

STREETER STEPHANIE A
Form 4
July 03, 2018

FORM 4

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

OMB APPROVAL

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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
STREETER STEPHANIE A

2. Issuer Name and Ticker or Trading Symbol
GOODYEAR TIRE & RUBBER CO /OH/ [GT]

5. Relationship of Reporting Person(s) to Issuer
(Check all applicable)

(Last) (First) (Middle)
200 INNOVATION WAY
(Street)

3. Date of Earliest Transaction (Month/Day/Year)
07/02/2018

Director 10% Owner
 Officer (give title below) Other (specify below)

AKRON, OH 44316
(City) (State) (Zip)

4. If Amendment, Date Original Filed(Month/Day/Year)

6. Individual or Joint/Group Filing(Check Applicable Line)
 Form filed by One Reporting Person
 Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Ownership (Instr. 4)		
				(A) or (D)	Code	V	Amount	(D)	Price

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security	2. Conversion or Exercise	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any	4. Transaction Code	5. Number of Derivative Securities	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)	8. Price of Underlying Securities
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(Instr. 3)	Price of Derivative Security	(Month/Day/Year)	(Instr. 8)	Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	(Instr. 3, 4, and 5)	Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares	(Instr. 3, 4, and 5)
Restricted Stock Units ⁽¹⁾	<u>(2)</u>	07/02/2018				A		1,550		<u>(2)</u>	<u>(2)</u>	Common Stock	1,550	\$ 2

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
STREETER STEPHANIE A 200 INNOVATION WAY AKRON, OH 44316			X	

Signatures

/s/ Daniel T Young, signing as an attorney-in-fact and agent duly authorized to execute this Form 4 on behalf of Stephanie A Streeter pursuant to a Power of Attorney dated 10/4/16, a copy of which has been previously filed with the SEC.

07/03/2018

__Signature of Reporting Person

Date

Explanation of Responses:

* If the form is filed by more than one reporting person, see Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

- Restricted Stock Units ("RSU"), each equivalent to a share of the Common Stock of the Company and payable only in Common Stock,
- (1) awarded pursuant to the Company's Outside Directors' Equity Participation Plan, as amended (the "Plan"), and accrued to the Equity Participation Account of the reporting person in accordance with the Plan.
 - (2) Each RSU was valued at the fair market value (the closing market price) on the Transaction Date. Each RSU will be converted to a share of Common Stock on the fifth business day of the calendar quarter following the quarter of the Director's separation from Board service.
 - (3) Total RSUs accrued to the Equity Participation Account of the reporting person as of the date of this statement.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure.

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718

72
%

4.91

%
Total

\$
1,943

770

33
%

0.27
%

Pledged asset lines:

Weighted-Average LTV ⁽²⁾

=70%

\$
4,369

765

41
%

—

(1) The Utilization Rate is calculated using the outstanding balance divided by the associated total line of credit.

(2) Represents the LTV for the full line of credit (drawn and undrawn).

N/A Not applicable.

Explanation of Responses:

CHARLES SCHWAB CORPORATION

Notes to Condensed Consolidated Financial Statements

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

(Unaudited)

June 30, 2018	First Mortgages	HELOCs
Year of origination		
Pre-2014	\$ 2,313	\$ 1,252
2014	461	99
2015	1,121	113
2016	2,734	101
2017	2,484	101
2018	1,045	32
Total	\$ 10,158	\$ 1,698
Origination FICO		
<620	\$ 5	\$ —
620 – 679	84	9
680 – 739	1,574	321
>740	8,495	1,368
Total	\$ 10,158	\$ 1,698
Origination LTV		
<70%	\$ 7,677	\$ 1,194
>70% – <90%	2,476	496
>90% – <100%	5	8
Total	\$ 10,158	\$ 1,698

December 31, 2017	First Mortgages	HELOCs
Year of origination		
Pre-2014	\$ 2,804	\$ 1,496
2014	530	116
2015	1,218	128
2016	2,886	111
2017	2,578	92
Total	\$ 10,016	\$ 1,943
Origination FICO		
<620	\$ 6	\$ 1
620 – 679	89	10
680 – 739	1,569	365
>740	8,352	1,567
Total	\$ 10,016	\$ 1,943
Origination LTV		
<70%	\$ 7,569	\$ 1,360
>70% – <90%	2,441	574
>90% – <100%	6	9
Total	\$ 10,016	\$ 1,943

At June 30, 2018, First Mortgage loans of \$9.2 billion had adjustable interest rates. These mortgages have initial fixed interest rates for three to ten years and interest rates that adjust annually thereafter. Approximately 32% of the balance of these mortgages consisted of loans with interest-only payment terms. The interest rates on approximately 63% of

the balance of these interest-only loans are not scheduled to reset for three or more years. Schwab's mortgage loans do not include interest terms described as temporary introductory rates below current market rates.

