

# News Release

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## SCHWAB REPORTS FOURTH QUARTER AND FULL YEAR RESULTS

Client Focus Drives Successful Growth – 2011 Revenues Rise 10%

December Net New Assets Exceed \$10 Billion

**SAN FRANCISCO, Jan. 18, 2012** – The Charles Schwab Corporation announced today that its net income was \$163 million for the fourth quarter of 2011, up 37% from \$119 million for the year-earlier period. The company's fourth quarter 2010 net income was \$218 million prior to the inclusion of charges relating to the Schwab YieldPlus<sup>®</sup> Fund. For the twelve months ended December 31, 2011, the company's net income was \$864 million, up 90% year-over-year. The company's 2010 net income prior to the inclusion of charges relating to YieldPlus and other previously disclosed matters totaled \$775 million.

| Financial Highlights                        | Three Months Ended       |          |             | Twelve Months Ended      |          |             |
|---|--------------------------|----------|-------------|--------------------------|----------|-------------|
|   | --December 31,--<br>2011 | 2010     | %<br>Change | --December 31,--<br>2011 | 2010     | %<br>Change |
| Net revenues (in millions)                  | \$ 1,113                 | \$ 1,127 | (1)%        | \$ 4,691                 | \$ 4,248 | 10%         |
| Net income (in millions)                    | \$ 163                   | \$ 119   | 37%         | \$ 864                   | \$ 454   | 90%         |
| Diluted earnings per share                  | \$ .13                   | \$ .10   | 30%         | \$ .70                   | \$ .38   | 84%         |
| Pre-tax profit margin                       | 22.6%                    | 20.3%    |             | 29.7%                    | 18.3%    |             |
| Return on stockholders' equity (annualized) | 8%                       | 8%       |             | 12%                      | 8%       |             |

President and CEO Walt Bettinger said, "Throughout 2011, we continued to successfully grow our business, deliver strong near-term profitability and build the company's earnings power in the midst of a sustained tough operating environment. We ended 2011 with solid client metrics – net new assets totaled \$10.5 billion in December, the highest of the year excluding significant one-time flows, and core net new assets totaled an industry-leading \$82.3 billion for the year, up from \$78.1 billion in 2010. Client assets totaled \$1.68 trillion as of month-end December 2011, up 7% year-over-year. Additionally, we added over 1.1 million new brokerage accounts to our client base during 2011 and ended the year serving 8.6 million active brokerage accounts, 780,000 banking accounts and 1.49 million corporate retirement plan participants, which were up 7%, 13% and 1%, respectively."

Mr. Bettinger continued, "Schwab's financial performance is not immune to the challenges posed by the current economic environment, which led to sequential declines in all of our major revenue lines in the fourth quarter, yet the company's pre-tax profit margin still exceeded 22% for the quarter and 29% for full-year 2011. At the same time, we're building long-term stockholder value by focusing on the things under our control, such as revenue diversification and sustained, disciplined investment for growth. As we move forward with initiatives like the integration of optionsXpress, our index-based 401(k) offering, and enhanced technology for independent advisors, we are simultaneously expanding both our client service capabilities and our non rate-sensitive revenues. We remain convinced that pursuing the strategy and operating priorities already in place at Schwab represents the best path forward – we believe this will produce a superior service experience for clients and outsized improvement in earnings for stockholders as market conditions turn."

CFO Joe Martinetto commented, "We delivered on our financial commitments in 2011. Our full-year performance, which included 9% revenue growth and 7% expense growth before the inclusion of optionsXpress and certain

charges, was actually ahead of our expectations given further declines in interest rates during the year and the fact that the broad equity indices spent a significant amount of time below breakeven before ending with minimal, or negative returns. As we've been discussing recently, our fourth quarter results were particularly impacted by elevated market volatility and lower rates, which persisted through year-end. Despite these conditions, ongoing growth in our client base enabled us to keep asset management and administration fees nearly flat between the third and fourth quarters, and we expect to combine our continued growth with sustained expense discipline to deliver improving revenues and earnings once the rate environment at least stabilizes."

Mr. Martinetto concluded, "Along with producing improved profitability, our remaining financial priorities – sustaining a healthy balance sheet and supporting continued growth in our business – haven't changed. Our asset quality remains high with limited credit-related losses, and we ended the year with \$7.7 billion in stockholders' equity and regulatory capital ratios that were at or above our target levels. In addition, we continue to maintain substantial sources of available liquidity, including over \$900 million in cash and investments at the parent level. We see another year of strong balance sheet growth in 2012 as our client initiatives yield stronger business momentum and we continue our work to optimize net interest income."

## **Business highlights for the fourth quarter (data as of quarter-end unless otherwise noted):**

### **Investor Services**

- Net new accounts for the quarter totaled approximately 13,000, down 66% year-over-year. Total accounts reached 5.7 million as of December 31, 2011, up 2% year-over-year.
- Introduced new features for StreetSmart Edge<sup>®</sup>, including flexible order entry capabilities, customizable stock screening, enriched market monitoring with the Momentum Tool, and integrated access to Schwab's ETF screener.
- Expanded the company's integrated mobile brokerage and banking capabilities with the new Schwab application for the iPad<sup>®</sup>.
- Redesigned the award-winning educational website, [www.SchwabMoneyWise.com](http://www.SchwabMoneyWise.com), to offer a more contemporary look, more intuitive navigation and improved integration with social media.

### **Institutional Services**

#### **Advisor Services**

- Launched Schwab OpenView Workflow Library<sup>™</sup>, a key part of the Schwab Intelligent Integration initiative. The library includes comprehensive best practices and customized workflows for working with Schwab and with select CRM providers.
- Showcased numerous new technology, product and practice management offerings at Schwab's annual IMPACT<sup>®</sup> conference, one of the country's largest annual gatherings of independent investment advisors. The conference experienced record-breaking attendance with over 4,300 total attendees.

#### **Other Institutional Services**

- Completed the acquisition of Compliance11, Inc., a provider of compliance software, to augment the Designated Brokerage Services offering. The acquisition enables Schwab to expand the compliance monitoring and reporting tools it offers to corporate clients.
- Enhanced the Schwab EquiView<sup>®</sup> recordkeeping system to offer automated exercise restrictions, restricted stock unit deferral functionality, scenario testing and team training to improve the client experience for stock plan sponsors and their employees.

