

Winter Business Update

February 2, 2012

Introduction

Rich
Fowler

Senior Vice President
Investor Relations

Agenda

Walt Bettinger

President & Chief Executive Officer

Joe Martinetto

EVP & Chief Financial Officer

Break

Andy Gill

EVP & Chief Operating Officer, Investor Services

John Clendening

EVP, Shared Strategic Services

Break

Jim McCool

EVP, Institutional Services

Steve Anderson

SVP, Retirement Plan Services

Close

Forward-Looking Statements

This presentation contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements include statements that refer to expectations, projections or other characterizations of future events or circumstances and are identified by words such as “believe,” “expect,” “estimate,” “plan,” “will,” “may,” “aim,” “target,” “could,” “would,” “continue,” “build,” “improve,” “growth,” “remains,” “deliver,” “commit,” “realize,” “potential,” “scenarios,” “milestones,” “initiatives” and other similar expressions. These forward-looking statements relate to the company’s growth in revenues, earnings and profits; growth in assets, advice offers and accounts; the launch of new products, services and capabilities; dividends and stock repurchases; expenses; net interest margin; money market fund fee waivers; the impact of fluctuations in the S&P 500 Index, trading activity and the Fed Funds rate on the company’s results of operations; growth in net new assets; stress test scenario outcomes; optionsXpress integration; and capital position. These forward-looking statements, which reflect management’s beliefs, objectives and expectations as of today, are necessarily estimates based on the best judgment of the company’s senior management. Achievement of the expressed beliefs, expectations and objectives is subject to risks and uncertainties that could cause actual results to differ materially from those beliefs, expectations or objectives.

Important factors that may cause such differences are discussed in the company’s filings with the Securities and Exchange Commission, including our Annual Report on Form 10-K and Quarterly Reports on Form 10-Q. Other important factors include the company’s ability to attract and retain clients and grow client assets/relationships; competitive pressures on rates and fees; general market conditions, including the level of interest rates, equity valuations and trading activity; the level of client assets, including cash balances; the company’s ability to develop and launch new products, services and capabilities in a timely and successful manner; capital needs; optionsXpress integration costs and operating expenses; level of expenses; the acceleration of prepayments in the company’s mortgage-backed securities portfolio; the impact of changes in market conditions on money market fund fee waivers, revenues, expenses and pre-tax margins; validity of stress test scenario outcomes; the effect of adverse developments in litigation or regulatory matters and the extent of any charges associated with legal matters; and any adverse impact of financial reform legislation and related regulations.

The information in this presentation speaks only as of February 2, 2012 (or such earlier date as may be specified herein). The company makes no commitment to update any of this information.

Walt
Bettinger

President &
Chief Executive Officer

Despite an extraordinarily difficult environment, Schwab continues to build a world-class investing services firm with strong long-term earnings power.

- Schwab is not immune to the economic challenges of the day, but we are **focused on what we can control – revenue diversification** and sustained, disciplined **investment for growth**.
- We remain committed to our **strategy and operating priorities** because they **are working**.
- **We are building earnings power** that will be delivered to our stockholders as the environment improves.

By focusing on what we can control, clients continue to entrust their assets to us...

In 2011:

- **Brokerage accounts** – over 1.1 million new accounts; total accounts of **8.6 million, up 7%**.
- **Net new assets** - \$145.9 billion total; core NNA* of **\$82.3 billion, up 5%**.
- **Client assets** – totaled **\$1.68 trillion, up 7%**.
- **Client promoter score** – **record-high** retail CPS of **38%** in December.

Since the beginning of the financial crisis, clients have invested **over \$300 billion in NNA with Schwab** – more than comparable NNA numbers reported by our publicly traded competitors combined.

...while we deliver solid short-term profitability and invest for future growth.

In 2011:

- **Net revenues** – totaled **\$4.7 billion, up 10%**.
- **Net income** – **\$864 million**.
- **Pre-tax profit margin** – **29.7%**.
- **Project spending** of approximately **\$180 million, up 38%**.

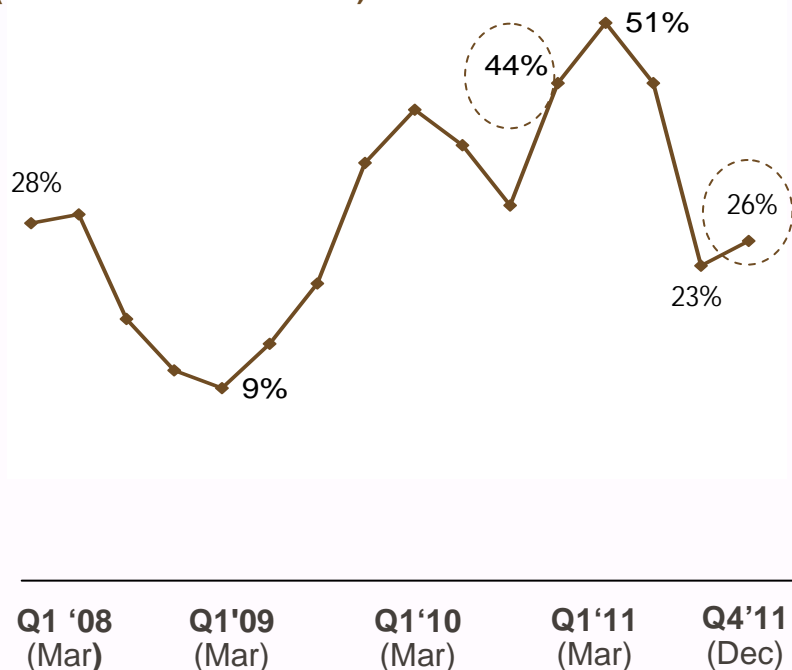
For the six quarters from January 2010 through June 2011 – a period where interest rates remained relatively level – Schwab grew revenues by 22% and operating income by 77%.

Client sentiment is also not immune to the economic picture, reinforcing the importance of our full-service model.

Financial well-being has declined from the end of 2010...

How are you getting along financially compared to a year ago?

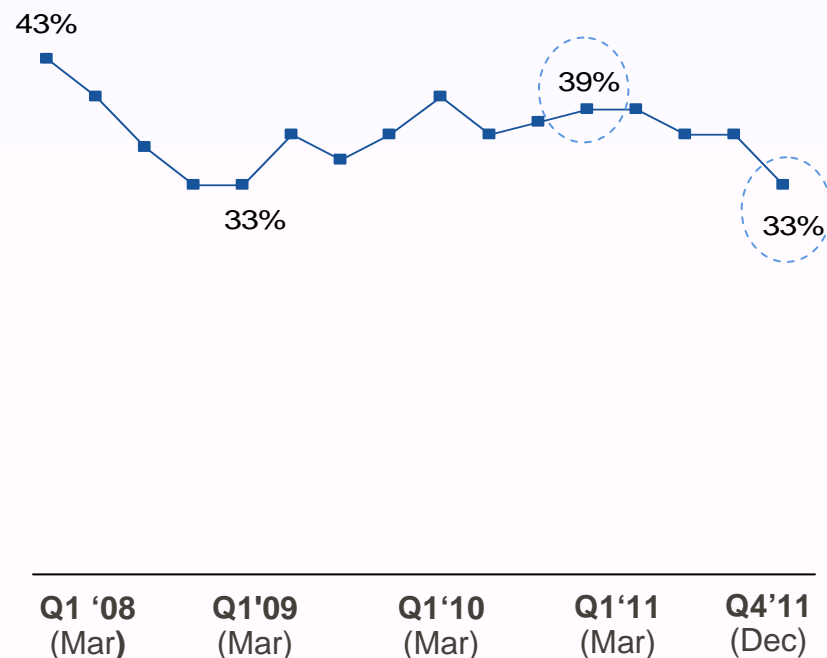
(% Much Better/ Better Off)



...as has investor confidence in making investment decisions.

How confident are you in making investment decisions?

(% Extremely / Very)



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Our five operating priorities help us translate our “through clients’ eyes” strategy into action.

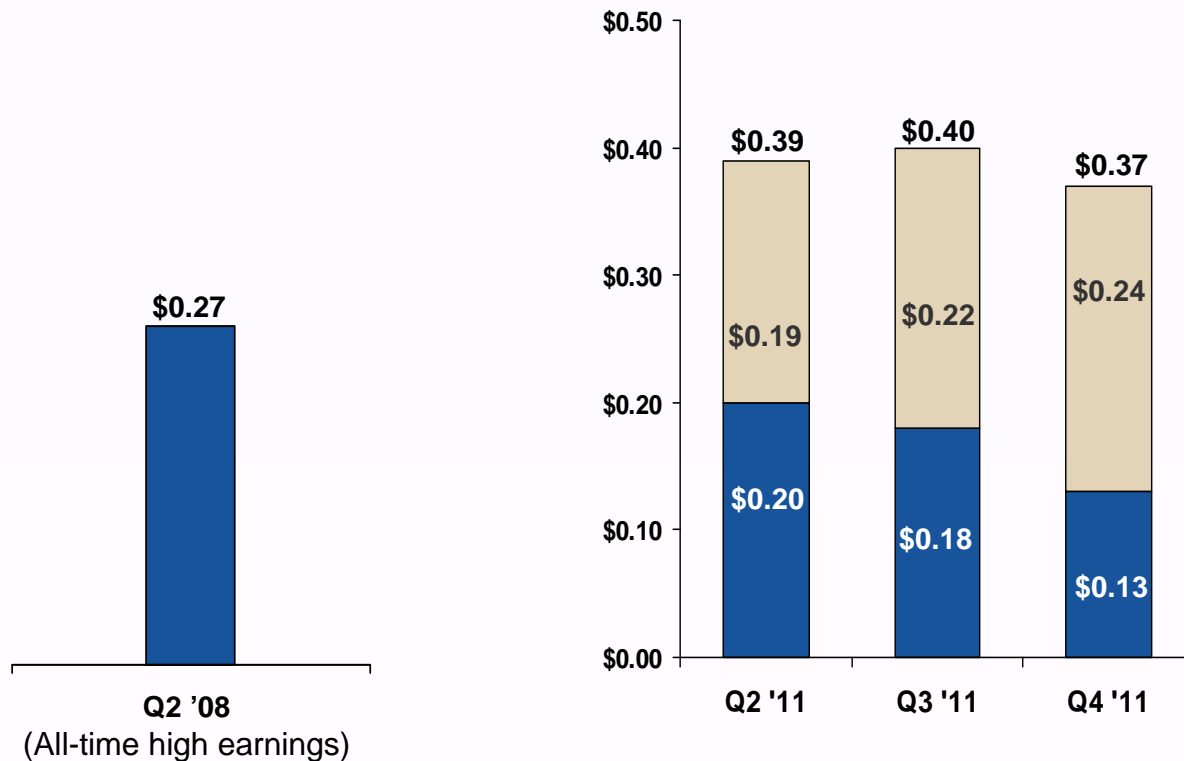
- Diversified Client **Acquisition**
- Win-Win **Monetization**
- Long-Term Client **Retention**
- Expense **Discipline**
- Effective **Capital Management**

We chose to accelerate our investment for growth in 2011 and we'll continue to advance these initiatives in 2012.

Key efforts in 2012:

<p>Schwab Index Advantage - new index-based 401(k) plan (launched)</p> <p>Independent Branch Services model (launched)</p> <p>Prospect website acquisition capabilities (launched)</p>	<p>Acquisition</p>
<p>Converting clients into fee-based advisory solutions</p> <p>Client penetration of Bank lending products (new service provider – Quicken Loans)</p>	<p>Monetization</p>
<p>optionsXpress integration</p> <p>Global investing – foreign equity trading in certain local currencies</p> <p>Enhancing planning capabilities (launched)</p> <p>Compliance11 integration</p>	<p>Monetization and Retention</p>
<p>Schwab Intelligent Integration - integrated technology platform for advisors (launched)</p> <p>Additional capabilities for mobile and tablet solutions (launched)</p> <p>Advanced Case Engine – business process management system</p>	<p>Retention</p>

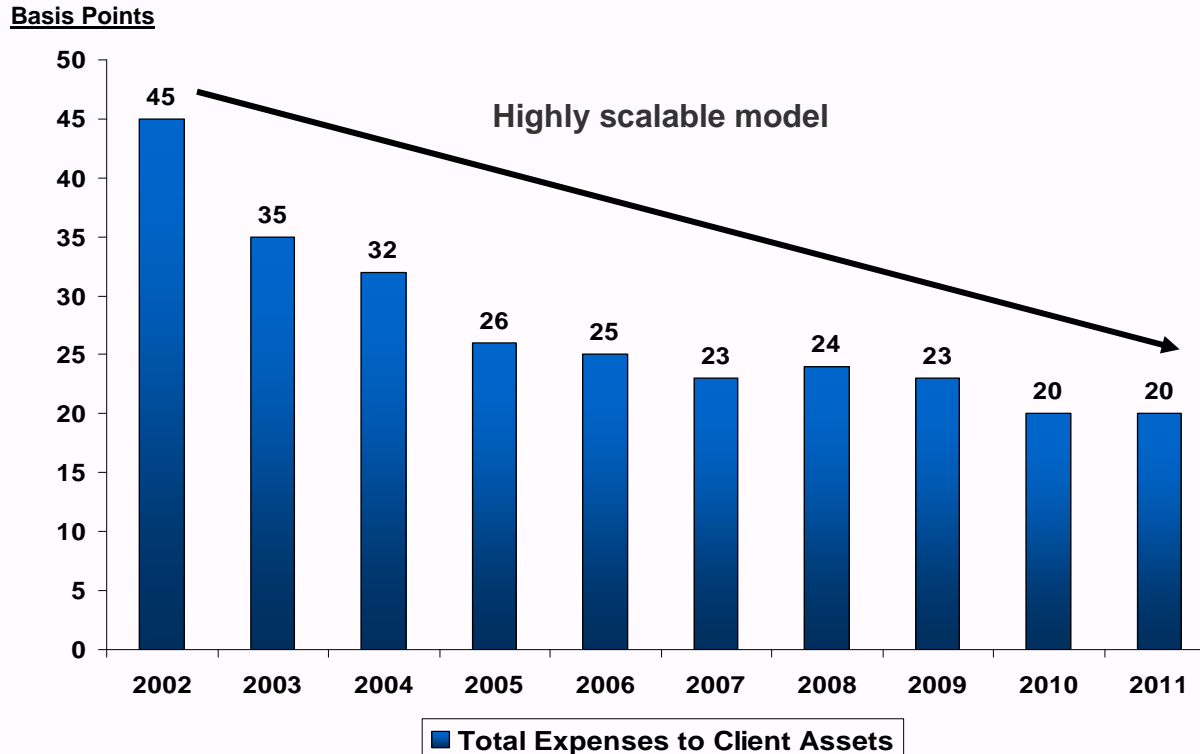
All of our client initiatives have one thing in common: they are designed to deliver and support outstanding long-term EPS growth.



- Actual EPS
- Hypothetical incremental EPS based on Q2-Q4 '11 balances and Q2 '08 environment (2% Fed Funds, 1,370 S&P 500 avg.); does not address performance beyond Q4 '11.

We remain committed to expense discipline and effective capital management through market and rate cycles.

- **Margin expansion** – diligent trade-off decisions enable us to pursue growth opportunities while still growing revenues faster than expenses.
- **Stewards of stockholders' capital** – improving return on equity and aiming to return excess capital to owners.



We are confident our efforts will yield significant revenue and earnings growth as current environmental factors abate.

- **Our strategy is working**, as demonstrated by our solid 2011 financial performance.
 - 10% revenue growth, 29.7% pre-tax profit margin.
- The best path forward continues to be **disciplined yet sustained investment** in our clients.
 - Drives growth in our client base, keeps us competitively well positioned.
- Schwab's true potential is masked by the tough environment.
 - Realize **increased EPS power** as rates level or rise.
- Managing for **long-term stockholder value**.
 - We have the **capabilities and momentum** to expand our client base and the **revenue diversification** and **discipline** to deliver results.