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

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

June 30, 2018	Balance
Converted to an amortizing loan by period end	\$ 537
Within 1 year	342
> 1 year – 3 years	152
> 3 years – 5 years	155
> 5 years	512
Total	\$ 1,698

At June 30, 2018, \$1.4 billion of the HELOC portfolio was secured by second liens on the associated properties. Second lien mortgage loans typically possess a higher degree of credit risk given the subordination to the first lien holder in the event of default. In addition to the credit monitoring activities described previously, Schwab also monitors credit risk by reviewing the delinquency status of the first lien loan on the associated property. At June 30, 2018, the borrowers on approximately 49% of HELOC loan balances outstanding only paid the minimum amount due.

6. Variable Interest Entities

As of June 30, 2018 and December 31, 2017, all of Schwab's involvement with variable interest entities (VIEs) is through CSB's Community Reinvestment Act-related investments and most of those related to Low-Income Housing Tax Credit (LIHTC) investments. As part of CSB's community reinvestment initiatives, CSB invests with other institutional investors in funds that make equity investments in multifamily affordable housing properties. CSB receives tax credits and other tax benefits for these investments. CSB's LIHTC investments are accounted for using the proportional amortization method, which amortizes the cost of the investment over the period in which the investor expects to receive tax credits and other tax benefits, and the resulting amortization is included in taxes on income on the consolidated statements of income.

Aggregate assets, liabilities, and maximum exposure to loss

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

	June 30, 2018			December 31, 2017		
	Aggregate assets	Aggregate liabilities	Maximum exposure to loss	Aggregate assets	Aggregate liabilities	Maximum exposure to loss
LIHTC investments ⁽¹⁾	\$339	\$ 208	\$ 339	\$304	\$ 203	\$ 304
Other CRA investments ⁽²⁾	68	—	119	69	—	125
Total	\$407	\$ 208	\$ 458	\$373	\$ 203	\$ 429

⁽¹⁾ Aggregate assets and aggregate liabilities are included in other assets and accrued expenses and other liabilities, respectively, on the condensed consolidated balance sheets.

⁽²⁾ Other CRA investments are recorded using either the adjusted cost method, equity method, or as HTM securities. Aggregate assets are included in other assets, HTM securities, or bank loans – net on the condensed consolidated balance sheets.

Schwab's maximum exposure to loss would result from the loss of the investments, including any committed amounts. During the six months ended June 30, 2018 and 2017, Schwab did not provide or intend to provide financial or other support to the VIEs that it was not contractually required to provide. CSB's funding of these remaining commitments is dependent upon the occurrence of certain conditions, and CSB expects to pay substantially all of these commitments between 2018 and 2021.

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CHARLES SCHWAB CORPORATION

Notes to Condensed Consolidated Financial Statements

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

(Unaudited)

7. Bank Deposits

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

	June 30, 2018	December 31, 2017
Interest-bearing deposits:		
Deposits swept from brokerage accounts	\$ 179,874	\$ 148,212
Checking	12,601	13,388
Savings and other	6,825	7,264
Total interest-bearing deposits	199,300	168,864
Non-interest-bearing deposits	622	792
Total bank deposits	\$ 199,922	\$ 169,656

8. Borrowings

CSC's Senior Notes are unsecured obligations and rank equally with the other unsecured senior debt. CSC may redeem some or all of the Senior Notes of each series prior to their maturity, subject to certain restrictions, and the payment of an applicable make-whole premium in certain instances. Interest is payable semi-annually for the fixed-rate Senior Notes and quarterly for the floating-rate Senior Notes. The following table lists long-term debt by instrument outstanding as of June 30, 2018 and December 31, 2017.

