	—	—	—	1
Other	—	2	2	—	—	—	2
Total	$ 66	$ 21	$ 87	$ 17	$ 4	$ 21	$ 108

(1) Costs related to facility closures. These costs, which are primarily comprised of accelerated amortization of ROU assets, relate to the impact of abandoning leased and other properties.

The following table summarizes the exit and other related costs recognized in expense for the year ended December 31, 2020:

	Investor Services			Advisor Services			
	Employee Compensation and Benefits	Facility Exit Costs [(1)]	Investor Services Total	Employee Compensation and Benefits	Facility Exit Costs [(1)]	Advisor Services Total	Total
Compensation and benefits	$ 138	$ —	$ 138	$ 38	$ —	$ 38	$ 176
Occupancy and equipment	—	6	6	—	1	1	7
Depreciation and amortization	—	2	2	—	1	1	3
Total	$ 138	$ 8	$ 146	$ 38	$ 2	$ 40	$ 186

(1) Costs related to facility closures. These costs, which are comprised of accelerated amortization of ROU assets and accelerated depreciation of fixed assets, relate to the impact of abandoning leased and other properties.

(Tabular Amounts in Millions, Except Per Share Data, Option Price Amounts, Ratios, or as Noted)

The following table summarizes the exit and other related costs incurred from October 6, 2020 through December 31, 2021:

	Investor Services			Advisor Services			
	Employee Compensation and Benefits	Facility Exit Costs [1]	Investor Services Total	Employee Compensation and Benefits	Facility Exit Costs [1]	Advisor Services Total	Total
Compensation and benefits	$ 204	$ —	$ 204	$ 55	$ —	$ 55	$ 259
Occupancy and equipment	—	24	24	—	5	5	29
Depreciation and amortization	—	2	2	—	1	1	3
Professional services	—	1	1	—	—	—	1
Other	—	2	2	—	—	—	2
Total	$ 204	$ 29	$ 233	$ 55	$ 6	$ 61	$ 294

[1] Costs related to facility closures. These costs, which are primarily comprised of accelerated amortization of ROU assets and accelerated depreciation of fixed assets, relate to the impact of abandoning leased and other properties.

17. Financial Instruments Subject to Off-Balance Sheet Credit Risk

Resale 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 at or 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. The collateral provided under these resale agreements is utilized to meet obligations under broker-dealer client protection rules, which place limitations on our ability to access such segregated securities. For Schwab to repledge or sell this collateral, we would be required to deposit cash and/or securities of an equal amount into our segregated reserve bank accounts in order to meet our segregated cash and investment requirement. Schwab's resale agreements as of December 31, 2021 and 2020 were not subject to master netting arrangements.

Securities lending: Schwab loans brokerage client securities temporarily to other brokers and clearing houses 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, we may be exposed to the risk of acquiring the securities at prevailing market prices in order to satisfy our client obligations. Schwab mitigates this risk by requiring credit approvals for counterparties, monitoring the fair value of securities loaned, and requiring additional cash as collateral when necessary. In addition, most of our securities lending transactions are through a program with a clearing organization, which guarantees the return of cash to us. We also borrow securities from other broker-dealers to fulfill short sales by brokerage clients and deliver cash to the lender in exchange for the securities. The fair value of these borrowed securities was $566 million and $852 million at December 31, 2021 and 2020, respectively. Our securities lending transactions are subject to enforceable master netting arrangements with other broker-dealers; however, we do not net securities lending transactions. Therefore, the securities loaned and securities borrowed are presented gross in the consolidated balance sheets.

(Tabular Amounts in Millions, Except Per Share Data, Option Price Amounts, Ratios, or as Noted)

The following table presents information about our resale agreements, securities lending, and other activity depicting the potential effect of rights of setoff between these recognized assets and recognized liabilities.

	Gross Assets/ Liabilities	Gross Amounts Offset in the Consolidated Balance Sheets	Net Amounts Presented in the Consolidated Balance Sheets	Gross Amounts Not Offset in the Consolidated Balance Sheets: Counterparty Offsetting	Gross Amounts Not Offset in the Consolidated Balance Sheets: Collateral	Net Amount
December 31, 2021						
Assets						
Resale agreements [1]	$ 13,096	$ —	$ 13,096	$ —	$ (13,096) [2]	$ —
Securities borrowed [3]	582	—	582	(383)	(195)	4
Total	$ 13,678	$ —	$ 13,678	$ (383)	$ (13,291)	$ 4
Liabilities						
Securities loaned [4,5]	$ 7,158	$ —	$ 7,158	$ (383)	$ (6,015)	$ 760
Secured short-term borrowings [6]	1,850	—	1,850	—	(1,850)	—
Total	$ 9,008	$ —	$ 9,008	$ (383)	$ (7,865)	$ 760
December 31, 2020						
Assets						
Resale agreements [1]	$ 14,904	$ —	$ 14,904	$ —	$ (14,904) [2]	$ —
Securities borrowed [3]	873	—	873	(673)	(195)	5
Total	$ 15,777	$ —	$ 15,777	$ (673)	$ (15,099)	$ 5
Liabilities						
Securities loaned [4,5]	$ 7,549	$ —	$ 7,549	$ (673)	$ (6,049)	$ 827
Total	$ 7,549	$ —	$ 7,549	$ (673)	$ (6,049)	$ 827

(1) Included in cash and investments segregated and on deposit for regulatory purposes in the consolidated balance sheets.
(2) Actual collateral was greater than or equal to the value of the related assets. At December 31, 2021 and 2020, the fair value of collateral received in connection with resale agreements that are available to be repledged or sold was $13.4 billion and $15.2 billion, respectively.
(3) Included in other assets in the consolidated balance sheets.
(4) Included in accrued expenses and other liabilities in the consolidated balance sheets. 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, 2021 and 2020.
(5) Securities loaned are predominantly comprised of equity securities held in client brokerage accounts with overnight and continuous remaining contractual maturities.
(6) Included in short-term borrowings in the consolidated balance sheets. See below for collateral pledged and Note 13 for additional information.

Client trade settlement: Schwab is obligated to settle transactions with brokers and other financial institutions even if our clients fail to meet their obligations to us. Clients are required to complete their transactions on settlement date, generally two business days after the trade date. If clients do not fulfill their contractual obligations, we may incur losses. We have 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.

(Tabular Amounts in Millions, Except Per Share Data, Option Price Amounts, Ratios, or as Noted)

Margin lending: Clients with margin loans have agreed to allow Schwab to pledge collateralized securities in their brokerage accounts in accordance with federal regulations. The following table summarizes the fair value of client securities that were available, under such regulations, that could have been used as collateral, as well as the fair value of securities that we had pledged to third parties under such regulations and from securities borrowed transactions:

December 31,	2021	2020
Fair value of client securities available to be pledged	$ 120,306	$ 84,006
Fair value of securities pledged for:		
Fulfillment of requirements with the Options Clearing Corporation [1]	$ 16,829	$ 10,222
Fulfillment of client short sales	5,934	6,274
Securities lending to other broker-dealers	6,269	6,522
Collateral for short-term borrowings	2,390	—
Total collateral pledged to third parties	$ 31,422	$ 23,018

Note: Excludes amounts available and pledged for securities lending from fully-paid client securities. The fair value of fully-paid client securities available and pledged was $118 million as of December 31, 2021 and $183 million as of December 31, 2020.

(1) Securities pledged to fulfill client margin requirements for open option contracts established with the Options Clearing Corporation.

(Tabular Amounts in Millions, Except Per Share Data, Option Price Amounts, Ratios, or as Noted)

18. Fair Values of Assets and Liabilities

For a description of the fair value hierarchy and Schwab's fair value methodologies, including the use of independent third-party pricing services, see Note 2. The Company did not adjust prices received from the primary independent third-party pricing service at December 31, 2021 or 2020.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following tables present the fair value hierarchy for assets and liabilities measured at fair value on a recurring basis:

December 31, 2021	Level 1	Level 2	Level 3	Balance at Fair Value
Cash equivalents:				
Money market funds	$ 11,719	$ —	$ —	$ 11,719
Total cash equivalents	11,719	—	—	11,719
Investments segregated and on deposit for regulatory purposes:				
Certificates of deposit	—	350	—	350
U.S. Government securities	—	36,349	—	36,349
Total investments segregated and on deposit for regulatory purposes	—	36,699	—	36,699
Available for sale securities:				
U.S. agency mortgage-backed securities	—	334,355	—	334,355
U.S. Treasury securities	—	21,282	—	21,282
Asset-backed securities	—	17,546	—	17,546
Corporate debt securities	—	12,344	—	12,344
U.S. state and municipal securities	—	1,687	—	1,687
Non-agency commercial mortgage-backed securities	—	1,190	—	1,190
Certificates of deposit	—	999	—	999
Foreign government agency securities	—	425	—	425
Commercial paper	—	200	—	200
Other	—	26	—	26
Total available for sale securities	—	390,054	—	390,054
Other assets:				
Equity, corporate debt, and other securities	854	59	—	913
Mutual funds and ETFs	636	—	—	636
State and municipal debt obligations	—	32	—	32
U.S. Government securities	—	3	—	3
Total other assets	1,490	94	—	1,584
Total assets	$ 13,209	$ 426,847	$ —	$ 440,056
Accrued expenses and other liabilities	$ 1,354	$ 45	$ —	$ 1,399
Total liabilities	$ 1,354	$ 45	$ —	$ 1,399

(Tabular Amounts in Millions, Except Per Share Data, Option Price Amounts, Ratios, or as Noted)

December 31, 2020	Level 1	Level 2	Level 3	Balance at Fair Value
Cash equivalents:				
Money market funds	$ 11,159	$ —	$ —	$ 11,159
Total cash equivalents	11,159	—	—	11,159
Investments segregated and on deposit for regulatory purposes:				
Certificates of deposit	—	550	—	550
U.S. Government securities	—	30,698	—	30,698
Total investments segregated and on deposit for regulatory purposes	—	31,248	—	31,248
Available for sale securities:				
U.S. agency mortgage-backed securities	—	290,353	—	290,353
Asset-backed securities	—	18,898	—	18,898
Corporate debt securities	—	12,796	—	12,796
U.S. Treasury securities	—	10,656	—	10,656
U.S. state and municipal securities	—	1,697	—	1,697
Foreign government agency securities	—	1,413	—	1,413
Non-agency commercial mortgage-backed securities	—	1,265	—	1,265
Certificates of deposit	—	300	—	300
Other	—	22	—	22
Total available for sale securities	—	337,400	—	337,400
Other assets:				
Mutual funds and ETFs	361	—	—	361
U.S. Government securities	—	253	—	253
State and municipal debt obligations	—	37	—	37
Equity, corporate debt, and other securities	7	29	—	36
Total other assets	368	319	—	687
Total	$ 11,527	$ 368,967	$ —	$ 380,494

(Tabular Amounts in Millions, Except Per Share Data, Option Price Amounts, Ratios, or as Noted)

Fair Value of Other Financial Instruments

The following tables present the fair value hierarchy for other financial instruments:

December 31, 2021	Carrying Amount	Level 1	Level 2	Level 3	Balance at Fair Value
Assets					
Cash and cash equivalents	$ 51,256	$ 51,256	$ —	$ —	$ 51,256
Cash and investments segregated and on deposit for regulatory purposes	17,246	4,151	13,095	—	17,246
Receivables from brokerage clients — net	90,560	—	90,560	—	90,560
Bank loans — net:					
First Mortgages	21,077	—	21,027	—	21,027
HELOCs	646	—	668	—	668
Pledged asset lines	12,709	—	12,709	—	12,709
Other	204	—	204	—	204
Total bank loans — net	34,636	—	34,608	—	34,608
Other assets	3,561	—	3,561	—	3,561
Liabilities					
Bank deposits	$ 443,778	$ —	$ 443,778	$ —	$ 443,778
Payables to brokerage clients	125,671	—	125,671	—	125,671
Accrued expenses and other liabilities	8,327	—	8,327	—	8,327
Short-term borrowings	4,855	—	4,855	—	4,855
Long-term debt	18,820	—	19,383	—	19,383

December 31, 2020	Carrying Amount	Level 1	Level 2	Level 3	Balance at Fair Value
Assets					
Cash and cash equivalents	$ 29,189	$ 29,189	$ —	$ —	$ 29,189
Cash and investments segregated and on deposit for regulatory purposes	19,143	4,212	14,931	—	19,143
Receivables from brokerage clients — net	64,436	—	64,436	—	64,436
Bank loans — net:					
First Mortgages	14,882	—	15,305	—	15,305
HELOCs	837	—	838	—	838
Pledged asset lines	7,916	—	7,916	—	7,916
Other	178	—	178	—	178
Total bank loans — net	23,813	—	24,237	—	24,237
Other assets	2,883	—	2,883	—	2,883
Liabilities					
Bank deposits	$ 358,022	$ —	$ 358,022	$ —	$ 358,022
Payables to brokerage clients	104,201	—	104,201	—	104,201
Accrued expenses and other liabilities	8,263	—	8,263	—	8,263
Long-term debt	13,626	—	14,829	—	14,829

19. Stockholders' Equity

Except in connection with the 2020 acquisition of TD Ameritrade as described below, CSC did not issue shares of common stock through external offerings during the years ended December 31, 2021, 2020 or 2019.

On October 6, 2020, the Company completed its acquisition of TD Ameritrade. In conjunction with the acquisition, the Company issued shares of CSC common stock and a new, nonvoting class of CSC common stock. Immediately prior to the acquisition, on October 6, 2020, the Company amended its certificate of incorporation to create the nonvoting class of common stock with 300 million shares authorized for issuance and to increase the number of authorized shares of capital stock by the same amount. Each share of nonvoting common stock has identical rights to common stock, including liquidation and dividend rights, except that holders of nonvoting common stock have no voting rights other than over matters that significantly and adversely affect the rights or preferences of the nonvoting common stock, or as required by applicable law. Holders of nonvoting common stock are restricted from transferring shares except for permitted inside or outside transfers, as defined in the certificate of incorporation. Shares of nonvoting stock transferred in a permitted outside transfer are automatically converted to shares of common stock.

Pursuant to the Merger Agreement, CSC issued approximately 177 million shares of common stock and approximately 77 million shares of nonvoting common stock to TD Bank and its affiliates on October 6, 2020. Those shares of common stock and nonvoting common stock were issued in reliance upon an exemption from registration afforded by Section 4(a)(2) of the Securities Act. Following this issuance, TD Bank exchanged an aggregate of approximately 2 million shares of CSC common stock for an equal number of shares of CSC nonvoting common stock and held approximately 79 million shares of nonvoting common stock as of December 31, 2021. TD Bank and its affiliates are not permitted to own more than 9.9% of CSC common stock. This limit is interpreted in accordance with the applicable rules of the Federal Reserve and includes shares of CSC common stock deemed to be beneficially owned directly or indirectly by TD Bank and its affiliates.

On June 1, 2021, the Company redeemed all of the 600,000 outstanding shares of its 6.00% non-cumulative perpetual preferred stock, Series C, and the corresponding 24,000,000 depositary shares, each representing a 1/40th interest in a share of the Series C Preferred Stock. The depositary shares were redeemed at a redemption price of $25 per depositary share for a total of $600 million.

On March 30, 2021, the Company issued and sold 24,000,000 depositary shares, each representing a 1/40th ownership interest in a share of 4.450% fixed-rate non-cumulative perpetual preferred stock, Series J, $.01 par value, with a liquidation preference of $1,000 per share (equivalent of $25 per Depositary Share). The net proceeds of the offering were $584 million, after deducting the underwriting discount and offering expenses.

On March 18, 2021, the Company issued and sold 2,250,000 depositary shares, each representing a 1/100th ownership interest in a share of 4.000% fixed-rate reset non-cumulative perpetual preferred stock, Series I, $.01 par value per share, with a liquidation preference of $100,000 per share (equivalent of $1,000 per Depositary Share). The net proceeds of the offering were $2.2 billion, after deducting the underwriting discount and offering expenses.

On December 11, 2020, the Company issued and sold 2,500,000 depositary shares, each representing a 1/100th ownership interest in a share of 4.000% fixed-rate reset non-cumulative perpetual preferred stock, Series H, $.01 par value per share, with a liquidation preference of $100,000 per share (equivalent of $1,000 per Depositary Share). The net proceeds of the offering were approximately $2.47 billion, after deducting the underwriting discount and offering expenses.

On April 30, 2020, the Company issued and sold 2,500,000 depositary shares, each representing a 1/100th ownership interest in a share of 5.375% fixed-rate reset non-cumulative perpetual preferred stock, Series G, $.01 par value per share, with a liquidation preference of $100,000 per share (equivalent of $1,000 per Depositary Share). The net proceeds of the offering were approximately $2.47 billion, after deducting the underwriting discount and offering expenses.

On January 30, 2019, CSC publicly announced that its Board of Directors authorized a share repurchase program to repurchase up to $4.0 billion of common stock. The share repurchase authorization does not have an expiration date. There were no repurchases of CSC's common stock under this authorization during the years ended December 31, 2021 and 2020. During 2019, CSC repurchased 55 million shares of its common stock under this authorization for $2.2 billion.

CSC was authorized to issue 9,940,000 shares of preferred stock, $.01 par value, at December 31, 2021 and 2020. The following is a summary of CSC's non-cumulative perpetual preferred stock outstanding as of such dates:

	Shares Issued and Outstanding (in thousands) at December 31,		Liquidation Preference Per Share	Carrying Value at December 31,		Issue Date	Dividend Rate in Effect at December 31, 2021	Earliest Redemption Date	Date at Which Dividend Rate Resets or Becomes Floating	Reset / Floating Rate	Margin Over Reset / Floating Rate
	2021 (1)	2020 (1)		2021	2020						
Fixed-rate:											
Series C (2)	—	600	$ 1,000	$ —	$ 585	08/03/15	—	—	N/A	N/A	N/A
Series D	750	750	1,000	728	728	03/07/16	5.950%	06/01/21	N/A	N/A	N/A
Series J	600	—	1,000	584	—	03/30/21	4.450%	06/01/26	N/A	N/A	N/A
Fixed-to-floating-rate/Fixed-rate reset (3):											
Series A	400	400	1,000	397	397	01/26/12	7.000%	02/01/22	02/01/22	3M LIBOR	4.820%
Series E	6	6	100,000	591	591	10/31/16	4.625%	03/01/22	03/01/22	3M LIBOR	3.315%
Series F	5	5	100,000	492	492	10/31/17	5.000%	12/01/27	12/01/27	3M LIBOR	2.575%
Series G	25	25	100,000	2,470	2,470	04/30/20	5.375%	06/01/25	06/01/25	5-Year Treasury	4.971%
Series H	25	25	100,000	2,470	2,470	12/11/20	4.000%	12/01/30	12/01/30	10-Year Treasury	3.079%
Series I (4)	23	—	100,000	2,222	—	03/18/21	4.000 %	06/01/26	06/01/26	5-Year Treasury	3.168 %
Total preferred stock	1,834	1,811		$ 9,954	$ 7,733						

(1) Represented by depositary shares, except for Series A.
(2) Series C Preferred Stock was redeemed on June 1, 2021.
(3) The dividend rate for Series G resets on each five-year anniversary from the first reset date. The dividend rate for Series H resets on each 10-year anniversary from the first reset date.
(4) The Series I dividend rate resets on each five-year anniversary beginning on June 1, 2026 based on a five-year treasury rate, representing the average of the yields on actively traded U.S. treasury securities adjusted to constant maturity for five-year maturities. Series I is only redeemable on dividend payment dates on or after the first reset date.
N/A Not applicable.

Dividends declared on the Company's preferred stock are as follows:

Year Ended December 31,	2021		2020		2019	
	Total Declared (in millions)	Per Share Amount	Total Declared (in millions)	Per Share Amount	Total Declared (in millions)	Per Share Amount
Series A	$ 28.0	$ 70.00	$ 28.0	$ 70.00	$ 28.0	$ 70.00
Series C (1)	18.0	30.00	36.0	60.00	36.0	60.00
Series D	44.6	59.52	44.6	59.52	44.6	59.52
Series E	27.8	4,625.00	27.8	4,625.00	27.8	4,625.00
Series F	25.0	5,000.00	25.0	5,000.00	25.0	5,000.00
Series G (2)	134.4	5,375.00	78.8	3,150.35	N/A	N/A
Series H (3)	97.2	3,888.89	N/A	N/A	N/A	N/A
Series I (4)	63.2	2,811.11	N/A	N/A	N/A	N/A
Series J (5)	17.9	29.80	N/A	N/A	N/A	N/A
Total	$ 456.1		$ 240.2		$ 161.4	

(1) Series C Preferred Stock was redeemed on June 1, 2021. Prior to redemption, dividends were paid quarterly and the final dividend was paid on June 1, 2021.
(2) Series G Preferred Stock was issued on April 30, 2020. Dividends are paid quarterly, and the first dividend was paid on September 1, 2020.
(3) Series H Preferred Stock was issued on December 11, 2020. Dividends are paid quarterly, and the first dividend was paid on March 1, 2021.
(4) Series I Preferred Stock was issued on March 18, 2021. Dividends are paid quarterly, and the first dividend was paid on June 1, 2021.
(5) Series J Preferred Stock was issued on March 30, 2021. Dividends are paid quarterly, and the first dividend was paid on June 1, 2021.
N/A Not applicable.

Dividends on CSC's preferred stock are not cumulative and will only be paid on a series of preferred stock for a dividend period if declared by CSC's Board of Directors. Under the terms of each series of preferred stock, CSC'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 of preferred stock, is subject to restrictions in the event that CSC does not declare and either pay or set aside a sum sufficient for payment of dividends on the series of preferred stock for the immediately preceding dividend period.

(Tabular Amounts in Millions, Except Per Share Data, Option Price Amounts, Ratios, or as Noted)

Dividends on fixed-rate preferred stock, as well as Series G, H, and I, are payable quarterly. Dividends on fixed-to-floating-rate preferred stock are payable semi-annually while at a fixed rate and will become payable quarterly after converting to a floating rate. The Series A preferred stock dividend converted to a floating rate on February 1, 2022 and is now payable quarterly.

Redemption Rights

Each series of CSC's preferred stock, except for Series G, may be redeemed at CSC's option on any dividend payment date on or after the earliest redemption date for that series. Series G preferred stock may be redeemed at CSC's option on any reset date on or after the earliest redemption date for the series. All outstanding preferred stock series may also be redeemed following a "capital treatment event," as described in the terms of each series set forth in the relevant certificate of designations. Any redemption of CSC's preferred stock is subject to approval from the Federal Reserve.

20. Accumulated Other Comprehensive Income

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

		Total AOCI
Balance at December 31, 2018	$	(252)
Available for sale securities:		
Net unrealized gain (loss) excluding transfers to available for sale from held to maturity, net of tax expense (benefit) of $96		309
Net unrealized gain on securities transferred to available for sale from held to maturity, net of tax expense (benefit) of $6 [1]		19
Other reclassifications included in other revenue, net of tax expense (benefit) of $(1)		(5)
Held to maturity securities:		
Amortization of amounts previously recorded upon transfer to held to maturity from available for sale, net of tax expense (benefit) of $9		27
Other, net of tax expense (benefit) of $(4)		(10)
Balance at December 31, 2019	$	88
Available for sale securities:		
Net unrealized gain (loss) excluding transfers to available for sale from held to maturity, net of tax expense (benefit) of $1,322		4,246
Net unrealized gain on securities transferred to available for sale from held to maturity, net of tax expense (benefit) of $336 [2]		1,057
Other reclassifications included in other revenue, net of tax expense (benefit) of $(1)		(3)
Other, net of tax expense (benefit) of $2		6
Balance at December 31, 2020	$	5,394
Available for sale securities:		
Net unrealized gain (loss), net of tax expense (benefit) of $(2,029)		(6,492)
Other reclassifications included in other revenue, net of tax expense (benefit) of $(1)		(3)
Other, net of tax expense (benefit) of $(3)		(8)
Balance at December 31, 2021	$	(1,109)

[1] In the first quarter of 2019, the Company made an election to transfer a portion of its HTM securities to AFS as part of the adoption of ASU 2017-12. The transfer resulted in a net of tax increase to AOCI of $19 million. See Note 6 for additional discussion on the 2019 transfer of HTM securities to AFS.
[2] On January 1, 2020, the Company transferred all of its investment securities designated as HTM to the AFS category. The transfer resulted in a net of tax increase to AOCI of $1.1 billion. See Note 6 for additional discussion on the 2020 transfer of HTM securities to AFS.

(Tabular Amounts in Millions, Except Per Share Data, Option Price Amounts, Ratios, or as Noted)

21. Employee Incentive, Retirement, Deferred Compensation, and Career Achievement Plans

Schwab's share-based incentive plans provide for granting options and restricted stock units to employees and directors. In addition, we offer retirement and employee stock purchase plans to eligible employees and sponsor deferred compensation plans for eligible officers and non-employee directors.

A summary of share-based compensation expense and related income tax benefit is as follows:

Year Ended December 31,	2021	2020	2019
Stock option expense	$ 36	$ 36	$ 51
Restricted stock unit expense	200	156	120
Employee stock purchase plan expense	18	12	12
Total share-based compensation expense	$ 254	$ 204	$ 183
Income tax benefit on share-based compensation expense [1]	$ (60)	$ (49)	$ (44)

[1] Excludes income tax benefits from stock options exercised and restricted stock units vested of $93 million, $14 million, and $23 million in 2021, 2020, and 2019, respectively.

The Company issues shares for stock options and restricted stock units from treasury stock. At December 31, 2021, the Company was authorized to grant up to 58 million common shares under its existing stock incentive plans. Additionally, at December 31, 2021, the Company had 30 million shares reserved for future issuance under its employee stock purchase plan.

As of December 31, 2021, there was $297 million of total unrecognized compensation cost related to outstanding stock options and restricted stock units, which is expected to be recognized through 2025 with a remaining weighted-average service period of 0.7 years for stock options, 1.9 years for restricted stock units, and 0.5 years for performance-based stock units.