### **Products and Infrastructure**

- For Charles Schwab Bank:
  - Balance sheet assets = \$66.1 billion, up 20% year-over-year.
  - Outstanding mortgage and home equity loans = \$9.1 billion, up 11% year-over-year.
  - First mortgage originations during the quarter = \$951 million.
  - Delinquency, nonaccrual, and loss reserve ratios for Schwab Bank's loan portfolio = 0.81%, 0.53% and 0.55%, respectively, at month-end December.
- Launched Schwab Equity Ratings International, an international stock ranking methodology covering approximately 4,000 large and small cap stocks in 28 foreign equity markets.
- Introduced the Schwab U.S. Dividend Equity ETF<sup>™</sup> (SCHD), expanding the company's existing proprietary offering to 15 equity and fixed income ETFs.

- Schwab Bank High Yield Investor Checking<sup>®</sup> accounts = 593,000, with \$10.8 billion in balances.
- Client assets managed by Windhaven<sup>™</sup> totaled \$8.6 billion, up 19% from the third quarter of 2011.
- Total assets under management in Schwab ETFs<sup>™</sup> = \$5.0 billion. Total assets in Schwab Managed Portfolios-ETFs = \$2.4 billion.

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### **Forward Looking Statements**

This press release contains forward looking statements relating to the company building long-term stockholder value, expanding non rate-sensitive revenues, producing a superior service experience for clients and outsized improvement in earnings, continuing growth, sustaining expense discipline, delivering improving revenues and earnings, improving profitability and optimizing net interest income. Achievement of these expectations is subject to risks and uncertainties that could cause actual results to differ materially from the expressed expectations. Important factors that may cause such differences include, but are not limited to, the company's ability to successfully integrate acquisitions and achieve the expected benefits; develop and launch new products, services and capabilities in a timely and successful manner; general market conditions, including the level of interest rates, equity valuations and trading activity; the company's ability to attract and retain clients and grow client assets/relationships; the impact of changes in market conditions on money market fund fee waivers, revenue, expenses and pre-tax margins; competitive pressures on rates and fees; the level of client assets, including cash balances; capital needs; level of expenses; adverse developments in litigation or regulatory matters and the extent of any charges associated with legal matters; the adverse impact of financial reform legislation and related regulations; financial results of competitors; and other factors set forth in the company's Form 10-Q for the period ended September 30, 2011.

### **About Charles Schwab**

The Charles Schwab Corporation (NYSE: SCHW) is a leading provider of financial services, with more than 300 offices and 8.6 million active brokerage accounts, 1.49 million corporate retirement plan participants, 780,000 banking accounts, and \$1.68 trillion in client assets. Through its operating subsidiaries, the company provides a full range of securities brokerage, banking, money management and financial advisory services to individual investors and independent investment advisors. Its broker-dealer subsidiary, Charles Schwab & Co., Inc. (member [SIPC](http://www.sipc.org), [www.sipc.org](http://www.sipc.org)), and affiliates offer a complete range of investment services and products including an extensive selection of mutual funds; financial planning and investment advice; retirement plan and equity compensation plan services; referrals to independent fee-based investment advisors; and custodial, operational and trading support for independent, fee-based investment advisors through Schwab Advisor Services. Its banking subsidiary, Charles Schwab Bank (member FDIC and an Equal Housing Lender), provides banking and mortgage services and products. More information is available at [www.schwab.com](http://www.schwab.com) and [www.aboutschwab.com](http://www.aboutschwab.com).

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**THE CHARLES SCHWAB CORPORATION**  
**Consolidated Statements of Income**

(In millions, except per share amounts)

(Unaudited)

|   | Three Months Ended<br>December 31, |               | Twelve Months Ended<br>December 31, |               |
|---|------------------------------------|---------------|-------------------------------------|---------------|
|   | 2011                               | 2010          | 2011                                | 2010          |
| <b>Net Revenues</b>   |                                    |               |                                     |               |
| Asset management and administration fees                    | \$ 458                             | \$ 497        | \$ 1,928                            | \$ 1,822      |
| Interest revenue  | 436                                | 462           | 1,900                               | 1,723         |
| Interest expense  | (41)                               | (48)          | (175)                               | (199)         |
| Net interest revenue  | 395                                | 414           | 1,725                               | 1,524         |
| Trading revenue   | 233                                | 206           | 927                                 | 830           |
| Other   | 41                                 | 36            | 160                                 | 135           |
| Provision for loan losses                                   | (5)                                | (9)           | (18)                                | (27)          |
| Net impairment losses on securities <sup>(1)</sup>          | (9)                                | (17)          | (31)                                | (36)          |
| <b>Total net revenues</b>                                   | <b>1,113</b>                       | <b>1,127</b>  | <b>4,691</b>                        | <b>4,248</b>  |
| <b>Expenses Excluding Interest</b>                          |                                    |               |                                     |               |
| Compensation and benefits                                   | 442                                | 397           | 1,732                               | 1,573         |
| Professional services                                       | 99                                 | 92            | 387                                 | 341           |
| Occupancy and equipment                                     | 79                                 | 70            | 301                                 | 272           |
| Advertising and market development                          | 69                                 | 57            | 228                                 | 196           |
| Communications  | 54                                 | 53            | 220                                 | 207           |
| Depreciation and amortization                               | 48                                 | 38            | 155                                 | 146           |
| Class action litigation and regulatory reserve              | -                                  | 124           | 7                                   | 320           |
| Money market mutual fund charges                            | -                                  | -             | -                                   | 132           |
| Other   | 70                                 | 67            | 269                                 | 282           |
| <b>Total expenses excluding interest</b>                    | <b>861</b>                         | <b>898</b>    | <b>3,299</b>                        | <b>3,469</b>  |
| Income before taxes on income                               | 252                                | 229           | 1,392                               | 779           |
| Taxes on income   | (89)                               | (110)         | (528)                               | (325)         |
| <b>Net Income</b>   | <b>\$ 163</b>                      | <b>\$ 119</b> | <b>\$ 864</b>                       | <b>\$ 454</b> |
| <b>Weighted-Average Common Shares Outstanding — Diluted</b> | <b>1,271</b>                       | <b>1,200</b>  | <b>1,229</b>                        | <b>1,194</b>  |
| <b>Earnings Per Share — Basic</b>                           | <b>\$ .13</b>                      | <b>\$ .10</b> | <b>\$ .70</b>                       | <b>\$ .38</b> |
| <b>Earnings Per Share — Diluted</b>                         | <b>\$ .13</b>                      | <b>\$ .10</b> | <b>\$ .70</b>                       | <b>\$ .38</b> |

<sup>(1)</sup> Net impairment losses on securities include total other-than-temporary impairment losses of \$5 million and \$0 million, net of \$(4) million and \$(17) million recognized in other comprehensive income, for the three months ended December 31, 2011 and 2010, respectively, and total other-than-temporary impairment losses of \$18 million and \$41 million, net of \$(13) million and \$5 million recognized in other comprehensive income, for the twelve months ended December 31, 2011 and 2010, respectively.