	Date of Issuance	Principal Amount Outstanding June 30, 2018	December 31, 2017
Fixed-rate Senior Notes:			
1.500% due March 10, 2018 ⁽¹⁾	03/10/15	\$—	\$ 625
2.200% due July 25, 2018 ⁽²⁾	07/25/13	—	275
4.450% due July 22, 2020	07/22/10	700	700
3.250% due May 21, 2021	05/22/18	600	—
3.225% due September 1, 2022	08/29/12	256	256
2.650% due January 25, 2023	12/07/17	800	800
3.000% due March 10, 2025	03/10/15	375	375
3.850% due May 21, 2025	05/22/18	750	—
3.450% due February 13, 2026	11/13/15	350	350
3.200% due March 2, 2027	03/02/17	650	650
3.200% due January 25, 2028	12/07/17	700	700
Floating-rate Senior Notes:			
Three-month LIBOR + 0.32% due May 21, 2021	05/22/18	600	—
Total Senior Notes		5,781	4,731
5.450% Finance lease obligation ⁽³⁾	06/04/04	57	61
Unamortized discount — net		(14)	(14)
Debt issuance costs		(35)	(25)
Total long-term debt		\$ 5,789	\$ 4,753

⁽¹⁾ Redeemed on February 8, 2018.

Explanation of Responses:

(2) Redeemed on June 25, 2018.

(3) Schwab has a finance lease obligation related to an office building and land under a 20-year lease. The remaining finance lease obligation is being reduced by a portion of the lease payments over the remaining lease term through June 30, 2024.

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CHARLES SCHWAB CORPORATION

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

(Unaudited)

Annual maturities on long-term debt outstanding at June 30, 2018 are as follows:

	Maturities
2018	\$ 4
2019	8
2020	709
2021	1,209
2022	266
Thereafter	3,642
Total maturities	5,838
Unamortized discount — net	(14)
Debt issuance costs	(35)
Total long-term debt	\$ 5,789

Short-term borrowings: CSB maintains a secured credit facility with the FHLB. Amounts available under this facility are dependent on the value of CSB's First Mortgages, HELOCs, and the fair value of certain of CSB's investment securities that are pledged as collateral. As of June 30, 2018, the collateral pledged by CSB provided a total borrowing capacity of \$30.3 billion of which no amounts were outstanding. As of December 31, 2017, the collateral pledged by CSB provided a total borrowing capacity of \$32.3 billion, of which \$15.0 billion, was outstanding.

As a condition of the FHLB borrowings, CSB is required to hold FHLB stock, which was recorded in other assets on the condensed consolidated balance sheets. The investment in FHLB was \$17 million at June 30, 2018 and \$405 million at December 31, 2017.

9. Commitments and Contingencies

Loan Portfolio: CSB provides a co-branded loan origination program for CSB clients (the Program) with Quicken Loans, Inc. (Quicken Loans®). Pursuant to the Program, Quicken Loans originates and services First Mortgages and HELOCs for CSB clients. Under the Program, CSB purchases certain First Mortgages and HELOCs that are originated by Quicken Loans. CSB purchased First Mortgages of \$594 million and \$683 million during the second quarters of 2018 and 2017, respectively, and \$1.1 billion and \$1.3 billion during the first six months of 2018 and 2017, respectively. Schwab purchased HELOCs with commitments of \$100 million and \$111 million during the second quarters of 2018 and 2017, respectively, and \$207 million and \$229 million during the first six months of 2018 and 2017, respectively.

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

	June 30, December 31,	
	2018	2017
Commitments to extend credit related to unused HELOCs, PALs, and other lines of credit	\$ 10,726	\$ 10,060
Commitments to purchase First Mortgage loans	309	308
Total	\$ 11,035	\$ 10,368

Guarantees and indemnifications: Schwab has clients that sell (i.e., write) listed option contracts that are cleared by the Options Clearing Corporation – a clearing house that establishes margin requirements on these transactions. We partially satisfy the margin requirements by arranging unsecured standby letter of credit agreements (LOCs), in favor of the Options Clearing Corporation, which are issued by several banks. At June 30, 2018, the aggregate face amount of these LOCs totaled \$225 million. There were no funds drawn under any of these LOCs at June 30, 2018. In connection with its securities lending activities, Schwab is required to provide collateral to certain brokerage clients. The Company satisfies the collateral requirements by providing cash as collateral.

Schwab also provides guarantees to securities clearing houses and exchanges under standard membership agreements, which require members to guarantee the performance of other members. Under the agreements, if another member becomes unable to satisfy its obligations to the clearing houses and exchanges, other members would be required to meet shortfalls. Schwab's

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CHARLES SCHWAB CORPORATION

Notes to Condensed Consolidated Financial Statements

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

(Unaudited)

liability under these arrangements is not quantifiable and may exceed the cash and securities it has posted as collateral. The potential requirement for the Company to make payments under these arrangements is remote. Accordingly, no liability has been recognized for these guarantees.