Acquisition of TD Ameritrade: Upon the completion of the TD Ameritrade acquisition on October 6, 2020, TD Ameritrade's equity awards, whether vested or unvested, were assumed by the Company and converted into equity awards based on CSC common stock taking into account the defined exchange ratio of 1.0837. Otherwise, these share-based awards are subject to the same terms and conditions that were applicable immediately before the merger, except for performance-based restricted stock units which were converted into time-based restricted stock units. The fair value of the stock options assumed by the Company was determined using an option pricing model. The portion of the fair value of the replacement awards related to services provided prior to the acquisition was $94 million and was accounted for as consideration transferred. The remaining portion of the fair value of $73 million is associated with future services and had a remaining weighted-average service period of 1.9 years on the acquisition date. A change in the actual or estimated forfeiture rate from the amount originally or subsequently estimated will result in an adjustment to compensation expense based on the full acquisition-date fair value of awards not expected to vest, regardless of whether those awards were treated as consideration transferred or stock-based compensation for future services.

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 ten years from the date of grant. Options generally vest annually over a one- to four-year period from the date of grant.

Stock option activity is summarized below:

	Number of Options (In millions)	Weighted-Average Exercise Price per Share	Weighted-Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value
Outstanding at December 31, 2020	24	$ 33.67	5.36	$ 452
Granted	2	64.49		
Exercised	(9)	27.80		
Forfeited [(1)]	—	45.99		
Expired [(1)]	—	35.00		
Outstanding at December 31, 2021	17	$ 39.11	5.38	$ 782
Vested and expected to vest at December 31, 2021	17	$ 39.09	5.38	$ 782
Vested and exercisable at December 31, 2021	13	$ 34.93	4.54	$ 650

[(1)] Number of options was less than 500 thousand.

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,	2021	2020	2019
Weighted-average fair value of options granted per share	$ 19.51	$ 11.56	$ 11.97
Cash received from options exercised	221	79	118
Tax benefit realized on options exercised	61	11	17
Aggregate intrinsic value of options exercised	322	71	108

We use an option pricing model to estimate the fair value of options granted. The model takes into account the contractual term of the stock option, expected volatility, dividend yield, and the 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. We use historical option exercise data, which includes employee termination data, to estimate the probability of future option exercises. The assumptions used to value the options granted during the years presented and their expected lives were as follows:

Year Ended December 31,	2021	2020	2019
Weighted-average expected dividend yield	1.36%	2.08%	1.85%
Weighted-average expected volatility	37%	36%	30%
Weighted-average risk-free interest rate	0.8%	1.0%	2.5%
Expected life (in years)	4.2 - 5.4	4.3 - 5.9	4.2 - 5.9

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 one- to four-year period, while performance-based restricted stock units also require the Company to achieve certain financial or other measures prior to vesting. 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 2021, 2020, and 2019 was $317 million, $175 million, and $123 million, respectively.

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

	Number of Units (In millions)	Weighted-Average Grant Date Fair Value per Unit
Outstanding at December 31, 2020	10	$ 40.85
Granted	4	64.18
Vested	(4)	41.25
Forfeited	(1)	45.63
Outstanding at December 31, 2021	9	$ 49.69

Retirement and Deferred Compensation Plans

Employees can participate in Schwab'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 $187 million, $136 million, and $118 million in 2021, 2020, and 2019, respectively.

Schwab's deferred compensation plan for officers permits participants to defer the receipt of certain cash compensation. The 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 service 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 $194 million and $176 million at December 31, 2021 and 2020, respectively.

Effective upon the completion of the TD Ameritrade acquisition on October 6, 2020, TD Ameritrade's 401(k) and deferred profit-sharing plan was terminated and all unvested balances in the plan became fully vested. TD Ameritrade employees employed immediately prior to the acquisition who continued as employees of TDA Holding, CSC, or any of their subsidiaries after completion of the acquisition became eligible to participate in the SchwabPlan Retirement Savings and Investment Plan and make rollover contributions from their TD Ameritrade plan balances to the SchwabPlan Retirement Savings and Investment Plan.

Financial Consultant Career Achievement Plan

The financial consultant career achievement plan is a noncontributory, unfunded, nonqualified plan for eligible financial consultants. A financial consultant is eligible for earned cash payments after retirement contingent upon meeting certain performance levels, tenure, age, and client transitioning requirements. Allocations to the plan are calculated annually based on performance levels achieved and eligible compensation and are subject to general creditors of the Company. Full vesting occurs when a financial consultant reaches 60 years of age and has at least ten years of service with the Company.

The following table presents the changes in projected benefit obligation:

December 31,	2021	2020
Projected benefit obligation at beginning of year	$ 92	$ 83
Benefit cost [(1)]	16	17
Actuarial loss/(gain) [(2)]	11	(8)
Projected benefit obligation at end of year [(3)]	$ 119	$ 92

[(1)] Includes service cost and interest cost, which are recognized in compensation and benefits expense and other expense, respectively, in the consolidated statements of income.
[(2)] Actuarial loss/(gain) is reflected in the consolidated statements of comprehensive income and is included in AOCI on the consolidated balance sheets.
[(3)] This amount is recognized as a liability in accrued expenses and other liabilities on the consolidated balance sheets.

(Tabular Amounts in Millions, Except Per Share Data, Option Price Amounts, Ratios, or as Noted)

22. Taxes on Income

The components of taxes on income are as follows:

Year Ended December 31,	2021	2020	2019
Current:			
Federal	$ 1,507	$ 967	$ 958
State	298	172	184
Total current	1,805	1,139	1,142
Deferred:			
Federal	38	(113)	3
State	15	(25)	(1)
Total deferred	53	(138)	2
Taxes on income	$ 1,858	$ 1,001	$ 1,144

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

December 31,	2021	2020
Deferred tax assets:		
Net unrealized loss on available for sale securities	$ 347	$ —
Employee compensation, severance, and benefits	237	271
Operating lease liabilities	225	249
Reserves and allowances	74	70
Debt fair value remeasurement	47	67
State and local taxes	40	37
Net operating loss carryforwards	8	8
Total deferred tax assets	978	702
Valuation allowance	(8)	(8)
Deferred tax assets — net of valuation allowance	970	694
Deferred tax liabilities:		
Amortization of acquired intangible assets	(1,888)	(1,954)
Net unrealized gain on available for sale securities	—	(1,686)
Operating lease ROU assets	(210)	(233)
Capitalized internal-use software development costs	(142)	(101)
Other	(212)	(182)
Total deferred tax liabilities	(2,452)	(4,156)
Deferred tax asset/(liability) — net [1]	$ (1,482)	$ (3,462)

[1] Amounts are included in accrued expenses and other liabilities on the consolidated balance sheets at December 31, 2021 and 2020.

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

Year Ended December 31,	2021	2020	2019
Federal statutory income tax rate	21.0%	21.0%	21.0%
State income taxes, net of federal tax benefit	3.4	3.2	3.2
Equity compensation benefit	(1.2)	(0.3)	(0.5)
Other	0.9	(0.6)	(0.1)
Effective income tax rate	24.1%	23.3%	23.6%

(Tabular Amounts in Millions, Except Per Share Data, Option Price Amounts, Ratios, or as Noted)

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

December 31,	2021	2020
Balance at beginning of year	$ 248	$ 101
Additions for tax positions related to the current year	34	15
Additions for tax positions related to prior years	15	3
Additions for current year acquisitions	—	200
Reductions for tax positions related to prior years	(15)	(7)
Reductions due to lapse of statute of limitations	(8)	(24)
Reductions for settlements with tax authorities	(3)	(40)
Balance at end of year	$ 271	$ 248

Unrecognized tax benefits totaled $271 million and $248 million as of December 31, 2021 and 2020, respectively, $221 million and $202 million of which if recognized, would affect the annual effective tax rate.

Interest and penalties were accrued related to unrecognized tax benefits in tax expense. At December 31, 2021 and 2020, we had accrued approximately $68 million and $58 million, respectively, for the payment of interest and penalties.

The Company and its subsidiaries are subject to routine examinations by the respective federal, state, and applicable local jurisdictions' taxing authorities. Federal returns for 2017 through 2020 remain subject to examination. The years open to examination by state and local governments vary by jurisdiction.

23. Regulatory Requirements

CSC is a savings and loan holding company and is subject to examination, supervision, and regulation by the Federal Reserve. CSB, CSC's primary depository institution subsidiary, is a Texas-chartered state savings bank and is a member of the Federal Reserve system. CSB is subject to examination, supervision, and regulation by the Federal Reserve, the TDSML, the FDIC as its deposit insurer, and the CFPB. CSC is required to serve as a source of strength for CSB.

CSB is subject to various requirements and restrictions under federal and state laws, including regulatory capital requirements and requirements that restrict and govern the terms of affiliate transactions, such as extensions of credit to, or asset purchases from CSC or its other subsidiaries by CSB. In addition, CSB is required to provide notice to and may be required to obtain approval of the Federal Reserve and the TDSML 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 prompt corrective action provisions of the Federal Deposit Insurance Act, CSB could be subject to restrictive actions if it were to fall within one of the lowest three of five capital categories. CSC and CSB are required to maintain minimum capital levels as specified in federal banking 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 CSB. At December 31, 2021, both CSC and CSB met all of their respective capital requirements.

(Tabular Amounts in Millions, Except Per Share Data, Option Price Amounts, Ratios, or as Noted)

The regulatory capital and ratios for CSC (consolidated) and CSB are as follows:

	Actual		Minimum to be Well Capitalized		Minimum Capital Requirement	
December 31, 2021	Amount	Ratio	Amount	Ratio	Amount	Ratio [1]
CSC						
Common Equity Tier 1 Risk-Based Capital	$ 27,967	19.7%	N/A		$ 6,389	4.5%
Tier 1 Risk-Based Capital	37,921	26.7%	N/A		8,518	6.0%
Total Risk-Based Capital	37,950	26.7%	N/A		11,358	8.0%
Tier 1 Leverage	37,921	6.2%	N/A		24,346	4.0%
Supplementary Leverage Ratio	37,921	6.2%	N/A		18,434	3.0%
CSB						
Common Equity Tier 1 Risk-Based Capital	$ 28,014	26.8%	$ 6,787	6.5%	$ 4,698	4.5%
Tier 1 Risk-Based Capital	28,014	26.8%	8,353	8.0%	6,265	6.0%
Total Risk-Based Capital	28,033	26.8%	10,441	10.0%	8,353	8.0%
Tier 1 Leverage	28,014	7.1%	19,790	5.0%	15,832	4.0%
Supplementary Leverage Ratio	28,014	7.0%	N/A		12,016	3.0%
December 31, 2020						
CSC						
Common Equity Tier 1 Risk-Based Capital	$ 22,916	18.5%	N/A		$ 5,575	4.5%
Tier 1 Risk-Based Capital	30,649	24.7%	N/A		7,433	6.0%
Total Risk-Based Capital	30,688	24.8%	N/A		9,910	8.0%
Tier 1 Leverage	30,649	6.3%	N/A		19,396	4.0%
Supplementary Leverage Ratio	30,649	6.2%	N/A		14,744	3.0%
CSB						
Common Equity Tier 1 Risk-Based Capital	$ 17,526	19.2%	$ 5,919	6.5%	$ 4,098	4.5%
Tier 1 Risk-Based Capital	17,526	19.2%	7,285	8.0%	5,464	6.0%
Total Risk-Based Capital	17,558	19.3%	9,106	10.0%	7,285	8.0%
Tier 1 Leverage	17,526	5.5%	15,979	5.0%	12,783	4.0%
Supplementary Leverage Ratio	17,526	5.4%	N/A		9,763	3.0%

[1] Under the Basel III capital rule, CSC and CSB are also required to maintain a capital conservation buffer and a countercyclical capital buffer above the regulatory minimum risk-based capital ratios. The capital conservation buffer and countercyclical buffer were 2.5% and zero percent, respectively, for both periods presented. If either buffer falls below the minimum requirement, the Company would be subject to limits on capital distributions and discretionary bonus payments to executive officers. At December 31, 2021, the minimum capital requirement plus capital conservation buffer and countercyclical capital buffer for Common Equity Tier 1 Risk-Based Capital, Tier 1 Risk-Based Capital, and Total Risk-Based Capital ratios were 7.0%, 8.5%, and 10.5%, respectively.
N/A Not applicable.

Based on its regulatory capital ratios at December 31, 2021, CSB is considered well capitalized (the highest category) under its respective regulatory capital rules. There are no conditions or events since December 31, 2021 that management believes have changed CSB's capital category.

CSC's other banking subsidiaries are Charles Schwab Premier Bank, SSB (CSPB) and Charles Schwab Trust Bank (Trust Bank). CSPB is Texas-chartered state savings bank that provides banking and custody services, and Trust Bank is a Nevada-state chartered savings bank that provides trust and custody services. At December 31, 2021 and 2020, the balance sheets of CSPB and Trust Bank primarily consisted of investment securities. At December 31, 2021 and 2020, CSPB held total assets of $39.2 billion and $31.6 billion, respectively, and Trust Bank held total assets of $15.9 billion and $12.5 billion, respectively. Based on their regulatory capital ratios, at December 31, 2021 and 2020, CSPB and Trust Bank are considered well capitalized under their respective regulatory capital rules.

As securities broker-dealers, CS&Co, TDAC, and TD Ameritrade, Inc. are subject to the SEC's Uniform Net Capital Rule. CS&Co and TDAC each compute net capital under the alternative method permitted by the Uniform Net Capital Rule, which 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, which is based on the type of business conducted by the broker-dealer. TD Ameritrade, Inc. is required to maintain minimum net capital of the greater of 2% of aggregate debit balances arising from client transactions or a minimum dollar requirement. Under the alternative method, a broker-dealer may not repay subordinated borrowings, pay cash dividends, or make any unsecured advances or loans 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.

(Tabular Amounts in Millions, Except Per Share Data, Option Price Amounts, Ratios, or as Noted)

Net capital and net capital requirements for CS&Co, TDAC, and TD Ameritrade, Inc., are as follows:

December 31,	2021	2020
CS&Co		
Net capital	$ 5,231	$ 3,117
Minimum dollar requirement[1]	0.250	1.000
2% of aggregate debit balances	941	616
Net capital in excess of required net capital	$ 4,290	$ 2,501
TDAC		
Net capital	$ 5,337	$ 4,040
Minimum dollar requirement	1.500	1.500
2% of aggregate debit balances	1,007	748
Net capital in excess of required net capital	$ 4,330	$ 3,292
TD Ameritrade, Inc.		
Net capital	$ 711	$ 350
Minimum dollar requirement	0.250	0.250
2% of aggregate debit balances	—	—
Net capital in excess of required net capital	$ 711	$ 350

[1] During 2021, CS&Co transferred its futures business to Charles Schwab Futures and Forex LLC, a wholly-owned subsidiary of CSC. This transfer was accounted for as a common control transaction and did not have an impact on the consolidated financial statements. CS&Co subsequently deregistered prior to December 31, 2021 as an FCM with the CFTC, and, therefore, is no longer subject to net capital requirements under CFTC Regulation 1.17 under the Commodity Exchange Act.

Pursuant to the SEC's Customer Protection Rule and other applicable regulations, Schwab had cash and investments segregated for the exclusive benefit of clients at December 31, 2021. The SEC's Customer Protection Rule requires broker-dealers to segregate client fully-paid securities and cash balances not collateralizing margin positions and not swept to money market funds or bank deposit accounts. 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, 2021 for CS&Co totaled $38.4 billion and for TDAC totaled $15.9 billion. As of January 4, 2022, CS&Co had deposited $1.5 billion of cash and qualified securities into its segregated reserve accounts. As of January 3, 2022, TDAC had deposited $406 million of cash and qualified securities from its segregated reserve accounts. Cash and investments required to be segregated and on deposit for regulatory purposes at December 31, 2020 for CS&Co totaled $39.2 billion and for TDAC totaled $14.5 billion. Cash and cash equivalents included in cash and investments segregated and on deposit for regulatory purposes are presented as part of Schwab's cash balances in the consolidated statements of cash flows.

24. Segment Information

Schwab's two reportable segments are Investor Services and Advisor Services. Schwab structures the operating segments according to its clients and the services provided to those clients. The Investor Services segment provides retail brokerage, investment advisory, and banking and trust services to individual investors, and retirement plan services, as well as other corporate brokerage services, to businesses and their employees. The Advisor Services segment provides custodial, trading, banking and trust, and support services, as well as retirement business services, to independent RIAs, independent retirement advisors, and recordkeepers. Revenues and expenses are attributed to the two segments based on which segment services the client.

(Tabular Amounts in Millions, Except Per Share Data, Option Price Amounts, Ratios, or as Noted)

The Company integrated its business and asset acquisitions during 2020 into its two existing reportable segments. Revenues and expenses from our acquisition of USAA-IMCO are allocated to Investor Services only; revenues and expenses from TD Ameritrade and our other 2020 acquisitions are attributed to Investor Services and Advisor Services based on which segment services the client. See Note 3 for more information regarding business acquisitions.

The accounting policies of the segments are the same as those described in Note 2. For the computation of its segment information, Schwab 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.

Management evaluates the performance of the segments on a pre-tax basis. Segment assets and liabilities are not used for evaluating segment performance or in deciding how to allocate resources to segments. There are no revenues from transactions between the segments.

Financial information for the segments is presented in the following table:

	Investor Services			Advisor Services			Total		
Year Ended December 31,	2021	2020	2019	2021	2020	2019	2021	2020	2019
Net Revenues									
Net interest revenue	$ 6,052	$ 4,391	$ 4,685	$ 1,978	$ 1,722	$ 1,831	$ 8,030	$ 6,113	$ 6,516
Asset management and administration fees	3,130	2,544	2,289	1,144	931	922	4,274	3,475	3,211
Trading revenue	3,753	1,156	503	399	260	249	4,152	1,416	752
Bank deposit account fees	964	255	—	351	100	—	1,315	355	—
Other	562	262	146	187	70	96	749	332	242
Total net revenues	14,461	8,608	7,623	4,059	3,083	3,098	18,520	11,691	10,721
Expenses Excluding Interest	8,289	5,529	4,284	2,518	1,862	1,589	10,807	7,391	5,873
Income before taxes on income	$ 6,172	$ 3,079	$ 3,339	$ 1,541	$ 1,221	$ 1,509	$ 7,713	$ 4,300	$ 4,848
Capital expenditures	$ 771	$ 535	$ 507	$ 270	$ 206	$ 246	$ 1,041	$ 741	$ 753
Depreciation and amortization	$ 399	$ 288	$ 216	$ 150	$ 126	$ 106	$ 549	$ 414	$ 322
Amortization of acquired intangible assets	$ 499	$ 149	$ 26	$ 116	$ 41	$ 1	$ 615	$ 190	$ 27

(Tabular Amounts in Millions, Except Per Share Data, Option Price Amounts, Ratios, or as Noted)

25. Earnings Per Common Share

EPS is computed using the two-class method. Preferred stock dividends, and undistributed earnings and dividends allocated to participating securities are subtracted from net income in determining net income available to common stockholders. Basic EPS is computed by dividing net income available to common stockholders by the weighted-average number of common shares outstanding during the period. Diluted EPS is calculated similar to basic EPS except that the numerator and denominator are adjusted as necessary for any effects of dilutive potential common shares, which include, if dilutive, outstanding stock options and non-vested restricted stock units.

For the years ended December 31, 2021 and 2020, the Company had voting and nonvoting common stock outstanding. Since the rights of the voting and nonvoting common stock are identical, except with respect to voting, the net income of the Company has been allocated on a proportionate basis to the two classes. Diluted earnings per share is calculated using the treasury stock method for outstanding stock options and non-vested restricted stock units and the if-converted method for nonvoting common stock. The if-converted method assumes conversion of all nonvoting common stock to common stock.

EPS under the basic and diluted computations for both common stock and nonvoting common stock are as follows:

Year Ended December 31,	2021		2020		2019	
	Common Stock	Nonvoting Common Stock [1]	Common Stock	Nonvoting Common Stock [1]	Common Stock	Nonvoting Common Stock [1]
Basic earnings per share:						
Numerator						
Net income	$ 5,610	$ 245	$ 3,255	$ 44	$ 3,704	N/A
Preferred stock dividends and other [2]	(474)	(21)	(253)	(3)	(178)	N/A
Net income available to common stockholders	$ 5,136	$ 224	$ 3,002	$ 41	$ 3,526	N/A
Denominator						
Weighted-average common shares outstanding — basic	1,808	79	1,410	19	1,311	N/A
Basic earnings per share	$ 2.84	$ 2.84	$ 2.13	$ 2.13	$ 2.69	N/A
Diluted earnings per share:						
Numerator						
Net income available to common stockholders	$ 5,136	$ 224	$ 3,002	$ 41	$ 3,526	N/A
Reallocation of net income available to common stockholders as a result of conversion of nonvoting to voting shares	224	—	41	—	N/A	N/A
Allocation of net income available to common stockholders:	$ 5,360	$ 224	$ 3,043	$ 41	$ 3,526	N/A
Denominator						
Weighted-average common shares outstanding — basic	1,808	79	1,410	19	1,311	N/A
Conversion of nonvoting shares to voting shares	79	—	19	—	N/A	N/A
Common stock equivalent shares related to stock incentive plans	10	—	6	—	9	N/A
Weighted-average common shares outstanding — diluted [3]	1,897	79	1,435	19	1,320	N/A
Diluted earnings per share	$ 2.83	$ 2.83	$ 2.12	$ 2.12	$ 2.67	N/A

[1] Nonvoting common stock was issued in conjunction with the October 6, 2020 acquisition of TD Ameritrade. As such, nonvoting common stock is not applicable for the basic and diluted EPS computations in 2019.
[2] Includes preferred stock dividends and undistributed earnings and dividends allocated to non-vested restricted stock units.
[3] Antidilutive stock options and restricted stock units excluded from the calculation of diluted EPS totaled 16 million, 22 million, and 21 million in 2021, 2020, and 2019 respectively.
N/A Not applicable.

(Tabular Amounts in Millions, Except Per Share Data, Option Price Amounts, Ratios, or as Noted)

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

Condensed Statements of Income

Year Ended December 31,	2021	2020	2019
Interest revenue	$ 11	$ 38	$ 119
Interest expense	(355)	(273)	(248)
Net interest expense	(344)	(235)	(129)
Trading revenue	—	1	—
Other revenue	(2)	(1)	(1)
Expenses Excluding Interest:			
Professional services	(17)	(68)	(24)
Other expenses excluding interest	(125)	(85)	(83)
Loss before income tax benefit and equity in net income of subsidiaries	(488)	(388)	(237)
Income tax benefit/(expense)	32	45	(9)
Loss before equity in net income of subsidiaries	(456)	(343)	(246)
Equity in net income of subsidiaries:			
Equity in undistributed net income/(distributions in excess of net income) of subsidiaries	3,361	2,476	(1,198)
Dividends from bank subsidiaries	—	—	4,915
Dividends from non-bank subsidiaries	2,950	1,166	233
Net Income	5,855	3,299	3,704
Preferred stock dividends and other [1]	495	256	178
Net Income Available to Common Stockholders	$ 5,360	$ 3,043	$ 3,526

[1] Includes preferred stock dividends and undistributed earnings and dividends allocated to non-vested restricted stock units.

Condensed Balance Sheets

December 31,	2021	2020
Assets		
Cash and cash equivalents	$ 6,839	$ 4,654
Receivables from subsidiaries	1,288	1,260
Available for sale securities	4,218	4,982
Investment in non-bank subsidiaries	34,377	29,550
Investment in bank subsidiaries	30,720	25,548
Other assets	357	371
Total assets	$ 77,799	$ 66,365
Liabilities and Stockholders' Equity		
Accrued expenses and other liabilities	$ 618	$ 458
Payables to subsidiaries	80	34
Short-term borrowings	3,005	—
Long-term debt	17,835	9,813
Total liabilities	21,538	10,305
Stockholders' equity	56,261	56,060
Total liabilities and stockholders' equity	$ 77,799	$ 66,365

(Tabular Amounts in Millions, Except Per Share Data, Option Price Amounts, Ratios, or as Noted)

Condensed Statements of Cash Flows

Year Ended December 31,	2021	2020	2019
Cash Flows from Operating Activities			
Net income	$ 5,855	$ 3,299	$ 3,704
Adjustments to reconcile net income to net cash provided by (used for) operating activities:			
Dividends in excess of (equity in undistributed) earnings of subsidiaries	(3,361)	(2,476)	1,198
Other	21	41	9
Net change in:			
Other assets	76	(65)	57
Accrued expenses and other liabilities	112	34	34
Net cash provided by (used for) operating activities	2,703	833	5,002
Cash Flows from Investing Activities			
Due from (to) subsidiaries — net	211	46	(122)
Increase in investments in subsidiaries	(10,926)	(2,172)	(1,783)
Repayments (advances) of subordinated loan to CS&Co	—	—	185
Purchases of available for sale securities	(8,002)	(5,397)	(1,141)
Proceeds from sales of available for sale securities	2	2	181
Principal payments on available for sale securities	8,754	2,395	994
Net cash provided by (used for) investing activities	(9,961)	(5,126)	(1,686)
Cash Flows from Financing Activities			
Issuance of long-term debt	7,036	3,070	593
Repayment of long-term debt	(1,200)	(700)	—
Issuance of commercial paper	8,253	1,234	1,400
Repayments of commercial paper	(5,250)	(1,234)	(1,400)
Repurchases of common stock	—	—	(2,220)
Net proceeds from preferred stock offerings	2,806	4,940	—
Redemption of preferred stock	(600)	—	—
Dividends paid	(1,822)	(1,280)	(1,060)
Proceeds from stock options exercised and other	220	79	118
Other financing activities	—	(1)	—
Net cash provided by (used for) financing activities	9,443	6,108	(2,569)
Increase (Decrease) in Cash and Cash Equivalents	2,185	1,815	747
Cash and Cash Equivalents at Beginning of Year	4,654	2,839	2,092
Cash and Cash Equivalents at End of Year	$ 6,839	$ 4,654	$ 2,839
Supplemental Cash Flow Information			
Non-Cash Investing and Financing Activity			
Exchange of TDA Holding-issued senior notes for CSC-issued senior notes	$ 1,987	$ —	$ —

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of The Charles Schwab Corporation and subsidiaries (the "Company") as of December 31, 2021 and 2020, 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, 2021, and the related notes (collectively referred to as the "financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by COSO.