*See Notes to Consolidated Statements of Income, Financial and Operating Highlights, and Net Interest Revenue Information.*

**THE CHARLES SCHWAB CORPORATION**  
**Financial and Operating Highlights**  
(Unaudited)

|  | Q4-11 % change |              | 2011            |                 |                 |                 | 2010            |
|--|----------------|--------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|  | vs. Q4-10      | vs. Q3-11    | Fourth Quarter  | Third Quarter   | Second Quarter  | First Quarter   | Fourth Quarter  |
| (In millions, except per share amounts and as noted)   |                |              |                 |                 |                 |                 |                 |
| <b>Net Revenues</b>  |                |              |                 |                 |                 |                 |                 |
| Asset management and administration fees   | (8%)           | (2%)         | \$ 458          | \$ 466          | \$ 502          | \$ 502          | \$ 497          |
| Net interest revenue   | (5%)           | (11%)        | 395             | 443             | 451             | 436             | 414             |
| Trading revenue  | 13%            | (6%)         | 233             | 248             | 205             | 241             | 206             |
| Other  | 14%            | (9%)         | 41              | 45              | 35              | 39              | 36              |
| Provision for loan losses  | (44%)          | (38%)        | (5)             | (8)             | (1)             | (4)             | (9)             |
| Net impairment losses on securities  | (47%)          | (31%)        | (9)             | (13)            | (2)             | (7)             | (17)            |
| <b>Total net revenues</b>  | <b>(1%)</b>    | <b>(6%)</b>  | <b>1,113</b>    | <b>1,181</b>    | <b>1,190</b>    | <b>1,207</b>    | <b>1,127</b>    |
| <b>Expenses Excluding Interest</b>   |                |              |                 |                 |                 |                 |                 |
| Compensation and benefits  | 11%            | 4%           | 442             | 423             | 430             | 437             | 397             |
| Professional services  | 8%             | (5%)         | 99              | 104             | 92              | 92              | 92              |
| Occupancy and equipment  | 13%            | 1%           | 79              | 78              | 73              | 71              | 70              |
| Advertising and market development   | 21%            | 44%          | 69              | 48              | 51              | 60              | 57              |
| Communications   | 2%             | (4%)         | 54              | 56              | 54              | 56              | 53              |
| Depreciation and amortization  | 26%            | 23%          | 48              | 39              | 33              | 35              | 38              |
| Class action litigation and regulatory reserve <sup>(1)</sup>  | N/M            | -            | -               | -               | 7               | -               | 124             |
| Other  | 4%             | (4%)         | 70              | 73              | 64              | 62              | 67              |
| <b>Total expenses excluding interest</b>   | <b>(4%)</b>    | <b>5%</b>    | <b>861</b>      | <b>821</b>      | <b>804</b>      | <b>813</b>      | <b>898</b>      |
| Income before taxes on income  | 10%            | (30%)        | 252             | 360             | 386             | 394             | 229             |
| Taxes on income  | (19%)          | (36%)        | (89)            | (140)           | (148)           | (151)           | (110)           |
| <b>Net Income</b>  | <b>37%</b>     | <b>(26%)</b> | <b>\$ 163</b>   | <b>\$ 220</b>   | <b>\$ 238</b>   | <b>\$ 243</b>   | <b>\$ 119</b>   |
| Basic earnings per share   | 30%            | (28%)        | \$ .13          | \$ .18          | \$ .20          | \$ .20          | \$ .10          |
| Diluted earnings per share   | 30%            | (28%)        | \$ .13          | \$ .18          | \$ .20          | \$ .20          | \$ .10          |
| Dividends declared per common share  |                |              | \$ .06          | \$ .06          | \$ .06          | \$ .06          | \$ .06          |
| Weighted-average common shares outstanding - diluted   | 6%             | 3%           | 1,271           | 1,229           | 1,210           | 1,207           | 1,200           |
| <b>Performance Measures</b>  |                |              |                 |                 |                 |                 |                 |
| Pre-tax profit margin  |                |              | 22.6%           | 30.5%           | 32.4%           | 32.6%           | 20.3%           |
| Return on stockholders' equity (annualized)  |                |              | 8%              | 12%             | 14%             | 15%             | 8%              |
| <b>Financial Condition</b> (at quarter end, in billions)   |                |              |                 |                 |                 |                 |                 |
| Cash and investments segregated  | 15%            | (4%)         | \$ 26.0         | \$ 27.0         | \$ 23.8         | \$ 23.1         | \$ 22.7         |
| Receivables from brokerage clients   | (1%)           | -            | \$ 11.1         | \$ 11.1         | \$ 11.6         | \$ 11.3         | \$ 11.2         |
| Loans to banking clients   | 13%            | 1%           | \$ 9.8          | \$ 9.7          | \$ 9.5          | \$ 9.1          | \$ 8.7          |
| Total assets <sup>(2)</sup>  | 17%            | 6%           | \$ 108.6        | \$ 102.9        | \$ 97.6         | \$ 94.9         | \$ 92.6         |
| Deposits from banking clients  | 20%            | 13%          | \$ 60.9         | \$ 54.1         | \$ 52.3         | \$ 51.3         | \$ 50.6         |
| Payables to brokerage clients  | 15%            | (3%)         | \$ 35.5         | \$ 36.6         | \$ 33.9         | \$ 32.1         | \$ 30.9         |
| Long-term debt   | -              | -            | \$ 2.0          | \$ 2.0          | \$ 2.0          | \$ 2.0          | \$ 2.0          |
| Stockholders' equity   | 24%            | -            | \$ 7.7          | \$ 7.7          | \$ 6.7          | \$ 6.5          | \$ 6.2          |
| <b>Other</b>   |                |              |                 |                 |                 |                 |                 |
| Full-time equivalent employees (at quarter end, in thousands)  | 10%            | 1%           | 14.1            | 13.9            | 13.2            | 13.1            | 12.8            |
| Annualized net revenues per average full-time equivalent employee (in thousands)                       | (11%)          | (10%)        | \$ 316          | \$ 350          | \$ 361          | \$ 371          | \$ 355          |
| Capital expenditures - cash purchases of equipment, office facilities, and property, net (in millions) | 8%             | 2%           | \$ 55           | \$ 54           | \$ 44           | \$ 37           | \$ 51           |
| <b>Clients' Daily Average Trades</b> (in thousands)  |                |              |                 |                 |                 |                 |                 |
| Revenue trades <sup>(3)</sup>  | 13%            | (5%)         | 307.4           | 323.1           | 264.9           | 319.9           | 271.6           |
| Asset-based trades <sup>(4)</sup>  | 17%            | (9%)         | 45.9            | 50.6            | 43.6            | 48.8            | 39.3            |
| Other trades <sup>(5)</sup>  | 26%            | 5%           | 106.3           | 101.7           | 88.6            | 103.8           | 84.6            |
| <b>Total</b>   | <b>16%</b>     | <b>(3%)</b>  | <b>459.6</b>    | <b>475.4</b>    | <b>397.1</b>    | <b>472.5</b>    | <b>395.5</b>    |
| <b>Average Revenue Per Revenue Trade</b> <sup>(3)</sup>  | <b>1%</b>      | <b>1%</b>    | <b>\$ 12.21</b> | <b>\$ 12.04</b> | <b>\$ 12.23</b> | <b>\$ 12.12</b> | <b>\$ 12.07</b> |