Q&A

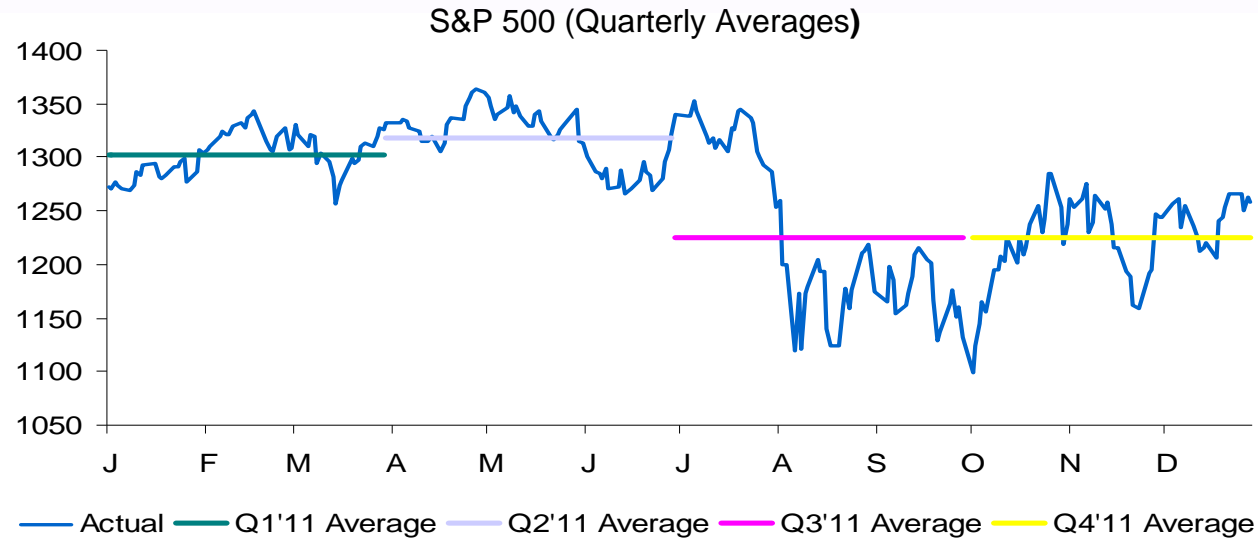
Joe
Martinetto

Executive Vice President &
Chief Financial Officer

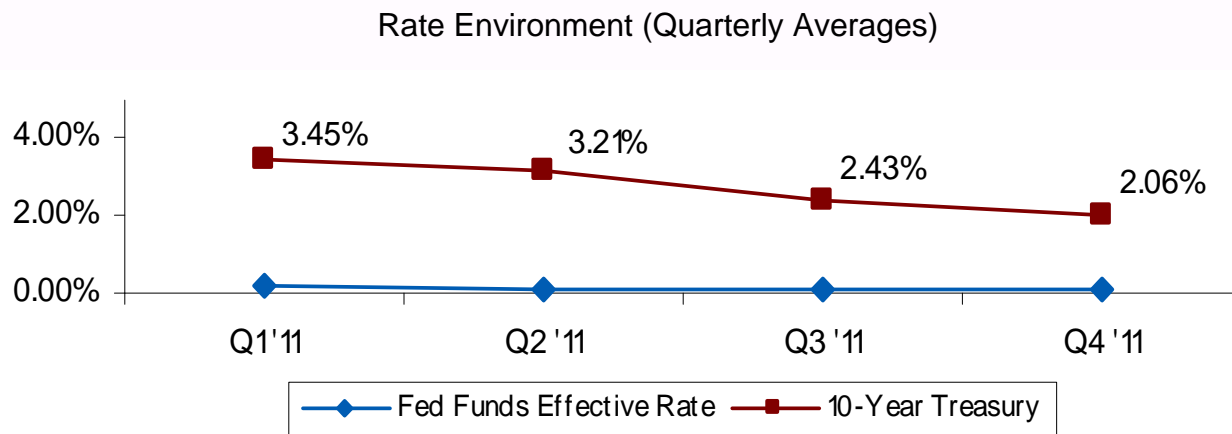
Our financial management is evolving along with the economic environment.

- We continue to demonstrate **discipline across expense, credit and capital management.**
- We are **making trade-offs** to **deliver solid short-term and long-term results** given the environment.
- Today we'll cover the **how and why of our recent decisions.**

While we didn't get the environment we planned for in 2011...



\$85B market value hit to client assets, Jul-Dec.



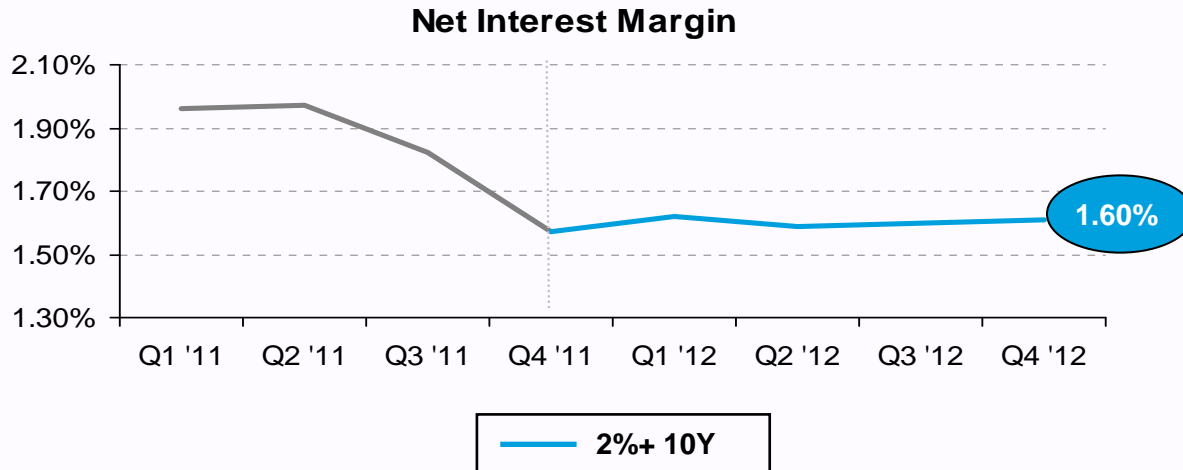
...we still delivered on our financial commitments.

	Q1-11	Q2-11	Q3-11	Q4-11	FY-11	FY '11 v. FY '10	FY '11 v. FY '10 (excl. oX) ²
<i>(\$ in millions, except per share amounts)</i>							
Net Revenues:							
Asset Management & Admin Fees	\$ 502	\$ 502	\$ 466	\$ 458	\$ 1,928	6%	
Net Interest Revenue	436	451	443	395	1,725	13%	
Trading Revenue	241	205	248	233	927	12%	
Other	39	35	45	41	160	19%	
Provision for Loan Losses	(4)	(1)	(8)	(5)	(18)	(33%)	
Net Impairment Losses on Securities	(7)	(2)	(13)	(9)	(31)	(14%)	
Total	\$ 1,207	\$ 1,190	\$ 1,181	\$ 1,113	\$ 4,691	10%	9%
Expenses	\$ 813	\$ 804	\$ 821	\$ 861	\$ 3,299	9%¹	6%
Pre-tax Profit Margin \$	\$ 394	\$ 386	\$ 360	\$ 252	\$ 1,392	13%	
Pre-tax Profit Margin %	32.6%	32.4%	30.5%	22.6%	29.7%	0.7 pts	
<i>Reported</i>							
Net Income	\$243	\$238	\$220	\$163	\$864	90%	
Earnings Per Share (EPS)	\$0.20	\$0.20	\$0.18	\$0.13	\$0.70	84%	
Return on Equity (ROE)	15%	14%	12%	8%	12%		

We expect to drive through this “bump in the road” as our focus on growth continues.

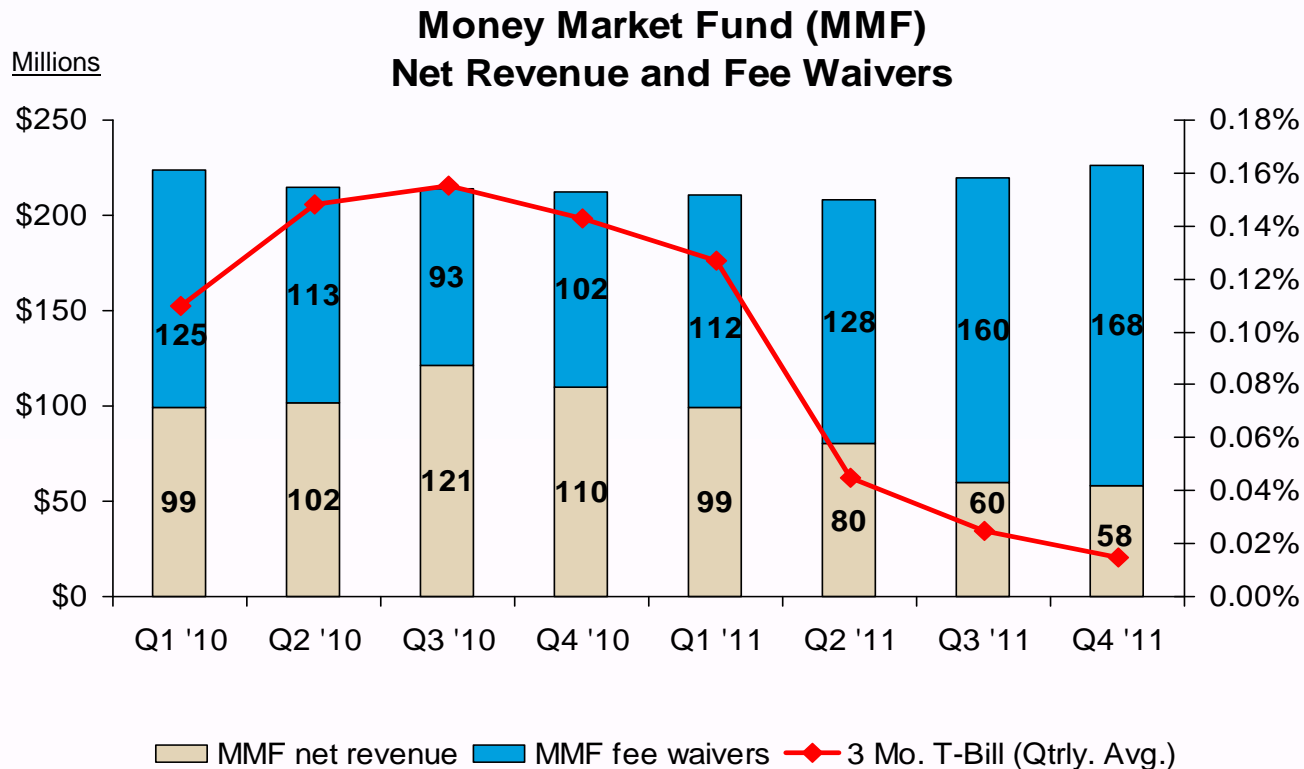
- The interest rate environment puts **pressure on near-term revenue** and earnings growth.
- We’re managing expenses to **balance short-term profitability with long-term growth**.
 - Last year’s spending on growth initiatives gives us **flexibility to bring important initiatives to market while managing down technology investment spending** in 2012.
 - This far into the economic cycle, **other spending is already very lean, making substantial cuts** challenging and **potentially damaging to growth prospects**.

Our net interest margin outlook is basically unchanged from last October.



- Assuming a 10-year Treasury yield of at least 2%, we believe NIM will remain around **160 bps in 2012** as pressure from prepayments/premium amortization abates.
 - Fixed rate securities in our portfolio have an average premium of roughly 2%.
 - Elevated prepayment speeds of 25-30% during Q4 '11 v. 10-20% previously.
- **Shifts in the environment will matter** – a 1.75% 10-Year could result in a Q4'12 NIM of about 140 bps.

Money market fund fee waivers reflect balances and reinvestment rates.



- At current rates and balances, waivers could stay around **\$165-\$170 million** per quarter during 2012.

Our 2012 plan leverages our diversified revenue streams and disciplined investment in our operating priorities.

Our initiatives yield stronger business momentum:

- NNA of \$10.5 billion in December 2011; expected to approach \$100 billion in 2012.

Revenue offsets to pressure from interest rates and money fund fee waivers:

- Growth in interest-earning assets (10%+) driven by increase in client cash balances.
 - Cash migration opportunities.
 - Schwab Index Advantage's FDIC-insured, interest-bearing deposit feature.
 - New lending partnership and product enhancements.
- Continued growth in advice offers (3,000+ enrollments per month).

Volume-related expense growth offset by adjustments in discretionary spending:

- Core Schwab expenses roughly flat year-over-year; expense growth driven by full-year of optionsXpress operating expense.
- Project spending of approximately \$140 million, down from \$180 million in 2011.
 - Includes optionsXpress integration costs.

Continued growth plus sustained expense discipline equals improving revenues and earnings in 2012.

In this environment:	We expect these results (including optionsXpress):
<p>S&P appreciates 6.5%</p> <p>Fed Funds between 0-0.25%</p> <p>DARTs nearly 20% year-over-year</p>	<p>Revenues up around 8%</p> <p>Expenses up 6%</p> <p>Pre-tax margin above 30%</p>
<p>S&P appreciates 6.5%</p> <p>Fed Funds end the year at 1.25%</p> <p>DARTs nearly 20% year-over-year</p>	<p>Revenues up around 25%</p> <p>Expenses up 8%</p> <p>Pre-tax margin above 35%</p>

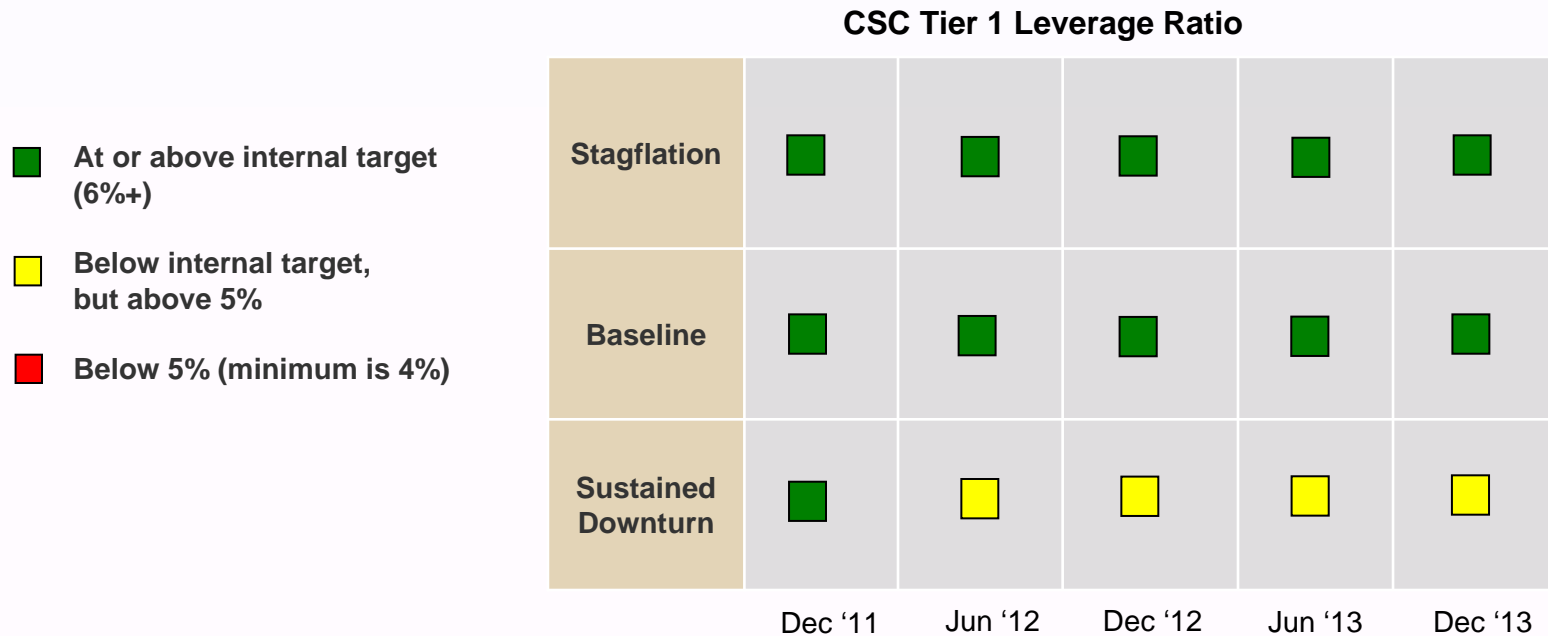
- Quarterly earnings progression could be similar to our past experience in the face of significant rate declines: “bottom then recover” as rates stabilize.

Delivering solid results with enviable capital and liquidity positions.

(\$ in millions)	<u>Q4-10</u>	<u>Q1-11</u>	<u>Q2-11</u>	<u>Q3-11</u>	<u>Q4-11*</u>
Total Assets	\$92,568	\$94,883	\$97,572	\$102,906	\$108,553
Deposits from Banking Clients	50,590	51,259	52,339	54,078	60,854
Payables to Brokerage Clients	30,861	32,106	33,917	36,595	35,489
Long-term Debt	2,006	2,005	2,004	2,002	2,001
Stockholders' Equity	6,226	6,487	6,734	7,655	7,714
Parent Cash & Cash Equivalents	\$1,149	\$1,134	\$1,239	\$1,161	\$852
<u>CSC Capital Ratios</u>					
Tier 1 Capital	17.6%	17.8%	17.8%	18.5%	17.9%
Tier 1 Leverage	6.5%	6.5%	6.6%	6.5%	6.3%
Tier 1 Common	17.0%	17.2%	17.2%	17.9%	17.3%

Even in the stress scenarios we tested, the company is profitable and internally generates capital throughout the two-year planning horizon.

- **Still comfortable with our internal target of 6.0%** for the consolidated (CSC) Tier 1 Leverage ratio.
- Would remain above regulatory capital minimums and be considered **“well-capitalized”** in all scenarios, even with no capital raise.



Why did we do the preferred offering?

During January, we issued \$400 million of perpetual preferred stock with a 7.0% dividend.

- **Creates more of a buffer** to accommodate outsized balance sheet growth or a longer period of protracted stress.
 - **Adds nearly 40 bps** to our Tier 1 Leverage ratio.
- Provides flexibility to further **optimize net interest income**.
- Cost effective and **non-dilutive** as we put the money to work.
 - \$400MM @ 13.3x leverage (assuming growth is in the Bank) = **\$5.3B** of cash balances the capital can support.
 - \$5.3B balances x ~ 130bps incremental spread at the Bank = **\$40MM+** incremental after-tax revenue.
 - \$400MM x 7.0% dividend = **\$28MM** dividend cost.
- A capital raise was anticipated in our 2012 financial plan.