Basis for Opinions

The Company's management is responsible for these financial statements, 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 an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the financial statements included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures to respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. 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.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed 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 its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Asset Management and Administration Fees (AMAF) and Trading Revenue – Refer to Note 4 to the financial statements

Critical Audit Matter Description

Net revenues from asset management and administrative fees (AMAF) are generated through proprietary, third-party mutual fund and exchange-traded funds (ETF) offerings, as well as fee-based advisory solutions. Trading revenue is generated through commissions earned for executing trades for clients in individual equities, options, and certain third-party mutual funds and ETFs. Both AMAF and trading revenues are made up of a significant volume of low-dollar transactions, and use automated systems to process and record these transactions based on underlying information sourced from multiple systems and contractual terms with individual investors and third-party mutual funds.

Given that the Company’s process to record revenue is highly automated and involves multiple systems and databases, auditing these revenue streams was complex and challenging due to the extent of audit effort required and involvement of professionals with expertise in information technology (IT) necessary for us to identify, test, and evaluate the Company’s systems, software applications, and automated controls.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the Company’s systems to process the AMAF and trading revenue transactions included the following, among others:

- With the assistance of our IT specialists, we:
    - Identified the significant systems used to process revenue transactions and, using a risk-based approach, tested the relevant general IT controls over each of these systems.
    - Performed testing of automated business controls and system interface controls (including batch processing) within the relevant revenue streams.
- We tested internal controls within the relevant revenue business processes, including those in place to reconcile the various systems to the Company’s general ledger.
- We created data visualizations to evaluate recorded revenue and evaluate trends in the revenue data.
- For a sample of revenue transactions, we performed detail transaction testing by agreeing the amounts recognized to contractual agreements and testing the mathematical accuracy of the recorded revenue.
- For a sample of accounts, we tested the accuracy and completeness of assets under management by obtaining independent pricing support and reconciling total positions to third-party statements.

/s/ DELOITTE & TOUCHE LLP

Dallas, Texas
February 24, 2022

We have served as the Company's auditor since 1976.

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, 2021, 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, 2021.

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, 2021, has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report appearing on the previous pages.

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, 2021. 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, 2021.

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, 2021, that has materially affected, or is reasonable 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.

Item 9B. Other Information

None.

Item 9C. Disclosure Regarding Foreign Jurisdictions That Prevent Inspections

Not applicable.

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, 2022 (the Proxy Statement) under "Members of the Board of Directors," "Board Structure and Committees," and "Director Nominations." 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 https://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, 2021.

Executive Officers of the Registrant

Name	Age	Title
Charles R. Schwab	84	Chairman of the Board
Walter W. Bettinger II	61	Chief Executive Officer
Richard A. Wurster	48	President
Bernard J. Clark	63	Managing Director, Head of Advisor Services
Jonathan M. Craig	50	Managing Director, Head of Investor Services & Marketing
Peter B. Crawford	53	Managing Director, Chief Financial Officer
Joseph R. Martinetto	59	Managing Director, Chief Operating Officer
Peter J. Morgan III	57	Managing Director, General Counsel
Nigel J. Murtagh	58	Managing Director, Chief Risk Officer

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. He served as Chairman of the Board and a director of CS&Co until 2018. Mr. Schwab is also Chairman of CSB.

Mr. Bettinger has been Chief Executive Officer of CSC since 2008. He serves on the Board of Directors of CSC, CSB, and TD Ameritrade Holding Corporation, and is Chairman and trustee of The Charles Schwab Family of Funds, Schwab Investments, Schwab Capital Trust, Schwab Annuity Portfolios, Laudus Trust, and Schwab Strategic Trust, all registered investment companies and affiliates of CSC. Mr. Bettinger served as Director, President and Chief Executive Officer of CS&Co from 2008 until October 2021. Mr. Bettinger served as President of CSC from 2007 to 2021, CSC Chief Operating Officer from 2007 until 2008, and as Executive Vice President and President – Schwab Investor Services of CSC and CS&Co from 2005 to 2007. Mr. Bettinger joined Schwab in 1995.

Mr. Wurster has been President of CSC and CS&Co since October 2021. He served as CEO of Charles Schwab Investment Management, Inc. from 2019 to 2021 and CEO of Charles Schwab Investment Advisory, Inc. from 2018 to 2021. Mr. Wurster was CEO of ThomasPartners, Inc. and Windhaven Investment Management, Inc., subsidiaries of CSC, from 2016 to 2018. Mr. Wurster joined Schwab in 2016.

Mr. Clark has been Managing Director since 2022 and Executive Vice President – Advisor Services of CSC since 2012. Mr. Clark has served as Executive Vice President – Advisor Services of CS&Co since 2010. From 2006 until 2010, Mr. Clark served as Senior Vice President – Schwab Institutional Sales of CS&Co. Mr. Clark joined Schwab in 1998.

Mr. Craig has been Managing Director, Head of Investor Services and Marketing since 2022. Prior to that he served as Senior Executive Vice President from 2018 to 2021, Executive Vice President – Client and Marketing Solutions from 2017 until 2018 and Executive Vice President and Chief Marketing Officer from 2012 until 2018. Mr. Craig joined Schwab in 2000.

Mr. Crawford has been Managing Director since 2022 and Executive Vice President and Chief Financial Officer of CSC and CS&Co since 2017. Prior to his appointment as Chief Financial Officer, Mr. Crawford was Executive Vice President of Finance from 2015 to 2017. He served as Senior Vice President of Schwab's asset management and client solutions organization from 2008 to 2015. He joined the Board of Directors of TD Ameritrade Holding Corporation in 2020, and has served on the Board of Directors of CS&Co since 2018. Mr. Crawford joined Schwab in 2001.

Mr. Martinetto has been Managing Director since 2022, Senior Executive Vice President of CSC and CS&Co since 2015, and Chief Operating Officer of CSC and CS&Co since 2018. He served as Chief Financial Officer of CSC and CS&Co from 2007 until 2017, and Executive Vice President of CSC and CS&Co from 2007 until 2015. He also serves on the Board of Directors of CS&Co and TD Ameritrade Holding Corporation; he served on the Board of Directors of CSB from 2010 until 2020. Additionally, Mr. Martinetto is a trustee of The Charles Schwab Family of Funds, Schwab Investments, Schwab Capital Trust, Schwab Annuity Portfolios, Laudus Trust, and Schwab Strategic Trust. Mr. Martinetto joined Schwab in 1997.

Mr. Morgan has been Managing Director since 2022, and served as Executive Vice President, General Counsel and Corporate Secretary of CSC since 2019. He also serves as Executive Vice President & Corporate Secretary of CS&Co; he was Senior

Vice President and Deputy General Counsel of CS&Co from 2009 to January 2020. He has served as General Counsel of CSB since 2009, including as Executive Vice President and General Counsel of CSB since 2019, and as Senior Vice President and General Counsel from 2015 to 2019. Mr. Morgan joined Schwab in 1999.

Mr. Murtagh has been Managing Director since 2022 and Executive Vice President – Corporate Risk and Chief Risk Officer since 2012. He served as Senior Vice President and Chief Credit Officer of CS&Co from 2002 until 2012 and of CSC from 2008 until 2012 when he was also Head of Fixed Income Research for Charles Schwab Investment Management. Mr. Murtagh joined Schwab in 2000.

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 – 2021 Summary Compensation Table," "Executive Compensation Tables – 2021 Grants of Plan-Based Awards Table," "Executive Compensation Tables – Narrative to Summary Compensation and Grants of Plan-Based Awards Tables," "Executive Compensation Tables – 2021 Termination and Change in Control Benefits Table," "Executive Compensation Tables – Outstanding Equity Awards as of December 31, 2021," "Executive Compensation Tables – 2021 Option Exercises and Stock Vested Table," "Executive Compensation Tables – 2021 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, Financial Statement Schedules

(a) Documents filed as part of this Report

1. Financial Statements

The financial statements and independent auditors' report are included in Item 8 and are listed below:

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

2. Financial Statement Schedules

Other financial statement schedules required pursuant to this Item are omitted because of the absence of conditions under which they are required or because the information is included in the Company's consolidated financial statements and notes in Item 8.

(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 as of November 24, 2019, by and among the Registrant, Americano Acquisition Corp., and TD Ameritrade Holding Corporation, filed as Exhibit 2.1 to the Registrant's Form 8-K dated November 24, 2019, and incorporated herein by reference.*
2.2	Amendment No. 1 to Agreement and Plan of Merger, dated as of May 14, 2020, by and among the Registrant, Americano Acquisition Corp., and TD Ameritrade Holding Corporation, filed as Exhibit 2.2 to the Registrant's Form 8-K dated May 14, 2020, 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-K for the year ended December 31, 2016, and incorporated herein by reference.
3.11(i)	Amendment to Fifth Restated Certificate of Incorporation of the Registrant, effective October 6, 2020, filed as Exhibit 3.1 to the Registrant's Form 8-K dated October 2, 2020, and incorporated herein by reference.
3.14	Fourth Restated Bylaws, as amended on January 27, 2010, of the Registrant, filed as Exhibit 3.14 to the Registrant's Form 10-K for the year ended December 31, 2016, and incorporated herein by reference.
3.14(i)	Amendment to Fourth Restated Bylaws of the Registrant, effective January 1, 2021, filed as Exhibit 3.2 to the Registrant's Form 8-K dated October 2, 2020, 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 10-K for the year ended December 31, 2016, and incorporated herein by reference.
3.18	Certificate of Designations of 5.95% Non-Cumulative Perpetual Preferred Stock, Series D, of The Charles Schwab Corporation, filed as Exhibit 3.1 to the Registrant's Form 8-K dated March 7, 2016, and incorporated herein by reference.
3.19	Certificate of Designations of 4.625% Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series E, of The Charles Schwab Corporation, filed as Exhibit 3.1 to the Registrant's Form 8-K dated October 31, 2016, and incorporated herein by reference.
3.20	Certificate of Designations of 5.00% Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series F, of The Charles Schwab Corporation, filed as Exhibit 3.1 to the Registrant's Form 8-K dated October 31, 2017, and incorporated herein by reference.
3.21	Certificate of Designations of 5.375% Fixed-Rate Reset Non-Cumulative Perpetual Preferred Stock, Series G, of The Charles Schwab Corporation, filed as Exhibit 3.1 to the Registrant's Form 8-K dated April 30, 2020, and incorporated herein by reference.
3.22	Certificate of Designations of 4.000% Fixed-Rate Reset Non-Cumulative Perpetual Preferred Stock, Series H, of The Charles Schwab Corporation, filed as Exhibit 3.1 to the Registrant's Form 8-K dated December 8, 2020, and incorporated herein by reference.
3.23	Certificate of Designations of 4.000% Fixed-Rate Reset Non-Cumulative Perpetual Preferred Stock, Series I, of The Charles Schwab Corporation, filed as Exhibit 3.1 to the Registrant's Form 8-K dated March 15, 2021, and incorporated herein by reference.
3.24	Certificate of Designations of 4.450% Non-Cumulative Perpetual Preferred Stock, Series J, of The Charles Schwab Corporation, filed as Exhibit 3.1 to the Registrant's Form 8-K dated March 29, 2021, and incorporated herein by reference.
3.25	Certificate of Elimination of the 6.00% Non-Cumulative Perpetual Preferred Stock, Series C, of The Charles Schwab Corporation, filed as Exhibit 3.1 to the Registrant's Form 8-K dated June 1, 2021, and incorporated herein by reference.
4.3	Deposit Agreement, dated March 7, 2016, 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 March 7, 2016, and incorporated herein by reference.
4.4	Deposit Agreement, dated October 31, 2016, 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 October 31, 2016, and incorporated herein by reference.
4.5	Deposit Agreement, dated October 31, 2017, 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 October 31, 2017, and incorporated herein by reference.

Exhibit Number	Exhibit	
4.6	Deposit Agreement, dated April 30, 2020, between the Company and Equiniti Trust Company, 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 April 30, 2020, and incorporated herein by reference.	
4.7	Deposit Agreement, dated December 11, 2020, between the Company and Equiniti Trust Company, 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 December 8, 2020, and incorporated herein by reference.	
4.8	Deposit Agreement, dated March 18, 2021, between the Company and Equiniti Trust Company, 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 March 15, 2021, and incorporated herein by reference.	
4.9	Deposit Agreement, dated March 30, 2021, between the Company and Equiniti Trust Company, 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 March 29, 2021, and incorporated herein by reference.	
4.10	Description of Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934.	
4.11	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, filed as Exhibit 10.72 to the Registrant's Form 10-K for the year ended December 31, 2014, and incorporated herein by reference.	
10.271	The Charles Schwab Corporation Directors' Deferred Compensation Plan, as amended through December 8, 2004, filed as Exhibit 10.271 to the Registrant's Form 10-K for the year ended December 31, 2014, and incorporated herein by reference.	(2)
10.272	The Charles Schwab Corporation Deferred Compensation Plan, as amended through December 8, 2004, filed as Exhibit 10.272 to the Registrant's Form 10-K for the year ended December 31, 2014, 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-K for the year ended December 31, 2018, 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, 2016, 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, 2017, and incorporated herein by reference.	(2)
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-K for the year ended December 31, 2018, and incorporated herein by reference.	(2)
10.389	The Charles Schwab Corporation Corporate Executive Bonus Plan, restated to include amendments approved at the Annual Meeting of Stockholders on May 13, 2015, as amended and restated as of December 13, 2017, filed as Exhibit 10.389 to the Registrant's Form 10-K for the year ended December 31, 2017, and incorporated herein by reference.	(2)
10.402	Form of Notice and Nonqualified Stock Option Agreement under The Charles Schwab Corporation 2013 Stock Incentive Plan and successor plans, filed as Exhibit 10.402 to the Registrant's Form 10-Q for the quarter ended September 30, 2019, and incorporated herein by reference.	(2)
10.403	Form of Notice and Restricted Stock Unit Agreement under The Charles Schwab Corporation 2013 Stock Incentive Plan and successor plans, filed as Exhibit 10.403 to the Registrant's Form 10-Q for the quarter ended September 30, 2019, and incorporated herein by reference.	(2)

Exhibit Number	Exhibit	
10.404	Form of Notice and Restricted Stock Unit Agreement (no accelerating vesting for retirement) under The Charles Schwab Corporation 2013 Stock Incentive Plan and successor plans, filed as Exhibit 10.404 to the Registrant’s Form 10-Q for the quarter ended September 30, 2019, and incorporated herein by reference.	(2)
10.405	Stockholder Agreement, dated as of November 24, 2019, by and between the Registrant and the Toronto-Dominion Bank, filed as Exhibit 10.1 to the Registrant’s Form 8-K dated November 24, 2019, and incorporated herein by reference.	
10.406	Registration Rights Agreement by and among the Registrant, Charles R. Schwab, The Toronto-Dominion Bank, and certain other stockholders, filed as Exhibit 10.5 to the Registrant's Form 8-K dated November 24, 2019, and incorporated herein by reference.	
10.407	Amended and Restated Insured Deposit Account Agreement by and among TD Bank USA, National Association, TD Bank, National Association, and the Registrant, filed as Exhibit 10.6 to the Registrant’s Form 8-K dated November 24, 2019, and incorporated herein by reference.**	
10.407(i)	Consent, Agreement and Joinder to the Amended and Restated IDA Agreement, dated as of October 6, 2020, by and among Charles Schwab & Co., Inc., TD Ameritrade, Inc., TD Ameritrade Clearing, Inc. and TD Ameritrade Trust Company, filed as Exhibit 10.1 to TD Ameritrade Holding Corporation’s Form 8-K dated October 6, 2020, and incorporated herein by reference.	
10.407(ii)	Amendment to Amended and Restated Insured Deposit Agreement, dated as of November 24, 2021, by and among TD Bank USA, National Association, TD Bank, National Association, and The Charles Schwab Corporation, TD Ameritrade, Inc., TD Ameritrade Clearing, Inc., TD Ameritrade Trust Company, and Charles Schwab & Co., Inc.**	
10.408	Form of Notice and Performance-Based Restricted Stock Unit Agreement under The Charles Schwab Corporation 2013 Stock Incentive Plan and successor plans, filed as Exhibit 10.408 to the Registrant's Form 10-K for the year ended December 31, 2019, and incorporated herein by reference.	(2)
10.409	Summary of Non-Employee Director Compensation, filed as Exhibit 10.409 to the Registrant's Form 10-K for the year ended December 31, 2019, and incorporated herein by reference.	(2)
10.410	2013 Stock Incentive Plan, as amended and restated (supersedes Exhibit 10.391), filed as Exhibit 10.410 to the Registrant’s Form 8-K dated May 12, 2020, and incorporated herein by reference.	(2)
10.412	Form of Notice and Retainer Stock Option Agreement for Non-Employee Directors under The Charles Schwab Corporation 2013 Stock Incentive Plan and successor plans (supersedes Exhibit 10.397), filed as Exhibit 10.412 to the Registrant’s Form 10-Q for the quarter ended September, 30, 2020, and incorporated herein by reference.	(2)
10.413	Form of Notice and Retainer Restricted Stock Unit Agreement for Non-Employee Directors under The Charles Schwab Corporation 2013 Stock Incentive Plan and successor plans (supersedes Exhibit 10.398), filed as Exhibit 10.413 to the Registrant’s Form 10-Q for the quarter ended September, 30, 2020, and incorporated herein by reference.	(2)
10.414	Form of Notice and Stock Option Agreement for Non-Employee Directors under The Charles Schwab Corporation Directors’ Deferred Compensation Plan II and successor plans (supersedes Exhibit 10.399), filed as Exhibit 10.414 to the Registrant’s Form 10-Q for the quarter ended September, 30, 2020, and incorporated herein by reference.	(2)
10.415	Form of Notice and Restricted Stock Unit Agreement for Non-Employee Directors under The Charles Schwab Corporation Directors’ Deferred Compensation Plan II and successor plans (supersedes Exhibit 10.401), filed as Exhibit 10.415 to the Registrant’s Form 10-Q for the quarter ended September, 30, 2020, and incorporated herein by reference.	(2)
10.418	Credit Agreement, dated April 21, 2017, among TD Ameritrade Clearing, Inc., the lenders party thereto, U.S. Bank National Association, as syndication agent, Barclays Bank PLC, TD Securities (USA) LLC and Wells Fargo Securities, LLC, as co-documentation agents and JPMorgan Chase Bank, N.A., as administrative agent, filed as Exhibit 10.2 to TD Ameritrade Holding Corporation’s Form 8-K dated April 21, 2017, and incorporated herein by reference.	
10.419	First Amendment, dated May 17, 2018, to Credit Agreement, dated April 21, 2017, among TD Ameritrade Clearing, Inc., the lenders party thereto, U.S. Bank National Association, as syndication agent, Barclays Bank PLC, TD Securities (USA) LLC, Wells Fargo Securities, LLC, and Industrial and Commercial Bank of China Ltd., New York Branch, as co-documentation agents and JPMorgan Chase Bank, N.A., as administrative agent, filed as Exhibit 10.2 to TD Ameritrade Holding Corporation’s Form 8-K dated May 17, 2018, and incorporated herein by reference.	
10.420	Second Amendment, dated as of August 3, 2020, to Credit Agreement dated April 21, 2017, among TD Ameritrade Clearing, Inc., the lenders party thereto and JP Morgan Chase Bank, N.A., as administrative agent, filed as Exhibit 10.2 to TD Ameritrade Holding Corporation’s Form 8-K dated August 3, 2020, and incorporated herein by reference.	

Exhibit Number	Exhibit	
10.423	The Charles Schwab Corporation Deferred Compensation Plan II, as amended and restated as of December 8, 2020, filed as Exhibit 10.423 to the Registrant's Form 10-K for the year ended December 31, 2020, and incorporated herein by reference.	(2)
10.424	The Charles Schwab Severance Pay Plan, as Amended and Restated Effective June 21, 2021 (supersedes Exhibit 10.349), filed as Exhibit 10.424 to the Registrant's Form 10-Q for the quarter ended June 30, 2021, and incorporated herein by reference.	(2)
10.425	Third Amendment, dated as of September 27, 2021, to Credit Agreement dated April 21, 2017, among TD Ameritrade Clearing, Inc., the lenders party thereto and JP Morgan Chase Bank, N.A., as administrative agent, filed as Exhibit 10.425 to the Registrants' Form 10-Q for the quarter ended September 30, 2021, and incorporated herein by reference.	
10.426	Form of Notice and Restricted Stock Unit Agreement under The Charles Schwab Corporation 2013 Stock Incentive Plan and successor plans (supersedes Exhibit 10.403).	(2)
10.427	Form of Notice and Restricted Stock Unit Agreement (no accelerating vesting for retirement) under The Charles Schwab Corporation 2013 Stock Incentive Plan and successor plans (supersedes Exhibit 10.404).	(2)
10.428	Summary of Non-Employee Director Compensation (supersedes Exhibit 10.409).	(2)
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	Inline XBRL Instance Document	(3)
101.SCH	Inline XBRL Taxonomy Extension Schema	(3)
101.CAL	Inline XBRL Taxonomy Extension Calculation	(3)
101.DEF	Inline XBRL Extension Definition	(3)
101.LAB	Inline XBRL Taxonomy Extension Label	(3)
101.PRE	Inline XBRL Taxonomy Extension Presentation	(3)
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)	
(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, 2021, 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.*	

* The schedules have been omitted pursuant to Item 601(b)(2) of Regulation S-K. Schwab agrees to furnish supplementally a copy of such schedules and exhibits, or any section thereof, to the SEC upon request.

** Certain confidential information contained in this agreement has been omitted because it is not material and would be competitively harmful if publicly disclosed.

Item 16. Form 10-K Summary

None.

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 24, 2022.

THE CHARLES SCHWAB CORPORATION
(Registrant)

BY: /s/ Walter W. Bettinger II
Walter W. Bettinger II
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 24, 2022.

Signature / Title	**Signature / Title**
/s/ Walter W. Bettinger II	/s/ Peter Crawford
Walter W. Bettinger II, Chief Executive Officer and Director	Peter Crawford, Managing Director, Executive Vice President, and Chief Financial Officer (principal financial and accounting officer)
/s/ Charles R. Schwab	/s/ John K. Adams, Jr.
Charles R. Schwab, Chairman of the Board	John K. Adams, Jr., Director
/s/ Marianne C. Brown	/s/ Joan T. Dea
Marianne C. Brown, Director	Joan T. Dea, Director
/s/ Christopher V. Dodds	/s/ Stephen A. Ellis
Christopher V. Dodds, Director	Stephen A. Ellis, Director
/s/ Mark A. Goldfarb	/s/ William S. Haraf
Mark A. Goldfarb, Director	William S. Haraf, Director
/s/ Frank C. Herringer	/s/ Brian M. Levitt
Frank C. Herringer, Director	Brian M. Levitt, Director
/s/ Gerri K. Martin-Flickinger	/s/ Bharat B. Masrani
Gerri K. Martin-Flickinger, Director	Bharat B. Masrani, Director
/s/ Todd M. Ricketts	/s/ Charles A. Ruffel
Todd M. Ricketts, Director	Charles A. Ruffel, Director
/s/ Arun Sarin	/s/ Paula A. Sneed
Arun Sarin, Director	Paula A. Sneed, Director

SUPPLEMENTAL INFORMATION

THE CHARLES SCHWAB CORPORATION
Supplemental Financial Data (Unaudited)
(Dollars in Millions)

As a savings and loan holding company, the Company provides the following supplemental information pursuant to Subpart 1400 of Regulation S-K. Other information required by Subpart 1400 of Regulation S-K is presented throughout this Annual Report on Form 10-K.

1. Average Balance Sheets and Net Interest Revenue

For the Year Ended December 31,	2021			2020			2019		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
Assets:									
Cash and cash equivalents	$ 40,325	$ 40	0.10%	$ 39,052	$ 120	0.30%	$ 23,512	$ 518	2.17%
Cash and investments segregated	43,942	24	0.05%	34,100	141	0.41%	15,694	345	2.17%
Receivables from brokerage clients	77,768	2,455	3.11%	28,058	848	2.97%	19,270	821	4.20%
Available for sale securities (1,2)	357,122	4,641	1.30%	253,555	4,537	1.78%	58,181	1,560	2.67%
Held to maturity securities (2)	—	—	—	—	—	—	134,708	3,591	2.65%
Bank loans (3)	28,789	620	2.15%	20,932	545	2.60%	16,832	584	3.47%
Total interest-earning assets	547,946	7,780	1.41%	375,697	6,191	1.64%	268,197	7,419	2.75%
Securities lending revenue		720			334			147	
Other interest revenue		6			6			14	
Total interest-earning assets	547,946	8,506	1.54%	375,697	6,531	1.73%	268,197	7,580	2.80%
Non-interest-earning assets (4,5)	41,930			38,608			11,559		
Total assets	$ 589,876			$ 414,305			$ 279,756		
Liabilities and Stockholders' Equity:									
Bank deposits	$ 381,549	$ 54	0.01%	$ 291,206	$ 93	0.03%	$ 212,605	$ 700	0.33%
Payables to brokerage clients	91,667	9	0.01%	46,347	12	0.02%	24,353	79	0.33%
Short-term borrowings (6)	3,040	9	0.30%	89	—	0.20%	17	—	2.36%
Long-term debt	17,704	384	2.17%	8,992	289	3.22%	7,199	258	3.58%
Total interest-bearing liabilities	493,960	456	0.09%	346,634	394	0.11%	244,174	1,037	0.42%
Securities lending expense		24			33			38	
Other interest expense		(4)			(9)			(11)	
Non-interest-bearing liabilities (4,7)	39,182			32,486			14,170		
Total liabilities (8)	533,142	476	0.09%	379,120	418	0.11%	258,344	1,064	0.39%
Stockholders' equity (4)	56,734			35,185			21,412		
Total liabilities and stockholders' equity	$ 589,876			$ 414,305			$ 279,756		
Net interest revenue		$ 8,030			$ 6,113			$ 6,516	
Net yield on interest-earning assets			1.45%			1.62%			2.41%

(1) Amounts calculated based on amortized cost.
(2) On January 1, 2020, the Company transferred all of its investment securities designated as HTM to the AFS category, as described in Item 8 – Note 6.
(3) Includes average principal balances of nonaccrual loans.
(4) Average balance calculation based on month end balances.
(5) Non-interest-earning assets include equipment, office facilities, and property – net, goodwill, acquired intangible assets – net, and other assets that do not generate interest income.
(6) Interest revenue or expense was less than $500 thousand in the period or periods presented.
(7) Non-interest-bearing liabilities consist of other liabilities that do not generate interest expense.
(8) Average rate calculation based on total funding sources.