(1) Includes a regulatory reserve relating to the Schwab YieldPlus Fund<sup>®</sup>.

(2) Total assets as of December 31, and September 30, 2011, reflect preliminary purchase accounting for the assignment of fair values to optionsXpress Holdings, Inc.'s assets and liabilities acquired. Amounts are subject to refinement as information relative to the closing date fair values becomes available.

(3) Includes all client trades that generate either commission revenue or revenue from principal markups (i.e., fixed income); also known as DART.

(4) Includes eligible trades executed by clients who participate in one or more of the Company's asset-based pricing relationships.

(5) Includes all commission free trades, including Schwab Mutual Fund OneSource<sup>®</sup> funds and ETFs, and other proprietary products.

N/M Not meaningful.

See Notes to Consolidated Statements of Income, Financial and Operating Highlights, and Net Interest Revenue Information.

THE CHARLES SCHWAB CORPORATION

Net Interest Revenue Information

(In millions)

(Unaudited)

|  | Three Months Ended |                          |                    |                 |                          |                    | Twelve Months Ended |                          |                    |                 |                          |                    |
|--|--------------------|--------------------------|--------------------|-----------------|--------------------------|--------------------|---------------------|--------------------------|--------------------|-----------------|--------------------------|--------------------|
|  | December 31,       |                          |                    |                 |                          |                    | December 31,        |                          |                    |                 |                          |                    |
|  | 2011               |                          |                    | 2010            |                          |                    | 2011                |                          |                    | 2010            |                          |                    |
|  | Average Balance    | Interest Revenue/Expense | Average Yield/Rate | Average Balance | Interest Revenue/Expense | Average Yield/Rate | Average Balance     | Interest Revenue/Expense | Average Yield/Rate | Average Balance | Interest Revenue/Expense | Average Yield/Rate |
| <b>Interest-earning assets:</b>              |                    |                          |                    |                 |                          |                    |                     |                          |                    |                 |                          |                    |
| Cash and cash equivalents                    | \$ 5,736           | \$ 4                     | 0.28%              | \$ 5,551        | \$ 3                     | 0.21%              | \$ 5,554            | \$ 13                    | 0.23%              | \$ 7,269        | \$ 19                    | 0.26%              |
| Cash and investments segregated              | 27,912             | 9                        | 0.13%              | 21,017          | 16                       | 0.30%              | 25,831              | 39                       | 0.15%              | 19,543          | 57                       | 0.29%              |
| Broker-related receivables <sup>(1)</sup>    | 203                | -                        | 0.04%              | 379             | -                        | 0.16%              | 310                 | -                        | 0.05%              | 317             | -                        | 0.08%              |
| Receivables from brokerage clients           | 10,225             | 111                      | 4.31%              | 9,754           | 115                      | 4.68%              | 10,637              | 467                      | 4.39%              | 8,981           | 437                      | 4.87%              |
| Other securities owned <sup>(1)</sup>        | -                  | -                        | -                  | -               | -                        | -                  | -                   | -                        | -                  | 74              | -                        | 0.45%              |
| Securities available for sale <sup>(2)</sup> | 30,789             | 124                      | 1.60%              | 25,298          | 110                      | 1.73%              | 27,486              | 456                      | 1.66%              | 24,209          | 486                      | 2.01%              |
| Securities held to maturity                  | 15,268             | 79                       | 2.05%              | 15,308          | 121                      | 3.14%              | 16,050              | 492                      | 3.07%              | 10,440          | 361                      | 3.46%              |
| Loans to banking clients                     | 9,857              | 79                       | 3.18%              | 8,534           | 71                       | 3.30%              | 9,472               | 310                      | 3.27%              | 7,987           | 275                      | 3.44%              |
| Loans held for sale                          | 74                 | 1                        | 3.99%              | 116             | 1                        | 4.43%              | 65                  | 3                        | 4.62%              | 80              | 4                        | 5.00%              |
| Total interest-earning assets                | 100,064            | 407                      | 1.61%              | 85,957          | 437                      | 2.02%              | 95,405              | 1,780                    | 1.87%              | 78,900          | 1,639                    | 2.08%              |
| Other interest revenue                       |                    | 29                       |                    |                 | 25                       |                    |                     | 120                      |                    |                 | 84                       |                    |
| Total interest-earning assets                | \$ 100,064         | \$ 436                   | 1.73%              | \$ 85,957       | \$ 462                   | 2.13%              | \$ 95,405           | \$ 1,900                 | 1.99%              | \$ 78,900       | \$ 1,723                 | 2.18%              |
| <b>Funding sources:</b>                      |                    |                          |                    |                 |                          |                    |                     |                          |                    |                 |                          |                    |
| Deposits from banking clients                | \$ 55,822          | \$ 13                    | 0.09%              | \$ 49,082       | \$ 20                    | 0.16%              | \$ 52,701           | \$ 62                    | 0.12%              | \$ 44,858       | \$ 105                   | 0.23%              |
| Payables to brokerage clients <sup>(1)</sup> | 32,079             | 1                        | 0.01%              | 24,530          | -                        | 0.01%              | 29,992              | 3                        | 0.01%              | 22,715          | 2                        | 0.01%              |
| Long-term debt                               | 2,002              | 27                       | 5.35%              | 2,008           | 28                       | 5.53%              | 2,004               | 108                      | 5.39%              | 1,648           | 92                       | 5.58%              |
| Total interest-bearing liabilities           | 89,903             | 41                       | 0.18%              | 75,620          | 48                       | 0.25%              | 84,697              | 173                      | 0.20%              | 69,221          | 199                      | 0.29%              |
| Non-interest-bearing funding sources         | 10,161             |                          |                    | 10,337          |                          |                    | 10,708              |                          |                    | 9,679           |                          |                    |
| Other interest expense                       |                    | -                        |                    |                 | -                        |                    |                     | 2                        |                    |                 | -                        |                    |
| Total funding sources                        | \$ 100,064         | \$ 41                    | 0.16%              | \$ 85,957       | \$ 48                    | 0.22%              | \$ 95,405           | \$ 175                   | 0.18%              | \$ 78,900       | \$ 199                   | 0.25%              |
| <b>Net interest revenue</b>                  |                    | <b>\$ 395</b>            | <b>1.57%</b>       |                 | <b>\$ 414</b>            | <b>1.91%</b>       |                     | <b>\$ 1,725</b>          | <b>1.81%</b>       |                 | <b>\$ 1,524</b>          | <b>1.93%</b>       |