We remain focused on credit and risk management and high-quality assets.

- As of December 31, Schwab money market funds:
 - Have **limited holdings** in securities issued by high-quality, **European** financial institutions – **16% of taxable funds**.
 - Have **no direct holdings** issued by financial institutions in **Greece, Spain, Italy, Ireland or Portugal**.
 - Have **no exposure to European sovereign debt**.
- Schwab **Bank's loan portfolio totals \$9.8B** (approx. 57% mortgages, 36% HELOCs, 7% PALs and other loans), **up 13% YOY**.
 - **Delinquencies, nonaccrual loans and allowance** as a percentage of total loan balances were **0.81%, 0.53% and 0.55%**, respectively.
 - Our **coverage ratio** (allowance as a percentage of nonaccrual loans) remains strong at **104%**.

Current themes in Schwab's financial management:

- We're **taking action on expenses** to offset some of the near-term pressures caused by the economic environment.
- Combining expense actions with ongoing growth in the client franchise gives us **confidence that earnings will recover as we move through the year**.
- We continue to **invest appropriately to take advantage of the long-term growth opportunities** we see before us.

Q&A

Break

Andy
Gill

Executive Vice President & Chief Operating Officer
Investor Services

Who We Are ...

(All metrics EOY 2011 unless noted)

Business

- Retail investor enterprise

Size

- 6 million brokerage accounts
- 661K bank deposit accounts
- \$698 billion in assets
- 305 branches nationwide

Financials

- Approximately 68% of overall revenue and 67% of pre-tax profits

2011 Results and Highlights

(Results include optionsXpress)

Financial Results versus 2010

Net New Assets

\$25B

Up 90%*



Revenue

\$3,189MM

Up 12%



Pre-Tax Profit

\$928MM / 29.1%

Up 19%



Client Highlights

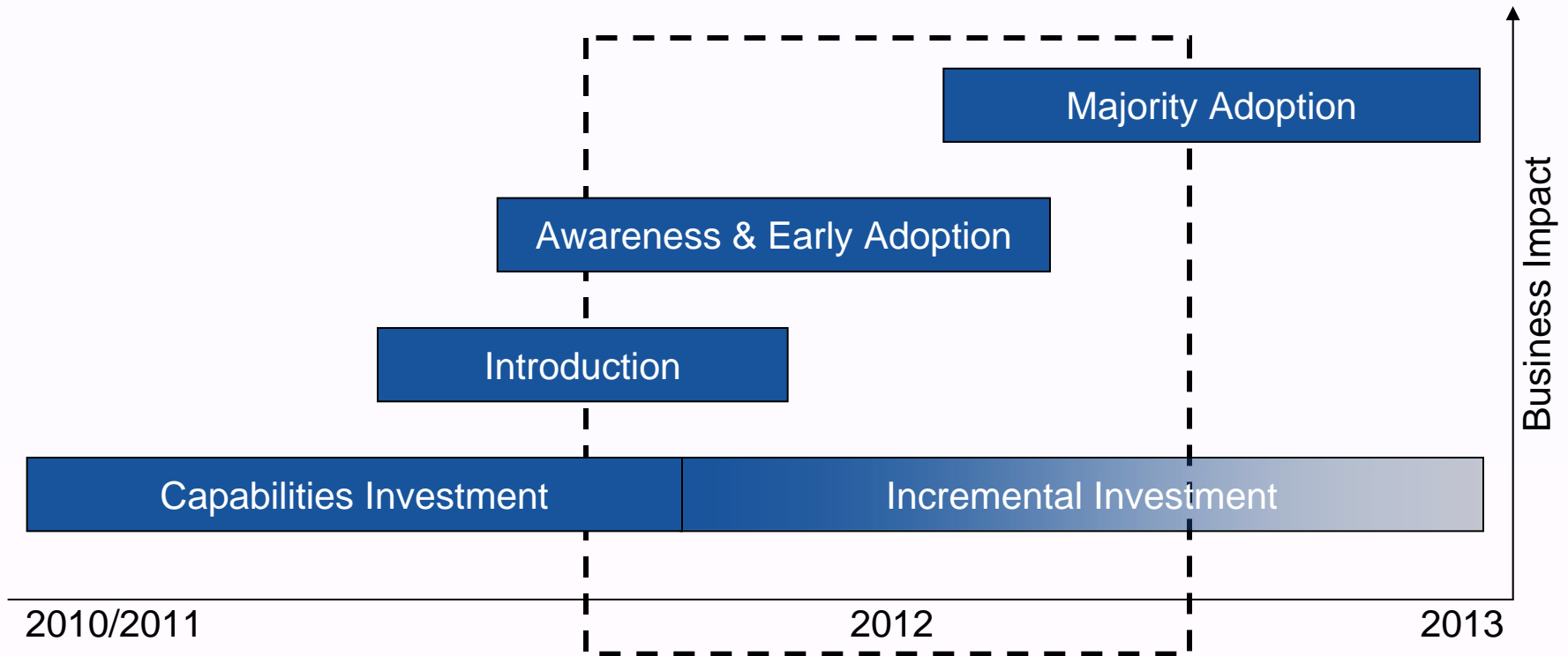
- Added more than 160K new households through marketing and referral activities
- 16% of all assets enrolled in a for-fee advice solution, a new all-time high
- Maintained highest level of client promoter scores reached to-date
- Continued to reduce overall client attrition with attrition for clients with \$250K or more in assets below 4%

Initiative Highlights

- Launched StreetSmart Edge, our new trading platform for active traders
- Completed acquisition of optionsXpress to enhance derivatives trading capabilities
- Introduced integrated brokerage-bank capabilities for iPhone, iPad and Android
- Enhanced our acquisition capabilities with our new public website and first peer-to-peer public review forum

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We've made significant progress against multi-year efforts to create leading capabilities.



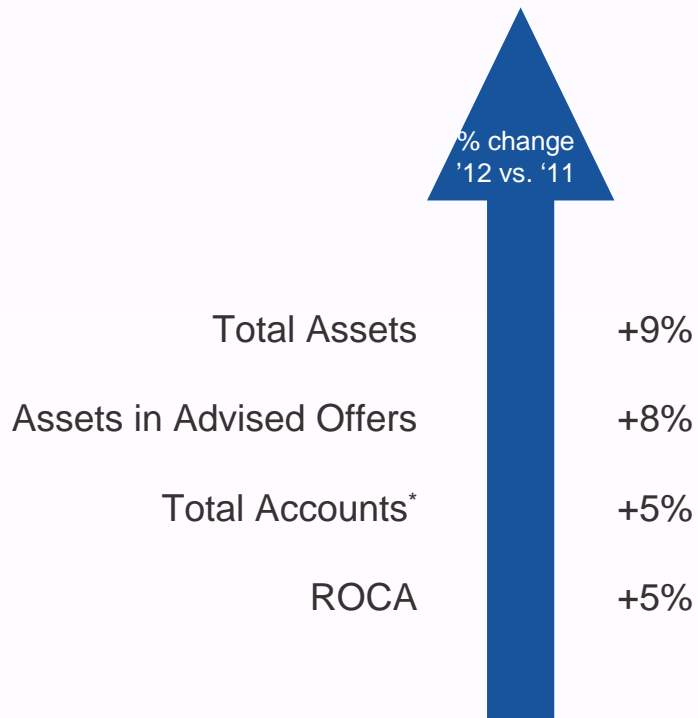
Investment and roll-out of capabilities that matter most to investors

- Active trader platform
- Intuitive and simple technology
- Deepest knowledge of clients
- Value-based products

Make significant progress in adoption of new capabilities to further our reputation as an approachable and knowledgeable partner who provides actionable, tailored investment ideas to our clients

We expect to both drive business growth and enhance our industry reputation in 2012.

Significant business growth expected...



...along with enhancements to Schwab's reputation.

- Positioning Schwab as the best choice for investors seeking a firm with a listen-first approach who understands them and their individual needs
- Receiving third-party accolades for industry-leading capabilities
 - JD Powers #1 rating for self-directed brokerage
 - Barrons Active Trader "Best In Class" rating above all major competitors
 - Improved ratings with SmartMoney, eMonitor, Kiplinger and Apple iStore

Technology Platform

Client Engagement

Acquisition-Driven Growth

Technology Platform: Trading Platform

Five key capability needs of Active Traders...



...serve as the foundation to provide more capabilities to all Investor Services clients.

Active Trader Platform	Capabilities	
	Q1 2011	2012
Trading Experience		
Options And Futures		
Global Investing And Foreign Exchange		

Very strong
 Above average
 Average
 Below average
 Very weak

Technology Platform: Trading Platform Capabilities – StreetSmart Edge

Investment has resulted in a top tier platform...

...and we are focused on driving significant growth from these highly profitable investors.

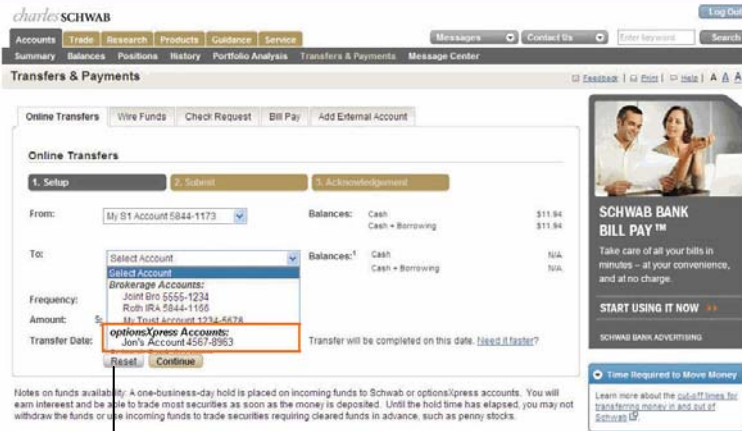
	Active Trader Platform*
Schwab (Dec '12)	●
Competitor A	◐
Competitor B	◑
Competitor C	◒
Competitor D	●

- Piloting a cloud version of our platform to enable easy access for Mac users
- Enhancing our web trading experience on schwab.com
- Continuing to invest in efforts to drive awareness and adoption, including
 - Marketing
 - PR
 - Trade shows
 - Media exposure
 - Client education events and communications

Technology Platform: Trading Platform Capabilities – Derivatives

We are working toward an integrated experience for clients with optionsXpress accounts...

...which will meet client need for sophisticated options and futures trading capabilities.



Example: Easy, fast money movement between Schwab and optionsXpress accounts

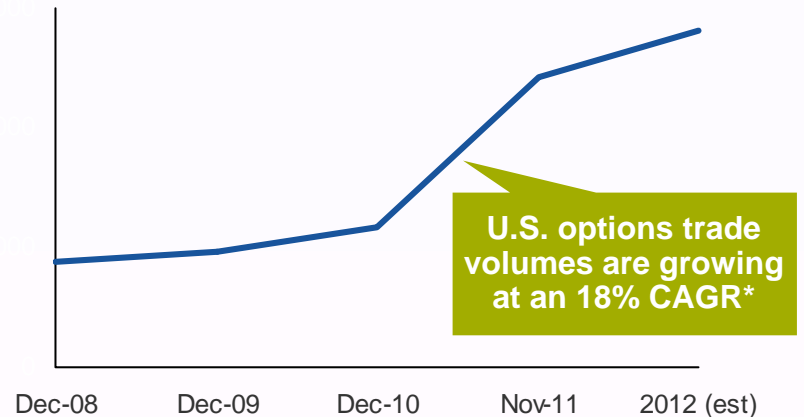
Expected milestones: First Half 2012

- Instant money movement from Schwab to optionsXpress
- Sweep of cash products to Schwab Bank

Expected milestones: Second Half 2012

- Additional enhancements and client tools from optionsXpress

Schwab Options Daily Average Revenue Trades


















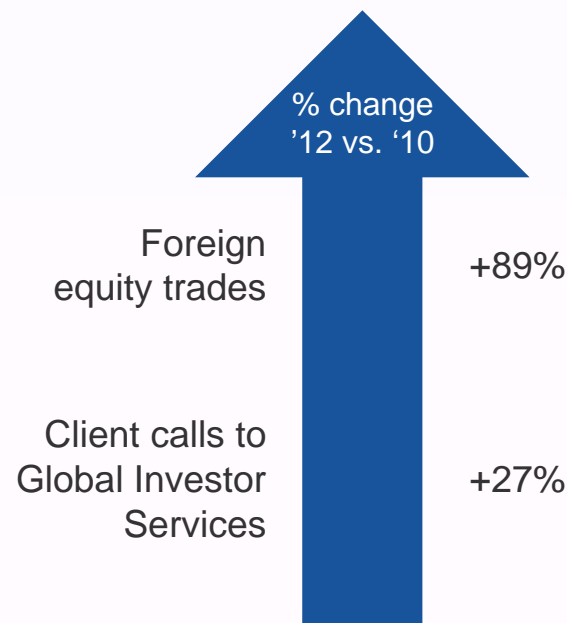
- Derivatives traders especially valuable for Schwab
- Compared to typical Investor Services clients, options traders have...
 - 6x as much revenue per household
 - 5x as many trades annually
 - 3x the statement equity

Technology Platform: Global Equity Trading and Foreign Exchange

Continuing to develop market-leading capabilities in the global investing space...

...which will meet increasing client demand for global investing capabilities.

	Competitor A	Competitor B	<i>charles</i> SCHWAB	
			2011	2012
Research & Advice	 Limited	 Limited	 →  SERI & Country Ratings	 "Best-In-Class" International Research
Trading Capabilities	 18 Countries online	 6 Countries online	 →  FOTC Online	 12 Countries Online
Service & Support	 Dedicated Global Team	 Limited	 →  Dedicated Global Team	 24X7 Service & Support

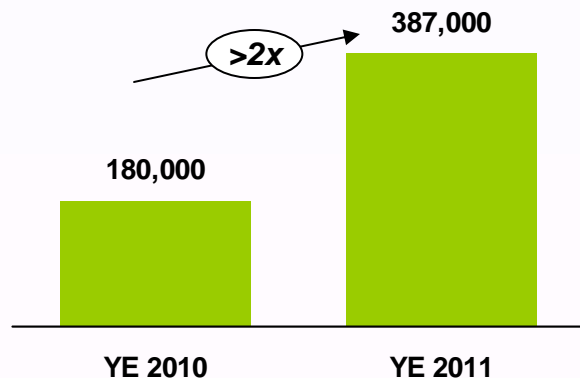


Technology Platform: Mobile and Tablet Channels

Our industry-leading capabilities have been well received by clients...

...and we are continuing to focus on this channels in ways that matter most to clients.

Total Investor Services Mobile Users¹
includes Wireless, iPhone, Android and iPad



- Client Promoter Score increased by ~10 points vs. non-users²
- Mobile channel now accounts for half of all Schwab Bank check deposits

- Continuing to invest in capabilities, including:
 - Schwab Bank BillPay, our most requested feature
 - Proactive notifications to leverage the anytime, anywhere aspect of the channel
 - Enhanced rich research and content for iPad users
- Ramping up efforts to drive awareness and adoption, including:
 - Ongoing awareness campaign on Schwab.com public site
 - Multi-channel client marketing showing more than telling of our capabilities
 - “What’s Coming” section of app to retain engagement of current users

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Technology Platform

Client Engagement

Acquisition-Driven Growth

Client Engagement: Financial Planning

We have introduced a wide variety of tools to support financial planning discussions...

...and early results suggests a significant lift in client engagement.

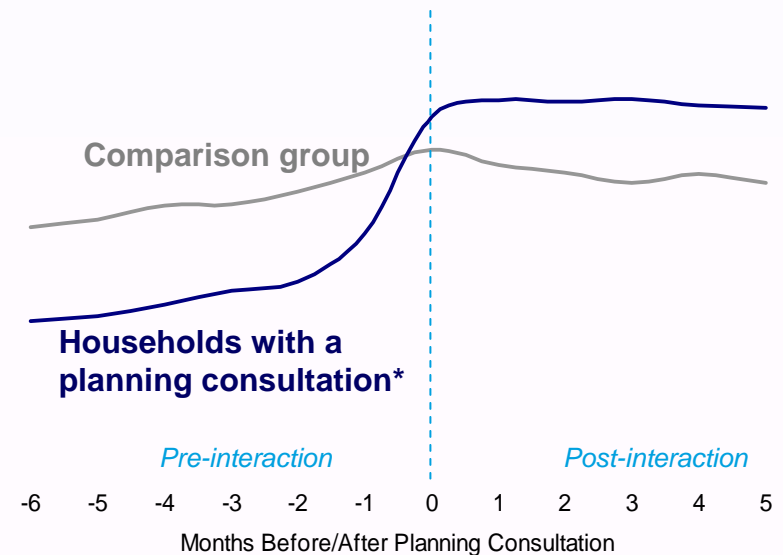
2011

- Retirement
- Financial Statements
- Education Funding
- Financial Priorities
- Debt Management
- Mortgage Refinance
- Retirement Planning Calculator on schwab.com

2012

- Savings Goals
- Stretch IRA

Client Engagement Score



Client Engagement: Schwab Viewpoints

We are rolling out Schwab Viewpoints, designed specifically to support client conversations on time-sensitive investment topics.