THE CHARLES SCHWAB CORPORATION
Supplemental Financial Data (Unaudited)
(Dollars in Millions)

2. Analysis of Changes 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:

	2021 Compared to 2020 Increase (Decrease) Due to Change in:			2020 Compared to 2019 Increase (Decrease) Due to Change in:		
	Average Volume	Average Rate	Total	Average Volume	Average Rate	Total
Interest-earning assets:						
Cash and cash equivalents [1]	$ 4	$ (84)	$ (80)	$ 337	$ (735)	$ (398)
Cash and investments segregated	40	(157)	(117)	399	(603)	(204)
Receivables from brokerage clients	1,476	131	1,607	369	(342)	27
Available for sale securities [2,3]	1,843	(1,739)	104	5,237	(2,260)	2,977
Held to maturity securities [3]	—	—	—	(3,591)	—	(3,591)
Bank loans [4]	204	(129)	75	142	(181)	(39)
Securities lending revenue	—	386	386	—	187	187
Other interest revenue	—	—	—	—	(8)	(8)
Total interest-earning assets	$ 3,567	$ (1,592)	$ 1,975	$ 2,893	$ (3,942)	$ (1,049)
Interest-bearing sources of funds:						
Bank deposits	$ 27	$ (66)	$ (39)	$ 259	$ (866)	$ (607)
Payables to brokerage clients	9	(12)	(3)	73	(140)	(67)
Short-term borrowings	6	3	9	2	(2)	—
Long-term debt	281	(186)	95	64	(33)	31
Securities lending expense	—	(9)	(9)	—	(5)	(5)
Other interest expense	—	5	5	—	2	2
Total sources on which interest is paid	323	(265)	58	398	(1,044)	(646)
Change in net interest revenue	$ 3,244	$ (1,327)	$ 1,917	$ 2,495	$ (2,898)	$ (403)

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] On January 1, 2020, the Company transferred all of its investment securities designated as HTM to the AFS category, as described in Item 8 – Note 6.
[4] Includes average principal balances of nonaccrual loans.

(Dollars in Millions)

3. Bank Loan Portfolio

The maturities of the bank loan portfolio are described below:

December 31, 2021	Within 1 year	After 1 year through 5 years	After 5 years through 15 years	After 15 years	Total
Residential real estate:					
First Mortgages	$ —	$ 4	$ 1,575	$ 19,511	$ 21,090
HELOCs	295	137	216	—	648
Total residential real estate	295	141	1,791	19,511	21,738
Pledged asset lines	11,373	1,336	—	—	12,709
Other	5	197	5	—	207
Total	$ 11,673	$ 1,674	$ 1,796	$ 19,511	$ 34,654

Note: Maturities in the above table are based upon the contractual terms of the loans. The maturities for HELOCs are based on an initial draw period of ten years.

The interest sensitivity of loans with contractual maturities in excess of one year is as follows:

December 31, 2021	After 1 year through 5 years	After 5 years through 15 years	After 15 years
Loans with floating or adjustable interest rates			
Residential real estate:			
First Mortgages	$ —	$ 32	$ 17,058
HELOCs	137	216	—
Total residential real estate	137	248	17,058
Pledged asset lines	1,336	—	—
Other	1	2	—
Total loans with floating or adjustable interest rates	1,474	250	17,058
Loans with predetermined interest rates			
Residential real estate:			
First Mortgages	$ 4	$ 1,543	$ 2,453
HELOCs	—	—	—
Total residential real estate	4	1,543	2,453
Pledged asset lines	—	—	—
Other	196	3	—
Total loans with predetermined interest rates	200	1,546	2,453
Total	$ 1,674	$ 1,796	$ 19,511

4. Allowance for Credit Losses on Bank Loans

The following table presents several credit ratios related to the Company’s bank loans portfolio. See Item 8 – Note 7 for the values underlying these ratios:

December 31,	2021	2020
Allowance for credit losses to total year-end loans	0.05%	0.13%
Nonaccrual loans to total year-end loans	0.10%	0.37%
Allowance for credit losses to total nonaccrual year-end loans	51%	34%

(Dollars in Millions)

The following table presents information regarding average loans outstanding during the period and the ratio of net charge-offs (recoveries) during the period to average loans outstanding:

Year ended December 31,	2021		2020		2019	
	Average loans	Net charge-offs (recoveries) to average loans	Average loans	Net charge-offs (recoveries) to average loans	Average loans	Net charge-offs (recoveries) to average loans
Residential real estate:						
First Mortgages	$ 17,673	—	$ 13,635	(.01)%	$ 10,610	(.01)%
HELOCs	731	(.14)%	981	—	1,306	(.08)%
Total residential real estate	18,404	(.01)%	14,616	(.01)%	11,916	(.02)%
Pledged asset lines	10,201	—	6,125	—	4,746	—
Other	184	.54 %	191	—	170	—
Total	$ 28,789	—	$ 20,932	—	$ 16,832	(.01)%

The increase in the Company's average loan portfolio in the periods presented has been driven by growth in First Mortgages and PALs. Growth in these loan types is due in large part to the low interest rate environment seen throughout the periods presented and Schwab's overall growth in client accounts and net new client assets.

The following table presents the allocation of the allowance for credit losses for bank loans and loans by category as a percentage of total bank loans:

December 31,	2021		2020	
	Allowance for Credit Losses	Percent of loans to total loans	Allowance for Credit Losses	Percent of loans to total loans
Residential real estate:				
First Mortgages	$ 13	60%	$ 22	62%
HELOCs	2	2%	5	4%
Total residential real estate	15	62%	27	66%
Pledged asset lines	—	37%	—	33%
Other	3	1%	3	1%
Total	$ 18	100%	$ 30	100%

5. Bank Deposits

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 bank deposits:

December 31,	2021		2020	
	Amount	Rate	Amount	Rate
Analysis of average daily deposits:				
Money market and other savings deposits	$ 349,665	0.01%	$ 271,534	0.03%

As of December 31, 2021 and 2020, uninsured bank deposits totaled approximately $134.8 billion and $89.3 billion, respectively.

As of December 31, 2021, the Company's bank deposits did not include any time deposits that were in excess of FDIC insurance limits or otherwise uninsured.

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, 2021.

Charles Schwab & Co., Inc., a California corporation

Charles Schwab Bank, SSB, at Texas-chartered state savings bank

Charles Schwab Futures and Forex LLC, a Delaware limited liability company

Charles Schwab Investment Advisory, Inc., a Delaware corporation

Charles Schwab Investment Management, Inc., a Delaware corporation

Charles Schwab Premier Bank, SSB, a Texas-chartered state savings bank

Charles Schwab Trust Bank, a Nevada-chartered state savings bank

Schwab Holdings, Inc., a Delaware corporation

Schwab Private Client Investment Advisory, Inc., a Delaware corporation

Schwab Retirement Plan Services, Inc., an Ohio corporation

TD Ameritrade Clearing, Inc., a Nebraska corporation

TD Ameritrade Holding Corporation, a Delaware corporation

TD Ameritrade, Inc., a New York corporation

TD Ameritrade Investment Management, LLC, a Delaware limited liability company

TD Ameritrade Online Holdings Corp., 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 24, 2022, relating to the consolidated financial statements 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, 2021:

Filed on Form S-3:

Registration Statement No. 333-251156	(Debt Securities, Preferred Stock, Depositary Shares, Common Stock, Purchase Contracts, Warrants, and Units Consisting of Two or More Securities)

Filed on Form S-8:

Registration Statement No. 333-237064	(TD Ameritrade Holding Corporation Long-Term Incentive Plan)
Registration Statement No. 333-205862	(The Charles Schwab Corporation 2013 Stock Incentive Plan)
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. 333-144303	(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	(The Charles Schwab Profit Sharing and Employee Stock Ownership Plan)

/s/ Deloitte & Touche LLP
Dallas, Texas
February 24, 2022

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 the 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 24, 2022

/s/ Walter W. Bettinger II

Walter W. Bettinger II
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, Peter Crawford, 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 the 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 24, 2022

/s/ Peter Crawford

Peter Crawford

Managing Director, Executive Vice President, and Chief Financial Officer

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, 2021 (the Report), I, Walter W. Bettinger II, 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
Chief Executive Officer

Date: February 24, 2022

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.

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, 2021 (the Report), I, Peter Crawford, Managing Director, 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/ Peter Crawford

Peter Crawford
Managing Director, Executive Vice President, and
Chief Financial Officer

Date: February 24, 2022

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.

Exhibit 4.10

THE CHARLES SCHWAB CORPORATION
DESCRIPTION OF SECURITIES REGISTERED PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

As of December 31, 2021, The Charles Schwab Corporation (“CSC, we, us, and our”) had three classes of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended: (1) our common stock, (2) our Depositary Shares, Each Representing a 1/40th Interest in a Share of 5.95% Non-Cumulative Perpetual Preferred Stock, Series D, and (3) our Depositary Shares, Each Representing a 1/40th Interest in a Share of 4.450% Non-Cumulative Perpetual Preferred Stock, Series J.

DESCRIPTION OF COMMON STOCK

The following description of our common stock does not purport to be complete and is qualified by our Fifth Restated Certificate of Incorporation, as amended, (“Certificate of Incorporation”) and Fourth Restated Bylaws, as amended, (“Bylaws”) which are filed as exhibits to the Annual Report on Form 10-K of which this exhibit is a part. Additionally, the General Corporation Law of Delaware (“Delaware Law”), as amended, may also affect the terms of our common stock.

General

We have 3,000,000,000 shares of authorized common stock, $0.01 par value per share. Holders of our common stock, together with the holders of our nonvoting common stock, are entitled to receive dividends when, as and if declared by our board of directors out of any funds legally available for dividends. Holders of our common stock and holders of our nonvoting common stock are also entitled to share equally, upon our liquidation, and after claims of creditors and any class or series of preferred stock outstanding at the time of liquidation, to receive a *pro rata* distribution of our net assets. We pay dividends on our common stock and nonvoting common stock only if we have paid or provided for all dividends on any outstanding series of preferred stock, for the then current period and, in the case of any cumulative preferred stock, all prior periods. Our nonvoting common stock has the same rights and privileges as, ranks equally and shares proportionately with, and is identical in all respects as to all matters to, the common stock, except that the nonvoting common stock has no voting rights other than those voting rights required by law.

Our preferred stock will have preference over our common stock with respect to the payment of dividends and the distribution of assets in the event of our liquidation or dissolution. Our preferred stock also will have such other preferences as may be fixed by our board of directors.

Holders of our common stock are entitled to one vote for each share that they hold and are vested with all of the voting power of our capital stock, except as our board of directors has provided, or may provide in the future, with respect to our preferred stock. Our Certificate of Incorporation provides for a classified board but does not provide for cumulative voting. Shares of our common stock are not redeemable, and have no subscription, conversion or preemptive rights.

Our common stock is listed on the New York Stock Exchange. Outstanding shares of our common stock are fully paid and non-assessable.

Restrictions on Ownership

Under the Home Owners' Loan Act ("HOLA"), any "savings and loan holding company," as defined in HOLA, is required to obtain the approval of the Federal Reserve prior to the acquisition of more than 5% of our common stock. Under the Bank Holding Company Act, a bank holding company is required to receive the Federal Reserve's approval prior to acquiring more than 5% of our common stock. Any other person, other thank a saving and loan holding company and bank holding company, is required to obtain prior non-objection of the Federal Reserve to acquire 10% or more of our common stock. Any company holding more than 25% of our common stock or total equity, or that otherwise exercises a "controlling influence" over us, is subject to regulation as a savings and loan holding company under HOLA.

Business Combination Statute

Under Delaware law, a corporation is prohibited from engaging in any business combination with any interested stockholder, defined as the beneficial owner of 15% or more of the voting power of the corporation, for a period of three years following the date that such stockholder became an interested stockholder, unless:

- prior to that date, the board of directors of the corporation approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder;

- upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation; or

- on or subsequent to that date, the business combination is approved by the board of directors and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least two-thirds of the outstanding voting stock which is not owned by the interested stockholder.

Under Delaware law, a corporation has the option to opt-out of the above business combination statute. Neither our Certificate of Incorporation nor our Bylaws excludes us from the restrictions imposed by this provision.

Supermajority Vote Requirement

Our Certificate of Incorporation requires the approval of a supermajority of our stockholders for some business combinations with interested stockholders. Our Certificate of Incorporation defines an interested stockholder as a person, partnership or group which directly or indirectly beneficially owns more than 15% of the voting power of our outstanding shares, or an affiliate or associate of a 15% owner. Notwithstanding any lesser percentage permitted by law, under our Certificate of Incorporation, 80% of the voting power of our stockholders, voting together as a single class, must approve any of the following business combinations:

- a merger of CSC or any of our subsidiaries with an interested stockholder or an affiliate or associate of an interested stockholder;

- any sale to an interested stockholder of assets of CSC or one of our subsidiaries, if those assets have a fair market value of $5,000,000 or more;

- any sale to CSC or any of our subsidiaries of assets of the interested stockholder, if those assets have a fair market value of $5,000,000 or more;

- the issuance or transfer by CSC or any of our subsidiaries of any of our securities or any securities of our subsidiaries to an interested stockholder, unless the fair market value of the property received has a fair market value of less than $5,000,000;

- any reclassification of our securities, our merger or consolidation with any of our subsidiaries, or any similar transaction which has the effect of increasing the proportionate amount of the outstanding shares of any class of equity securities of CSC or any of our subsidiaries which is directly or indirectly owned by any interested shareholder or its affiliate or associate; or

- the adoption of any plan or proposal for the liquidation or dissolution of CSC.

The supermajority vote requirement does not apply to business combinations approved by a majority of disinterested directors. A disinterested director is any member of our board who:

- is not an interested stockholder;

- is not an affiliate or a representative of an interested shareholder;

- is not a party to an agreement or arrangement with an interested stockholder to act in concert with that interested stockholder to direct our management or policies; and

- either was a member of our board before the interested stockholder became an interested stockholder or was nominated to succeed a disinterested director by a majority of the disinterested directors; provided that, this requirement does not apply if the business combination involves a party that was an interested stockholder of CSC on July 30, 1987.

The supermajority requirement does not apply to business combinations meeting fair price and procedural requirements set forth in our Certificate of Incorporation.

DESCRIPTION OF PREFERRED STOCK AND DEPOSITARY SHARES

The following description of the terms of our 5.95% Non-Cumulative Perpetual Preferred Stock, Series D ("Series D Preferred Stock") and our 4.450% Non-Cumulative Perpetual Preferred Stock, Series J ("Series J Preferred Stock" and, together with the Series D Preferred Stock, "Preferred Stock") does not purport to be complete and is qualified by our Certificates of Designations of the Series D Preferred Stock and Series J Preferred Stock, which are filed as exhibits to the Annual Report on Form 10-K of which this exhibit is a part.

The depositary is the sole holder of the Preferred Stock, as described under "Description of Depositary Shares" below, and all references in this description to the holders of the Preferred Stock shall mean the depositary. However, the holders of depositary shares are entitled, through the depositary, to exercise the rights and preferences of the holder of the Preferred Stock, as described under "Description of Depositary Shares."

Our authorized capital stock includes 9,940,000 shares of preferred stock, par value $0.01 per share as reflected in our certificate of incorporation. Our board of directors is authorized without further stockholder action:

- to fix or alter the voting rights, powers, preferences and privileges, and the relative, participating, optional or other rights, if any, and the qualifications, limitations or restrictions thereof, of any wholly unissued series of preferred stock;
- to fix the number of shares constituting any such series and the designation thereof; and
- to increase or decrease the number of shares of any series of preferred stock (but not below the number of shares thereof then outstanding).

The Series D Preferred Stock and the Series J Preferred Stock are each single series of our authorized preferred stock and are fully paid and nonassessable.

The Preferred Stock is not convertible into, or exchangeable for, shares of any other class or series of stock or other securities of CSC. The Preferred Stock does not have any maturity date and is not subject to any sinking fund or other obligation of CSC to redeem or repurchase the Preferred Stock.

Shares of Preferred Stock that are redeemed, purchased or otherwise acquired by CSC shall be cancelled and shall revert to authorized but unissued shares of preferred stock undesignated as to series.

Additional Shares of Preferred Stock and Additional Depositary Shares

We may in the future from time to time, without notice to or consent of the holder of Preferred Stock or the holders of the depositary shares, issue additional shares of the Preferred Stock; *provided*, that any such additional shares of Preferred Stock are not treated as "disqualified preferred stock" within the meaning of Section 1059(f)(2) of the Internal Revenue Code and such additional shares are otherwise treated as fungible with the outstanding Preferred Stock for U.S. federal income tax purposes. In the event that we issue additional Preferred Stock, dividends on such additional shares may accrue from the date of initial issuance or any other date we specify at the time such additional shares are issued. In the event we issue additional shares of Preferred Stock, we will issue a corresponding number of additional depositary shares.

Ranking

Shares of the Preferred Stock rank:

- senior to our junior stock;

- equally with each other series of parity stock, including the Series A Preferred Stock, the Series E Preferred Stock, the Series F Preferred Stock, the Series G Preferred Stock, the Series H Preferred Stock, the Series I Preferred Stock, and any other series of Preferred Stock we may issue in the future; and

- junior to any series of stock we may issue in the future that ranks senior to the Preferred Stock in the payment of dividends and in the distribution of assets on any liquidation, dissolution or winding up of CSC, and to all of our existing and future debt obligations.

As used herein, “junior stock” means our common stock, nonvoting common stock and any other class or series of stock of CSC hereafter authorized over which the Preferred Stock has preference or priority in the payment of dividends or in the distribution of assets on any liquidation, dissolution or winding up of CSC.

As used in this description, “parity stock” means any other class or series of stock of CSC that ranks on parity with the Preferred Stock in the payment of dividends and in the distribution of assets on any liquidation, dissolution or winding up of CSC.

Dividends

Dividends on the Preferred Stock are not cumulative. If our board of directors or a duly authorized committee of our board of directors does not declare a dividend on the Preferred Stock in respect of a dividend period, then no dividend shall be deemed to have accrued for such dividend period, be payable on the applicable dividend payment date, or be cumulative, and we will have no obligation to pay any dividend for that dividend period to the holder of Preferred Stock, including the holders of the depositary shares, and no related distribution will be made on the depositary shares, whether or not our board of directors or a duly authorized committee of our board of directors declares a dividend on the Preferred Stock for any future dividend period.

The holder of Preferred Stock will be entitled to receive, when, as, and if declared by our board of directors or a duly authorized committee of our board of directors, out of assets legally available for the payment of dividends under Delaware law, non-cumulative cash dividends based on the liquidation preference of the Preferred Stock which for the Series D Preferred Stock is at a rate equal to 5.95% per annum for each quarterly dividend period and for the Series J Preferred Stock is at a rate equal to 4.450% per annum for each quarterly dividend period.

If declared by our board of directors or a duly authorized committee of our board of directors, we will pay dividends on the Preferred Stock, in arrears, on March 1, June 1, September 1 and December 1 of each year, each such date referred to as a dividend payment date.

If any date on which dividends would otherwise be payable is not a business day, then the dividend payment date will be the next business day without any adjustment to the amount of dividends paid. A “business day” means any day other than (i) a Saturday or Sunday or (ii) a day on which banking institutions in San Francisco, California or New York, New York are authorized or obligated by law or executive order to close.

Dividends will be payable to holders of record of Preferred Stock as they appear on our stock register at 5:00 p.m., New York City time, on the applicable record date, which shall be the 15th calendar day before the applicable dividend payment date, or such other record date, not exceeding 30 days before the applicable dividend payment date, as shall be fixed by our board of directors or a duly authorized committee of our board of directors. See “Description of Depositary Shares – Dividends and Other Distributions.”

A dividend period is the period from, and including, a dividend payment date to, but excluding, the next dividend payment date. Dividends payable on the Preferred Stock will be computed on the basis of a 360-day year consisting of twelve 30-day months. Dollar amounts resulting from that calculation will be rounded to the nearest cent, with one-half cent being rounded upwards. Dividends on the Preferred Stock will cease to accrue on the redemption date, if any, as described below under “– Redemption,” unless we default in the payment of the redemption price of the shares of the Preferred Stock called for redemption.

We generally will be able to pay dividends and distributions upon liquidation, dissolution or winding up only out of assets legally available for such payment (after satisfaction of all claims for indebtedness and other non-equity claims). See “Description of Depositary Shares – Dividends and Other Distributions” for information about dividends on the depositary shares representing the Preferred Stock.

Additionally, dividends on the Preferred Stock will be subject to our receipt of required prior approval by the Federal Reserve (or any successor bank regulatory authority that may become our applicable federal banking agency), if any, and to the satisfaction of conditions set forth in the capital adequacy guidelines or regulations of the Federal Reserve (or any successor bank regulatory authority that may become our applicable federal banking agency) applicable to dividends on the Preferred Stock, if any.

Dividend Stopper

During each dividend period while the Preferred Stock is outstanding, unless the full dividends for the immediately preceding dividend period on all outstanding shares of preferred stock have been declared and paid or declared and a sum sufficient for the payment thereof has been set aside:

- no dividend will be declared or paid or set aside for payment and no distribution will be declared or made or set aside for payment on any junior stock, other than:
    - a dividend payable solely in the junior stock, or
    - any dividend in connection with the implementation of a stockholders’ rights plan, or the redemption or repurchase of any rights under any such plan; and

- no shares of junior stock shall be repurchased, redeemed or otherwise acquired for consideration by us, directly or indirectly (nor shall any monies be paid to or made available for a sinking fund for the redemption of any such securities by us) other than:

  - as a result of a reclassification of junior stock for or into other junior stock;

  - the exchange or conversion of one share of junior stock for or into another share of junior stock;

  - through the use of the proceeds of a substantially contemporaneous sale of other shares of junior stock;

  - purchases, redemptions or other acquisitions of shares of the junior stock in connection with any employment contract, benefit plan or other similar arrangement with or for the benefit of employees, officers, directors or consultants;

  - purchases of shares of junior stock pursuant to a contractually binding requirement to buy junior stock existing prior to the preceding dividend period, including under a contractually binding stock repurchase plan; or

  - the purchase of fractional interests in shares of junior stock pursuant to the conversion or exchange provisions of such stock or the security being converted or exchanged; and

- no shares of parity stock shall be repurchased, redeemed or otherwise acquired for consideration by CSC otherwise than pursuant to pro rata offers to purchase all, or a pro rata portion, of the Preferred Stock and such parity stock, unless such parity stock is repurchased, redeemed or acquired for consideration by CSC in connection with any of the following:

  - as a result of a reclassification of parity stock for or into other parity stock or junior stock;

  - the exchange or conversion of one share of parity stock for or into another share of parity stock or junior stock; or

  - through the use of the proceeds of a substantially contemporaneous sale of other shares of parity stock or junior stock.

When dividends are not paid in full upon the shares of Preferred Stock and any parity stock, all dividends declared upon shares of Preferred Stock and any parity stock will be declared on a proportional basis so that the amount of dividends declared per share will bear to each other the same ratio that accrued dividends for the then-current dividend period per share on Preferred Stock, and accrued dividends, including any accumulations, on any parity stock, bear to each other.

Subject to the restrictions described above, dividends (payable in cash, stock or otherwise), as may be determined by our board of directors or a duly authorized committee of our board of directors, may be declared and paid on our common stock, nonvoting common stock, and any other stock ranking equally with or junior to the Preferred Stock from time to time out of any assets legally available for such payment, and the holder of Preferred Stock shall not be entitled to participate in any such dividend.

Redemption

The Preferred Stock is not subject to any mandatory redemption, sinking fund or other similar provisions. Neither the holder of Preferred Stock nor holders of depositary shares have the right to require the redemption or repurchase of the Preferred Stock.

Optional Redemption

We may redeem the Preferred Stock at our option, in whole or in part, from time to time, on any dividend payment date for the Series D Preferred Stock, and on any dividend payment date on or after June 1, 2026 for the Series J Preferred Stock, at a redemption price equal to $1,000 per share (equivalent to $25 per depositary share), plus any declared and unpaid dividends, without accumulation of any undeclared dividends.

Redemption Following a Regulatory Capital Treatment Event

We may redeem shares of the Preferred Stock at any time within 90 days following a regulatory capital treatment event (defined below), in whole but not part, at a redemption price equal to $1,000 per share (equivalent to $25 per depositary share), plus any declared and unpaid dividends, without accumulation of any undeclared dividends.

A “regulatory capital treatment event” means the good faith determination by CSC that, as a result of:

- any amendment to, or change in, the laws or regulations of the United States or any political subdivision of or in the United States that is enacted or becomes effective after the initial issuance of the Preferred Stock;

- any proposed change in those laws or regulations that is announced after the initial issuance of any share of Preferred Stock; or

- any official administrative decision or judicial decision or administrative action or other official pronouncement interpreting or applying those laws or regulations that is announced after the initial issuance of any share of Preferred Stock,

there is more than an insubstantial risk that CSC will not be entitled to treat the full liquidation preference of the shares of Preferred Stock then outstanding as “additional Tier 1 Capital” (or its equivalent) for purposes of the capital adequacy guidelines or regulations of the Federal Reserve (or any successor bank regulatory authority that may become our applicable federal banking agency), as then in effect and applicable, for as long as any share of Preferred Stock is outstanding.

Redemption Procedures

If shares of the Preferred Stock are to be redeemed pursuant to the terms described above under “– Optional Redemption” or “– Redemption Following a Regulatory Capital Treatment Event,” the notice of redemption shall be given by first class mail to the holder of record of the Preferred Stock to be redeemed, mailed not less than 30 days nor more than 60 days prior to the date fixed for redemption thereof (provided that, if the holder of record is DTC, notice may be given in any manner permitted by DTC). Each notice of redemption will include a statement setting forth:

- the redemption date;

- the number of shares of each series of Preferred Stock to be redeemed and, if less than all the shares held by the holder are to be redeemed, the number of shares of each series of Preferred Stock to be redeemed from the holder;

- the redemption price;

- the place or places where the certificates evidencing shares of Preferred Stock are to be surrendered for payment of the redemption price; and

- that dividends on the shares to be redeemed will cease to accrue on the redemption date.