(1) Interest revenue or expense was less than \$500,000 in the period or periods presented.

(2) Amounts have been calculated based on amortized cost.

See Notes to Consolidated Statements of Income, Financial and Operating Highlights, and Net Interest Revenue Information.

Notes to Consolidated Statements of Income, Financial and Operating Highlights,  
and Net Interest Revenue Information

(Unaudited)

The Company

The consolidated statements of income, financial and operating highlights, and net interest revenue information include The Charles Schwab Corporation (CSC) and its majority-owned subsidiaries (collectively referred to as the Company), including Charles Schwab & Co., Inc. and Charles Schwab Bank. Certain prior year amounts have been reclassified to conform to the 2011 presentation. The consolidated statements of income, financial and operating highlights, and net interest revenue information should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2010.

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**THE CHARLES SCHWAB CORPORATION**  
**Asset Management and Administration Fees Information**

(In millions)  
(Unaudited)

|   | Three Months Ended<br>December 31, |               |                |                          |               |                | Twelve Months Ended<br>December 31, |         |                |                          |         |                |
|---|------------------------------------|---------------|----------------|--------------------------|---------------|----------------|-------------------------------------|---------|----------------|--------------------------|---------|----------------|
|   | 2011                               |               |                | 2010                     |               |                | 2011                                |         |                | 2010                     |         |                |
|   | Average<br>Client Assets           | Revenue       | Average<br>Fee | Average<br>Client Assets | Revenue       | Average<br>Fee | Average<br>Client Assets            | Revenue | Average<br>Fee | Average<br>Client Assets | Revenue | Average<br>Fee |
| Schwab money market funds<br>before fee waivers           | \$ 157,863                         | \$ 226        | 0.57%          | \$ 151,059               | \$ 212        | 0.56%          | \$ 153,478                          | \$ 865  | 0.56%          | \$ 157,858               | \$ 865  | 0.55%          |
| Fee waivers   |                                    | (168)         |                |                          | (102)         |                |                                     | (568)   |                |                          | (433)   |                |
| Schwab money market funds                                 | 157,863                            | 58            | 0.15%          | 151,059                  | 110           | 0.29%          | 153,478                             | 297     | 0.19%          | 157,858                  | 432     | 0.27%          |
| Equity and bond funds <sup>(1)</sup>                      | 40,711                             | 29            | 0.28%          | 37,698                   | 30            | 0.32%          | 41,347                              | 118     | 0.29%          | 35,287                   | 114     | 0.32%          |
| Mutual Fund OneSource <sup>®</sup>                        | 200,779                            | 160           | 0.32%          | 202,422                  | 165           | 0.32%          | 210,907                             | 680     | 0.32%          | 188,789                  | 608     | 0.32%          |
| Total mutual funds <sup>(2)</sup>                         | \$ 399,353                         | 247           | 0.25%          | \$ 391,179               | 305           | 0.31%          | \$ 405,732                          | 1,095   | 0.27%          | \$ 381,934               | 1,154   | 0.30%          |
| Advice solutions <sup>(2, 3)</sup>                        | \$ 108,048                         | 130           | 0.48%          | \$ 102,425               | 119           | 0.46%          | \$ 109,703                          | 522     | 0.48%          | \$ 98,092                | 384     | 0.39%          |
| Other <sup>(4)</sup>                                      |                                    | 81            |                |                          | 73            |                |                                     | 311     |                |                          | 284     |                |
| <b>Total asset management and<br/>administration fees</b> |                                    | <b>\$ 458</b> |                |                          | <b>\$ 497</b> |                | <b>\$ 1,928</b>                     |         |                | <b>\$ 1,822</b>          |         |                |

(1) Includes Schwab ETFs.

(2) Advice solutions include separately managed accounts, customized personal advice for tailored portfolios, and specialized planning and full-time portfolio management offered through the Company's Schwab Private Client, Schwab Managed Portfolio and Managed Account Select programs. Advice solutions also includes Schwab Advisor Network, Schwab Advisor Source, and Windhaven. Average client assets for advice solutions may also include the asset balances contained in the three categories of mutual funds listed above.