The image shows an email and a screenshot of the Charles Schwab website. The email header includes: From: online.service, To: Edwards, Amy, Sent: Tue 9/23/2011 12:01 PM, and Subject: We're here to help during volatile markets. The email body features the Charles Schwab logo and the headline: "We're here to help you through the turbulence of continued market volatility." Below this, it discusses global economic concerns and offers assistance. The website screenshot shows a navigation bar with categories like Investing, Banking & Lending, and Active Trading. A prominent article titled "Is the market-driven fear worse than the economic reality?" is featured, along with a login form and market data. The footer includes options for "Ready to get started?" and "Need help?".

Client Engagement: Increased Lending Capabilities

New partnership with Quicken Loans allowing us to develop a co-branded referral model.

Ranked highest in customer satisfaction by J.D. Power and Associates*

Quicken Loans

Capabilities – Origination	
Capabilities – Loan Servicing	
Client Experience/Service	
Technology/Reporting	

New partnership will enable a better client experience and more origination scalability while managing regulatory and financial risk

Technology Platform

Client Engagement

Acquisition-Driven Growth

Acquisition: New Marketing Tilted Towards Specific Segments

Tilting Marketing Upstream

Talking to a more affluent and active audience



Local Efforts

Set of planned promotions to help conversion of accounts >\$200k



'THINGS CAN CHANGE IN A SECOND'

HOW MOBILE USERS STAY ON TOP OF THE MARKETS
PAGE 24

WHAT YOUR BOND REALLY COSTS
PAGE 28

SPECIAL INSERT:
INNOVATIONS IN TECHNOLOGY TRADING CAPABILITIES AND PORTFOLIO SOLUTIONS



WHY IT'S SO HARD TO DECIDE WHEN TO SELL A STOCK
PAGE 12

ACTIVE TRADER

Options Strategies for a Flat Market

Randy Fredrick, Managing Director of Trading and Derivatives for Financial Research, shows how to help generate income in a flat market.

Out-of-the-money (OTM) Covered Calls
In flat to slightly bullish markets, you might want to explore selling covered calls. Here's how it works: You sell a call option on stock you already own that is out-of-the-money (OTM) — that is, the strike price is higher than the current price of the stock. If the stock price rises, you'll receive the premium on the call option and keep the stock. If the stock price falls, you'll still receive the premium and the stock will appreciate as it moves back up.

SEARCH FOR TRADING OPPORTUNITIES IN REAL-TIME WITH ADVANCED TOOLS.

\$8.95 PER ONLINE EQUITY TRADE PLUS UP TO 6 MONTHS OF COMMISSION-FREE TRADES
LEARN MORE

OPEN AN ACCOUNT **charlesSCHWAB**

TRADE SMARTER. SCHWAB SHOWS YOU HOW.

Sample our powerful trading resources:

- ✓ MONTHLY INSIGHTS NEWSLETTER
- ✓ THIRD-PARTY RESEARCH
- ✓ SEMINARS AND WEBINARS

FREE TRIAL **SIGN UP NOW >>**

TALK TO CHUCK
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PORTFOLIO PERFORMANCE REPORTING

FIND OUT HOW YOU'RE REALLY DOING.

VIEW A DEMO NOW

TALK TO CHUCK
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TRADE UP TO **6** MONTHS COMMISSION-FREE with a \$50,000 deposit* **Go**

GIVE YOUR RETIREMENT ACCOUNT A BONUS OF \$200 TO \$2500

When you make a qualifying rollover or transfer into a new or existing Schwab IRA.

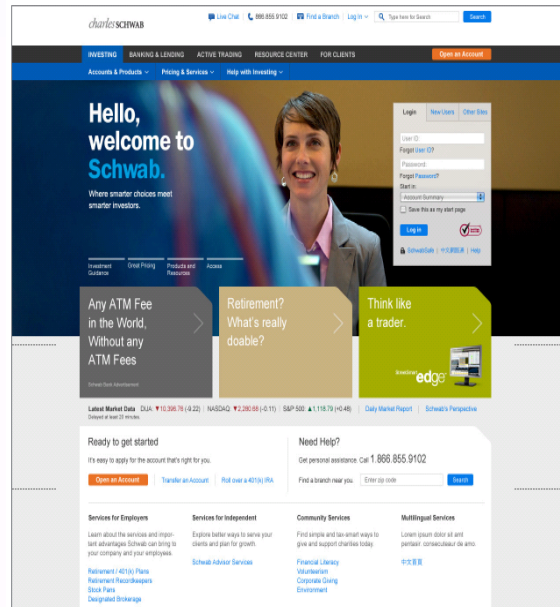
Additional restrictions apply. See www.schwab.com for details. *Offer ends 12/31/13. See www.schwab.com for details. © 2013 Charles Schwab & Co. All rights reserved. Member SIPC.

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Acquisition: Public Site Acquisition Efforts

New site designed to make prospects more confident in choosing Schwab.

A fundamentally different prospect experience more focused on simplifying the shopping process, and engaging prospects to take the next step.



Client ratings and reviews further validate action to open an account.

Clients Speak™ gives clients a public platform to review Schwab and gives prospects the peer validation they need to open a Schwab account.



Schwab One® Brokerage Account

Our popular brokerage account lets you invest in everything from stocks and bonds to mutual funds, ETFs, and more. Take advantage of our research and tools, expert insight, and investment guidance to support your investing decisions.

The reviews below are collected from Schwab clients through client satisfaction surveys. Later this summer, Schwab clients will be able to submit reviews directly from Schwab.com and readers will be able to rate reviews for helpfulness.

Average Client Rating:

★★★★☆ 4.3 (143 client reviews)

92% of clients would recommend this account to a friend. Among clients that submitted published reviews

[Publishing Guidelines](#)
See important information at bottom of page

Customer service: 4.4 out of 5

Investment help and guidance: 3.8 out of 5

Fees and commissions: 4 out of 5

Website features: 4.2 out of 5

Delivering the capabilities that matter most.

- Investor Services delivered strong financial growth and introduced significant new capabilities in areas that matter most to investors, despite economic and market volatility in 2011.
- We will continue to make significant progress against our multi-year efforts to create leading capabilities, including:
 - Active Trader platform
 - Mobile and tablet channel
 - Client engagement through enhanced help and guidance capabilities
 - Acquisition-driven growth through both web-based and local efforts.
- Through these efforts, we expect to deliver significant business growth and enhance our competitive positioning.

Q&A

John
Clendening

Executive Vice President
Shared Strategic Services

Investor Services responding to a new economic environment and client mindset.

2001
Dot Com Bust

Charles Schwab

For Whom

Self-Directed

What

Discount Broker

Clear case for a new approach.

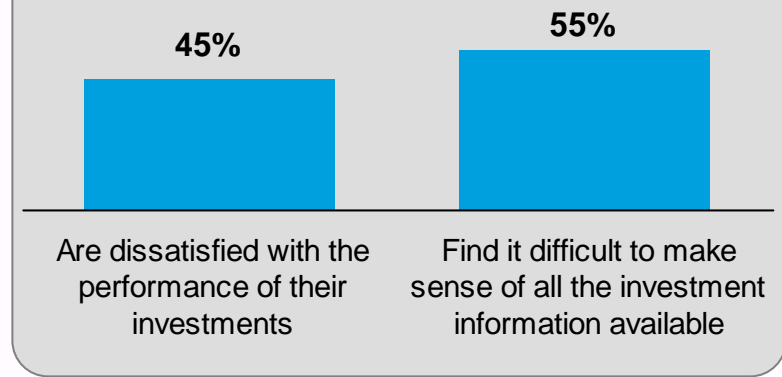
Value Proposition - 2001

- **Education** and **third-party** research
- **Quality, reactive** service
- **Self-service** on **schwab.com**



- **Competing for narrow slice of investor market**
- **Dependency on trading revenue**
- **Not fully meeting client needs**

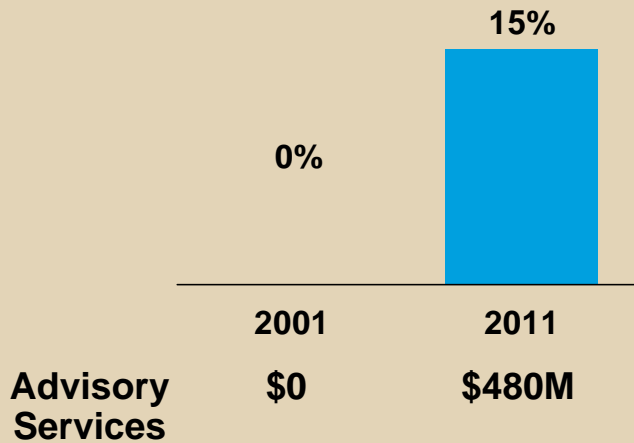
Client Attitudes¹



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Today, advisory services are a significant and growing contributor to performance.

Advisory Revenues as % of Total Investor Services



New Advisory Enrollments In Investor Services (2011)

**\$18B+ assets
into advisory
services in 2011**

Investor Services launched the first two advisory services in 2002.

Schwab Advisor Network (SAN) – April

Recommendation to an independent, local investment advisor

We believe the [Private Client] strategy makes sense given the market opportunity in the affluent segment of the population (i.e. those with >\$100,000 in investable assets), the high percentage of this segment (i.e. 50%) that could be viewed as validators, and Schwab's brand and retail infrastructure. The challenge will be providing the proper amount of skilled advice and service beyond that offered to the self-directed investor and without alienating Schwab's independent financial advisor network. – *Sell-Side Analyst*

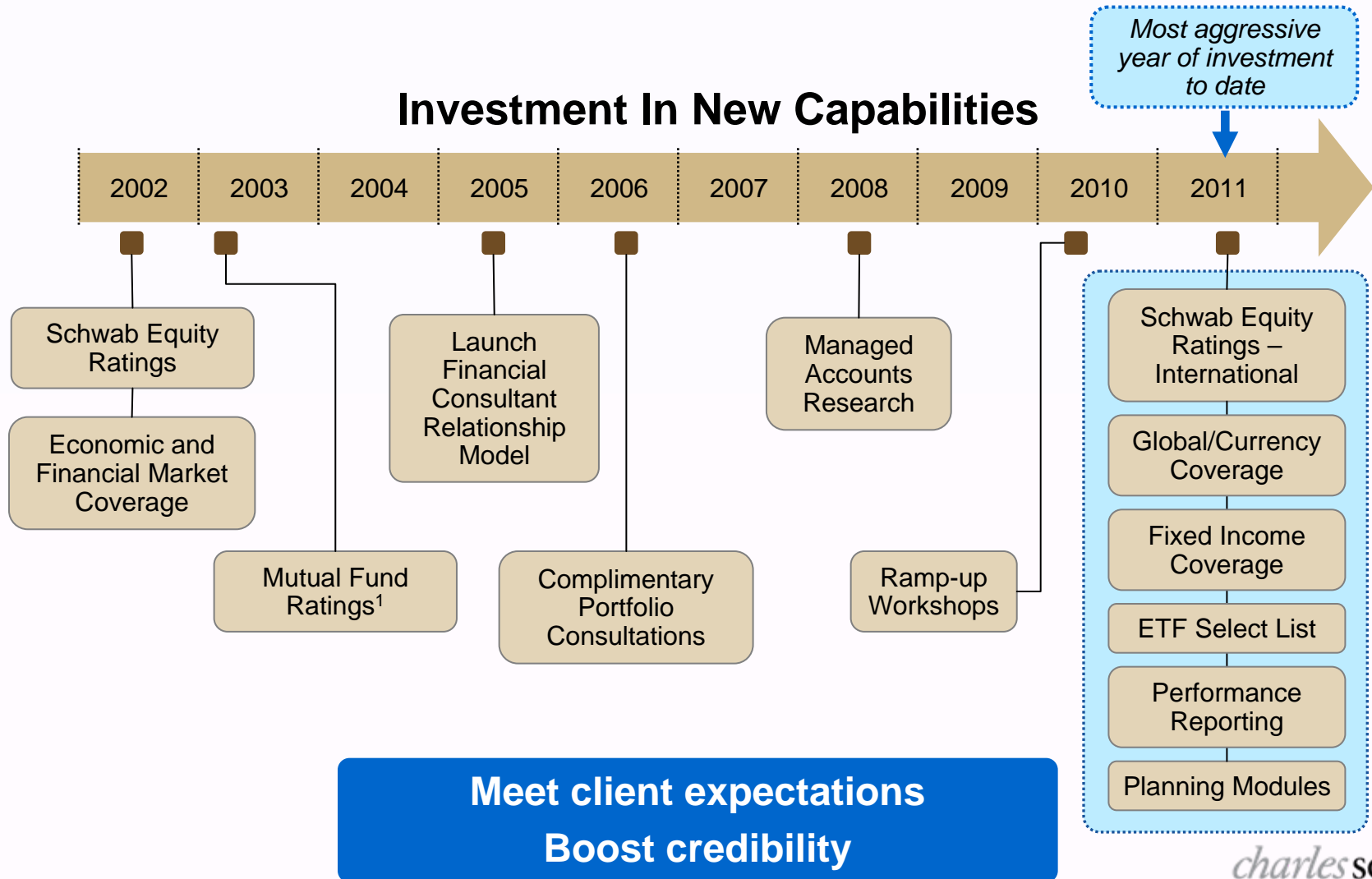
Schwab Private Client (SPC) – May

Ongoing investment partnership with a dedicated Schwab team



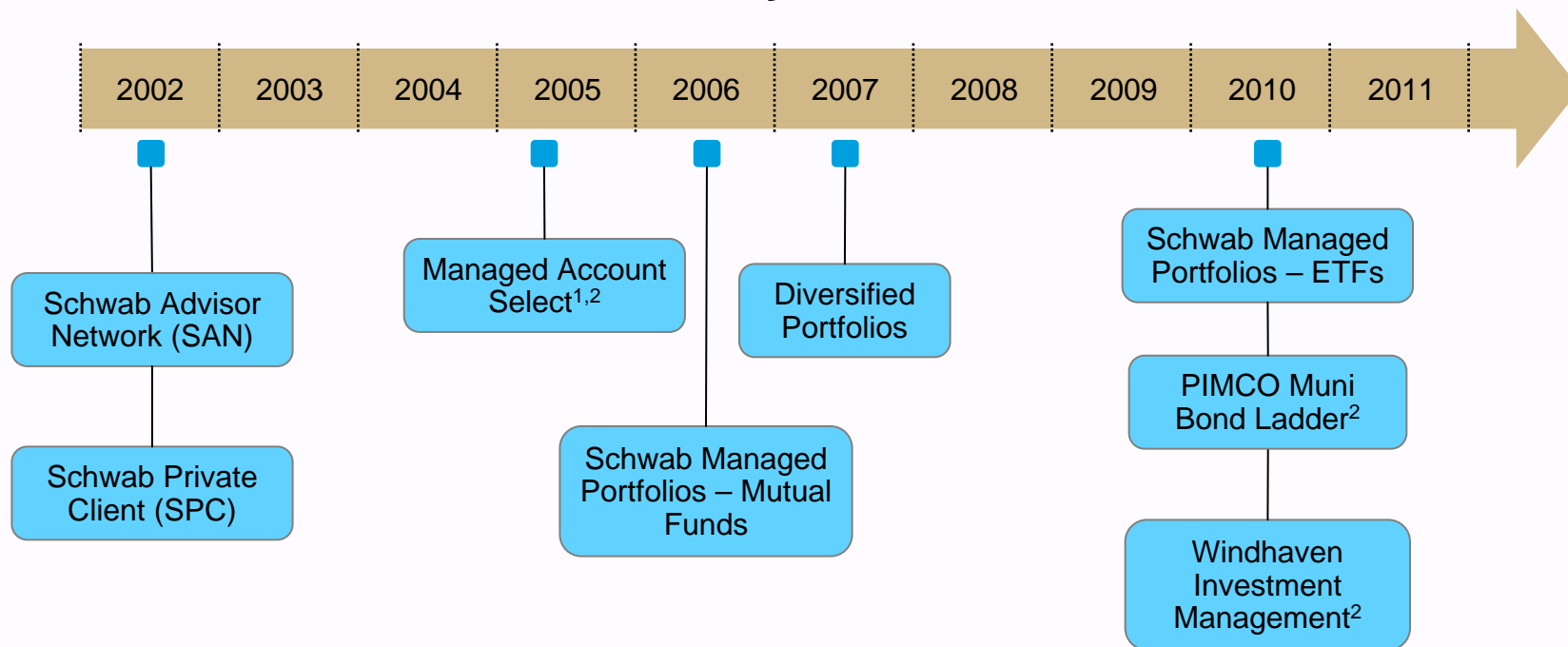
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Investor Services has accelerated development of underlying guidance capabilities.