If notice of redemption of any shares of Preferred Stock has been duly given and if the funds necessary for such redemption have been set aside by us for the benefit of the holders of any shares of a series of Preferred Stock so called for redemption, then, on and after the redemption date, dividends will cease to accrue on such shares of that series of Preferred Stock, such shares of that series of Preferred Stock shall no longer be deemed outstanding, and all rights of the holders of such shares will terminate, except the right to receive the redemption price, plus any declared and unpaid dividends, without accumulation of any undeclared dividends. See "Description of Depositary Shares — Redemption of Depositary Shares" for information about redemption of the depositary shares representing the Preferred Stock.

In case of any redemption of only part of the shares of a series of Preferred Stock at the time outstanding, the shares to be redeemed shall be selected either pro rata or by lot. Subject to the provisions hereof, our board of directors shall have full power and authority to prescribe the terms and conditions upon which shares of Preferred Stock shall be redeemed from time to time.

Any redemption of Preferred Stock will be subject to our receipt of required prior approval by the Federal Reserve (or any successor bank regulatory authority that may become our applicable federal banking agency), if any, and to the satisfaction of conditions set forth in the capital adequacy guidelines or regulations of the Federal Reserve (or any successor bank regulatory authority that may become our applicable federal banking agency) applicable to redemption of the Preferred Stock, if any.

Liquidation Rights

In the event we liquidate, dissolve or wind-up our business and affairs, either voluntarily or involuntarily, holders of the Preferred Stock are entitled to receive a liquidation distribution of $1,000 per share (equivalent to $25 per depositary share), plus any declared and unpaid dividends, without accumulation of any undeclared dividends, before we make any distribution of assets to the holders of our common stock, nonvoting common stock, or any other class or series of stock ranking junior to the Preferred Stock as to that distribution. The holder of the Preferred Stock will not be entitled to any other amounts from us after it has received its full liquidation distribution.

In any such distribution, if the assets of CSC are not sufficient to pay the liquidation distribution described above in full to the holder of the Preferred Stock and all holders of any class or series of stock ranking on parity with the Preferred Stock as to such distribution, the amounts paid to the holder of Preferred Stock and all holders of such parity stock will be paid pro rata in accordance with the respective aggregate liquidation distribution owed to those holders. If the liquidation distribution described above has been paid in full to the holder of Preferred Stock and the holders of such parity stock, the holders of any other class or series of stock ranking junior to the Preferred Stock as to such distribution shall be entitled to receive all remaining assets of CSC according to their respective rights and preferences.

For purposes of this section, the sale, conveyance, exchange or transfer (for cash, shares of stock, securities or other consideration) of all or substantially all of the property and assets of CSC shall not be deemed a voluntary or involuntary dissolution, liquidation or winding up of the affairs of CSC, nor shall the merger, consolidation or any other business combination of any other corporation or person into or with CSC be deemed to be a voluntary or involuntary dissolution, liquidation or winding up of the affairs of CSC.

Because we are a holding company, our rights and the rights of our creditors and our stockholders, including the holder of the Preferred Stock, to participate in the assets of any of our subsidiaries upon that subsidiary's liquidation or recapitalization may be subject to the prior claims of that subsidiary's creditors, except to the extent that we are a creditor with recognized claims against that subsidiary.

Voting Rights

The holder of the Preferred Stock will have no voting rights, except as provided below or as required by law.

Right to Elect Two Directors upon Nonpayment

Whenever dividends payable on the shares of Preferred Stock have not been paid for six quarterly dividend periods, whether or not consecutive, then the holder of the Preferred Stock will have the right, with holders of any other equally ranked series of preferred stock that have similar voting rights and on which dividends likewise have not been paid (the "Voting Parity Securities"), voting together as a class, at a special meeting called at the request of the holders of at least 20% of the voting power of Preferred Stock and any Voting Parity Securities (unless such request for a special meeting is received less than 90 calendar days before the date fixed for the next annual or special meeting of our stockholders, in which event such election shall be held only at such next annual or special meeting of our stockholders) or at our next annual or special meeting of our stockholders, to elect two additional directors to our board of directors; *provided*, that the election of any such director does not cause us to violate the applicable corporate governance requirements of the exchange or trading market where our common stock is then listed or quoted, as the case may be. At any meeting held for the purpose of electing such directors, the presence in person or by proxy of the holders of shares representing at least a majority of the voting power of the Preferred Stock and any Voting Parity Securities, voting together as a class, shall be required to constitute a quorum of such shares. The affirmative vote of the holders of the Preferred Stock and the holders of any Voting Parity Securities, voting together as a class, representing a majority of the voting power of such shares present at such meeting, in person or by proxy, shall be sufficient to elect any such director.

Immediately prior to the election of any such directors, the number of directors that comprise our board of directors shall be increased by two. Such voting rights and the term of the additional directors so elected will continue until:

- continuous non-cumulative dividends for at least four consecutive quarterly dividend periods; and

- cumulative dividends, if any, payable for all past dividend periods,

shall have been paid, or declared and set aside for payment, in full, on all outstanding shares of Preferred Stock or the Voting Parity Securities entitled thereto. At that point, the right to elect additional directors terminates and the terms of office of the two additional directors so elected will terminate immediately, and the number of directors shall be reduced by two and such voting rights of the holders of the Preferred Stock and any Voting Parity Securities will cease, subject to any increase in the number of directors as described above due to the revesting of such voting rights in the event of each and every additional failure in the payment of dividends for six quarterly dividend periods, whether or not consecutive, as described above.

The holder of Preferred Stock, together with holders of any Voting Parity Securities, voting together as a class, may remove any director they elected. Any vacancy created by the removal of any such director may be filled only by the vote of the holders of the Preferred Stock and any Voting Parity Securities, voting together as a class. If the office of either such director becomes vacant for any reason other than removal, the remaining director may choose a successor who will hold office for the unexpired term of the vacant office. In the event that both offices are vacant, the holder of Preferred Stock and the holders of any Voting Parity Securities may, as set forth above, call a special meeting and elect such directors at such special meeting, or elect such directors at our next annual or special meeting of our stockholders.

The number of votes that each share of Preferred Stock and any stock ranking equally with the Preferred Stock participating in the votes described above will be in proportion to the liquidation preference of such share.

Under regulations adopted by the Federal Reserve, if the holders of any series of preferred stock are or become entitled to vote for the election of directors, such series will be deemed a "class of voting securities" and a company holding 25% or more of the series, or 10% or more if it otherwise exercises a "controlling influence" over us, may then be subject to regulation as a savings and loan holding company in accordance with the Home Owners' Loan Act of 1933, as amended. In addition, at the time the series is deemed a class of voting securities,

- any other savings and loan holding company may be required to obtain the approval of the Federal Reserve (or any successor bank regulatory authority that may become our applicable federal banking agency) to acquire or retain more than 5% of that series; and

- any other persons other than a savings and loan holding company may be required to obtain the non-objection of the Federal Reserve (or any successor bank regulatory authority that may become our applicable federal banking agency) to acquire or retain 10% or more of that series.

Other Voting Rights

So long as any shares of a series of Preferred Stock remain outstanding, the affirmative vote or consent of the holders of at least two-thirds of all outstanding shares of the series of Preferred Stock voting separately as a class, shall be required to:

- amend, alter or repeal the provisions of CSC's certificate of incorporation (including the certificate of designation creating that series of Preferred Stock), or CSC's bylaws, whether by merger, consolidation or otherwise, so as to adversely affect the powers, preferences, privileges or special rights of the series of Preferred Stock; *provided*, that any of the following will not be deemed to adversely affect such powers, preferences, privileges or special rights:

  - increases in the amount of the authorized common stock, nonvoting common stock, or, except as provided below, preferred stock;

  - increases or decreases in the number of shares of any series of preferred stock ranking equally with or junior to the Preferred Stock; or

  - the authorization, creation and issuance of other classes or series of capital stock (or securities convertible or exchangeable into such capital stock) ranking equally with or junior to the Preferred Stock;

- amend or alter CSC's certificate of incorporation to authorize or increase the authorized amount of or issue shares of any class or series of senior stock, or reclassify any of our authorized capital stock into any such shares of senior stock or issue any obligation or security convertible into or evidencing the right to purchase any such shares of senior stock; or

- consummate a binding share exchange, a reclassification involving the series of Preferred Stock or a merger or consolidation of us with or into another entity; provided, however, that the holder of Preferred Stock will have no right to vote under this provision or otherwise under Delaware law if in each case:

  - the series of Preferred Stock remains outstanding or, in the case of any such merger or consolidation with respect to which we are not the surviving or resulting entity, is converted into or exchanged for preferred securities of the surviving or resulting entity (or its ultimate parent) that is an entity organized and existing under the laws of the United States, any state thereof or the District of Columbia; and

  - the series of Preferred Stock remaining outstanding or the new preferred securities, as the case may be, have such powers, preferences and special rights as are not materially less favorable to the holders thereof than the powers, preferences and special rights of the series of Preferred Stock.

As used above under "Description of Preferred Stock — Voting Rights", "senior stock" means any other class or series of stock of CSC ranking senior to the Preferred Stock with respect to payment of dividends or the distribution of assets upon liquidation, dissolution or winding up of CSC. As of December 31, 2021, there was no existing senior stock.

The foregoing voting provisions will not apply if, at or prior to the time when the act with respect to which such vote would otherwise be required shall be effected, all outstanding shares of the series of Preferred Stock shall have been redeemed or called for redemption in accordance with the provisions described above upon proper notice and sufficient funds shall have been set aside by us for the benefit of the holder of the series of Preferred Stock to effect such redemption.

See "Description of Depositary Shares – Voting the Preferred Stock" for information about voting of the depositary shares representing the Preferred Stock.

DESCRIPTION OF DEPOSITARY SHARES

In this description, references to "holders" of depositary shares mean those who own depositary shares registered in their own names, on the books that we or the depositary maintain for this purpose, and not indirect holders who own beneficial interests in depositary shares registered in street name or issued in book-entry form through DTC.

We have issued fractional interests in shares of the Preferred Stock in the form of depositary shares. Each such depositary share represents a 1/40th ownership interest in a share of the Series D Preferred Stock or Series J Preferred Stock, and is evidenced by a depositary receipt. The shares of Series D Preferred Stock and Series J Preferred Stock represented by depositary shares were each deposited under a separate deposit agreement among CSC, Equiniti Trust Company, and the holders from time to time of the depositary receipts evidencing the depositary shares. Subject to the terms of the deposit agreements, each holder of a depositary share is entitled, through the depositary, in proportion to the applicable fraction of a share of Preferred Stock represented by such depositary share, to all the rights and preferences of the Preferred Stock represented thereby (including dividend, redemption, liquidation and voting rights).

Dividends and Other Distributions

The depositary will distribute any cash dividends or other cash distributions received in respect of the deposited Preferred Stock to the record holders of depositary shares representing the Preferred Stock represented thereby in proportion to the number of depositary shares held by the holders. The depositary will distribute any property received by it other than cash to the record holders of depositary shares entitled to those distributions, unless it determines that the distribution cannot be made proportionally among those holders or that it is not feasible to make a distribution (including any requirement that CSC or the depositary withhold an amount on account of taxes). In that event, the depositary may, with CSC's approval, adopt a method as it deems equitable and practicable for purposes of effecting the distribution, including selling the property (at a public or private sale) and distributing the net proceeds from the sale to the holders of the depositary shares in proportion to the number of depositary shares they hold.

Record dates for the payment of dividends and other matters relating to the depositary shares will be the same as the corresponding record dates for the Preferred Stock.

The amounts distributed to holders of depositary shares will be reduced by any amounts required to be withheld by the depositary or by CSC on account of taxes or other governmental charges.

Redemption of Depositary Shares

If we redeem the Preferred Stock represented by the depositary shares, the depositary shares will be redeemed from the proceeds received by the depositary resulting from the redemption of the Preferred Stock held by the depositary. The redemption price per depositary share will be equal to 1/40th of the redemption price per share payable with respect to the Preferred Stock (or $25 per depositary share), plus any declared and unpaid dividends, without accumulation of any undeclared dividends. Whenever we redeem shares of Preferred Stock held by the depositary, the depositary will redeem, as of the same redemption date, the number of depositary shares representing shares of Preferred Stock so redeemed.

In case of any redemption of less than all of the outstanding depositary shares, the depositary shares to be redeemed will be selected by the depositary pro rata or by lot. In any such case, the depositary will redeem depositary shares only in increments of 40 shares and any multiple thereof.

Liquidation Preference

In the event that we liquidate, dissolve or wind-up our business and affairs, either voluntarily or involuntarily, each holder of a depositary share will be entitled to receive a liquidation distribution of $25 per depositary share, plus any declared and unpaid dividends, without accumulation of any undeclared dividends, before we make any distribution of assets to the holders of our common stock, nonvoting common stock, or any other class or series of stock ranking junior to the Preferred Stock as to that distribution.

Voting the Preferred Stock

When the depositary receives notice of any meeting at which the holders of the Preferred Stock are entitled to vote, the depositary will mail (or otherwise transmit by an authorized method) the information contained in the notice to the record holders of the depositary shares representing the Preferred Stock. Each record holder of the depositary shares on the record date, which will be the same date as the record date for the Preferred Stock, may instruct the depositary to vote the amount of the Preferred Stock represented by the holder’s depositary shares. To the extent possible, the depositary will vote the amount of the Preferred Stock represented by depositary shares in accordance with the instructions it receives. CSC will agree to take all reasonable actions that the depositary determines are necessary to enable the depositary to vote as instructed. If the depositary does not receive specific instructions from the holders of any depositary shares representing the Preferred Stock, it will vote all depositary shares of that series held by it proportionately with instructions received.

Exhibit 10.407(ii)

CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT, MARKED BY BRACKETS, HAS BEEN EXCLUDED BECAUSE IT IS NOT MATERIAL AND WOULD BE COMPETITIVELY HARMFUL IF PUBLICLY DISCLOSED

AMENDMENT TO AMENDED AND RESTATED INSURED DEPOSIT ACCOUNT AGREEMENT

This AMENDMENT (this "Amendment"), dated November 24, 2021, to the Amended and Restated Insured Deposit Account Agreement (the "IDA Agreement"), dated as of November 24, 2019, by and among TD Bank USA, TD Bank, The Charles Schwab Corporation and, pursuant to the Consent, Agreement and Joinder, dated as of October 5, 2020, TD Ameritrade, Inc., TD Ameritrade Clearing, Inc., TD Ameritrade Trust Company and Charles Schwab & Co., Inc. ("CS&Co."), is entered into in accordance with Section 31 of the IDA Agreement.

NOW, THEREFORE, the parties hereto amend the IDA Agreement as follows:

1. **Section 1(a) of the IDA Agreement**. Section 1(a) of the IDA Agreement is hereby amended and restated as follows:

"(a) Schwab will cause (i) its subsidiaries that are broker-dealers as of the Closing, including Charles Schwab & Co., Inc. and the TDA Broker-Dealers and (ii) any other entity that either (A) becomes a broker-dealer subsidiary of Schwab or (B) is or becomes a subsidiary of Schwab that assumes the obligations of TD Ameritrade Trust Company under this Agreement following the Closing (clauses (i) and (ii), collectively, the "Broker-Dealers") to make available to their Customers the sweep program contemplated by this Agreement to the extent necessary for Schwab to satisfy its obligations hereunder and will cause the Broker-Dealers to take all other actions required of them pursuant to this Agreement; provided that with respect to TD Ameritrade Trust Company (or any subsidiary of Schwab that assumes the obligations of TD Ameritrade Trust Company under this Agreement), only existing Customers as of the date of this Amendment shall be permitted to participate in the sweep program contemplated by this Agreement."

2. **Section 5(h)(iv) of the IDA Agreement**. Section 5(h)(iv) of the IDA Agreement is hereby amended and restated as follows:

"No more than US$[***] of Fixed Rate Obligation Amounts in the Master Accounts at any time will mature in any calendar month, except to the extent resulting from any Fixed Rate Obligation Amounts designated prior to November 24,2021 or to the extent resulting from the establishment of Exempt Fixed Rate Obligation Amounts. In addition, (a) if Fixed Rate Obligation Amounts entered into before November 24, 2021 result in US$[***] or more of Fixed Rate Obligation Amounts maturing in a calendar month, no additional Fixed Rate Obligation Amounts will be entered into which mature in such calendar month, or (b) if Fixed Rate Obligation Amounts entered into before November 24, 2021 result in less than US$[***] (for example US$[***]) of Fixed Rate Obligation Amounts maturing in a calendar month, only up to the difference between such amount and US$[***] (in this example, US$[***]) of additional Fixed Rate Obligation Amounts may be entered into on or after November 24, 2021 that mature in such calendar month."

3. **Section 12(a) of the IDA Agreement**. Section 12(a) of the IDA Agreement is hereby amended and restated as follows:

"Schwab and the Broker-Dealers shall provide each Customer with Customer Disclosures setting forth a description of the terms and conditions of the Customer Accounts, including applicable interest rates, and Master Accounts prior to the Customer's funds being swept to a Master Account. The Broker-Dealers agree to provide any new Customer Disclosures or amendments to the Customer Disclosures to the Depository Institutions for their review and approval prior to providing such Customer Disclosures to Customers together with a good faith estimate of the expected impact, if any, of such proposed Customer Disclosures on the balances in each of the Master Accounts; provided that the Depository Institutions shall be permitted to withhold their approval of any Customer Disclosures only on the grounds that (i) such proposed Customer Disclosures would be inaccurate or misleading or (ii) such proposed Customer Disclosures, if adopted, would result in a violation of the IDA Agreement. Except to the extent that Schwab and the Broker-Dealers are informed in writing by the Depository Institutions that the Depository Institutions are withholding their approval of any such Customer Disclosures and the grounds for such withholding of approval, all such Customer Disclosures shall be deemed approved by the Depository Institutions five Business Days following the receipt by the Depository Institutions of such proposed Customer Disclosures. Notwithstanding the foregoing, no approval or deemed approval under this section will be a waiver of the Depository Institutions' other rights under this Agreement."

4. **Section 37 of the IDA Agreement**. The IDA Agreement is hereby amended by adding a new Section 37 as follows:

"In the event of any dispute arising out of or in connection with this Agreement (including any disagreement with respect to its interpretation or any claim or allegation that another party hereto has not complied with the terms thereof), following notice from one party hereto to the other parties hereto that such a dispute exists (which notice shall include reasonably detailed information concerning the nature of such dispute) (a "Dispute Notice"), the parties hereto will in good faith attempt to resolve such dispute in accordance with the following procedures:

(a) The relationship managers for this Agreement designated by TD Parent and Schwab from time to time by written notice to the other parties will attempt to resolve the dispute. If such individuals are unable to resolve the dispute within 10 Business Days after the Dispute Notice was provided, the dispute will be escalated to the executives of TD Parent and Schwab designated by the respective Chief Executive Officers of the parties. If such executives are unable to resolve the dispute within 10 Business Days, then the dispute will be escalated to the Chief Executive Officers of TD Parent and of Schwab. If the Chief Executive Officers are unable to resolve the dispute within 15 Business Days then each party hereto may take whatever steps are necessary to protect its interests.

(b) Any dispute will not be the subject of litigation or any formal proceeding before the parties hereto have attempted to resolve such dispute in accordance with the procedures set forth in clause (a); provided that notwithstanding anything herein to the contrary, any party hereto may seek injunctive or equitable relief without complying with the above described procedures to the extent reasonably necessary to protect its rights or prevent harm to its interests prior to the conclusion of such dispute procedures."

5. **Exhibit D (LIBOR Fallback Language) of the IDA Agreement**. Exhibit D of the IDA Agreement is hereby amended and restated as set forth in Annex A hereto:

6. **Dual Account Structure of the IDA Agreement**.

(a) Subject to paragraph (b) below, the provisions of the IDA Agreement referenced in Annex B hereto are hereby amended and restated as set forth in Annex B hereto.

(b) The amendments to the IDA Agreement set forth in Annex B shall become effective (the "Effective Time") concurrently with the first systems conversion of the TDA Broker-Dealers on to Schwab's systems, provided that Schwab shall have given the Depository Institutions at least 60 days' prior written notice of the Effective Time. In the event that after the date of this Amendment (and regardless of whether such event occurs before or after the Effective Time) transaction accounts such as the TAs referred to in the amendments set forth in Annex B become subject to reserve requirements pursuant to Section 19 of the Federal Reserve Act, or similar requirements under any other law, regulation or regulatory order, then, effective immediately (unless there is less than 30 days prior notice of such requirements, in which case, as of the 30th day after such requirements become effective), the amendments to the IDA Agreement set forth in Annex B shall terminate and expire and the applicable provisions of the IDA Agreement shall thereafter revert to the terms as in effect prior to the Effective Time.

7. **References to the IDA Agreement**. After giving effect to this Amendment, each reference in the IDA Agreement to "this Agreement", "hereof", "hereunder", "herein" or words of like import referring to the IDA Agreement shall refer to the IDA Agreement as amended by this Amendment. All references in the IDA Agreement to "the date hereof", "the WHEREAS, the Depository Institutions have established or will establish one or more money market deposit accounts (as that term is defined in 12 C.F.R. Section 204.2(d)(2)) (the "Master Accounts") in the names of the Broker-Dealers (as defined below) as agent and custodian for customers of the Broker-Dealers ("Customers"),date of this Agreement" and similar references shall refer to November 24, 2019.

8. **Amendment**. Except as expressly amended by this Amendment, the terms of the IDA Agreement shall remain unchanged and continue in full force and effect.

9. **Counterparts**. This Amendment may be executed in a number of counterparts, including by facsimile and electronic mail, each of which when so executed and delivered shall constitute an original, but such counterparts together shall constitute one and the same Amendment.

[Remainder of page intentionally left blank.]

The undersigned have duly executed this Amendment as of the date first written above.

TD BANK USA, NATIONAL ASSOCIATION

By: /s/ Gregory Braca
Name: Gregory Braca
Title: President & CEO

TD BANK, NATIONAL ASSOCIATION

By: /s/ Gregory Braca
Name: Gregory Braca
Title: President & CEO

THE CHARLES SCHWAB CORPORATION

By: /s/ Peter Crawford
Name: Peter Crawford
Title: Executive Vice President and Chief Financial Officer

TD AMERITRADE, INC.

By: /s/ Michael Asmus
Name: Michael Asmus
Title: Treasurer

TD AMERITRADE CLEARING, INC.

By: /s/ Michael Asmus
Name: Michael Asmus
Title: Treasurer

TD AMERITRADE TRUST COMPANY

By: /s/ Michael Asmus

Name: Michael Asmus

Title: Treasurer

CHARLES SCHWAB & CO., INC.

By: /s/ Peter Crawford

Name: Peter Crawford

Title: Executive Vice President and Chief Financial Officer

Annex A

Exhibit D
Effect of Benchmark Transition Event On Fixed Rate Obligation Amounts ("FROA")

On March 5, 2021 the Financial Conduct Authority (“FCA”), the regulatory supervisor of USD LIBOR’s administrator (“IBA”), announced in a public statement the future cessation or loss of representativeness of overnight/Spot Next, 1-month, 3-month, 6-month and 12- month USD LIBOR tenor settings. As a result of such IBA announcement, the parties wish to address how Yield will be calculated following November 24, 2021 (the "Transition Date").

In furtherance of the foregoing, the parties hereby agree that upon the occurrence of the Transition Date as provided above, the FROA shall be determined as follows:

Existing and new FROAs up to the Transition Date: The Yield on existing and new FROAs booked up to and including the Transition Date will not be adjusted and the Yield set in accordance with Appendix A will continue to apply to such FROAs until maturity.

New FROAs post the Transition Date: The Yield on new FROAs requested after the Transition Date shall be equal to the mid-market fixed coupon rate quoted on Bloomberg Swap Manager (Bloomberg page SWPM, Fixed vs. SOFR or any successor page) for a USD, monthly pay (both fixed and floating leg) fixed vs. floating swap with: (i)(a) a floating rate of the 1D SOFRRATE (as defined on Bloomberg page SWPM), plus (b) a spread of 11.448bps; (ii) an effective date and maturity date corresponding to those of the applicable Fixed Rate Obligation Amount; and (iii) daily compounding applicable to the floating rate (for illustration purposes only, such rate is shown as equal to 0.810186 % per annum as illustrated below in a screen shot of Bloomberg page SWPM in **Exhibit** D1), as such mid-market fixed coupon rate is determined on the date the Yield for each new FROA is to be determined in accordance with the Agreement. Set forth below (Exhibit D2) is an illustration of the Bloomberg Swap Manager settings to be used for the establishment of the fixed rate for each such Fixed Rate Obligation Amount. If Bloomberg Swap Manager is not available for any reason, or is not able to calculate the mid-market fixed coupon rate as contemplated herein, the parties will use an alternative source, agreed upon by the parties, each acting reasonably, to determine the Yield in accordance with the parameters set forth herein. The parties hereby acknowledge and agree that the 1D SOFRRATE used for the Bloomberg Swap Manager is the same as the USD-SOFR rate defined in the 2021 ISDA Interest Rate Derivatives Definitions (the “2021 ISDA Definitions”) and in the event the 1D SOFRRATE is not available for any reason, at any time, then the relevant temporary or permanent replacement for such rate shall be determined in accordance with the 2021 ISDA Definitions with respect to the USD-SOFR rate (any such replacement, a “Replacement Rate”). For the avoidance of doubt, each Replacement Rate shall only be applicable with respect to new FROAs requested on or after the date such Replacement Rate is effective. In no event shall the Yield of any existing FROAs at the time a Replacement Rate becomes effective be adjusted as a result of a Replacement Rate.