(3) Revenue includes temporary fee rebates of \$1 million and \$63 million in the fourth quarter of and twelve months ended 2010, respectively, relating to client assets that participated in advisory and managed account programs under a rebate program that ended in 2010.

(4) Includes various asset based fees, such as trust fees, 401k record keeping fees, and mutual fund clearing and other service fees.

**THE CHARLES SCHWAB CORPORATION**  
**Reconciliation of Net Revenues, Expenses Excluding Interest, and Net Income Excluding Certain Items**  
**to Reported Amounts**

(In millions)

(Unaudited)

|   | Three Months Ended<br>December 31, |                 |             | Twelve Months Ended<br>December 31, |                 |             |
|---|------------------------------------|-----------------|-------------|-------------------------------------|-----------------|-------------|
|   | 2011                               | 2010            | % Change    | 2011                                | 2010            | % Change    |
| <b>Net Revenues Excluding Certain Items</b>                   | \$ 1,062                           | \$ 1,127        | (6%)        | \$ 4,623                            | \$ 4,248        | 9%          |
| optionsXpress net revenues <sup>(1)</sup>                     | 51                                 | -               | N/M         | 68                                  | -               | N/M         |
| <b>Reported Net Revenues</b>                                  | <b>\$ 1,113</b>                    | <b>\$ 1,127</b> | <b>(1%)</b> | <b>\$ 4,691</b>                     | <b>\$ 4,248</b> | <b>10%</b>  |
| <b>Expenses Excluding Interest and Certain Items</b>          | \$ 810                             | \$ 774          | 5%          | \$ 3,208                            | \$ 2,987        | 7%          |
| optionsXpress expenses <sup>(2)</sup>                         | 51                                 | -               | N/M         | 84                                  | -               | N/M         |
| Class action litigation and regulatory reserve <sup>(3)</sup> | -                                  | 124             | N/M         | 7                                   | 320             | N/M         |
| Money market mutual fund charges <sup>(4)</sup>               | -                                  | -               | -           | -                                   | 132             | N/M         |
| Other expense <sup>(5)</sup>                                  | -                                  | -               | -           | -                                   | 30              | N/M         |
| Total expenses excluded                                       | 51                                 | 124             | N/M         | 91                                  | 482             | N/M         |
| <b>Reported Expenses Excluding Interest</b>                   | <b>\$ 861</b>                      | <b>\$ 898</b>   | <b>(4%)</b> | <b>\$ 3,299</b>                     | <b>\$ 3,469</b> | <b>(5%)</b> |
| <b>Net Income Excluding Certain Items</b>                     | \$ 163                             | \$ 218          | (25%)       | \$ 880                              | \$ 775          | 14%         |
| Add: Revenues excluded above                                  | 51                                 | -               | N/M         | 68                                  | -               | N/M         |
| Less: Expenses excluded above                                 | 51                                 | 124             | N/M         | 91                                  | 482             | N/M         |
| Tax expense (benefit)   | -                                  | (25)            | N/M         | (7)                                 | (161)           | N/M         |
| <b>Reported Net Income</b>                                    | <b>\$ 163</b>                      | <b>\$ 119</b>   | <b>37%</b>  | <b>\$ 864</b>                       | <b>\$ 454</b>   | <b>90%</b>  |

(1) Includes net revenues of optionsXpress Holdings, Inc. (optionsXpress) from the date of acquisition of September 1, 2011.

(2) Includes non-recurring costs relating to the acquisition and integration of optionsXpress, which totaled \$2 million and \$20 million in the fourth quarter and twelve months ended 2011, respectively, as well as operating expenses from September 1, 2011.

(3) Relates to the Schwab YieldPlus Fund<sup>®</sup>.

(4) Relates to losses recognized by the Schwab money market mutual funds.

(5) Relates to the termination of the Company's Invest First<sup>®</sup> and WorldPoints<sup>(a)</sup> Visa<sup>(b)</sup> credit card program.

N/M Not meaningful.

<sup>(a)</sup> WorldPoints is a registered trademark of FIA Card Services, N.A.; <sup>(b)</sup> Visa is a registered trademark of Visa International Service Association.