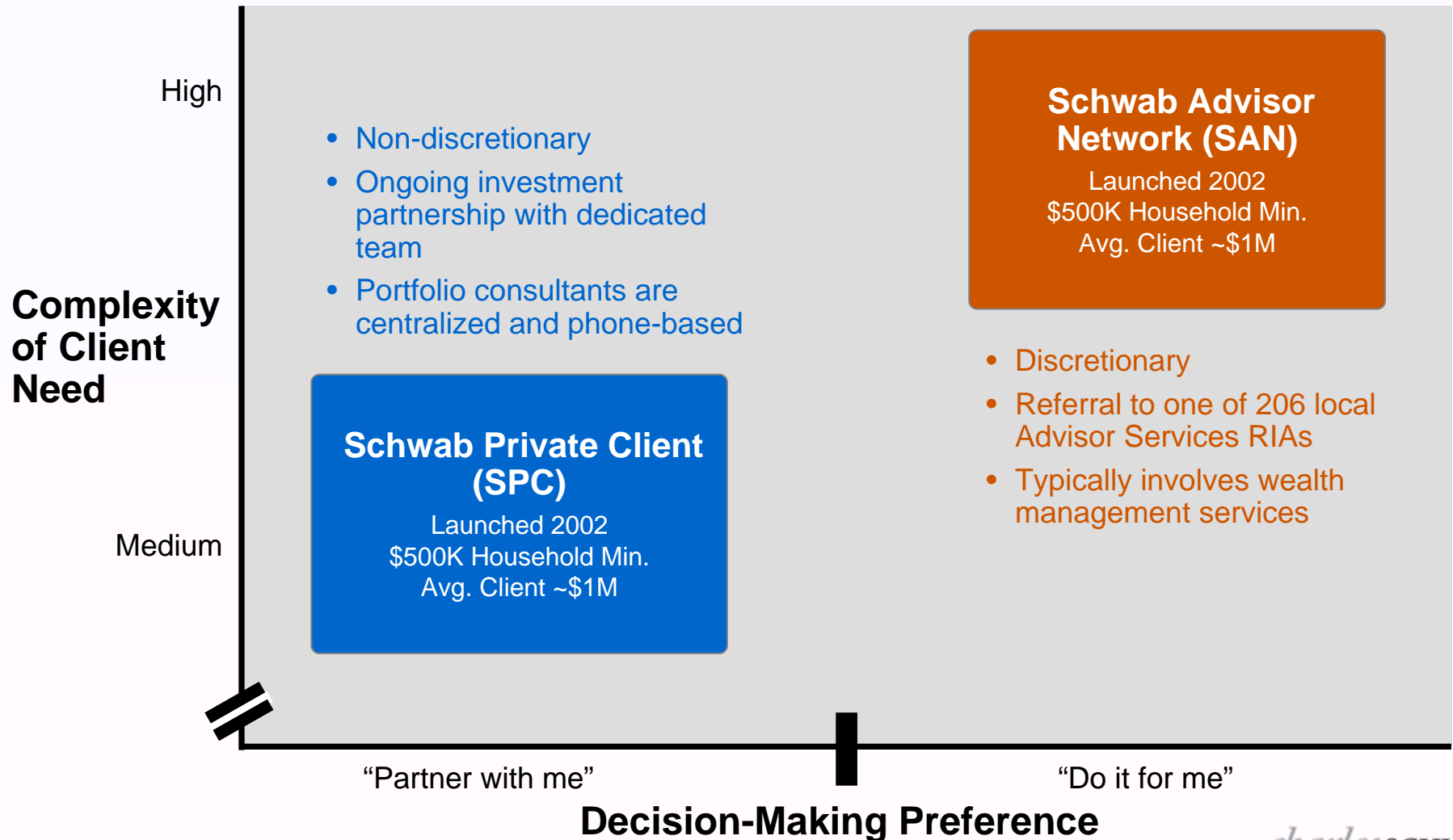
Investor Services has steadily rounded out the line-up of advisory services.

Advisory Services

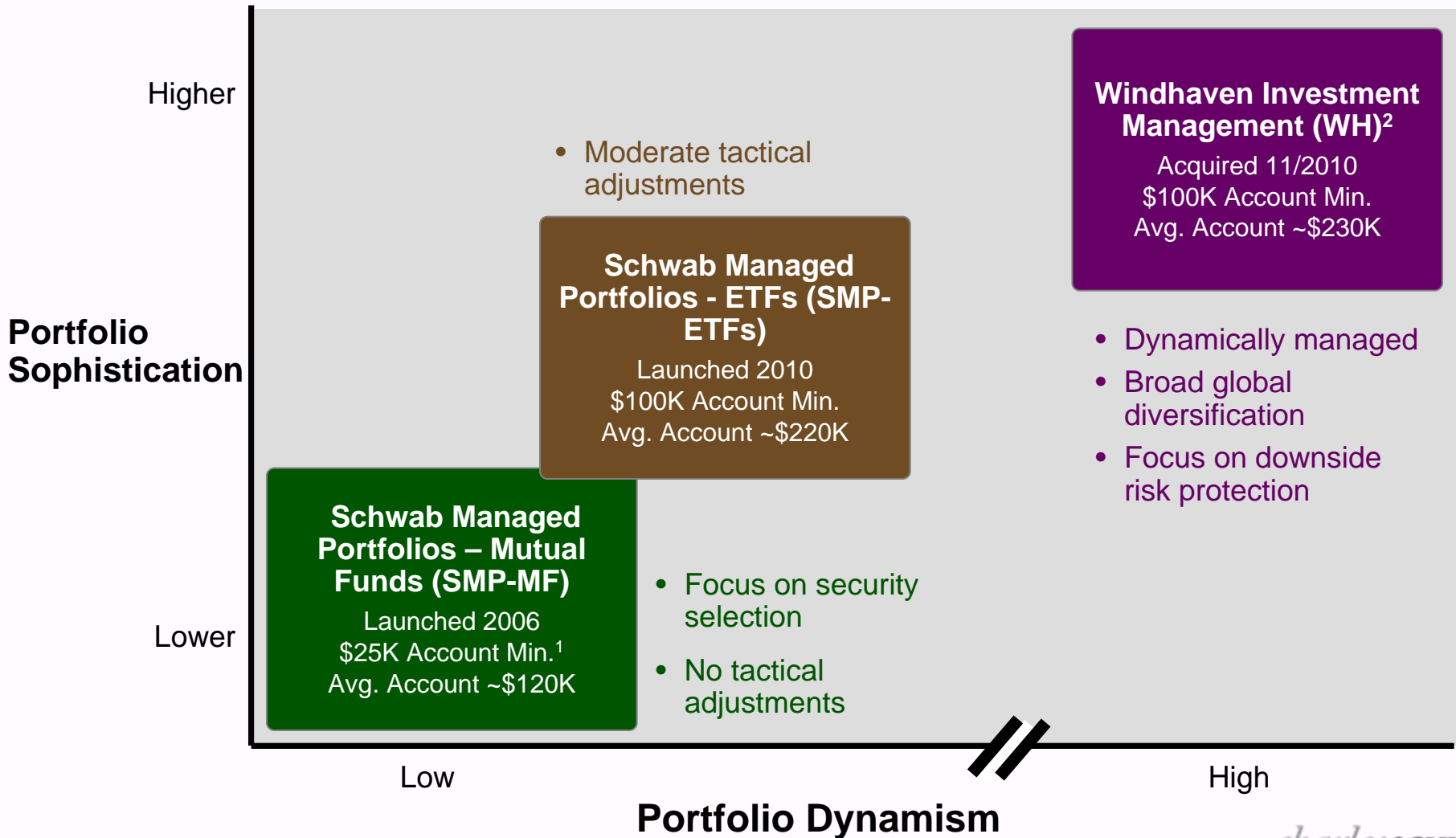


Meet needs of broader set of clients

Schwab Private Client and Schwab Advisor Network remain the largest advisory services, each meeting different client needs.



Discretionary wrap-based advisory services span a broad range of client preferences.



Managed Account platform complements, primarily with asset-class level strategies from third-party managers.

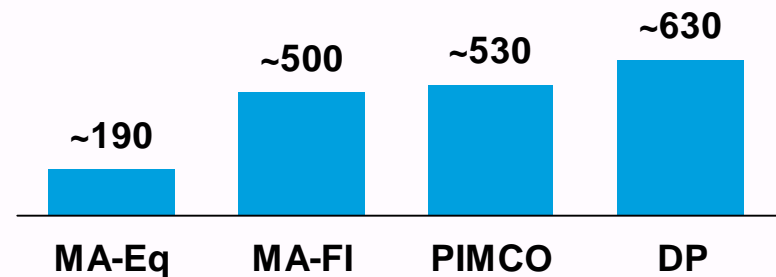
Typical Client Needs

- **Access** to elite money managers
- Ownership of **underlying positions**
- **Visibility** into activity
- Ability to **customize**

Separately Managed Accounts¹

- Equities (\$100K account min.)
- Fixed Income (\$250K account min.)
- PIMCO Muni Bond Ladder (\$250K account min.) -- *Schwab exclusive*
- Diversified Portfolios (\$250K-\$650 account min., depending on strategy)

Avg. Account Size in 2011 (\$K)



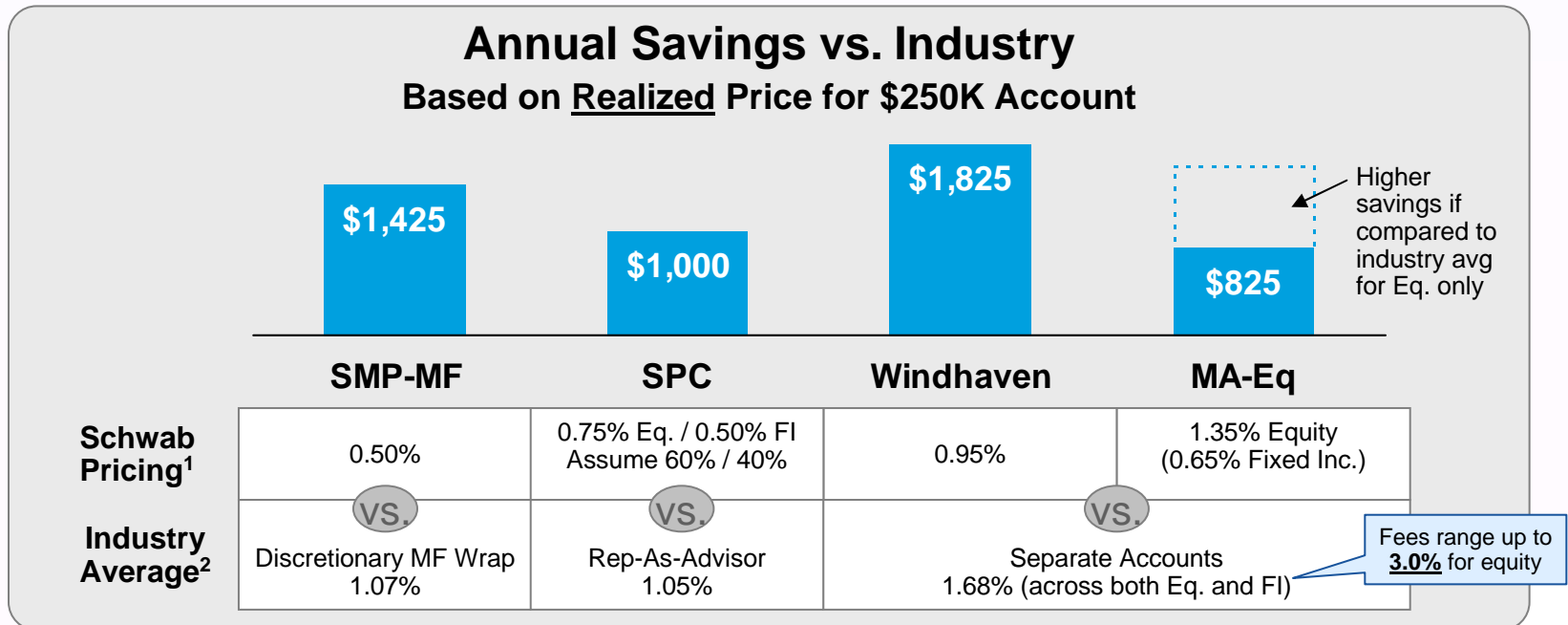
Advisory services are well positioned vs. full-commission brokers.

Strong Client Value

- Consistent advice quality
- Lower minimums
- Transparent and lower pricing

Attractive Business Model

- Lower costs
- Larger available internal market
- Relationship defined by more than individual broker



¹ All Schwab advisory services have asset breakpoints; SPC example assumes the \$250K account is part of a \$1M SPC relationship.

² Source: Cerulli Managed Accounts 2011, averages include account-size breakpoints and rep discounting.

Capabilities, focus and value drive strong results to date.

Industry Standings

Schwab Private Client

#5 “Rep as Advisor” program

Schwab Advisor Network

#1 RIA referral network

Managed Account Platform

#3 managed account platform (Retail + RIA)

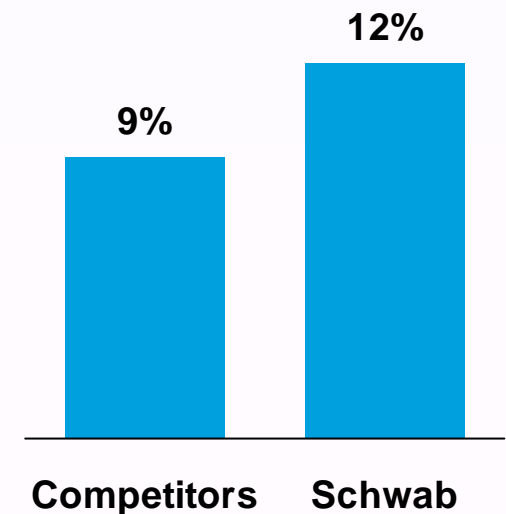
Schwab Managed Portfolios – ETF

#2 ETF advisory program

Windhaven

#1 ETF manager

Advisory Services Asset Growth¹ (CAGR 2004 – Q2 2011)

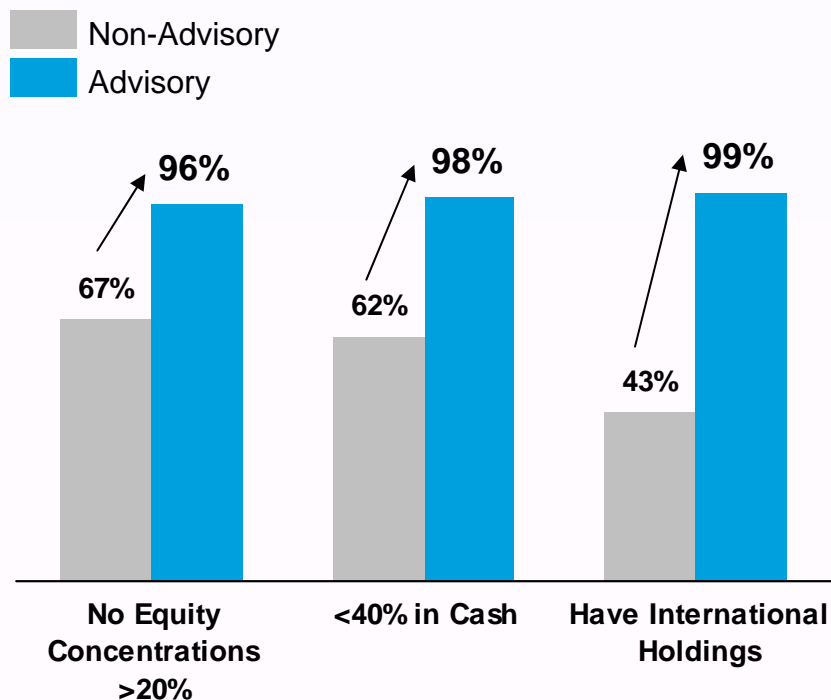


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Advisory services are critical in helping clients.

Clients diversify and align with their risk tolerance...

Client Portfolio Comparison¹



...leading to higher client satisfaction.