Exhibit D1:


91) Actions
92) Products
93) Views
94) Info
95) Settings
Swap Manager
Fixed-float cross-currency swap curves will change on 10 Sep, 2021. See more »
Solver (Coupon)
Load
Save
Trade
CCP
3) Main
4) Details
5) Curves
6) Cashflow
7) Resets
9) Scenario
10) Risk
12) Matrix
Deal
Fixed vs SOFR
Counterparty
SWAP CNTRPARTY
Ticker / SWAP
20) Properties
CCP
OTC
Trade Date
08/12/2021
Swap
Arrears
Valuation Settings
Leg 1:Fixed
Receive
Leg 2:Float
Pay
Curve Date
08/12/2021
Notional
10MM
Notional
10MM
Valuation
08/16/2021
Currency
USD
Currency
USD
CSA Coll Ccy
N/A
Effective
0D 08/16/2021
Effective
0D 08/16/2021
OIS DC Stripping
Maturity
5Y 08/16/2026
Maturity
5Y 08/16/2026
Coupon
0.810186 %
Index
1D SOFRRATE
Pay Freq
Monthly
Spread
11.448 bp
Day Count
30I/360
Leverage
1.00000
Calc Basis
Bond Eqv
Latest Index
0.05000
Reset Freq
Daily
Pay Freq
Monthly
Day Count
ACT/365
Market
Dscnt
490 M USD SOFR (ICVS
Dscnt
490 M USD SOFR (ICVS
Fwd
490 M USD SOFR (ICVS
Valuation Results
22) Calculators
Par Cpn
0.810186
Premium
0.00000
PV01
4,943.50
Principal
0.00
BP Value
0.00000
DV01
4,916.01
Accrued
0.00
Gamma (1bp)
2.98
NPV
0.00

Exhibit D2:

	Bloomberg Swap Manager	Setting
1	Deal	
2	Counterparty	Swap Cnrtparty
3	Ticker	Swap
4	Trade Date	8/12/2021
5	Fixed Leg	
6	CCP (Central Counterparty)	OTC
7	Direction	Receive
8	Notional	$10MM
9	Currency	USD
10	Effective Date	8/16/2021
11	maturity Date	8/16/2026
12	Coupon	[calculated field]
13	Pay Frequency	monthly
14	Day Count	30I/360
15	Calc Basis	Bond Equiv
16	Discount Curve	USD SOFR (ICVS Default Curve)
17	Floating Leg	
18	Direction	Pay
19	Notional	$10MM
20	Currency	USD
21	Effective Date	8/16/2021
22	maturity Date	8/16/2026
23	Index	1D =SOFRRATE
24	Spread	11.448
25	Leverage	1
26	Latest Index	default value
27	Rest Frequency	Daily
28	Pay Frequency	Monthly
29	Day Count	Act/365
30	Discount Curve	USD SOFR (ICVS Default Curve)
31	Forward Curve	USD SOFR (ICVS Default Curve)
32	Spread Compounding	ExcludeSprd
33	Valuation Settings	
34	Curve Date	8/12/2021
35	valuation Date	8/16/2021
36	CSA Coll Ccy	N/A
37	Valuation Results	
38	Premium	0
39	NPV	0
	Red Text represents changes from default settings	

Annex B

The third and fourth recitals of the IDA Agreement are hereby amended and restated as follows:

WHEREAS, the Depository Institutions have established or will establish one or more omnibus money market deposit accounts (as that term is defined in 12 C.F.R. Section 204.2(d)(2)) (the "MMDAs") and, to the extent provided herein, one or more omnibus transaction accounts (as that term is defined in 12 C.F.R. Section 204.2(b)(1) (the "TAs") (each such account a "Master Account" and collectively the "Master Accounts") in the names of the Broker-Dealers (as defined below) as agent and custodian for customers of the Broker-Dealers ("Customers"), including those Customers that are trust agents, nominees, custodians or other representatives of others, and each MMDA established in the name of Charles Schwab & Co., Inc. or any other Broker-Dealer utilizing a dual MMDA-TA account structure as described in Section 6(b) hereof (a "dual account structure") will be linked to a TA;

WHEREAS, each Broker-Dealer will act as agent and recordkeeper with respect to certain books and records relating to each of its Customers' individual beneficial interest in the Master Accounts (each Customer's interest in an MMDA and a TA, the "Customer MMDA" and the "Customer TA", respectively, and collectively, a "Customer Account") and will maintain its deposit account records to reflect at all times the existence of a relationship that serves as the basis for federal deposit insurance of such Customer Accounts by the Federal Deposit Insurance Corporation (the "FDIC"), subject to the terms and conditions of this Agreement;

Section 2(c) of the IDA Agreement is hereby amended and restated as follows:

(c) each MMDA shall be subject to the following additional terms and conditions:

(i) the Depository Institutions reserve the right to require seven (7) days' prior notice of any withdrawal of funds from the MMDAs or any Customer MMDA; provided, however, that if a Depository Institution elects to exercise its right to require seven (7) days' prior notice of any withdrawal of funds from an MMDA or a Customer MMDA, it shall, subject to applicable regulatory limitations, exercise such right as to all accounts established at such Depository Institution under 12 C.F.R. Section 204.2(d);

(ii) the MMDAs and Customer MMDAs shall be subject to any and all terms and conditions as may from time to time be imposed on any money market deposit account described in 12 C.F.R. Section 204.2(d)(2) by any applicable law, regulation or rule or by any other determination of any governmental or regulatory authority;

Section 2(g) of the IDA Agreement is hereby amended and restated as follows:

(g) Each TA and Customer TA shall be subject to any and all terms and conditions as may from time to time be imposed on any account described in 12 C.F.R. Section

204.2(b)(1) by any applicable law, regulation or rule or by any other determination of any governmental or regulatory authority;

Section 6 of the IDA Agreement is hereby amended and restated as follows:

6. Withdrawals from and Closure of a Master Account; Transfers Between Customer MMDAs and Customer TAs.

(a) Subject to Section 5, withdrawals from a Master Account may be made prior to 2:00 p.m., Eastern Time, on any Business Day only by the applicable Broker-Dealer, as agent for its Customers. All withdrawals shall be made no more than once a day on any Business Day pursuant to instructions delivered by such Broker-Dealer, or its respective messenger and are in all cases subject to the requirements of Section 5. Such Broker-Dealer or messenger, as applicable, shall receive evidence of the Depository Institution's receipt of the withdrawal and transfer instructions for same day funds representing the total of such withdrawals to be made to such Broker-Dealer as agent for its Customers. If directed by such Broker-Dealer or its respective messenger, as applicable, the Depository Institution will transfer funds to accounts at another depository institution. Each Broker-Dealer agrees that upon its receipt of such payment for withdrawals, the Depository Institution shall have no further obligation and shall be discharged as to the Broker-Dealer, and any Customers on whose behalf such payment was made, and that the Depository Institution shall have no further obligation with respect to the funds represented by such withdrawal other than the obligation to pay any accrued and unpaid interest relating to those funds. Any Master Account may only be closed by the Broker-Dealers, as agent for the Customers, in each case subject to the requirements of Section 5.

(b) Subject in each case to Section 5:

(i) Each Broker-Dealer utilizing a dual account structure in which Customers' MMDAs are linked with TAs, as agent for its Customers, may on any Business Day withdraw funds from a Customer's TA and deposit the funds into the Customer's MMDA or withdraw funds from a Customer's MMDA and deposit the funds in the Customer's TA; provided that any funds in excess of the "threshold" amount for a Customer TA established pursuant to clause (ii) below shall be held in such Customer's MMDA, except as provided by clause (iii) below. The applicable Broker-Dealer will record such transfers to and transfers from the Customer's Customer Accounts in its records. The applicable Broker-Dealer will aggregate all such transfers, including transfers pursuant to clauses (ii) and (iii) below, on behalf of its Customers and instruct the Depository Institutions to transfer funds to or transfer funds from the appropriate TA and linked MMDA by written instructions given to the Depository Institutions, not more than once per Business Day, prior to 2:00 p.m., New York City time, on such Business Day or prior to such other cut-off time as may be established by the Depository Institutions and agreed to by the Broker-Dealers.

(ii) In their discretion, the Broker-Dealers may establish a minimum or "threshold" amount to be maintained in each Customer TA and such threshold amount may vary from Customer to Customer. On the first Business Day of each month, the Broker-Dealers, as agents for their respective Customers, shall withdraw all funds on deposit in each Customer's

Customer TA, except for such "threshold" amount as the Broker-Dealers may establish in their discretion, and deposit the funds in the related Customer MMDA.

(iii) If, pursuant to clause (i) above, transfers from a Customer's Customer MMDA to the related Customer TA in a calendar month reach the applicable limits imposed by Regulation D and relevant interpretations thereunder, the applicable Broker-Dealer, as agent for the Customer, will transfer all balances in such Customer's Customer MMDA to the related Customer TA for the remainder of the calendar month. Deposits for the remainder of the month will be made to the Customer's Customer TA.

Section 9(f) of the IDA Agreement is hereby amended and restated as follows:

(f) Each Broker-Dealer either has full power and authority to receive on behalf of, and as agent for, each of the Customers any information, including disclosure information, that the Depository Institutions may provide in connection with a Customer Account, including any disclosure information required by law or, if a Broker-Dealer lacks such power and authority, such Broker-Dealer shall deliver such information directly to the Customers within any applicable time periods required by law.

Section 10(d) of the IDA Agreement is hereby amended and restated as follows:

(d) Such Depository Institution has obtained and/or made any consent, approval, waiver or other authorization of or by, or filing or registration with, any court, administrative or regulatory agency or other governmental authority of the federal government or the state in which such Depository Institution has its principal place of business that is required to be obtained by the Depository Institution in connection with the execution, delivery or performance by the Depository Institution of this Agreement or the consummation by the Depository Institution of the transactions contemplated by this Agreement including, without limitation, the offering of Customer Accounts to the Customers.

Section 11(a) and (b) of the IDA Agreement is hereby amended and restated as follows:

(a) Each Broker-Dealer, as recordkeeper for the Depository Institutions, will maintain the applicable MMDAs and Customer MMDAs in accordance with the definition of "savings deposit" in 12 C.F.R. Section 204.2(d)(2), and interpretations of the Federal Reserve thereunder, including the transfer and withdrawal restrictions contained therein. Without limiting the foregoing, the Broker-Dealers shall ensure that all transfers and withdrawals to and from the MMDAs and Customer MMDAs effected pursuant to this Agreement, including Section 6 hereof, comply with the applicable requirements of Regulation D for "savings accounts", including all necessary recordkeeping in respect thereof.

(b) Each Broker-Dealer will prepare and file, on a timely basis and in the manner prescribed by the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"), and applicable regulations thereunder, all information returns that may be required by such Broker-Dealer in whatever capacity with respect to its respective Master Accounts (with the customary copies thereof for state and local taxing authorities) and will furnish a copy of all information returns and notifications prescribed by the Internal Revenue Code and applicable regulations thereunder with respect to any Customer holding a Customer Account at the Depository Institution(s) to the Customer; provided, however, that in the event such Broker-Dealer does not have available to it the information required to complete such information return and such information is available to the Depository Institution(s), such Broker-Dealer shall request such information from the Depository Institution(s) and upon receipt of such information in a timely manner, such Broker-Dealer shall prepare and file such return in an timely manner. Each Broker-Dealer will cause to be obtained and retained in its files any necessary exemption certificates from its respective Customers with respect to the filing of any information return and the withholding of taxes.

Section 28 of the IDA Agreement is hereby amended and restated as follows

28. Litigation.

(a) Schwab and each Broker-Dealer will promptly advise the Depository Institution of any legal or administrative action of which Schwab or such Broker-Dealer obtains knowledge by any state or federal court, agency or authority taken or threatened to be taken that would preclude, limit or otherwise restrict the offering of the Customer Accounts as contemplated by this Agreement.

(b) Each Depository Institution will promptly advise Schwab of any legal or administrative action of which the Depository Institution obtains knowledge by any state or federal court, agency or authority, taken or threatened to be taken that would preclude or limit or otherwise restrict the offering of the Customer Accounts as contemplated by this Agreement.

EXHIBIT 10.426

THE CHARLES SCHWAB CORPORATION
[2013 STOCK INCENTIVE PLAN]
NOTICE OF RESTRICTED STOCK UNIT GRANT

You have been granted Restricted Stock Units. A Restricted Stock Unit represents the right to receive, subject to certain conditions, a share of common stock (a "*Share*") of The Charles Schwab Corporation ("*Schwab*") under [The Charles Schwab Corporation 2013 Stock Incentive Plan] (the "*Plan*"). Your Restricted Stock Units are granted subject to the following terms:

Name of Recipient:	**<first_name> <last_name>**
Total Number of Restricted Stock Units Granted:	**<shares_awarded>**
Grant Date:	**<award_date>**
Vesting Schedule:	So long as you remain in service in good standing and subject to the terms of the Restricted Stock Unit Agreement, the Restricted Stock Units subject to this grant will become vested and distributable on the following dates and in the following amounts, subject to the restrictions below: Number of Restricted Stock Units on Vesting Date: **<vesting_schedule>**

Restricted Stock Units are an unfunded and unsecured obligation of Schwab. Any vested Restricted Stock Units will be paid in Shares as provided in the Restricted Stock Unit Agreement.

You and Schwab agree that this grant is issued under and governed by the terms and conditions of the Plan and the Restricted Stock Unit Agreement, both of which are made a part of this notice. Please review the Plan and the Restricted Stock Unit Agreement carefully, as they explain the terms and conditions of this grant. You agree that Schwab may deliver electronically all documents relating to the Plan or this grant (including, without limitation, prospectuses required by the Securities and Exchange Commission) and all other documents that Schwab is required to deliver to its stockholders. By accepting this grant, you agree to all of the terms and conditions described above, in the Restricted Stock Unit Agreement and in the Plan, and you have no right whatsoever to change or negotiate such terms and conditions.

THE CHARLES SCHWAB CORPORATION
[2013 STOCK INCENTIVE PLAN]
RESTRICTED STOCK UNIT AGREEMENT

Payment for Units

No payment is required for the Restricted Stock Units that you are receiving. Restricted Stock Units are an unfunded and unsecured obligation of The Charles Schwab Corporation ("*Schwab*").

Vesting

Subject to the provisions of this Restricted Stock Unit Agreement ("*Agreement*"), a Restricted Stock Unit becomes vested and distributable as of the earliest of the following:

(1) The applicable Vesting Date for the Restricted Stock Unit indicated in the Notice of Restricted Stock Unit Grant.

(2) Your death.

(3) Your disability.

(4) Your separation from service, if the separation qualifies as a retirement or a severance eligible termination (provided that vesting shall occur upon a severance eligible termination only to the extent provided in The Charles Schwab Severance Pay Plan (or any successor plan)).

(5) A change in control.

Unvested units will be considered "*Restricted Stock Units*." If your service terminates for any reason, then your Restricted Stock Units will be forfeited to the extent that they have not vested on or before the termination date and do not vest as a result of the termination. This means that the Restricted Stock Units will immediately revert to Schwab. You will receive no payment for Restricted Stock Units that are forfeited. Schwab determines when your service terminates for this purpose. For all purposes of this Agreement, "*service*" means continuous employment as a common-law employee of Schwab or a parent corporation or subsidiary of Schwab, and "*subsidiary*" means a subsidiary corporation as defined in section 424(f) of the Internal Revenue Code of 1986, as amended (the "*Code*").

Definition of Fair Market Value

"*Fair market value*" means the average of the high and low price of a Share (as defined below) as reported on the New York Stock Exchange on the applicable determination date.

Definition of Disability

For all purposes of this Agreement, "*disability*" means that you have a disability that qualifies as such under section 409A of the Code and due to which you have been determined to be eligible for benefits under Schwab's long-term disability plan or if you are not covered by Schwab's long-term disability plan, you are unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which has lasted, or can be expected to last, for a continuous period of not less than 12 months or which can be expected to result in death as determined by Schwab in its sole discretion.

Definition of Retirement

If you are an employee of Schwab and its subsidiaries, "*retirement*" means a separation from service for any reason other than death at any time after the earlier of when you attain age 55, but only if, at the time of your separation, you have been credited with at least 10 years of service or when you attain age 65, but only if, at the time of your termination, you have been credited with at least 5 years of service.

The phrase "*years of service*" above has the same meaning given to it under The SchwabPlan Retirement Savings and Investment Plan (or any successor plan).

Definition of Severance Eligible Termination

For all purposes of this Agreement, "*severance eligible termination*" means a separation from service entitling you to severance benefits when you have signed your Severance Agreement under The Charles Schwab Severance Pay Plan (or any successor plan).

Definition of Change in Control

For all purposes of this Agreement, "*change in control*" means an event that qualifies as a change in control event under section 409A of the Code and as a change in control as defined in [The Charles Schwab Corporation 2013 Stock Incentive Plan] (the "*Plan*").

Definition of Separation From Service

For all purposes of this Agreement, "*separation from service*" means a separation from service as defined under section 409A of the Code.

Payment of Shares

Any vested Restricted Stock Units will be paid in shares of common stock of Schwab ("*Shares*") as provided herein. Shares that have become vested and distributable under this Agreement shall be distributed as follows:

(1) Shares that vest and become distributable on a Vesting Date shall be distributed within 30 days of the Vesting Date.

(2) Shares that vest and become distributable on death, disability or a change in control, shall be distributable within 90 days of such event.

(3) Shares that vest and become distributable on a separation from service (either a retirement or a severance eligible termination) shall be distributed within 90 days of the separation from service. Generally, for severance eligible terminations, the distribution date shall be the "termination date" specified in the notice under The Charles Schwab Severance Pay Plan. Notwithstanding the foregoing, if at the time of your separation from service, you are a "specified employee", you will receive your Shares six months after your separation from service. "Specified Employee" means a "specified employee" within the meaning of section 409A of the Code and any regulatory guidance promulgated thereunder, provided that in determining the compensation of individuals for this purpose, the definition of compensation in Treas. Reg. § 1.415(c)-2(d)(2) shall be used.

Restrictions on Restricted Stock Units

You may not assign, sell, transfer, pledge, encumber, or otherwise dispose of any Restricted Stock Units without Schwab's written consent. Schwab will deliver Shares to you only after the Restricted Stock Units vest and after all other terms and conditions in this Agreement have been satisfied.

Restricted Stock Units may not be assigned, transferred, pledged, encumbered, or otherwise disposed of in any settlement, judgment, decree or order (including approval of a property settlement agreement) that relates to the provision of child support, alimony payments, or marital property rights or domestic property rights.

Delivery of Shares After Death

In the event that Shares are distributable upon your death, the Shares will be delivered to your beneficiary or beneficiaries. You may designate one or more beneficiaries by filing a beneficiary designation form with Schwab. You may change your beneficiary designation by filing a new form with Schwab at any time prior to your death. If you do not designate a beneficiary or if your designated beneficiary predeceases you, then your Shares will be delivered to your estate.

Cancellation of Restricted Stock Units

To the fullest extent permitted by applicable laws, these Restricted Stock Units will immediately be cancelled and will expire in the event that Schwab terminates your employment on account of conduct contrary to the best interests of Schwab, including, without limitation, conduct constituting a violation of law or Schwab policy, fraud, theft, conflict of interest, dishonesty or harassment. The determination whether your employment has been terminated on account of conduct inimical to the best interests of Schwab shall be made by Schwab in its sole discretion, and will be entitled to deference upon any review.

Restrictions on Resale

You agree not to sell any Shares at a time when applicable laws, Schwab's policies, or an agreement between Schwab and its underwriters prohibit a sale. This restriction will apply as long as your service continues and for such period of time after the termination of your service as Schwab may specify.

Withholding Taxes

Shares will not be distributed unless you have made acceptable arrangements to pay any applicable withholding taxes that may be due as a result of the vesting and or the distribution of the Shares. These arrangements may include withholding Shares. Schwab may withhold the number of whole Shares, valued at the fair market value on the applicable date, required to satisfy such applicable withholding taxes. Schwab will round up to the next whole Share to cover the applicable withholding taxes, and any amounts in excess of the applicable withholding taxes resulting from rounding up to the next whole Share will be added to your federal income tax withholdings. In the event you do not elect to pay applicable withholding taxes in cash, Schwab shall withhold Shares as noted above. While Schwab will withhold to satisfy applicable withholding taxes, you acknowledge that, regardless of any action taken by Schwab, the ultimate liability for all income tax, social insurance, payroll tax, fringe benefits tax, payment on account or other tax-related items related to your participation in the Plan and legally applicable to you, is and remains your responsibility and may exceed the amount, if any, actually withheld by Schwab.

Applicable withholding taxes due on the distribution of Shares subject to this award following termination of employment will be withheld as noted above, unless you have made acceptable arrangements to pay any applicable withholding taxes in cash. If you elect to pay applicable withholding taxes due upon the distribution of Shares in cash, you are responsible for having sufficient funds in your Schwab brokerage account to cover the applicable withholding taxes at the time they are due.

Any withholding taxes due prior to distribution of Shares (e.g., under section 3121(v)(2) of the Code upon retirement eligibility) shall be paid by accelerating the vesting of and withholding of Shares payable in connection with such Restricted Stock Units for participants other than executive officers of Schwab (i.e., individuals holding the office of Executive Vice President or above), who shall pay such withholding taxes in cash upon Schwab's request. Prior to the distribution of Shares, the number of Shares accelerated and withheld for withholding taxes will be rounded down to the next whole Share, and any amounts of less than the fair market value of a Share will be deducted from your pay to cover the applicable withholding taxes due prior to distribution of Shares. Participants may not make any election as to the payment of withholding taxes due prior to the distribution of Shares (e.g., under section 3121(v)(2) of the Code upon retirement eligibility).

No Stockholder Rights

Your Restricted Stock Units carry no voting or other stockholder rights. You have no rights as a Schwab stockholder until your Restricted Stock Units are settled by issuing Shares.

Contribution of Par Value

On your behalf, Schwab will contribute to its capital an amount equal to the par value of the Shares issued to you.

Dividend Equivalent Rights

If Schwab pays cash dividends on Shares, you will receive cash equal to the dividend per Share multiplied by the number of unvested Restricted Stock Units. Each such payment shall be made as soon as practicable following the payment of the actual dividend, but in no event beyond March 15 of the year following the year the actual dividend is paid.

No Right to Remain Employee

Nothing in this Agreement will be construed as giving you the right to be retained as an employee, contingent worker, or director of Schwab and its subsidiaries for any specific duration or at all.

Limitation on Payments

If a payment from the Plan would constitute an excess parachute payment under section 280G of the Code or if there have been certain securities law violations, then your grant may be reduced or forfeited and you may be required to disgorge any profit that you have realized from your grant.

If a disqualified individual receives a payment or transfer under the Plan that would constitute an excess parachute payment under section 280G of the Code, such payment will be reduced, as described below. Generally, someone is a "*disqualified individual*" under section 280G if he or she is (a) an officer of Schwab, (b) a member of the group consisting of the highest paid 1% of the employees of Schwab or, if less, the highest paid 250 employees of Schwab, or (c) a 1% stockholder of Schwab. For purposes of this section on "Limitation on Payments," the term "*Schwab*" will include affiliated corporations to the extent determined by the independent auditors most recently selected by the Board of Directors (the "*Auditors*") in accordance with section 280G(d)(5) of the Code.

In the event that the Auditors determine that any payment or transfer in the nature of compensation to or for your benefit, whether paid or payable (or transferred or transferable) pursuant to the terms of the Plan or otherwise (a "*Payment*"), would be nondeductible for federal income tax purposes because of the provisions concerning "excess parachute payments" in section 280G of the Code, then the aggregate present value of all Payments will be reduced (but not below zero) to the Reduced Amount (as defined below); provided, however, that the Compensation Committee (the "*Compensation Committee*") of the Board of Directors may specify in writing that the grant will not be so reduced and will not be subject to reduction under this section.

For this purpose, the "*Reduced Amount*" will be the amount, expressed as a present value, which maximizes the aggregate present value of the Payments without causing any Payment to be nondeductible by Schwab because of section 280G of the Code.

If the Auditors determine that any Payment would be nondeductible because of section 280G of the Code, then Schwab will promptly give you notice to that effect and a copy of the detailed calculation of the Reduced Amount. The Auditors will determine which and how much of the Payments will be eliminated or reduced (such that the aggregate present value of the Payments equals the Reduced Amount and is consistent with any mandatory eliminations or reductions that apply under other agreements or the Plan). Schwab will notify you promptly of the Auditor's determination. Present value will be determined in accordance with section 280G(d)(4) of the Code. The Auditors' determinations will be binding upon you and Schwab and will be made within 60 days of the date when a Payment becomes payable or transferable.

As a result of uncertainty in the application of section 280G of the Code at the time of an initial determination by the Auditors, it is possible that Payments will have been made by Schwab that should not have been made (an "*Overpayment*") or that additional Payments that will not have been made by Schwab could have been made (an "*Underpayment*") consistent in each case with the calculation of the Reduced Amount. In the event the Auditors, based upon the assertion of a deficiency by the Internal Revenue Service against you or Schwab that the Auditors believe has a high probability of success, determine that an Overpayment has been made, the amount of such Overpayment will be paid by you to Schwab on demand, together with interest at the applicable federal rate provided in section 7872(f)(2) of the Code. However, no amount will be payable by you to Schwab if and to the extent that such payment would not reduce the amount that is subject to taxation under section 4999 of the Code. In the event the Auditors determine that an Underpayment has occurred, such Underpayment will promptly be paid or transferred by Schwab to or for your benefit, together with interest at the applicable federal rate provided in section 7872(f)(2) of the Code, provided that no such Underpayment related to Shares distributable under this Agreement shall be paid beyond the deadline for making such payments under section 409A of the Code.

Plan Administration

The Plan administrator has discretionary authority to make all determinations related to this grant and to construe the terms of the Plan, the Notice of Restricted Stock Unit Grant and this Agreement. The Plan administrator's determinations are conclusive and binding on all persons, and they are entitled to deference upon any review.

Adjustments

In the event of a stock split, a stock dividend or a similar change in the Shares, the number of Restricted Stock Units that remain subject to forfeiture will be adjusted accordingly.

Severability

In the event that any provision of this Agreement is held invalid or unenforceable, the provision will be severable from, and such invalidity or unenforceability will not be construed to have any effect on, the remaining provisions of this Agreement.

Applicable Law

This Agreement will be interpreted and enforced under the laws of the State of Delaware (without regard to their choice-of-law provisions), as such laws are applied to contracts entered into and performed in Delaware.

The Plan and Other Agreements

The text of the Plan is incorporated in this Agreement by reference. This Agreement (including the Additional Terms and Conditions for Non-U.S. Recipients and the Country-Specific Provisions), the Notice of Restricted Stock Unit Grant, and the Plan constitute the entire understanding between you and Schwab regarding this grant. Any prior agreements, commitments or negotiations concerning this grant are superseded. This Agreement may be amended only by another written agreement, signed by both parties and approved by the Compensation Committee. If there is any inconsistency or conflict between any provision of this Agreement and the Plan, the terms of the Plan will control.