**THE CHARLES SCHWAB CORPORATION**  
**Growth in Client Assets and Accounts**  
(Unaudited)

| (In billions, at quarter end, except as noted)                                     | Q4-11 % Change |              | 2011              |                   |                   |                   | 2010              |
|--|----------------|--------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|  | vs. Q4-10      | vs. Q3-11    | Fourth Quarter    | Third Quarter     | Second Quarter    | First Quarter     | Fourth Quarter    |
| <b>Assets in client accounts</b>   |                |              |                   |                   |                   |                   |                   |
| Schwab One <sup>®</sup> , other cash equivalents and deposits from banking clients | 19%            | 6%           | \$ 96.4           | \$ 90.9           | \$ 86.5           | \$ 83.7           | \$ 81.1           |
| Proprietary funds (Schwab Funds <sup>®</sup> and Laudus Funds <sup>®</sup> ):      |                |              |                   |                   |                   |                   |                   |
| Money market funds   | 3%             | 3%           | 159.8             | 155.5             | 152.0             | 152.2             | 154.5             |
| Equity and bond funds  | (17%)          | 11%          | 38.2              | 34.3              | 49.6              | 48.9              | 46.0              |
| <b>Total proprietary funds</b>   | <b>(1%)</b>    | <b>4%</b>    | <b>198.0</b>      | <b>189.8</b>      | <b>201.6</b>      | <b>201.1</b>      | <b>200.5</b>      |
| Mutual Fund Marketplace <sup>® (1)</sup>   |                |              |                   |                   |                   |                   |                   |
| Mutual Fund OneSource <sup>®</sup>   | (5%)           | 6%           | 198.6             | 187.9             | 220.8             | 219.7             | 208.6             |
| Mutual fund clearing services  | 148%           | 6%           | 104.2             | 98.6              | 43.7              | 42.8              | 42.1              |
| Other third-party mutual funds   | 5%             | 5%           | 305.9             | 290.4             | 314.2             | 307.7             | 291.8             |
| <b>Total Mutual Fund Marketplace</b>   | <b>12%</b>     | <b>6%</b>    | <b>608.7</b>      | <b>576.9</b>      | <b>578.7</b>      | <b>570.2</b>      | <b>542.5</b>      |
| <b>Total mutual fund assets</b>  | <b>9%</b>      | <b>5%</b>    | <b>806.7</b>      | <b>766.7</b>      | <b>780.3</b>      | <b>771.3</b>      | <b>743.0</b>      |
| Equity and other securities <sup>(1)</sup>   | 3%             | 10%          | 607.9             | 552.9             | 624.5             | 631.0             | 589.4             |
| Fixed income securities  | 3%             | -            | 176.9             | 176.4             | 175.1             | 171.5             | 171.3             |
| Margin loans outstanding   | (1%)           | (3%)         | (10.2)            | (10.5)            | (10.9)            | (10.6)            | (10.3)            |
| <b>Total client assets</b>   | <b>7%</b>      | <b>6%</b>    | <b>\$ 1,677.7</b> | <b>\$ 1,576.4</b> | <b>\$ 1,655.5</b> | <b>\$ 1,646.9</b> | <b>\$ 1,574.5</b> |
| <b>Client assets by business</b>   |                |              |                   |                   |                   |                   |                   |
| Investor Services  | 2%             | 6%           | \$ 697.9          | \$ 655.4          | \$ 711.6          | \$ 714.8          | \$ 686.5          |
| Advisor Services   | 4%             | 6%           | 679.0             | 640.1             | 697.8             | 688.6             | 654.9             |
| Other Institutional Services   | 29%            | 7%           | 300.8             | 280.9             | 246.1             | 243.5             | 233.1             |
| <b>Total client assets by business</b>   | <b>7%</b>      | <b>6%</b>    | <b>\$ 1,677.7</b> | <b>\$ 1,576.4</b> | <b>\$ 1,655.5</b> | <b>\$ 1,646.9</b> | <b>\$ 1,574.5</b> |
| <b>Net growth in assets in client accounts (for the quarter ended)</b>             |                |              |                   |                   |                   |                   |                   |
| <b>Net new assets</b>  |                |              |                   |                   |                   |                   |                   |
| Investor Services <sup>(2)</sup>   | 6%             | (54%)        | \$ 5.3            | \$ 11.6           | \$ 2.0            | \$ 5.7            | \$ 5.0            |
| Advisor Services <sup>(2)</sup>  | (44%)          | (13%)        | 9.2               | 10.6              | 10.6              | 14.2              | 16.4              |
| Other Institutional Services <sup>(3)</sup>  | 46%            | (89%)        | 7.0               | 63.8              | 2.8               | 3.1               | 4.8               |
| <b>Total net new assets</b>  | <b>(18%)</b>   | <b>(75%)</b> | <b>21.5</b>       | <b>86.0</b>       | <b>15.4</b>       | <b>23.0</b>       | <b>26.2</b>       |
| Net market gains (losses)  | 4%             | N/M          | 79.8              | (165.1)           | (6.8)             | 49.4              | 77.0              |
| <b>Net growth (decline)</b>  | <b>(2%)</b>    | <b>N/M</b>   | <b>\$ 101.3</b>   | <b>\$ (79.1)</b>  | <b>\$ 8.6</b>     | <b>\$ 72.4</b>    | <b>\$ 103.2</b>   |
| <b>New brokerage accounts (in thousands, for the quarter ended)<sup>(4)</sup></b>  | <b>(10%)</b>   | <b>(60%)</b> | <b>203</b>        | <b>506</b>        | <b>205</b>        | <b>224</b>        | <b>225</b>        |
| <b>Clients (in thousands)</b>  |                |              |                   |                   |                   |                   |                   |
| Active Brokerage Accounts  | 7%             | -            | 8,552             | 8,510             | 8,140             | 8,072             | 7,998             |
| Banking Accounts   | 13%            | 1%           | 780               | 769               | 745               | 719               | 690               |
| Corporate Retirement Plan Participants   | 1%             | 2%           | 1,492             | 1,462             | 1,439             | 1,444             | 1,477             |

(1) Excludes all proprietary money market, equity, and bond funds.

(2) Includes inflows of \$7.5 billion in Investor Services from the acquisition of optionsXpress Holdings, Inc. in the third quarter of 2011.

Includes inflows of \$520 million in Investor Services and \$1.5 billion in Advisor Services from the acquisition of Windhaven in the fourth quarter of 2010.

(3) Includes inflows of \$60.9 billion from mutual fund clearing services clients in the third quarter of 2011. Includes outflows of \$2.1 billion from a mutual fund clearing services client in the first quarter of 2011. Includes inflows of \$1.2 billion from a mutual fund clearing services client in the fourth quarter of 2010.

(4) Includes 315,000 new brokerage accounts from the acquisition of optionsXpress Holdings, Inc. in the third quarter of 2011.

N/M Not meaningful.