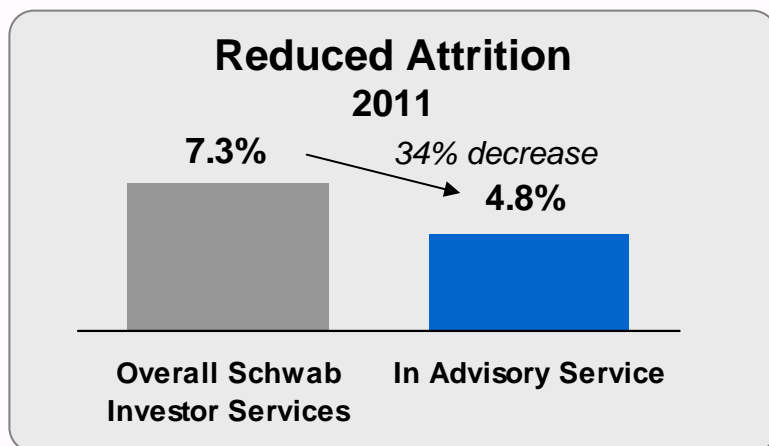
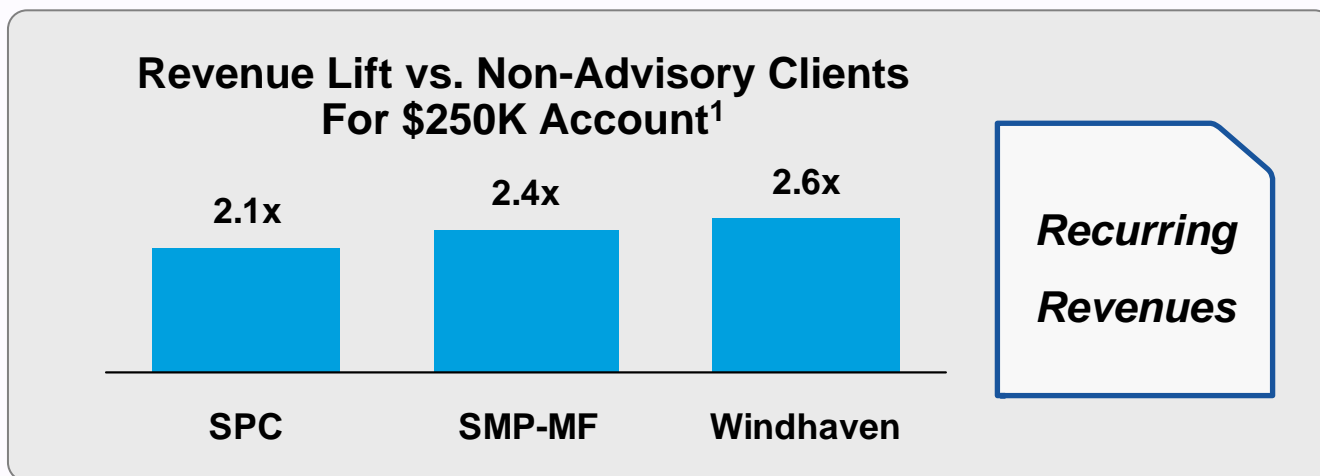
Our Financial Consultant has done a wonderful job providing us **valuable advice** and a **real concern** for our financial health

I transferred funds to Schwab because I was so impressed with not only the **lower fees** and **quality investment products**, but the **personal attention** and advice I received

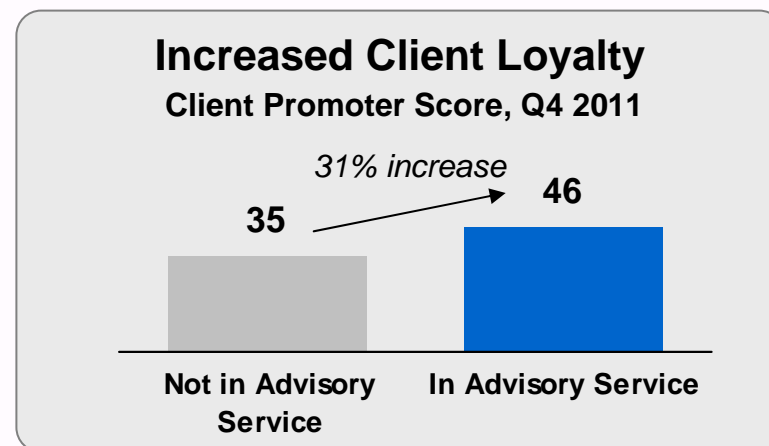
I have [the] best SPC team that provides **financial security** and **guidance**, helping me have **peace of mind**

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Advisory Services create significant economic value for Investor Services.



Fewer clients leaving

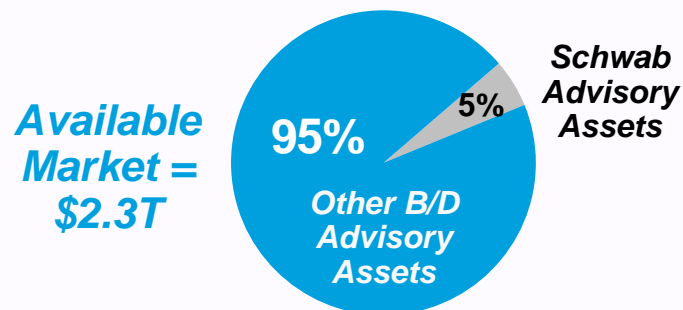


More referrals

Significant growth opportunity remains.

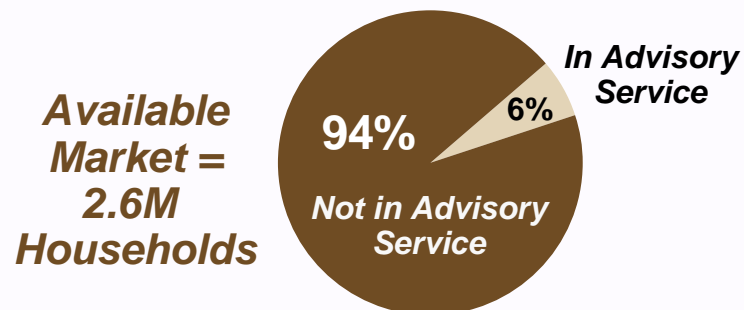
Additional Market Share Opportunity

Industry B/D Advisory Assets, 2011¹



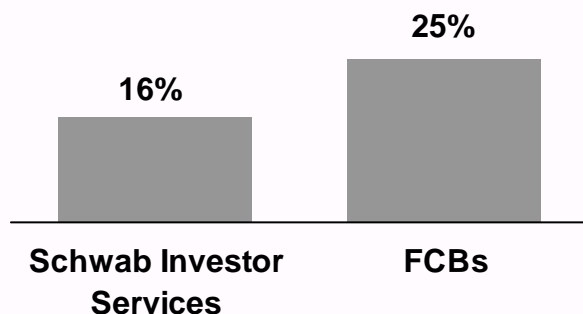
Large Available Internal Market

Schwab Investor Services Households, 2011



Additional Penetration Opportunity

Advisory Asset Penetration²



Strong Client Demand

- Market turbulence causing investors to rethink approach and seek guidance
- Indicated need among Schwab's non-advisory clients³
 - 79% feel that **periodic or ongoing advice** from a professional financial advisor would give them the most **confidence** in reaching goals
 - 65% are **not confident or somewhat confident** in making **investment decisions** for their household

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Acting on the opportunity.

Emerging Growth Drivers

New Conversion Catalysts

- Extension of performance reporting capabilities
- Ramp-up in the use of planning capabilities

New Products

- Actively working on a variable annuity product - consistent with Schwab's commitment to quality, transparency and value

Distribution

- Independent Branch Services
- Schwab Index Advantage

Promotion

- Experiment with demand creation through marketing (test and learn)

Q&A

Break

Jim
McCool

Executive Vice President
Institutional Services

Who We Are ...

(All metrics EOY 2011 unless noted)

Business

- Unit serving registered investment advisors, employers and third-party administrators

Size

- 6,500+ advisors with \$679 billion under management
- 1,829 direct-served employer relationships with \$132 billion in assets
 - 1.5 million direct-served retirement participants accounts
- Additional 13.3K retirement plans and \$58 billion indirectly served through independent record keepers
- Mutual Fund Clearing and Investment Only divisions serve \$110 billion in assets

Financials

- Approximately 32% of overall revenue and 33% of pre-tax profits

2011 Results and Highlights

Financial Results versus 2010

Net New Assets

\$121B

Up 793%*



Revenue

\$1,502MM

Up 7%



Pre-tax Profit

\$463MM / 30.8%

Up 5%



Client Highlights

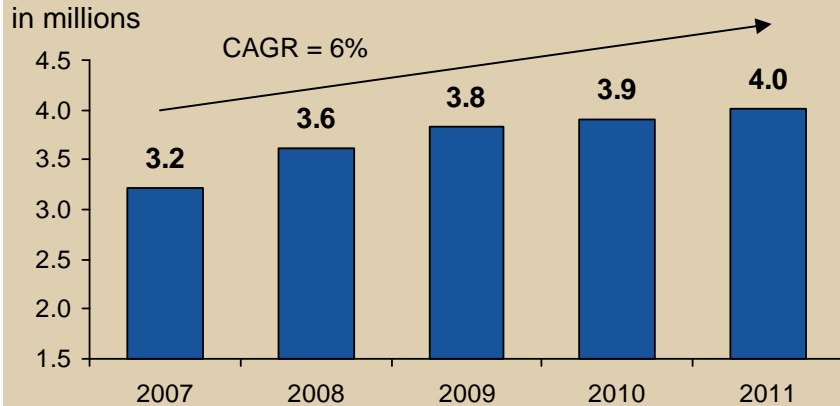
- Added \$45B in net new assets from Advisors and converted 166 new advisor teams
- Delivered highly successful IMPACT conference with record attendance
- Won retirement and stock plans with over \$8.3B in asset value and 92K participants
- Maintained strong client promoter scores

Initiative Highlights

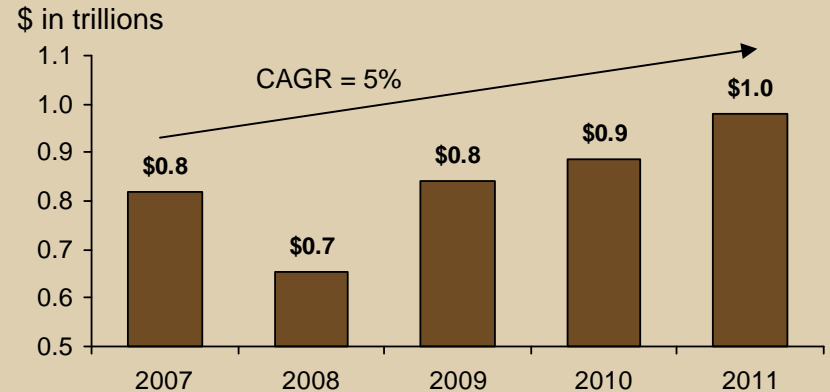
- Began deployment of Schwab Intelligent Integration capabilities
- Completed development of Schwab Index Advantage, a new index mutual fund-only 401(k) plan
- Completed acquisition of Compliance11 to enhance Designated Brokerage Services

We have continued to grow our business, drive new growth for Investor Services, and maintain expense discipline.

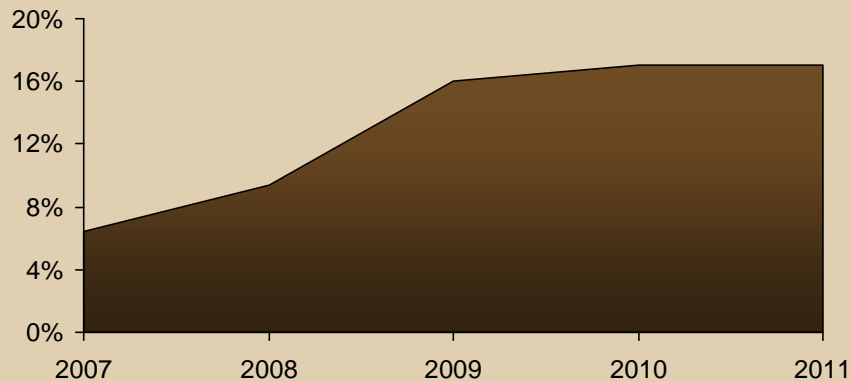
Institutional Services Total Client Accounts



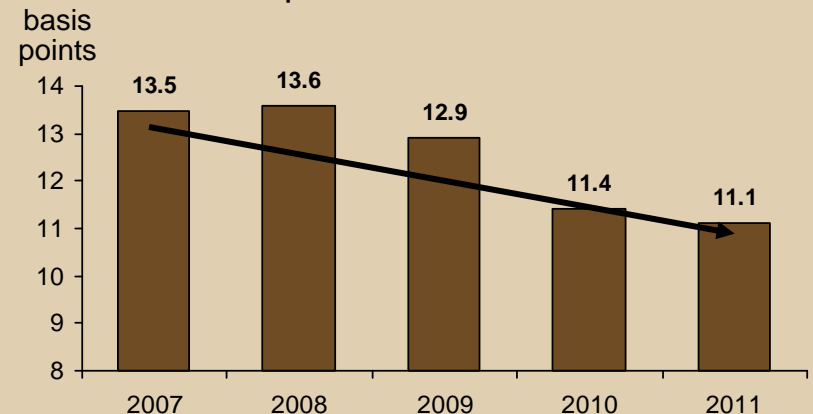
Institutional Services Total Client Assets



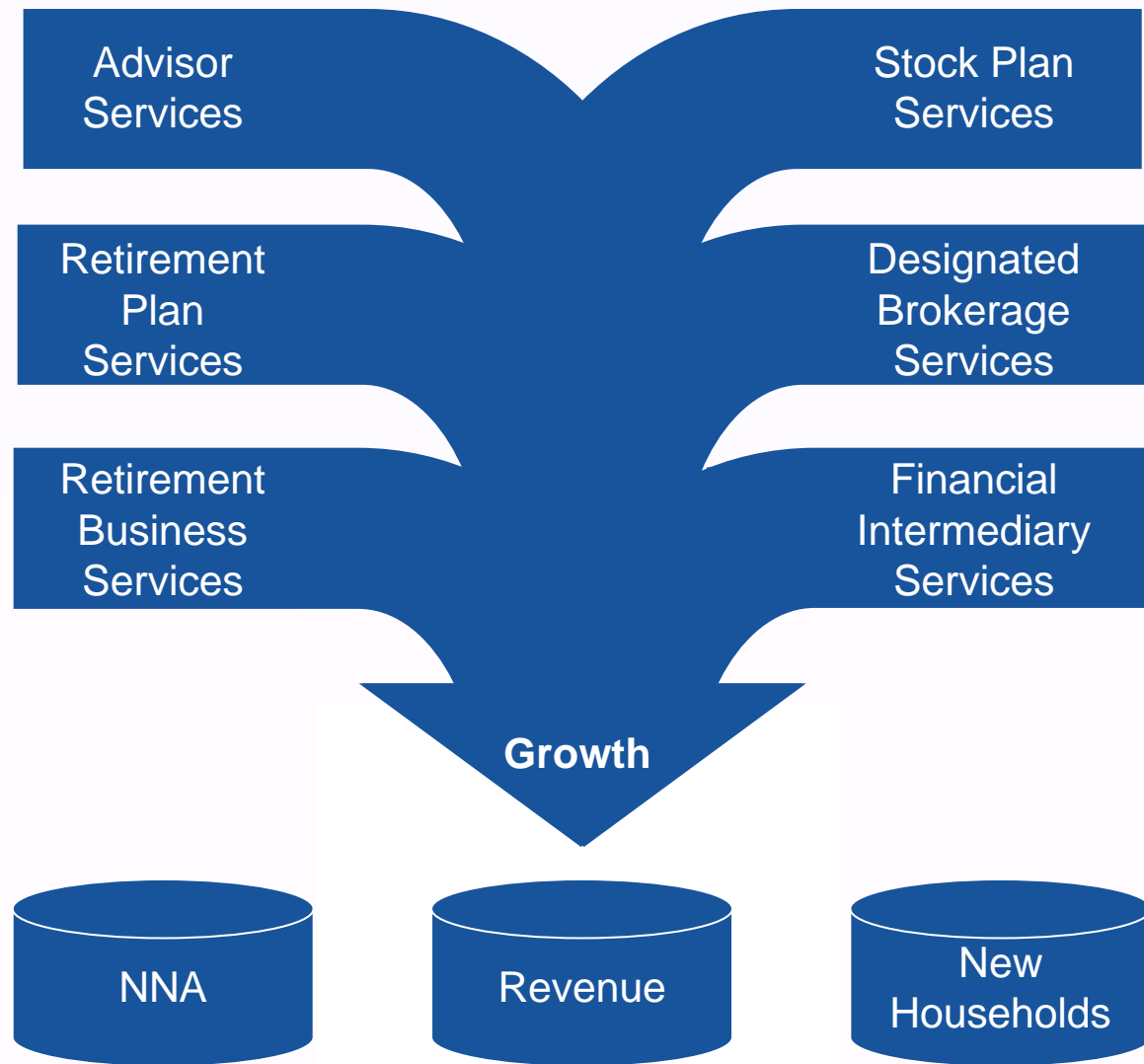
Percent of New Investor Services Households from Institutional Services



Total Expenses to Client Assets



Institutional Services drives diversified growth for Schwab.