ADDITIONAL TERMS AND CONDITIONS FOR NON-U.S. RECIPIENTS

The additional (or, if so indicated, different) terms and conditions set forth below are specifically incorporated into the Restricted Stock Unit Agreement (the "*Agreement*") for awards granted outside the United States ("*U.S.*"). These terms and conditions govern the Restricted Stock Units granted under the Plan if you reside or work outside of the U.S. Due to the complexities of legal, regulatory and tax issues, you should seek appropriate professional advice as to how the relevant laws in the applicable country may apply to your individual situation.

Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Plan and/or the Agreement.

Withholding Taxes: the following provisions supplement the Withholding Taxes section of the Restricted Stock Unit Agreement:

You acknowledge that, regardless of any action taken by Schwab or, if different, your employer ("*Employer*"), the ultimate liability for all income tax, social insurance, payroll tax, fringe benefits tax, payment on account or other tax-related items related to your participation in the Plan and legally applicable to you ("*withholding taxes*"), is and remains your responsibility and may exceed the amount, if any, actually withheld by Schwab or your Employer. You further acknowledge that Schwab and/or your Employer (1) make no representations or undertakings regarding the treatment of any withholding taxes in connection with any aspect of the Restricted Stock Units, including, but not limited to, the grant, vesting or settlement of the Restricted Stock Units, the subsequent sale of Shares acquired pursuant to such settlement and the receipt of any dividends and/or any dividend equivalents; and (2) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the Restricted Stock Units to reduce or eliminate your liability for withholding taxes or achieve any particular tax result. Further, if you are subject to withholding taxes in more than one jurisdiction, you acknowledge that Schwab and/or your Employer (or former employer, as applicable) may be required to withhold or account for withholding taxes in more than one jurisdiction.

Prior to any relevant taxable or tax withholding event, as applicable, you agree to make adequate arrangements satisfactory to Schwab and/or the Employer to satisfy all withholding taxes.

In this regard, you authorize Schwab and/or the Employer, or their respective agents, at their discretion, to satisfy any applicable withholding obligations with regard to all withholding taxes by one or a combination of the following: (a) withholding from your wages or other cash compensation paid to you by Schwab and/or the Employer; (b) withholding from funds in your Schwab brokerage account; (c) requiring you to make a cash payment in an amount equal to the withholding obligations for withholding taxes; (d) withholding from proceeds of the sale of Shares acquired upon settlement of the Restricted Stock Units either through a voluntary sale or through a mandatory sale arranged by Schwab (on your behalf pursuant to this authorization without further consent); (e) withholding in Shares to be issued upon settlement of the Restricted Stock Units; or (f) any other method of withholding determined by Schwab and permitted by applicable law.

Schwab may withhold or account for withholding taxes by considering applicable minimum statutory withholding rates or other applicable withholding rates, including maximum applicable rates in your jurisdiction(s), in which case you may receive a refund of any over-withheld amount in cash and will have no entitlement to the equivalent in Shares, or if not refunded, you may seek a refund from the local tax authorities. In the event of the under-withholding, you may be required to pay any additional withholding taxes directly to the applicable tax authority or to the Company and/or the Employer. If the obligation for withholding taxes is satisfied by withholding in Shares, for tax purposes, you are deemed to have been issued the full number of Shares subject to the vested Restricted Stock Units, notwithstanding that a number of the Shares are held back solely for the purpose of paying the withholding taxes.

Nature of Grant: In accepting the grant, you acknowledge, understand and agree that:

(1) the Plan is established voluntarily by Schwab, it is discretionary in nature and it may be modified, amended, suspended or terminated by Schwab at any time, to the extent permitted by the Plan;

(2) the grant of the Restricted Stock Units is exceptional, voluntary and occasional and does not create any contractual or other right to receive future grants of Restricted Stock Units, or benefits in lieu of Restricted Stock Units, even if Restricted Stock Units have been granted in the past;

(3) all decisions with respect to future Restricted Stock Units or other grants, if any, will be at the sole discretion of Schwab;

(4) you are voluntarily participating in the Plan;

(5) the Restricted Stock Units, the Shares subject to the Restricted Stock Units, and the income and value of same, are not intended to replace any pension rights or compensation;

(6) the Restricted Stock Units and the Shares subject to the Restricted Stock Units, and the income and value of same, are not part of normal or expected compensation for any purpose, including calculating any severance, resignation, termination, redundancy, dismissal, end-of-service payments, bonuses, holiday pay, long-service awards, pension or retirement or welfare benefits or similar mandatory payments;

(7) unless otherwise agreed with Schwab, the Restricted Stock Units and the Shares subject to the Restricted Stock Units, and the income and value of same, are not granted as consideration for, or in connection with, the service you may provide as a director of a subsidiary of Schwab;

(8) the future value of the underlying Shares is unknown, indeterminable and cannot be predicted with certainty;

(9) for purposes of the Restricted Stock Units, your service will be considered terminated as of the date you are no longer actively providing services to Schwab and its subsidiaries (regardless of the reason for such termination and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where you are employed or the terms of your employment agreement, if any), and unless otherwise expressly provided in this Agreement or determined by Schwab, your right to vest in the Restricted Stock Units under the Plan, if any, will terminate as of such date and will not be extended by any notice period (*e.g.*, your period of service would not include any contractual notice period or any period of "garden leave" or similar period mandated under employment laws in the jurisdiction

where you are employed or the terms of your employment agreement, if any); the Plan administrator shall have the exclusive discretion to determine when you are no longer actively providing services for purposes of your Restricted Stock Unit grant (including whether you may still be considered to be providing services while on a leave of absence);

(10) unless otherwise provided in the Plan or by Schwab in its discretion, the Restricted Stock Units and the benefits evidenced by this Agreement do not create any entitlement to have the Restricted Stock Units or any such benefits transferred to, or assumed by, another company nor to be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the Shares; and

(11) neither Schwab, its subsidiaries nor your Employer shall be liable for any foreign exchange rate fluctuation between your local currency and the United States Dollar that may affect the value of the Restricted Stock Units or of any amounts due to you pursuant to the settlement of the Restricted Stock Units or the subsequent sale of any Shares acquired upon settlement.

No Advice Regarding Grant: Schwab is not providing any tax, legal or financial advice, nor is Schwab making any recommendations regarding your participation in the Plan, or your acquisition or sale of the underlying Shares. You should consult with your own personal tax, legal and financial advisors regarding your participation in the Plan before taking any action related to the Plan.

Compliance with Law: Notwithstanding any other provision of the Plan or this Agreement, unless there is an available exemption from any registration, qualification or other legal requirement applicable to the Shares, Schwab shall not be required to deliver any Shares issuable upon settlement of the Restricted Stock Units prior to the completion of any registration or qualification of the Shares under any local, state, federal or foreign securities or exchange control law or under rulings or regulations of the U.S. Securities and Exchange Commission ("*SEC*") or of any other governmental regulatory body, or prior to obtaining any approval or other clearance from any local, state, federal or foreign governmental agency, which registration, qualification or approval Schwab shall, in its absolute discretion, deem necessary or advisable. You understand that Schwab is under no obligation to register or qualify the Shares with the SEC or any state or foreign securities commission or to seek approval or clearance from any governmental authority for the issuance or sale of the Shares. Further, you agree that Schwab shall have unilateral authority to amend the Agreement without your consent to the extent necessary to comply with securities or other laws applicable to issuance of Shares.

Insider Trading/Market Abuse Laws: You acknowledge that you may be subject to insider trading restrictions and/or market abuse laws based on the exchange on which the Shares are listed and in applicable jurisdictions including the United States and your country or your broker's country, if different, which may affect your ability to accept, acquire, sell, attempt to sell or otherwise dispose of Shares, rights to Shares (*e.g.*, Restricted Stock Units) or rights linked to the value of Shares (*e.g.*, dividend equivalents) during such times you are considered to have "inside information" regarding Schwab (as defined in the laws or regulations in applicable jurisdictions). Local insider trading laws and regulations may prohibit the cancellation or amendment of orders you placed before you possessed inside information. Furthermore, you could be prohibited from (i) disclosing the inside information to any third party, including fellow employees and (ii) "tipping" third parties or causing them otherwise to buy or sell securities. Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may be imposed under any applicable Schwab insider trading policy. You acknowledge that it is your responsibility to comply with any applicable restrictions and are advised to speak to your personal advisor on this matter.

Foreign Asset/Account Reporting: Please be aware that your country may have certain foreign asset and/or account reporting requirements which may affect your ability to acquire or hold Shares under the Plan or cash received from participating in the Plan (including from any dividends or dividend equivalents received or sale proceeds arising from the sale of Shares) in a brokerage or bank account outside your country. You may be required to report such accounts, assets or transactions to the tax or other authorities in your country. You acknowledge that it is your responsibility to be compliant with such regulations, and you should speak to your personal advisor on this matter.

Data Privacy:

(1) Declaration of Consent. You hereby agree with the data processing practices described in this Agreement and consent to the collection, processing and use, in electronic or other form, of your personal data as described herein and the transfer of such personal data to the recipients mentioned below, including recipients located in countries which may not have a similar level of protection from the perspective of your country's data protection laws.

(2) Data Collection and Usage. Schwab and your Employer will collect, process and use certain personal information about you, including, but not limited to, your name, home address and telephone number, email address, date of birth, social insurance, passport or other identification number, salary, nationality, job title, any Shares or directorships held in Schwab, details of all Restricted Stock Units or any other entitlement to Shares awarded, canceled, exercised, vested, unvested or outstanding in your favor ("Data"), for the purposes of implementing, administering and managing the Plan. The legal basis, where required, for the processing of Data is your consent. Where required under applicable law, Data may also be disclosed to certain securities or other regulatory authorities where Schwab's securities are listed or traded or regulatory filings are made and the legal basis, where required, for such disclosure are the applicable laws.

(3) Stock Plan Administration Service Providers. Schwab transfers Data to certain of its subsidiaries providing stock plan and broker services, or such other third party stock plan service provider as may be selected by Schwab in the future, which is assisting Schwab with the implementation, administration and management of the Plan. You may be asked to agree on separate terms and data processing practices, with such agreement being a condition of the ability to participate in the Plan.

(4) Other Service Provider Data Recipients. Schwab also may transfer Data to other third party service providers, if necessary to ensure compliance with applicable tax, exchange control, securities and labor law. Such third party service providers may include Schwab's legal counsel as well as Schwab's auditor, accountant, or other third party vendor (currently Deloitte & Touche LLP). Wherever possible, Schwab will

anonymize Data, but you understand that your Data may need to be transferred to such providers to ensure compliance with applicable law and/or tax requirements.

(5) International Data Transfers. Schwab and its other service providers described above under (4) are located in the United States. The United States may have different data privacy laws and protections than your country. For example, the European Commission has issued a limited adequacy finding with respect to the United States that applies only to the extent companies register for the EU-U.S. Privacy Shield program, which is open to companies subject to Federal Trade Commission jurisdiction. Schwab's legal basis, where required, for the transfer of Data is your consent.

(6) Data Retention. Schwab will hold and use the Data only as long as is necessary to implement, administer and manage your participation in the Plan, or as required to comply with legal or regulatory obligations, including under tax and securities laws. When Schwab no longer needs the Data, Schwab will remove it from its systems. If Schwab keeps Data longer, it would be to satisfy legal or regulatory obligations and Schwab's legal basis would be relevant laws or regulations.

(7) Data Subject Rights. You understand that data subject rights vary depending on applicable law and that, depending on where you are based and subject to the conditions set out under applicable law, you may have, without limitation, the rights to (i) request access or copies of Data that Schwab processes, (ii) rectify or supplement Data that is incorrect, incomplete or out-of-date in light of the purposes underlying the processing, (iii) delete Data, (iv) restrict processing of Data, (v) portability of Data, (vi) lodge complaints with competent authorities in your jurisdiction and/or (vii) receive a list with the names and addresses of any potential recipients of Data. To receive clarification regarding these rights or to exercise these rights, you understand that you can contact your local human resources representative.

(8) Voluntariness and Consequences of Consent Denial or Withdrawal. Participation in the Plan is voluntary and you are providing the consents herein on a purely voluntary basis. If you do not consent, or if you later seek to revoke your consent, your employment status or service with your Employer will not be affected; the only consequence of refusing or withdrawing your consent is that Schwab would not be able to grant you Restricted Stock Units or other equity awards or administer or maintain such awards.

(9) Declaration of Consent. By accepting the Restricted Stock Units and indicating consent via Schwab's online acceptance procedure, you are declaring that you agree with the data processing practices described herein and consent to the collection, processing and use of Data by Schwab and the transfer of Data to the recipients mentioned above, including recipients located in countries which do not adduce an adequate level of protection from a European (or other non-U.S.) data protection law perspective, for the purposes described above.

COUNTRY-SPECIFIC PROVISIONS

Terms and Conditions

These additional terms and conditions govern the Restricted Stock Units granted to you under the Plan if you are an employee and reside and/or work in one of the countries listed below.

Notifications

These provisions may also include information regarding exchange controls and certain other issues of which you should be aware with respect to your participation in the Plan. The information is based on the securities, exchange control and other laws in effect in the respective countries as of October 2021. These laws are often complex and change frequently. As a result, you should not rely on the information in these additional terms and conditions as the only source of information relating to your participation in the Plan.

In addition, the information contained herein is general in nature and may not apply to your particular situation, and Schwab is not in a position to assure you of a particular result. Accordingly, you should seek appropriate professional advice as to how the relevant laws in your country may apply to your situation.

You understand that if you are a citizen or resident of a country other than the one in which you currently reside and/or work, transfer to another country after the date of grant, or are considered a resident of another country for local law purposes, Schwab shall, in its discretion, determine the extent to which the special terms and conditions contained herein shall be applicable to you. In addition, the notifications contained herein may not be applicable to you in the same manner.

HONG KONG

Terms and Conditions

Form of Payment: Notwithstanding any discretion in Section 5(d) of the Plan to the contrary, if you reside in Hong Kong, the Restricted Stock Units shall be payable in Shares only.

Sale Restriction: Any Shares received at vesting are accepted as a personal investment. In the event that the Restricted Stock Units vest and Shares are issued to you (or your heir) within 6 months of the date of grant, you (or your heir) agree that the Shares will not be offered to the public or otherwise disposed of prior to the 6-month anniversary of the date of grant.

Notifications

Securities Law: *WARNING: The contents of this document have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offer. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice. Neither the grant of the Restricted Stock Units nor the issuance of Shares upon vesting of the Restricted Stock Units constitutes a public offering of securities under Hong Kong law and are available only to employees of Schwab and its subsidiaries. This Agreement, the Plan and other incidental communication materials distributed in connection with the Restricted Stock Units (i) have not been prepared in accordance with and are not intended to* *constitute a "prospectus" for a public offering of securities under the applicable securities legislation in Hong Kong, and (ii) are intended only for the personal use of each eligible employee of Schwab or its subsidiaries and may not be distributed to any other person.*

Nature of Scheme. Schwab specifically intends that the Plan will not be an occupational retirement scheme for purposes of the Occupational Retirement Schemes Ordinance ("*ORSO*").

SINGAPORE

Terms and Conditions

Sale Restriction: In the event that the Restricted Stock Units vest and Shares are issued to you (or your heir) within 6 months of the date of grant, you (or your heir) agree that the Shares will not be offered for sale in Singapore or otherwise disposed of in Singapore prior to the 6-month anniversary of the date of grant, unless such sale or offer in Singapore is made pursuant to the exemptions under Part XIII Division (1) Subdivision (4) (other than section 280) of the Singapore Securities and Futures Act (Chapter 289, 2006 Ed.) ("*SFA*"), or any other applicable provisions of the SFA.

Notifications

Securities Law Information. The Restricted Stock Units are being granted pursuant to the "Qualifying Person" exemption under section 273(1)(f) of SFA and not with a view to the Shares being subsequently offered for sale to any other party. The Plan has not been lodged or registered as a prospectus with the Monetary Authority of Singapore.

Director Notification Obligation. If you are a director, associate director or shadow director of a Singapore subsidiary of Schwab, you are subject to certain notification requirements under the Singapore Companies Act. Among these requirements is an obligation to notify the Singaporean subsidiary in writing when you receive or sell an interest in Schwab or any related companies (including when you acquire or sell Shares acquired under the Plan). These notifications must be made within two business days of acquiring or disposing of any interest in Schwab or any related company or becoming a director if such an interest exists at such time. These notification requirements apply regardless of whether you are resident of or employed in Singapore. If you are the chief executive officer ("*CEO*") of a Singapore subsidiary of Schwab and the above notification requirements are determined to apply to the CEO of a Singapore subsidiary, the above notification requirements also will apply to you.

UNITED KINGDOM

Terms and Conditions

Withholding Taxes: This section supplements the "Withholding Taxes" section of the Agreement:

Without limitation to the "Withholding Taxes" section of the Agreement, you agree that you are liable for all withholding taxes and hereby covenant to pay all such withholding taxes as and when requested by Schwab or your Employer or by Her Majesty's Revenue and Customs ("*HMRC*") (or any other tax authority or any other relevant authority). You also agree to indemnify and keep indemnified Schwab and your Employer against any taxes that they are required to pay or withhold or have paid or will pay to HMRC (or any other tax authority or any other relevant authority) on your behalf.

Notwithstanding the foregoing, if you are an executive officer or director (as within the meaning of Section 13(k) of the Exchange Act), you understand that you may not be able to indemnify Schwab or your Employer for the amount of any income tax not collected from or paid by you, as it may be considered a loan. In the event that you are an executive officer or director and income tax due is not collected within 90 days of the end of the United Kingdom tax year in which the event giving rise to the income tax occurs, the amount of any income tax due may constitute a benefit to you on which additional income tax and national insurance contributions may be payable. You will be responsible for reporting and paying any income tax due on this additional benefit directly to HMRC under the self-assessment regime and for paying Schwab or your Employer (as appropriate) for the value of any employee national insurance contributions due on this additional benefit, which Schwab or your Employer may recover from you by any means referred to in this Agreement.

Retirement: Notwithstanding the terms and conditions set forth in the Agreement, the Restricted Stock Units of employees in the United Kingdom will not vest upon retirement.

BY ACCEPTING THIS GRANT, YOU AGREE TO ALL OF THE TERMS AND CONDITIONS DESCRIBED ABOVE AND IN THE PLAN.

EXHIBIT 10.427

THE CHARLES SCHWAB CORPORATION
[2013 STOCK INCENTIVE PLAN]
NOTICE OF RESTRICTED STOCK UNIT GRANT
(RETENTION RSU AGREEMENT)

You have been granted Restricted Stock Units. A Restricted Stock Unit represents the right to receive, subject to certain conditions, a share of common stock (a "*Share*") of The Charles Schwab Corporation ("*Schwab*") under [The Charles Schwab Corporation 2013 Stock Incentive Plan] (the "*Plan*"). Your Restricted Stock Units are granted subject to the following terms:

Name of Recipient:	**<first_name> <last_name>**
Total Number of Restricted Stock Units Granted:	**<shares_awarded>**
Grant Date:	**<award_date>**
Vesting Schedule:	So long as you remain in service in good standing and subject to the terms of the Restricted Stock Unit Agreement, the Restricted Stock Units subject to this grant will become vested and distributable on the following dates and in the following amounts, subject to the restrictions below: Number of Restricted Stock Units on Vesting Date: **<vesting_schedule>** Restricted Stock Units subject to this grant will not vest upon retirement.

Restricted Stock Units are an unfunded and unsecured obligation of Schwab. Any vested Restricted Stock Units will be paid in Shares as provided in the Restricted Stock Unit Agreement.

You and Schwab agree that this grant is issued under and governed by the terms and conditions of the Plan and the Restricted Stock Unit Agreement, both of which are made a part of this notice. Please review the Plan and the Restricted Stock Unit Agreement carefully, as they explain the terms and conditions of this grant. You agree that Schwab may deliver electronically all documents relating to the Plan or this grant (including, without limitation, prospectuses required by the Securities and Exchange Commission) and all other documents that Schwab is required to deliver to its stockholders. By accepting this grant, you agree to all of the terms and conditions described above, in the Restricted Stock Unit Agreement and in the Plan, and you have no right whatsoever to change or negotiate such terms and conditions.

THE CHARLES SCHWAB CORPORATION
[2013 STOCK INCENTIVE PLAN]
RESTRICTED STOCK UNIT AGREEMENT
(RETENTION RSU AGREEMENT)

Payment for Units	No payment is required for the Restricted Stock Units that you are receiving. Restricted Stock Units are an unfunded and unsecured obligation of The Charles Schwab Corporation ("*Schwab*").
Vesting	Subject to the provisions of this Restricted Stock Unit Agreement ("*Agreement*"), a Restricted Stock Unit becomes vested and distributable as of the earliest of the following: (1) The applicable Vesting Date for the Restricted Stock Unit indicated in the Notice of Restricted Stock Unit Grant. (2) Your death. (3) Your disability. (4) Your separation from service due to a severance eligible termination under The Charles Schwab Severance Pay Plan (or any successor plan)). (5) A change in control. Unvested units will be considered "*Restricted Stock Units.*" If your service terminates for any reason, then your Restricted Stock Units will be forfeited to the extent that they have not vested on or before the termination date and do not vest as a result of the termination. This means that the Restricted Stock Units will immediately revert to Schwab. You will receive no payment for Restricted Stock Units that are forfeited. Schwab determines when your service terminates for this purpose. For all purposes of this Agreement, "*service*" means continuous employment as a common-law employee of Schwab or a parent corporation or subsidiary of Schwab, and "*subsidiary*" means a subsidiary corporation as defined in section 424(f) of the Internal Revenue Code of 1986, as amended (the "*Code*").
Retirement	Restricted Stock Units subject to this grant will not vest upon retirement.
Definition of Fair Market Value	"*Fair market value*" means the average of the high and low price of a Share (as defined below) as reported on the New York Stock Exchange on the applicable determination date.

Definition of Disability	For all purposes of this Agreement, "*disability*" means that you have a disability that qualifies as such under section 409A of the Code and due to which you have been determined to be eligible for benefits under Schwab's long-term disability plan or if you are not covered by Schwab's long-term disability plan, you are unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which has lasted, or can be expected to last, for a continuous period of not less than 12 months or which can be expected to result in death as determined by Schwab in its sole discretion.
Definition of Severance Eligible Termination	For all purposes of this Agreement, "*severance eligible termination*" means a separation from service entitling you to severance benefits when you have signed your Severance Agreement under The Charles Schwab Severance Pay Plan (or any successor plan).
Definition of Change in Control	For all purposes of this Agreement, "*change in control*" means an event that qualifies as a change in control event under section 409A of the Code and as a change in control as defined in [The Charles Schwab Corporation 2013 Stock Incentive Plan] (the "*Plan*").
Definition of Separation From Service	For all purposes of this Agreement, "*separation from service*" means a separation from service as defined under section 409A of the Code.
Payment of Shares	Any vested Restricted Stock Units will be paid in shares of common stock of Schwab ("*Shares*") as provided herein. Shares that have become vested and distributable under this Agreement shall be distributed as follows: (1) Shares that vest and become distributable on a Vesting Date shall be distributed within 30 days of the Vesting Date. (2) Shares that vest and become distributable on death, disability or a change in control, shall be distributable within 90 days of such event. (3) Shares that vest and become distributable on a separation from service due to a severance eligible termination shall be distributed within 90 days of the separation from service. Generally, the distribution date shall be the "termination date" specified in the notice under The Charles Schwab Severance Pay Plan. Notwithstanding the foregoing, if at the time of your separation from service, you are a "specified employee", you will receive your Shares six months after your separation from service. "Specified Employee" means a "specified employee"

within the meaning of section 409A of the Code and any regulatory guidance promulgated thereunder, provided that in determining the compensation of individuals for this purpose, the definition of compensation in Treas. Reg. § 1.415(c)-2(d)(2) shall be used.

Restrictions on Restricted Stock Units	You may not assign, sell, transfer, pledge, encumber, or otherwise dispose of any Restricted Stock Units without Schwab's written consent. Schwab will deliver Shares to you only after the Restricted Stock Units vest and after all other terms and conditions in this Agreement have been satisfied. Restricted Stock Units may not be assigned, transferred, pledged, encumbered, or otherwise disposed of in any settlement, judgment, decree or order (including approval of a property settlement agreement) that relates to the provision of child support, alimony payments, or marital property rights or domestic property rights.
Delivery of Shares After Death	In the event that Shares are distributable upon your death, the Shares will be delivered to your beneficiary or beneficiaries. You may designate one or more beneficiaries by filing a beneficiary designation form with Schwab. You may change your beneficiary designation by filing a new form with Schwab at any time prior to your death. If you do not designate a beneficiary or if your designated beneficiary predeceases you, then your Shares will be delivered to your estate.
Cancellation of Restricted Stock Units	To the fullest extent permitted by applicable laws, these Restricted Stock Units will immediately be cancelled and will expire in the event that Schwab terminates your employment on account of conduct contrary to the best interests of Schwab, including, without limitation, conduct constituting a violation of law or Schwab policy, fraud, theft, conflict of interest, dishonesty or harassment. The determination whether your employment has been terminated on account of conduct inimical to the best interests of Schwab shall be made by Schwab in its sole discretion, and will be entitled to deference upon any review.
Restrictions on Resale	You agree not to sell any Shares at a time when applicable laws, Schwab's policies, or an agreement between Schwab and its underwriters prohibit a sale. This restriction will apply as long as your service continues and for such period of time after the termination of your service as Schwab may specify.
Withholding Taxes	Shares will not be distributed unless you have made acceptable arrangements to pay any applicable withholding taxes that may

be due as a result of the vesting and or the distribution of the Shares. These arrangements may include withholding Shares. Schwab may withhold the number of whole Shares, valued at the fair market value on the applicable date, required to satisfy such applicable withholding taxes. Schwab will round up to the next whole Share to cover the applicable withholding taxes, and any amounts in excess of the applicable withholding taxes resulting from rounding up to the next whole Share will be added to your federal income tax withholdings. In the event you do not elect to pay applicable withholding taxes in cash, Schwab shall withhold Shares as noted above. While Schwab will withhold to satisfy applicable withholding taxes, you acknowledge that, regardless of any action taken by Schwab, the ultimate liability for all income tax, social insurance, payroll tax, fringe benefits tax, payment on account or other tax-related items related to your participation in the Plan and legally applicable to you, is and remains your responsibility and may exceed the amount, if any, actually withheld by Schwab.