**The Charles Schwab Corporation Monthly Market Activity Report For December 2011**

|  | 2010      | 2011    |         |           |           |         |         |           |         |           |         |         |           | % change |       |
|--|-----------|---------|---------|-----------|-----------|---------|---------|-----------|---------|-----------|---------|---------|-----------|----------|-------|
|  | Dec       | Jan     | Feb     | Mar       | Apr       | May     | Jun     | Jul       | Aug     | Sep       | Oct     | Nov     | Dec       | Mo.      | Yr.   |
| <b>Change in Client Assets</b><br>(in billions of dollars)                     |           |         |         |           |           |         |         |           |         |           |         |         |           |          |       |
| Net New Assets <sup>(1)</sup>  | 11.4      | 6.4     | 7.8     | 8.8       | (0.5)     | 9.4     | 6.5     | 9.9       | 62.4    | 13.7      | 5.0     | 6.0     | 10.5      | 75%      | (8%)  |
| Net Market Gains (Losses)  | 50.2      | 13.5    | 33.2    | 2.7       | 35.0      | (18.1)  | (23.7)  | (15.9)    | (58.0)  | (91.2)    | 97.4    | (13.4)  | (4.2)     |          |       |
| <b>Total Client Assets</b><br>(at month end, in billions of dollars)           | 1,574.5   | 1,594.4 | 1,635.4 | 1,646.9   | 1,681.4   | 1,672.7 | 1,655.5 | 1,649.5   | 1,653.9 | 1,576.4   | 1,678.8 | 1,671.4 | 1,677.7   | -        | 7%    |
| <b>New Brokerage Accounts</b> <sup>(2)</sup><br>(in thousands)                 | 99        | 74      | 68      | 82        | 83        | 61      | 61      | 56        | 71      | 379       | 64      | 64      | 75        | 17%      | (24%) |
| <b>Clients</b><br>(at month end, in thousands)                                 |           |         |         |           |           |         |         |           |         |           |         |         |           |          |       |
| Active Brokerage Accounts  | 7,998     | 8,022   | 8,044   | 8,072     | 8,112     | 8,127   | 8,140   | 8,152     | 8,181   | 8,510     | 8,523   | 8,534   | 8,552     | -        | 7%    |
| Banking Accounts   | 690       | 701     | 710     | 719       | 728       | 736     | 745     | 754       | 765     | 769       | 774     | 777     | 780       | -        | 13%   |
| Corporate Retirement Plan Participants   | 1,477     | 1,455   | 1,438   | 1,444     | 1,436     | 1,436   | 1,439   | 1,443     | 1,452   | 1,462     | 1,468   | 1,478   | 1,492     | 1%       | 1%    |
| <b>Clients' Daily Average Trades</b> <sup>(3)</sup><br>(in thousands)          | 401.1     | 511.8   | 478.0   | 433.7     | 435.0     | 395.9   | 363.8   | 404.1     | 545.3   | 466.8     | 509.5   | 433.5   | 435.1     | -        | 8%    |
| <b>Market Indices</b><br>(at month end)  |           |         |         |           |           |         |         |           |         |           |         |         |           |          |       |
| Dow Jones Industrial Average   | 11,578    | 11,892  | 12,226  | 12,320    | 12,811    | 12,570  | 12,414  | 12,143    | 11,614  | 10,913    | 11,955  | 12,046  | 12,218    | 1%       | 6%    |
| Nasdaq Composite   | 2,653     | 2,700   | 2,782   | 2,781     | 2,874     | 2,835   | 2,774   | 2,756     | 2,579   | 2,415     | 2,684   | 2,620   | 2,605     | (1%)     | (2%)  |
| Standard & Poor's 500  | 1,258     | 1,286   | 1,327   | 1,326     | 1,364     | 1,345   | 1,321   | 1,292     | 1,219   | 1,131     | 1,253   | 1,247   | 1,258     | 1%       | -     |
| <b>Daily Average Market Share Volume</b><br>(in millions)                      |           |         |         |           |           |         |         |           |         |           |         |         |           |          |       |
| NYSE   | 4,049     | 4,796   | 4,421   | 4,354     | 3,957     | 3,813   | 3,890   | 3,798     | 5,781   | 4,584     | 4,773   | 4,053   | 3,576     | (12%)    | (12%) |
| Nasdaq   | 1,686     | 2,035   | 2,085   | 2,007     | 1,907     | 2,022   | 2,001   | 1,890     | 2,514   | 2,084     | 2,086   | 1,852   | 1,606     | (13%)    | (5%)  |
| Total US Exchanges   | 6,708     | 8,114   | 7,769   | 7,826     | 7,015     | 7,183   | 7,226   | 6,955     | 10,526  | 8,455     | 8,614   | 7,319   | 6,345     | (13%)    | (5%)  |
| <b>Mutual Fund Net Buys (Sells)</b> <sup>(4)</sup><br>(in millions of dollars) |           |         |         |           |           |         |         |           |         |           |         |         |           |          |       |
| Large Capitalization Stock   | 81.8      | 538.4   | 279.9   | (98.7)    | (521.7)   | (652.9) | (656.5) | (1,345.0) | (431.2) | (226.7)   | (686.0) | (640.2) | (840.8)   |          |       |
| Small / Mid Capitalization Stock   | 388.6     | 522.9   | 317.0   | (65.1)    | 56.8      | (303.3) | (787.5) | (611.7)   | (965.8) | (301.8)   | (276.2) | (424.5) | (483.7)   |          |       |
| International  | 379.6     | 592.1   | 39.3    | 380.4     | 192.6     | 107.1   | (179.8) | (494.4)   | (479.4) | (378.1)   | (267.6) | (484.2) | (1,034.9) |          |       |
| Specialized  | 61.4      | 274.5   | 365.9   | 148.1     | 127.5     | 536.7   | 271.5   | 63.1      | (52.5)  | 136.2     | (214.2) | 266.1   | (161.6)   |          |       |
| Hybrid   | 652.4     | 953.7   | 1,040.0 | 1,188.4   | 807.0     | 478.7   | 263.8   | (16.6)    | 170.7   | (31.5)    | 59.4    | (153.3) | 158.1     |          |       |
| Taxable Bond   | (1,331.7) | 1,360.8 | 1,029.9 | 1,290.1   | 1,661.4   | 1,932.1 | 1,315.2 | 762.3     | (669.0) | 980.1     | 1,265.5 | 642.7   | 1,079.3   |          |       |
| Tax-Free Bond  | (925.4)   | (551.8) | (272.8) | (167.9)   | (195.4)   | (16.5)  | 62.3    | 85.1      | (317.9) | 90.5      | 120.7   | 293.2   | 459.9     |          |       |
| Money Market Funds   | 2,852.5   | (666.7) | (359.6) | (1,292.1) | (3,285.7) | 1,455.8 | 1,605.5 | 228.3     | 5,882.3 | (1,263.4) | 1,748.8 | (178.2) | 2,697.6   |          |       |

<sup>(1)</sup> September 2011 includes inflows of \$7.5 billion related to the acquisition of optionsXpress Holdings, Inc. August 2011 includes inflows of \$56.1 billion from a mutual fund clearing services client. July 2011 includes inflows of \$4.8 billion from a mutual fund clearing services client. January 2011 includes outflows of \$2.1 billion from a mutual fund clearing services client.

<sup>(2)</sup> September 2011 includes 315,000 new brokerage accounts related to the acquisition of optionsXpress Holdings, Inc.

<sup>(3)</sup> Includes revenue trades from commissions or principal mark-ups, trades by clients in asset-based pricing relationships and all commission-free trades, including Schwab Mutual Fund OneSource® funds and ETFs, and other proprietary products.

<sup>(4)</sup> Represents the principal value of client mutual fund transactions handled by Schwab, including transactions in proprietary funds. Includes institutional funds available only to Investment Managers.