Highlights of Institutional Services 2012 Initiatives

- **Advisor Initiatives**

- Schwab Intelligent Integration
- Next Generation Web Trading
- Lending Solutions

- **Corporate Brokerage Initiative**

- Compliance11 / Designated Brokerage

- **Retirement Plan Initiatives**

- Schwab Index Advantage

Schwab Intelligent Integration: *Optimizes Technology and Workflow for Advisors*



Guiding Principles

- Client Relationship Management (CRM)-Centric Approach
- Intelligent Integration
- Platform Choice and Flexibility
- Schwab Guidance and Support

Key Benefits

- Helps advisors operate more efficiently and focus on growth, which drives growth and retention for Schwab
- Attracts and supports new advisors transitioning to independence (ATI)

Schwab Intelligent Integration: Three Product Offerings



Overview

- Turnkey solution
- CRM customized for Schwab advisors, custody integration and outsourced portfolio management

Target Client

- ATIs, regardless of size, starting their practice
- Existing Advisors looking for a simple, “out of the box” solution to increase efficiency



Overview

- Modular – plug-and-play with advisor’s existing technology
- Open architecture platform that facilitates high quality, secure data integration

Target Client

- Advisors with existing and satisfactory technology who are looking for integration to help them work more efficiently in serving clients



Overview

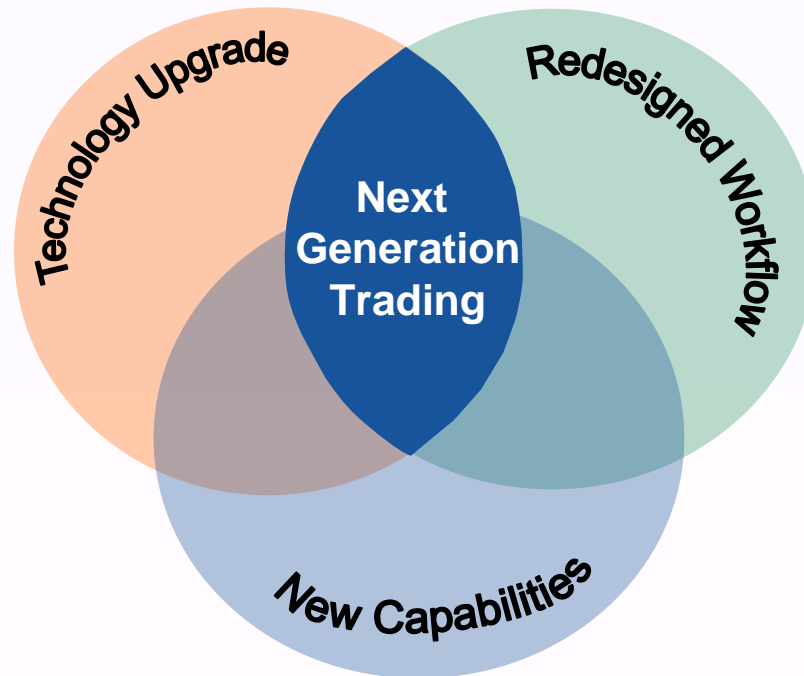
- Out-of-the-box pre-designed workflows for Front office to Back office
- CRM ready with precise task lists and assigned roles

Target Client

- Advisors with existing workflows that need updating or validation
- Advisors just getting started who need best practice process guidance

Next Generation Web Trading for Advisors: *Developing a Comprehensive and Competitive Trading Platform*

- Modern
- Modular
- Accessible for mobile devices
- Consistent site-wide experience



- Integrated trading experience
- Redesigned Order Entry
- Improved Allocation Process
- Trade Import Tab

- Advanced Order Types
- WatchLists
- Level II Quotes
- Trade Order Running Totals
- Advanced Options

Next Generation Web Trading for Advisors: Significant Advancements Planned

Current Web Trading Application

- Standalone platform
- Opportunity to increase alignment with evolved advisor trading needs

The screenshot shows the Schwab Web Trading application interface. At the top, there's a menu bar with 'File', 'Edit', 'Action', 'View', 'Tools', and 'Help'. Below that are tabs for 'Order List', 'Order Status', 'Account Status', 'Quotes', 'Allocations', 'Fixed Income', and 'Lot Instructions'. The main area contains various input fields for account information, security type, and order details. A table at the bottom shows a list of orders with columns for TR No., Account, Action, Quantity, Security Symbol, Price, Time Limit, Special Conditions, Div. Rel., Lot Instructions, Bid/Ask Price, Swap To Fund, and Price Time.

TR No.	Account	Action	Quantity	Security Symbol	Price	Time Limit	Special Conditions	Div. Rel.	Lot Instructions	Bid/Ask Price	Swap To Fund	Price Time
1	2735-1304	Sell Long	800	XOM	Stop(74.75), Limit(75.00)	Day		N	Default			
2	2735-1304	Buy	2,500	CSCO	Limit(16.50)	Day		N	Default			
3	2735-1304	Sell Long	435	FDX	Limit(77.01)	Day		N	Default			
4	2735-1304	Buy	1,000	DELL	Market	Day		N	Default			

Next Generation Web Trading

- Integrated into Schwab Advisor Center
- Enhanced trading workflows
- New dynamic capabilities

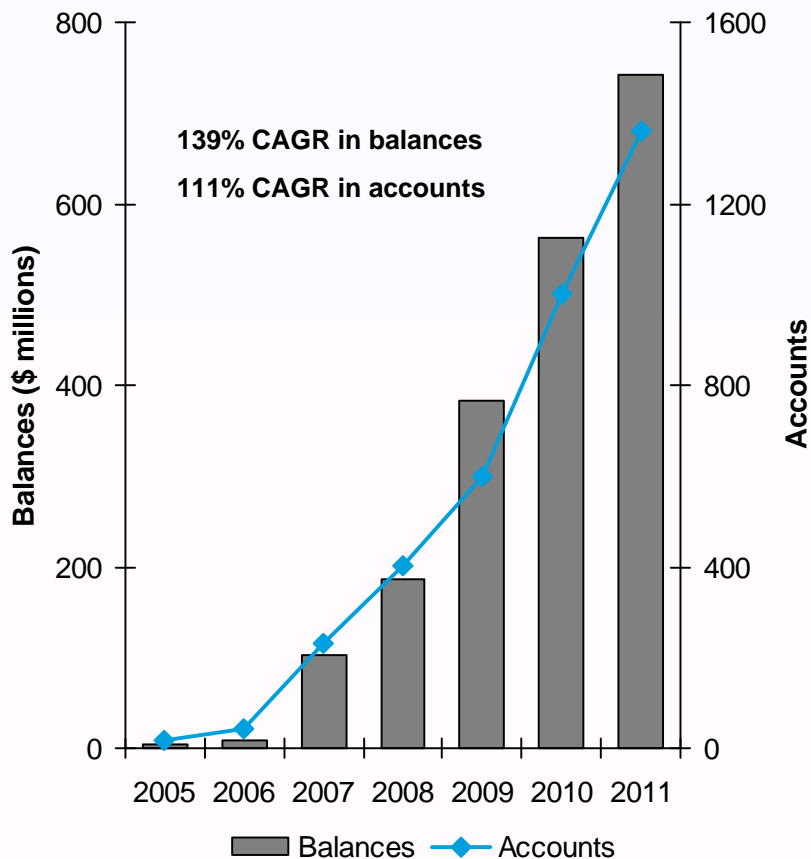
The screenshot shows the next generation Schwab web trading interface. It features a more modern design with a top navigation bar including 'Client & Account Servicing', 'Trade', 'Research', and 'News & Resources'. The main area is divided into sections for account information, order entry, and order details. A prominent section for 'Dell Inc. (DELL)' shows the current position and a level II data table.

Venue	Bid	Lot size	Venue	Ask	Lot size	Time and Sales
L1	12.92	--	L1	12.96	--	L1 12.96 13.51
NYS	12.92	4	NSDQ	12.97	9	NYS 12.96 13.43
NSDQ	12.91	25	ARCA	12.97	5	NSDQ 12.97 13.42
ARCA	12.91	12	ARCA	12.97	4	ARCA 12.97 13.41
ARCA	12.91	3	NYS	12.98	13	ARCA 12.9601 13.41
ARCA	12.90	7	NYS	12.98	100	ARCA 12.97 13.36
ARCA	12.89	75	ARCA	12.99	75	ARCA 12.95 13.23
ISE	12.89	100	ARCA	13.00	80	ISE 12.95 13.23
ARCA	12.88	100	ISE	13.00	200	ARCA 12.95 13.23
ARCA	12.87	60	ARCA	13.00	100	ARCA 13.00 13.14

Lending Solutions:

Pledged Asset Line Enhancements Launching This Year

PAL Balances and Accounts



Enhancements to the Pledged Asset Line will drive growth in assets and accounts...

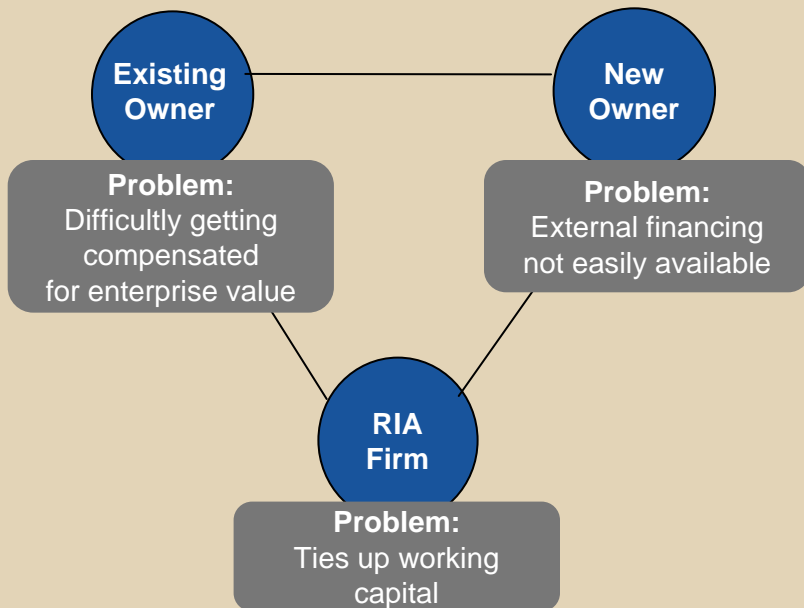
- New loan origination system will increase efficiency and reduce cycle time
- Expanded offering to entities such as LLCs and LPs will increase the target market

... and help attract Advisors Turning Independent.

- ATIs from wire-houses frequently have clients with asset-based loans
- Our PAL offering is an essential tool in attracting these advisors

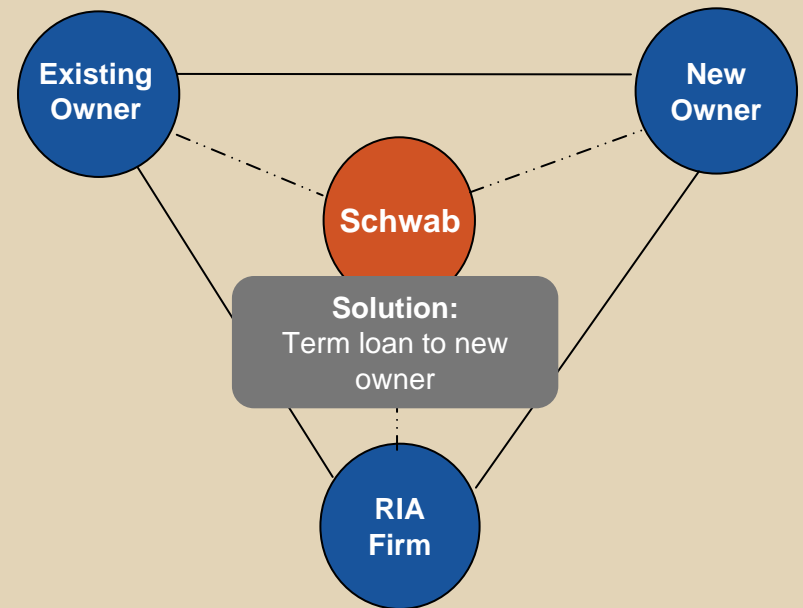
Lending Solutions: New Lending Product for Advisors in Development

Financing advisor succession has been a challenge



“..there are lots of unknowns and lots of opportunities and **financing will become more and more of an issue.**”
— \$700MM Advisor client

Equity transition loan product will help meet this growing need



“...**you understand our business**, and I like going to potential partners and saying here is the solution with Schwab.” —\$500MM Advisor client

Highlights of Institutional Services 2012 Initiatives

- **Advisor Initiatives**

- Schwab Intelligent Integration
- Next Generation Web Trading
- Lending Solutions

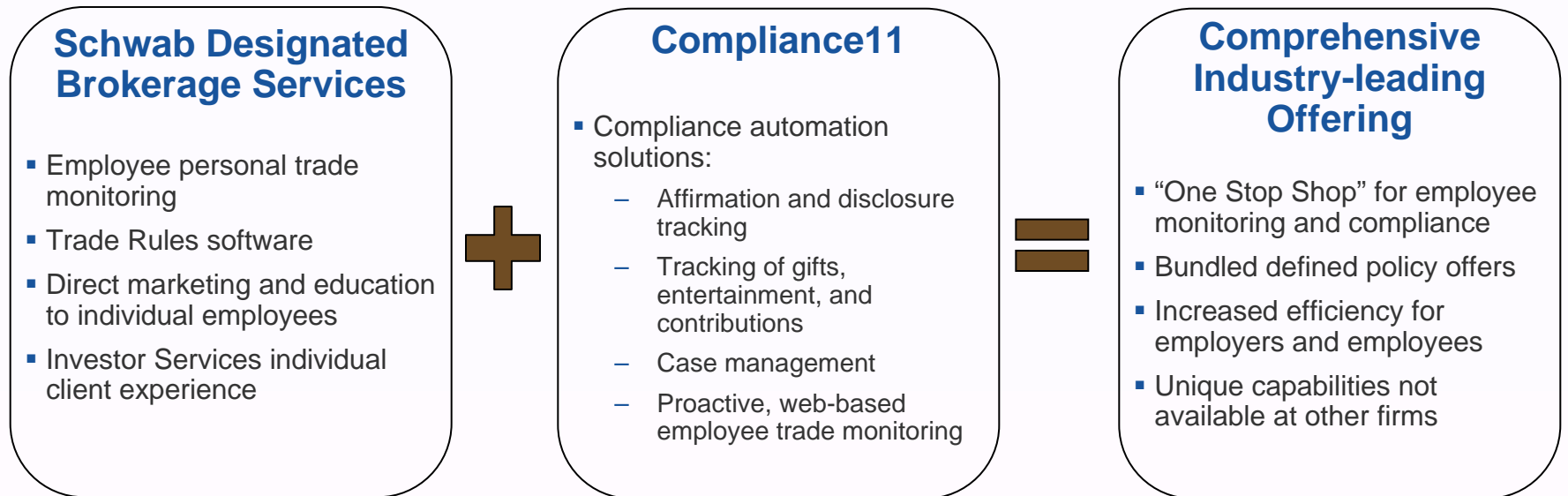
- **Corporate Brokerage Initiative**

- Compliance11 / Designated Brokerage

- **Retirement Plan Initiatives**

- Schwab Index Advantage

Compliance11 / Designated Brokerage: *Integrated Business Model Will Deliver Best-in-Class Solutions*



Integration Milestones

2011

- Acquired Compliance11 November 2011
- Completed initial integration efforts

2012

- Execute diversified growth strategy
- Develop and implement seamless, client-focused technology solutions
- Expand market leadership position

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Compliance11 / Designated Brokerage: *Expanded Offering will Fuel Four Growth Engines*

1

Acquire New-to-Firm Clients

- Market assets are expected to grow by more than \$300B (from \$300B to \$600B)

2

Convert Compliance11 Clients to Schwab

- Nearly 75% of Compliance11 clients do not have relationships with Schwab

3

Increase Share of Wallet from Existing Clients

- Estimated average share of wallet with current clients is 20%

4

Convert Advisor Services Clients to Designated Brokerage

- Advisor compliance needs are becoming more sophisticated

Targeted business development, relationship management and marketing efforts will drive increased asset acquisition

Driving diversified growth for Schwab.

- Institutional Services achieved solid growth and delivered significant new capabilities in 2011 despite economic and market volatility.
- Our 2012 initiatives are aligned with Schwab's corporate operating priorities:

- Diversified Acquisition
- Win-Win Monetization
- Long-Term Retention



Institutional Services investments are focused on driving results through acquisition, monetization and retention.

- Expense Discipline
- Effective Capital Management



We provide ongoing support of expense and capital management initiatives.

- We will deliver new tools and product offerings, enhanced capabilities, and more robust platforms to our clients which will deliver revenue growth despite a challenging environment.

Q&A

Steve
Anderson

Senior Vice President
Retirement Plan Services

The 401(k) market through our clients' eyes...

Employers

- Valuable employee retention benefit
- Complex ERISA regulations and fiduciary oversight requirements
- Investment selection and monitoring
- Reasonableness of fees
- Participant fee disclosure
- Emphasis on employee education
- Need for HR administrative support

Employees

- 3 out of 4 participants think they are not on track to meet their savings goals ¹
- Almost 87 percent do not think they will have enough money for retirement ²
- For 7 out of 10 participants, a 401(k) is their main or only source of retirement savings ³
- 89% of employees automatically enrolled in the plan remain at year-end ⁴
- 75% of assets stay in a default solution during the initial rollout ⁵
- Once employees are in a default solution, 94% stay in the service ⁶

What we have learned over the past 30 years...

Cost Matters

- Drive fund operating expenses as low as possible – 100% Index Mutual Funds...20 to 25 basis points compared to 86 basis points ⁷ for plans with actively managed funds
- Selecting index mutual funds with the low operating expenses could mean \$115,000 ⁸ in the 401(k) accounts of employees over a career of saving

Advice Makes a Difference

- Doubling participants' income deferral rates from 5% to 10% ⁹
- Employees that receive advice on average outperform those that do not by 292 basis points ¹⁰
- Increased investment portfolio diversification...3 or 4 mutual funds to 8 or more asset categories
- Consistent investment approach even during volatile markets

Schwab Index Advantage...an innovative solution with strategic sustainability.