Applicable withholding taxes due on the distribution of Shares subject to this award following termination of employment will be withheld as noted above, unless you have made acceptable arrangements to pay any applicable withholding taxes in cash. If you elect to pay applicable withholding taxes due upon the distribution of Shares in cash, you are responsible for having sufficient funds in your Schwab brokerage account to cover the applicable withholding taxes at the time they are due.

No Stockholder Rights

Your Restricted Stock Units carry no voting or other stockholder rights. You have no rights as a Schwab stockholder until your Restricted Stock Units are settled by issuing Shares.

Contribution of Par Value

On your behalf, Schwab will contribute to its capital an amount equal to the par value of the Shares issued to you.

Dividend Equivalent Rights

If Schwab pays cash dividends on Shares, you will receive cash equal to the dividend per Share multiplied by the number of unvested Restricted Stock Units. Each such payment shall be made as soon as practicable following the payment of the actual dividend, but in no event beyond March 15 of the year following the year the actual dividend is paid.

No Right to Remain Employee

Nothing in this Agreement will be construed as giving you the right to be retained as an employee, contingent worker, or director of Schwab and its subsidiaries for any specific duration or at all.

Limitation on Payments

If a payment from the Plan would constitute an excess parachute payment under section 280G of the Code or if there have been certain securities law violations, then your grant may be reduced or forfeited and you may be required to disgorge any profit that you have realized from your grant.

If a disqualified individual receives a payment or transfer under the Plan that would constitute an excess parachute payment under section 280G of the Code, such payment will be reduced, as described below. Generally, someone is a "*disqualified individual*" under section 280G if he or she is (a) an officer of Schwab, (b) a member of the group consisting of the highest paid 1% of the employees of Schwab or, if less, the highest paid 250 employees of Schwab, or (c) a 1% stockholder of Schwab. For purposes of this section on "Limitation on Payments," the term "*Schwab*" will include affiliated corporations to the extent determined by the independent auditors most recently selected by the Board of Directors (the "*Auditors*") in accordance with section 280G(d)(5) of the Code.

In the event that the Auditors determine that any payment or transfer in the nature of compensation to or for your benefit, whether paid or payable (or transferred or transferable) pursuant to the terms of the Plan or otherwise (a "*Payment*"), would be nondeductible for federal income tax purposes because of the provisions concerning "excess parachute payments" in section 280G of the Code, then the aggregate present value of all Payments will be reduced (but not below zero) to the Reduced Amount (as defined below); provided, however, that the Compensation Committee (the "*Compensation Committee*") of the Board of Directors may specify in writing that the grant will not be so reduced and will not be subject to reduction under this section.

For this purpose, the "*Reduced Amount*" will be the amount, expressed as a present value, which maximizes the aggregate present value of the Payments without causing any Payment to be nondeductible by Schwab because of section 280G of the Code.

If the Auditors determine that any Payment would be nondeductible because of section 280G of the Code, then Schwab will promptly give you notice to that effect and a copy of the detailed calculation of the Reduced Amount. The Auditors will determine which and how much of the Payments will be eliminated or reduced (such that the aggregate present value of the Payments equals the Reduced Amount and is consistent with any mandatory eliminations or reductions that apply under other agreements or the Plan). Schwab will notify you promptly of the Auditor's determination. Present value will be determined in accordance with section 280G(d)(4) of the Code. The Auditors' determinations will be binding upon you and Schwab and will be made within 60 days of the date when a Payment becomes payable or transferable.

As a result of uncertainty in the application of section 280G of the Code at the time of an initial determination by the Auditors, it is possible that Payments will have been made by Schwab that should not have been made (an "*Overpayment*") or that additional Payments that will not have been made by Schwab could have been made (an "*Underpayment*") consistent in each case with the calculation of the Reduced Amount. In the event the Auditors, based upon the assertion of a deficiency by the Internal Revenue Service against you or Schwab that the Auditors believe has a high probability of success, determine that an Overpayment has been made, the amount of such Overpayment will be paid by you to Schwab on demand, together with interest at the applicable federal rate provided in section 7872(f)(2) of the Code. However, no amount will be payable by you to Schwab if and to the extent that such payment would not reduce the amount that is subject to taxation under section 4999 of the Code. In the event the Auditors determine that an Underpayment has occurred, such Underpayment will promptly be paid or transferred by Schwab to or for your benefit, together with interest at the applicable federal rate provided in section 7872(f)(2) of the Code, provided that no such Underpayment related to Shares distributable under this Agreement shall be paid beyond the deadline for making such payments under section 409A of the Code.

Plan Administration

The Plan administrator has discretionary authority to make all determinations related to this grant and to construe the terms of the Plan, the Notice of Restricted Stock Unit Grant and this Agreement. The Plan administrator's determinations are conclusive and binding on all persons, and they are entitled to deference upon any review.

Adjustments

In the event of a stock split, a stock dividend or a similar change in the Shares, the number of Restricted Stock Units that remain subject to forfeiture will be adjusted accordingly.

Severability

In the event that any provision of this Agreement is held invalid or unenforceable, the provision will be severable from, and such invalidity or unenforceability will not be construed to have any effect on, the remaining provisions of this Agreement.

Applicable Law

This Agreement will be interpreted and enforced under the laws of the State of Delaware (without regard to their choice-of-law provisions), as such laws are applied to contracts entered into and performed in Delaware.

The Plan and Other Agreements

The text of the Plan is incorporated in this Agreement by reference. This Agreement (including the Additional Terms and Conditions for Non-U.S. Recipients and the Country-Specific Provisions), the Notice of Restricted Stock Unit Grant, and the Plan constitute the entire understanding between you and Schwab regarding this grant. Any prior agreements, commitments or negotiations concerning this grant are superseded. This Agreement may be amended only by another written agreement, signed by both parties and approved by the Compensation Committee. If there is any inconsistency or conflict between any provision of this Agreement and the Plan, the terms of the Plan will control.

ADDITIONAL TERMS AND CONDITIONS FOR NON-U.S. RECIPIENTS

The additional (or, if so indicated, different) terms and conditions set forth below are specifically incorporated into the Restricted Stock Unit Agreement (the "*Agreement*") for awards granted outside the United States ("*U.S.*"). These terms and conditions govern the Restricted Stock Units granted under the Plan if you reside or work outside of the U.S. Due to the complexities of legal, regulatory and tax issues, you should seek appropriate professional advice as to how the relevant laws in the applicable country may apply to your individual situation.

Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Plan and/or the Agreement.

Withholding Taxes: the following provisions supplement the Withholding Taxes section of the Restricted Stock Unit Agreement:

You acknowledge that, regardless of any action taken by Schwab or, if different, your employer ("*Employer*"), the ultimate liability for all income tax, social insurance, payroll tax, fringe benefits tax, payment on account or other tax-related items related to your participation in the Plan and legally applicable to you ("*withholding taxes*"), is and remains your responsibility and may exceed the amount, if any, actually withheld by Schwab or your Employer. You further acknowledge that Schwab and/or your Employer (1) make no representations or undertakings regarding the treatment of any withholding taxes in connection with any aspect of the Restricted Stock Units, including, but not limited to, the grant, vesting or settlement of the Restricted Stock Units, the subsequent sale of Shares acquired pursuant to such settlement and the receipt of any dividends and/or any dividend equivalents; and (2) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the Restricted Stock Units to reduce or eliminate your liability for withholding taxes or achieve any particular tax result. Further, if you are subject to withholding taxes in more than one jurisdiction, you acknowledge that Schwab and/or your Employer (or former employer, as applicable) may be required to withhold or account for withholding taxes in more than one jurisdiction.

Prior to any relevant taxable or tax withholding event, as applicable, you agree to make adequate arrangements satisfactory to Schwab and/or the Employer to satisfy all withholding taxes.

In this regard, you authorize Schwab and/or the Employer, or their respective agents, at their discretion, to satisfy any applicable withholding obligations with regard to all withholding taxes by one or a combination of the following: (a) withholding from your wages or other cash compensation paid to you by Schwab and/or the Employer; (b) withholding from funds in your Schwab brokerage account; (c) requiring you to make a cash payment in an amount equal to the withholding obligations for withholding taxes; (d) withholding from proceeds of the sale of Shares acquired upon settlement of the Restricted Stock Units either through a voluntary sale or through a mandatory sale arranged by Schwab (on your behalf pursuant to this authorization without further consent); (e) withholding in Shares to be issued upon settlement of the Restricted Stock Units; or (f) any other method of withholding determined by Schwab and permitted by applicable law.

Schwab may withhold or account for withholding taxes by considering applicable minimum statutory withholding rates or other applicable withholding rates, including maximum applicable rates in your jurisdiction(s), in which case you may receive a refund of any over-withheld amount in cash and will have no entitlement to the equivalent in Shares, or if not refunded, you may seek a refund from local tax authorities. In the event of under-withholding, you may be required to pay and additional withholding taxes directly to the applicable tax authority or to the Company and/or the Employer. If the obligation for withholding taxes is satisfied by withholding in Shares, for tax purposes, you are deemed to have been issued the full number of Shares subject to the vested Restricted Stock Units, notwithstanding that a number of the Shares are held back solely for the purpose of paying the withholding taxes.

Nature of Grant: In accepting the grant, you acknowledge, understand and agree that:

(1) the Plan is established voluntarily by Schwab, it is discretionary in nature and it may be modified, amended, suspended or terminated by Schwab at any time, to the extent permitted by the Plan;

(2) the grant of the Restricted Stock Units is exceptional, voluntary and occasional and does not create any contractual or other right to receive future grants of Restricted Stock Units, or benefits in lieu of Restricted Stock Units, even if Restricted Stock Units have been granted in the past;

(3) all decisions with respect to future Restricted Stock Units or other grants, if any, will be at the sole discretion of Schwab;

(4) you are voluntarily participating in the Plan;

(5) the Restricted Stock Units, the Shares subject to the Restricted Stock Units, and the income and value of same, are not intended to replace any pension rights or compensation;

(6) the Restricted Stock Units and the Shares subject to the Restricted Stock Units, and the income and value of same, are not part of normal or expected compensation for any purpose, including calculating any severance, resignation, termination, redundancy, dismissal, end-of-service payments, bonuses, holiday pay, long-service awards, pension or retirement or welfare benefits or similar mandatory payments;

(7) unless otherwise agreed with Schwab, the Restricted Stock Units and the Shares subject to the Restricted Stock Units, and the income and value of same, are not granted as consideration for, or in connection with, the service you may provide as a director of a subsidiary of Schwab;

(8) the future value of the underlying Shares is unknown, indeterminable and cannot be predicted with certainty;

(9) for purposes of the Restricted Stock Units, your service will be considered terminated as of the date you are no longer actively providing services to Schwab and its subsidiaries (regardless of the reason for such termination and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where you are employed or the terms of your employment agreement, if any), and unless otherwise expressly provided in this Agreement or determined by Schwab, your right to vest in the Restricted Stock Units under the Plan, if any, will terminate as of such date and will not be extended by any notice period (*e.g.*, your period of service would not include any contractual notice period or any period of "garden leave" or similar period mandated under employment laws in the jurisdiction

where you are employed or the terms of your employment agreement, if any); the Plan administrator shall have the exclusive discretion to determine when you are no longer actively providing services for purposes of your Restricted Stock Unit grant (including whether you may still be considered to be providing services while on a leave of absence);

(10) unless otherwise provided in the Plan or by Schwab in its discretion, the Restricted Stock Units and the benefits evidenced by this Agreement do not create any entitlement to have the Restricted Stock Units or any such benefits transferred to, or assumed by, another company nor to be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the Shares; and

(11) neither Schwab, its subsidiaries nor your Employer shall be liable for any foreign exchange rate fluctuation between your local currency and the United States Dollar that may affect the value of the Restricted Stock Units or of any amounts due to you pursuant to the settlement of the Restricted Stock Units or the subsequent sale of any Shares acquired upon settlement.

No Advice Regarding Grant: Schwab is not providing any tax, legal or financial advice, nor is Schwab making any recommendations regarding your participation in the Plan, or your acquisition or sale of the underlying Shares. You should consult with your own personal tax, legal and financial advisors regarding your participation in the Plan before taking any action related to the Plan.

Compliance with Law: Notwithstanding any other provision of the Plan or this Agreement, unless there is an available exemption from any registration, qualification or other legal requirement applicable to the Shares, Schwab shall not be required to deliver any Shares issuable upon settlement of the Restricted Stock Units prior to the completion of any registration or qualification of the Shares under any local, state, federal or foreign securities or exchange control law or under rulings or regulations of the U.S. Securities and Exchange Commission ("*SEC*") or of any other governmental regulatory body, or prior to obtaining any approval or other clearance from any local, state, federal or foreign governmental agency, which registration, qualification or approval Schwab shall, in its absolute discretion, deem necessary or advisable. You understand that Schwab is under no obligation to register or qualify the Shares with the SEC or any state or foreign securities commission or to seek approval or clearance from any governmental authority for the issuance or sale of the Shares. Further, you agree that Schwab shall have unilateral authority to amend the Agreement without your consent to the extent necessary to comply with securities or other laws applicable to issuance of Shares.

Insider Trading/Market Abuse Laws: You acknowledge that you may be subject to insider trading restrictions and/or market abuse laws based on the exchange on which the Shares are listed and in applicable jurisdictions including the United States and your country or your broker's country, if different, which may affect your ability to accept, acquire, sell, attempt to sell or otherwise dispose of Shares, rights to Shares (*e.g.*, Restricted Stock Units) or rights linked to the value of Shares (*e.g.*, dividend equivalents) during such times you are considered to have "inside information" regarding Schwab (as defined in the laws or regulations in applicable jurisdictions). Local insider trading laws and regulations may prohibit the cancellation or amendment of orders you placed before you possessed inside information. Furthermore, you could be prohibited from (i) disclosing the inside information to any third party, including fellow employees and (ii) "tipping" third parties or causing them otherwise to buy or sell securities. Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may be imposed under any applicable Schwab insider trading policy. You acknowledge that it is your responsibility to comply with any applicable restrictions and are advised to speak to your personal advisor on this matter.

Foreign Asset/Account Reporting: Please be aware that your country may have certain foreign asset and/or account reporting requirements which may affect your ability to acquire or hold Shares under the Plan or cash received from participating in the Plan (including from any dividends or dividend equivalents received or sale proceeds arising from the sale of Shares) in a brokerage or bank account outside your country. You may be required to report such accounts, assets or transactions to the tax or other authorities in your country. You acknowledge that it is your responsibility to be compliant with such regulations, and you should speak to your personal advisor on this matter.

Data Privacy:

(1) Declaration of Consent. You hereby agree with the data processing practices described in this Agreement and consent to the collection, processing and use, in electronic or other form, of your personal data as described herein and the transfer of such personal data to the recipients mentioned below, including recipients located in countries which may not have a similar level of protection from the perspective of your country's data protection laws.

(2) Data Collection and Usage. Schwab and your Employer will collect, process and use certain personal information about you, including, but not limited to, your name, home address and telephone number, email address, date of birth, social insurance, passport or other identification number, salary, nationality, job title, any Shares or directorships held in Schwab, details of all Restricted Stock Units or any other entitlement to Shares awarded, canceled, exercised, vested, unvested or outstanding in your favor ("Data"), for the purposes of implementing, administering and managing the Plan. The legal basis, where required, for the processing of Data is your consent. Where required under applicable law, Data may also be disclosed to certain securities or other regulatory authorities where Schwab's securities are listed or traded or regulatory filings are made and the legal basis, where required, for such disclosure are the applicable laws.

(3) Stock Plan Administration Service Providers. Schwab transfers Data to certain of its subsidiaries providing stock plan and broker services, or such other third party stock plan service provider as may be selected by Schwab in the future, which is assisting Schwab with the implementation, administration and management of the Plan. You may be asked to agree on separate terms and data processing practices, with such agreement being a condition of the ability to participate in the Plan.

(4) Other Service Provider Data Recipients. Schwab also may transfer Data to other third party service providers, if necessary to ensure compliance with applicable tax, exchange control, securities and labor law. Such third party service providers may include Schwab's legal counsel as well as Schwab's auditor, accountant, or other third party vendor (currently Deloitte & Touche LLP). Wherever possible, Schwab will

anonymize Data, but you understand that your Data may need to be transferred to such providers to ensure compliance with applicable law and/or tax requirements.

(5) <u>International Data Transfers</u>. Schwab and its other service providers described above under (4) are located in the United States. The United States may have different data privacy laws and protections than your country. For example, the European Commission has issued a limited adequacy finding with respect to the United States that applies only to the extent companies register for the EU-U.S. Privacy Shield program, which is open to companies subject to Federal Trade Commission jurisdiction. Schwab's legal basis, where required, for the transfer of Data is your consent.

(6) <u>Data Retention</u>. Schwab will hold and use the Data only as long as is necessary to implement, administer and manage your participation in the Plan, or as required to comply with legal or regulatory obligations, including under tax and securities laws. When Schwab no longer needs the Data, Schwab will remove it from its systems. If Schwab keeps Data longer, it would be to satisfy legal or regulatory obligations and Schwab's legal basis would be relevant laws or regulations.

(7) <u>Data Subject Rights</u>. You understand that data subject rights vary depending on applicable law and that, depending on where you are based and subject to the conditions set out under applicable law, you may have, without limitation, the rights to (i) request access or copies of Data that Schwab processes, (ii) rectify or supplement Data that is incorrect, incomplete or out-of-date in light of the purposes underlying the processing, (iii) delete Data, (iv) restrict processing of Data, (v) portability of Data, (vi) lodge complaints with competent authorities in your jurisdiction and/or (vii) receive a list with the names and addresses of any potential recipients of Data. To receive clarification regarding these rights or to exercise these rights, you understand that you can contact your local human resources representative.

(8) <u>Voluntariness and Consequences of Consent Denial or Withdrawal</u>. Participation in the Plan is voluntary and you are providing the consents herein on a purely voluntary basis. If you do not consent, or if you later seek to revoke your consent, your employment status or service with your Employer will not be affected; the only consequence of refusing or withdrawing your consent is that Schwab would not be able to grant you Restricted Stock Units or other equity awards or administer or maintain such awards.

(9) <u>Declaration of Consent</u>. By accepting the Restricted Stock Units and indicating consent via Schwab's online acceptance procedure, you are declaring that you agree with the data processing practices described herein and consent to the collection, processing and use of Data by Schwab and the transfer of Data to the recipients mentioned above, including recipients located in countries which do not adduce an adequate level of protection from a European (or other non-U.S.) data protection law perspective, for the purposes described above.

COUNTRY-SPECIFIC PROVISIONS

Terms and Conditions

These additional terms and conditions govern the Restricted Stock Units granted to you under the Plan if you are an employee and reside and/or work in one of the countries listed below.

Notifications

These provisions may also include information regarding exchange controls and certain other issues of which you should be aware with respect to your participation in the Plan. The information is based on the securities, exchange control and other laws in effect in the respective countries as of September 2019. These laws are often complex and change frequently. As a result, you should not rely on the information in these additional terms and conditions as the only source of information relating to your participation in the Plan.

In addition, the information contained herein is general in nature and may not apply to your particular situation, and Schwab is not in a position to assure you of a particular result. Accordingly, you should seek appropriate professional advice as to how the relevant laws in your country may apply to your situation.

You understand that if you are a citizen or resident of a country other than the one in which you currently reside and/or work, transfer to another country after the date of grant, or are considered a resident of another country for local law purposes, Schwab shall, in its discretion, determine the extent to which the special terms and conditions contained herein shall be applicable to you. In addition, the notifications contained herein may not be applicable to you in the same manner.

HONG KONG

Terms and Conditions

Form of Payment: Notwithstanding any discretion in Section 5(d) of the Plan to the contrary, if you reside in Hong Kong, the Restricted Stock Units shall be payable in Shares only.

Sale Restriction: Any Shares received at vesting are accepted as a personal investment. In the event that the Restricted Stock Units vest and Shares are issued to you (or your heir) within 6 months of the date of grant, you (or your heir) agree that the Shares will not be offered to the public or otherwise disposed of prior to the 6-month anniversary of the date of grant.

Notifications

Securities Law: *WARNING: The contents of this document have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offer. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice. Neither the grant of the Restricted Stock Units nor the issuance of Shares upon vesting of the Restricted Stock Units constitutes a public offering of securities under Hong Kong law and are available only to employees of Schwab and its subsidiaries. This Agreement, the Plan and other incidental communication materials distributed in connection with the*

Restricted Stock Units (i) have not been prepared in accordance with and are not intended to constitute a "prospectus" for a public offering of securities under the applicable securities legislation in Hong Kong, and (ii) are intended only for the personal use of each eligible employee of Schwab or its subsidiaries and may not be distributed to any other person.

Nature of Scheme. Schwab specifically intends that the Plan will not be an occupational retirement scheme for purposes of the Occupational Retirement Schemes Ordinance ("*ORSO*").

SINGAPORE

Terms and Conditions

Sale Restriction: In the event that the Restricted Stock Units vest and Shares are issued to you (or your heir) within 6 months of the date of grant, you (or your heir) agree that the Shares will not be offered for sale in Singapore or otherwise disposed of in Singapore prior to the 6-month anniversary of the date of grant, unless such sale or offer in Singapore is made pursuant to the exemptions under Part XIII Division (1) Subdivision (4) (other than section 280) of the Singapore Securities and Futures Act (Chapter 289, 2006 Ed.) ("SFA"), or any other applicable provisions of the SFA.

Notifications

Securities Law Information. The Restricted Stock Units are being granted pursuant to the "Qualifying Person" exemption under section 273(1)(f) of SFA and not with a view to the Shares being subsequently offered for sale to any other party. The Plan has not been lodged or registered as a prospectus with the Monetary Authority of Singapore.

Director Notification Obligation.

If you are a director, associate director or shadow director of a Singapore subsidiary of Schwab, you are subject to certain notification requirements under the Singapore Companies Act. Among these requirements is an obligation to notify the Singaporean subsidiary in writing when you receive or sell an interest in Schwab or any related companies (including when you acquire or sell Shares acquired under the Plan). These notifications must be made within two business days of acquiring or disposing of any interest in Schwab or any related company or becoming a director if such an interest exists at such time. These notification requirements apply regardless of whether you are resident of or employed in Singapore. If you are the chief executive officer ("CEO") of a Singapore subsidiary of Schwab and the above notification requirements are determined to apply to the CEO of a Singapore subsidiary, the above notification requirements also will apply to you.

UNITED KINGDOM

Terms and Conditions

Withholding Taxes: This section supplements the "Withholding Taxes" section of the Agreement:

Without limitation to the "Withholding Taxes" section of the Agreement, you agree that you are liable for all withholding taxes and hereby covenant to pay all such withholding taxes as and when requested by Schwab or your Employer or by Her Majesty's Revenue and Customs ("*HMRC*") (or any other tax authority or any other relevant authority). You also agree to indemnify and keep indemnified Schwab and your Employer against any taxes that they are required to pay or withhold or have paid or will pay to HMRC (or any other tax authority or any other relevant authority) on your behalf.

Notwithstanding the foregoing, if you are an executive officer or director (as within the meaning of Section 13(k) of the Exchange Act), you understand that you may not be able to indemnify Schwab or your Employer for the amount of any income tax not collected from or paid by you, as it may be considered a loan. In the event that you are an executive officer or director and income tax due is not collected within 90 days of the end of the United Kingdom tax year in which the event giving rise to the income tax occurs, the amount of any income tax due may constitute a benefit to you on which additional income tax and national insurance contributions may be payable. You will be responsible for reporting and paying any income tax due on this additional benefit directly to HMRC under the self-assessment regime and for paying Schwab or your Employer (as appropriate) for the value of any employee national insurance contributions due on this additional benefit, which Schwab or your Employer may recover from you by any means referred to in this Agreement.

BY ACCEPTING THIS GRANT, YOU AGREE TO ALL OF THE TERMS AND CONDITIONS DESCRIBED ABOVE AND IN THE PLAN.

Exhibit 10.428

SUMMARY OF NON-EMPLOYEE DIRECTOR COMPENSATION

On December 9, 2021, the Board of Directors (Board) approved increases to annual cash retainers for committee chairs and members effective January 1, 2022. They also approved an increase in the annual equity grant portion of the non-employee director compensation program, subject to stockholder approval at the 2022 Annual Meeting of Stockholders.

Cash Retainers

The Board approved a $10,000 increase in the annual cash retainer for the chairs of the Audit Committee and the Risk Committee and a $5,000 increase in the annual cash retainer for each other member of these committees. They also approved a $20,000 increase in the annual cash retainer for the chair of the Compensation Committee and a $5,000 increase in the annual cash retainer for each other member of the Compensation Committee. The Board also approved a $25,000 increase in the annual cash retainer for the chair of the Nominating and Governance Committee and a $5,000 increase in the annual cash retainer for each other member of this committee.

Each non-employee director receives an annual cash retainer in the amount of $100,000. With the increases approved on December 9, 2021, the chairs of each Board committee receive an annual cash retainer of $50,000. The other members of the Audit Committee and the Risk Committee each receive an annual cash retainer of $20,000. The other members of the Compensation Committee and the Nominating and Governance Committee each receive an annual cash retainer of $15,000.

There are no fees paid for attendance at board or committee meetings. The Board retains the discretion to establish special committees in the future and to pay a special retainer to the chair and the members of any such special committee.

Equity Grants

The Board approved a $30,000 increase in the annual equity grants for non-employee directors, subject to stockholder approval of the 2022 Stock Incentive Plan at the 2022 Annual Meeting of Stockholders. With this $30,000 increase, each non-employee director will receive an annual equity grant under the 2022 Stock Incentive Plan with an aggregate value of $215,000. The equity grants will be 40% in stock options and 60% in restricted stock units. Equity grants vest 25% on each of the first and second anniversaries of the date of grant and the remaining 50% on the third anniversary of the date of grant. In the event a new non-employee director is elected to the Board during the year, a pro-rata cash retainer amount with the same ratio between cash retainers and equity grants is granted to that individual.