Complexity of the Industry Model

Investments

- Actively managed mutual funds
- Index mutual funds
- Collective trust funds

Asset Allocation Tools

- Target date funds
- Risk based portfolios
- Fund of funds
- Advice
- Managed Accounts

Capital Preservation

- Stable value fund
- Money market fund
- Guaranteed Insurance Contracts

Simplicity of Schwab Index Advantage

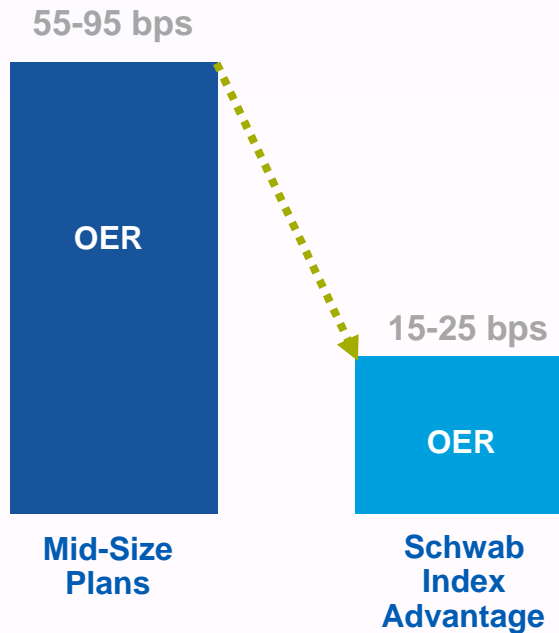
Index Mutual Funds (100%)

Personalized Investment and Savings Strategy

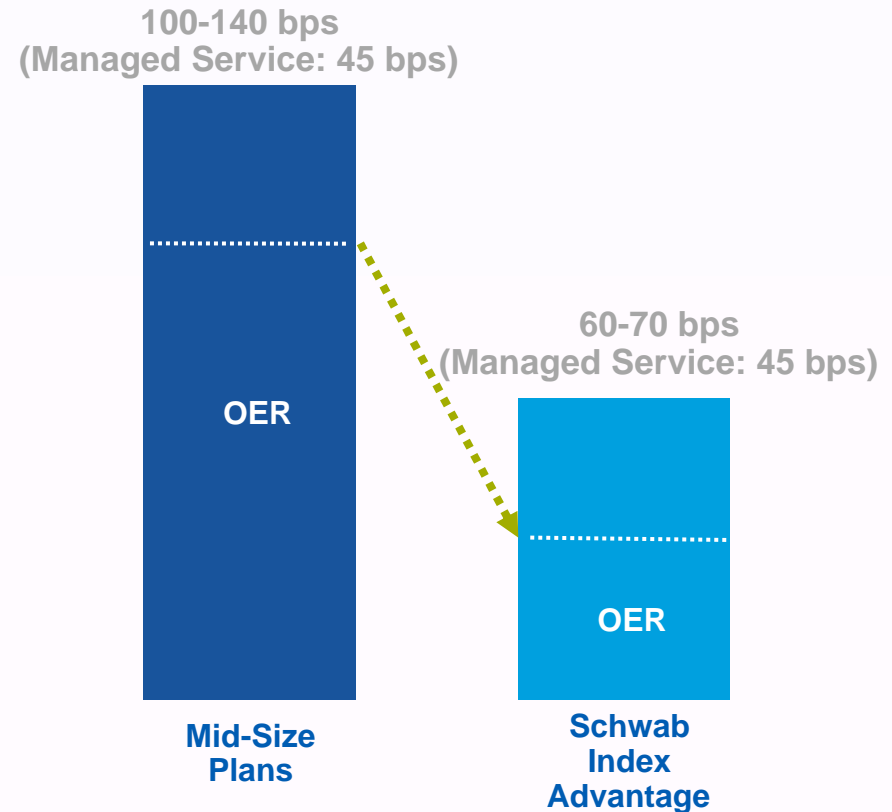
FDIC Insured Bank Savings ¹¹

Schwab Index Advantage...aiming to reduce participant fund related expenses by 25% to 85%.¹²

Investing in core plan funds *without managed service*



Investing in core plan funds *with managed service*

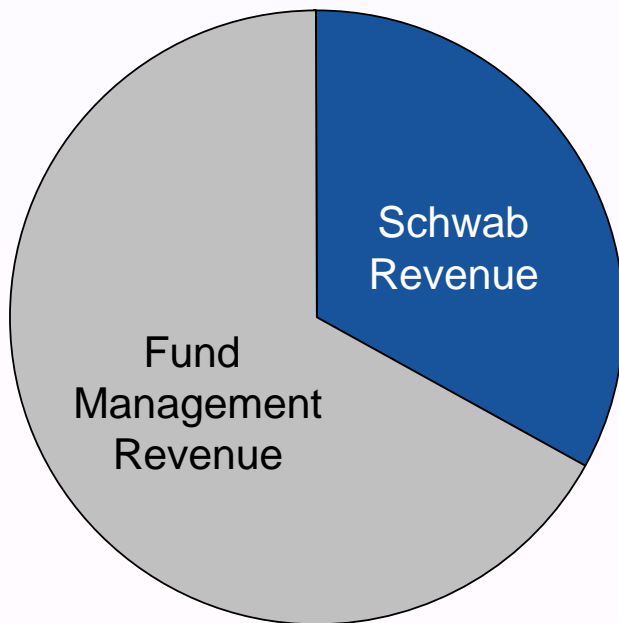


Participant Expense Examples

Schwab Index Advantage...shifting plan level economics.

From...

Today's Industry Model
with Active Fund Management

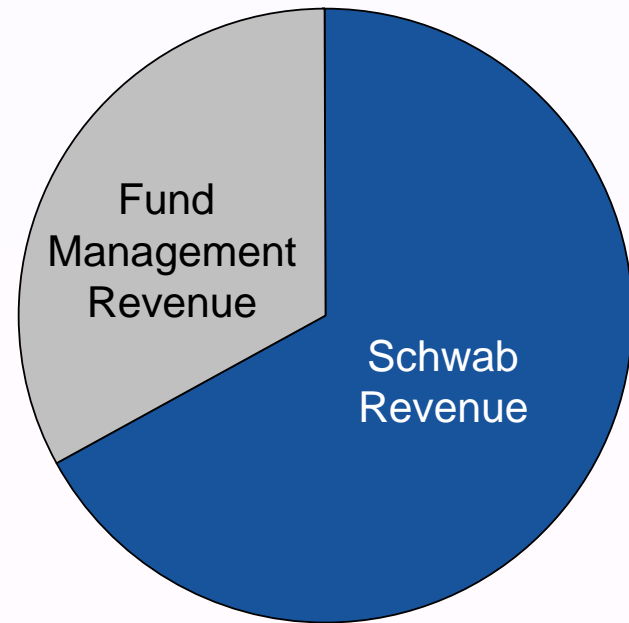


Schwab's revenue is derived from:

- Fund Operating Expenses
- Recordkeeping Fees

To...

Schwab Index Advantage with
Low Cost Third Party Advice



Schwab's revenue is derived from:

- Fund Operating Expenses
- Managed Service
- Schwab Bank Savings
- Recordkeeping Fees

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Schwab Index Advantage launched on January 10, 2012

- Low cost index investments
- Fee-based personalized savings and investment strategy ¹³ (*Schwab Retirement Planner™*)
- FDIC insured deposit feature (*Schwab Bank Savings*)

**Bloomberg
Businessweek**
*Charles Schwab
bringing index funds
to 401(k)s*

USA Today
*Options for 401(k)
plans get more
affordable*

REUTERS
*Schwab launches low-
cost index-based 401(k)
plan*

Market Watch
*New 401(k) focuses
on index mutual
funds*

Associated Press
*Schwab launches 401(k),
ETF option coming as lower-
cost 401(k) choices gain
popularity*

CFO
*Schwab throws wrinkle
into 401(k) market*

charles **SCHWAB**
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Schwab Index Advantage...Schwab's growth opportunity in the retirement market.

- Unique strategy from a trusted major provider
- Direct to employer marketing
- Consultant / advisor marketing
- Industry requirement for sponsor and participant fee disclosure

Leading 401(k) Service Providers (as of 12/31/2010)¹⁴

	<u>Firm</u>	<u>Assets (B)</u>
1.	Fidelity Investments	\$821
2.	Aon Hewitt	\$263
3.	Vanguard	\$234
4.	ING	\$214
5.	Prudential Retirement	\$112
6.	Wells Fargo	\$108
7.	T. Rowe Price	\$99
8.	J.P. Morgan	\$99
9.	Charles Schwab	\$84
10.	Bank of America / Merrill Lynch	\$77

Schwab Index Advantage...market position and growth strategy.

- Current Target Market: Plans with \$20M to \$1B in assets with high average participant account balances.
- Current Target Market Share: Approximately 7% of Plans, 8% of Assets and 5% of Participants.
- Multi-year opportunity to expand competitive efforts with different plan demographics.
- Participant growth leads to Investor Services growth...17% of all New-to-Firm households result from participants in retirement and stock option plans.
- Department of Labor fee disclosure regulations provide an industry platform for promoting the value of Schwab Index Advantage.

Q&A

Appendix

Schwab Index Advantage Sources

Slide 88: The 401(k) Market through the “Eyes of our Clients”

- 1 The Financial Engines National 401(k) Evaluation 2010, Who benefits from today’s 401(k)?, Financial Engines, 2010
- 2 EBRI, 2011 Retirement Confidence Survey Fact Sheet #1 (www.ebri.org)
- 3 The New Rules of Engagement for 401(k) Plans, Schwab Retirement Plan Services, Inc., in conjunction with Koski Research, 2010
- 4 Schwab Retirement Plan Services, Inc. data as of 12/31/10.
- 5 <http://www.advisorone.com/2011/10/18/at-cfdd-2011-tdfs-prove-their-value>
- 6 Averages from GuidedChoice® internal report, Managed Account Stats section, 2010. (p 16)

Slide 89: What have we learned over the past 30 years...

- 7 The 86 basis point assumption is based on Cerulli analysis of mid-sized 401 plans
- 8 Hypothetical assumptions for illustrative purposes only supporting an additional ~\$115,000 to a 401(k) participant’s retirement savings: Annual market growth, 7.50%; initial contribution rate (year 1), 5.00%; increase in contribution rate (year 2-6), 1.00%; ongoing contribution rate (post year 6), 10.00%; industry standard employer match, \$.50 per \$1 for the first 6% of income contributed; beginning salary, \$50,000; yearly salary increase, 3.0%; starting age, 25; age at first year of distributions, 55; percent of last salary distributed annually, 50.0%; Approximate difference of \$115,000 represents the additional account balance resulting from an investment allocation comprised of index mutual funds with a weighted operating expense ratio (OER) of 20 basis points versus an investment allocation comprised of actively managed mutual funds with a higher weighted OER of 86 basis points The 86 basis point assumption is based on Cerulli analysis of mid-sized 401(k) plans. Assumptions do not factor in the potential impact of professional, independent advice services, nor any fees that may be associated with these services or other fees that may be charged to a participant account.
- 9 Data from Schwab Retirement Plan Services, Inc., study, the New rules of Engagement for 401(k) Success. Diversification and asset allocation strategies do not ensure a profit and cannot protect against losses in a declining market. There is no guarantee a savings and investment strategy will provide adequate income at or through retirement
- 10 Financial Engines/Aon Hewitt Study: Help in Defined Contribution Plans: 2006 Through 2010

Slide 90: Schwab Index Advantage...An Innovative Solution with Strategic Sustainability

- 11 Schwab Bank Savings is only available in select retirement plans administered by Schwab Retirement Plan Services, Inc. Funds deposited at Charles Schwab Bank are insured, in aggregate, up to \$250,000 based on account ownership type, by the Federal Deposit Insurance Corporation (FDIC). You are responsible for monitoring the total amount of deposits you hold with Schwab Bank, including any deposits held at Schwab Bank in an employee benefit plan account, such as a Personal Choice Retirement Account®. Because the deposit insurance rules are complex, you may want to contact the FDIC or use the FDIC’s online tool, Electronic Deposit Insurance Estimator ([EDIE](#)), to estimate your total coverage.

Schwab Index Advantage Sources

Slide 91: Schwab Index Advantage... Targeting participant cost savings ranging from 25% to 85%

12 Participant Cost Savings Range from 25-85%: We estimated the average operating expense ratio (OER) for mid-sized plans using actively managed funds to be 55-95 bps and for large plans to be 50-75 bps. If plans move to the new approach, the average operating expense ratio (OER) for index mutual funds or ETFs is estimated to be 15-25 bps.

For the average operating expense ratio for future state index funds and for ETFs, we calculated the average expenses using potential index funds and ETFs that would be used on a weighted average basis in the menu using average allocation data from clients serviced by Schwab Retirement Plan Services, Inc. (SRPS) and plans serviced outside of SRPS (Hewitt, Callan, ICI). That expense data was obtained from Morningstar.

For the average expense data for current state mid-sized plans and large plans, we used internal SRPS sample calculations and tested them against outside sources. Some of the outside sources are listed below:

The graph on slide 6 indicates the basis point impact if a managed account service at 45 bps was added to the OER generated based on a typical mid sized plan's current fund menu. This is for illustrative purposes only. Includes estimated 45 bps fee for the managed service, with a portion paid to Schwab for administrative duties supporting the service. A typical plan's agreement with Schwab could include other charges or fees. Managed account services will only be available to plans adopting Schwab index Advantage.

- Towers Watson 2009 DC Study [p. 10] indicated a median range of investment expenses from 50-84 bps.
- Vanguard's "The Case for Indexing" April 2010 Study [p. 8] also reflects the average savings moving to index funds would be approximately 58% if we apply average allocation weights to Vanguard's investment expense savings data.
- Defined Contribution / 401(k) Fee Study, Deloitte/ICI, June 2009 puts the mean "all-in" expense at 93 bps, of which 74% are investment fees (which would derive an average investment cost of 68 bps, which falls within our internally calculated ranges). It also states the median plan's all-in fee is 72 bps, of which 74% are investment fees (which would derive an average investment cost for a median plan of 53 bps, which also falls within our internally calculated ranges).
- The "401k Averages Book" produced by 401Ksource.com (11th edition/2010) has the average investment expense ranging from 92 bps (for larger plans ~ \$250MM in assets [page 40]) to 112 bps (for smaller plans ~ \$25MM in assets [page 28]), well above our ranges.
- The Investment Company Institute Study of "Economics of 401K Plans, 2009", released September 2010 (Vol. 19, No. 5) shows data [page 14, Figure 8], that derive an average mutual fund expense at 69 bps, again within our ranges.)

Slide 93: Schwab Index Advantage Launched January 10, 2012

13 Schwab Retirement Planner™ provides participants with a retirement savings and investment strategy, a major component of which is a discretionary investment management service furnished by GuidedChoice Asset Management, Inc. ("GuidedChoice®"), an independent investment advisor. GuidedChoice creates discretionary managed portfolios based on Modern Portfolio Theory using investment alternatives available in the plan. GuidedChoice is not affiliated with or an agent of Schwab Retirement Plan Services, Inc. ("SRPS"), Charles Schwab & Co., Inc. ("CS&Co."), or their affiliates. Neither CS&Co., SRPS, nor their affiliates supervise, make recommendations with respect to, or take responsibility for monitoring the services provided to participants by GuidedChoice. Schwab Advice Consultants, who are employees of CS&Co. and not of GuidedChoice, facilitate participant access to the GuidedChoice services, but do not provide investment advice or recommendations regarding the GuidedChoice services or generally as part of Schwab Retirement Planner. Diversification and asset allocation strategies do not ensure a profit and cannot protect against losses in a declining market. **There is no guarantee a participant's savings and investment strategy will provide adequate income at or through their retirement. Fees are charged for Schwab Retirement Planner, including its discretionary investment management service, based on the participant's account balance.** Participants should carefully consider information contained in the materials furnished at their employer's direction regarding the services provided by Schwab and GuidedChoice including information regarding compensation, affiliations and potential conflicts.

Slide 94: Schwab Index Advantage... Schwab's growth opportunity in the retirement market

14 Plan Sponsor Magazine, 2011 Recordkeeping Survey, June 2011. Data as of 12/31/10.

Schwab Index Advantage Disclosures

Investors should consider carefully information contained in the prospectus, including investment objectives, risks, charges and expenses. You can request a prospectus by calling Schwab at 800-724-7526. Please read the prospectus carefully before investing.

Remember that cost is only one consideration when making an investment decision. Investment returns and principal value of index mutual funds will fluctuate and are subject to market volatility, so that an investor's shares, when redeemed or sold, may be worth more or less than their original cost. Index mutual funds are not without risk and an investor may give up the opportunity to outperform the market by not being in an actively managed fund. **All index mutual funds are subject to management fees and expenses.**

Some of the statements may be forward looking and contain certain risks and uncertainties. There can be no guarantee of future performance. The views expressed are subject to change based on market and other various conditions.

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Investment Products: Not FDIC Insured – No Bank Guarantee – May Lose Value

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charles SCHWAB
CORPORATION

Reconciliation of Expenses Excluding Interest and Certain Items to Reported Amounts

In millions, unaudited	Twelve Months Ended		% Change
	2011	2010	
Expenses Excluding Interest and Certain 2010 Items	\$ 3,299	\$ 3,017	9%
Class action litigation and regulatory reserve ⁽¹⁾	-	320	N/M
Money market mutual fund charges ⁽²⁾	-	132	N/M
Total expenses excluded	-	452	N/M
Reported Expenses Excluding Interest	\$ 3,299	\$ 3,469	(5%)
Expenses Excluding Interest, optionsXpress, and Certain Items	\$ 3,208	\$ 3,017	6%
Class action litigation and regulatory reserve ⁽¹⁾	7	320	N/M
Money market mutual fund charges ⁽²⁾	-	132	N/M
optionsXpress expenses ⁽³⁾	84	-	N/M
Total expenses excluded	91	452	N/M
Reported Expenses Excluding Interest	\$ 3,299	\$ 3,469	(5%)

(1) Relates to the Schwab YieldPlus Fund[®].

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

(3) 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.

N/M Not meaningful.

Winter Business Update

February 2, 2012