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

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

Schwab believes it has strong defenses in all significant matters currently pending and is contesting liability and any damages claimed. Nevertheless, some of these matters may result in adverse judgments or awards, including penalties, injunctions or other relief, and the Company may also determine to settle a matter because of the uncertainty and risks of litigation. Described below are certain matters in which there is a reasonable possibility that a material loss could be incurred or where the matter may otherwise be of significant interest to stockholders. Unless otherwise noted, the Company is unable to provide a reasonable estimate of any potential liability given the stage of proceedings in the matter. With respect to all other pending matters, based on current information and consultation with counsel, it does not appear reasonably possible that the outcome of any such matter would be material to the financial condition, operating results, or cash flows of the Company.

Total Bond Market Fund Litigation: On August 28, 2008, a class action lawsuit was filed in the U.S. District Court for the Northern District of California on behalf of investors in the Schwab Total Bond Market Fund.TMThe lawsuit, which alleged violations of state law and federal securities law in connection with the fund's investment policy, named CSIM, Schwab Investments (registrant and issuer of the fund's shares), and certain current and former fund trustees as defendants. Allegations include that the fund improperly deviated from its stated investment objectives by investing in collateralized mortgage obligations (CMOs) and investing more than 25% of fund assets in CMOs and mortgage-backed securities without obtaining a fundholder vote. Plaintiff seeks unspecified compensatory and rescission damages, unspecified equitable and injunctive relief, costs, and attorneys' fees on behalf of a putative class of investors who held shares as of August 31, 2007, and a putative class of investors who purchased the shares between September 1, 2017 and February 27, 2009. Plaintiff's federal securities law claim and certain of plaintiff's state law claims were dismissed. On August 8, 2011, the court dismissed plaintiff's remaining claims with prejudice. Plaintiff appealed to the Ninth Circuit, which issued a ruling on March 9, 2015 reversing the district court's dismissal of the case and remanding the case for further proceedings. Plaintiff filed a fourth amended complaint on June 25, 2015, and in decisions issued October 6, 2015 and February 23, 2016, the court dismissed all claims with prejudice.

Plaintiff has appealed to the Ninth Circuit, where the case remains pending.

Crago Order Routing Litigation: On July 13, 2016, a securities class action lawsuit was filed in the U.S. District Court for the Northern District of California on behalf of a putative class of customers executing equity orders through CS&Co. The lawsuit names CS&Co and CSC as defendants and alleges that an agreement under which CS&Co routed orders to UBS Securities LLC between July 13, 2011 and December 31, 2014 violated CS&Co's duty to seek best execution. Plaintiffs seek unspecified damages, interest, injunctive and equitable relief, and attorneys' fees and costs. After a first amended complaint was dismissed with leave to amend, plaintiffs filed a second amended complaint on August 14, 2017. Defendants again moved to dismiss, and in a decision issued December 5, 2017, the court denied the motion. Defendants have answered the complaint to deny all allegations, and intend to vigorously contest the lawsuit.

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CHARLES SCHWAB CORPORATION

Notes to Condensed Consolidated Financial Statements

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

(Unaudited)

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

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

Securities lending: Schwab loans brokerage client securities temporarily to other brokers and clearing houses in connection with its securities lending activities and receives cash as collateral for the securities loaned. Increases in security prices may cause the fair value of the securities loaned to exceed the amount of cash received as collateral. In the event the counterparty to these transactions does not return the loaned securities or provide additional cash collateral, we may be exposed to the risk of acquiring the securities at prevailing market prices in order to satisfy our client obligations. Schwab mitigates this risk by requiring credit approvals for counterparties, monitoring the fair value of securities loaned, and requiring additional cash as collateral when necessary. We also borrow securities from other broker-dealers to fulfill short sales by brokerage clients and deliver cash to the lender in exchange for the securities. The fair value of these borrowed securities was \$472 million and \$215 million at June 30, 2018 and December 31, 2017, respectively. All of our securities lending transactions are through a program with a clearing organization, which guarantees the return of cash to us and is subject to enforceable master netting arrangements with other broker-dealers; however, we do not net securities lending transactions. Therefore, the securities loaned and securities borrowed are presented gross in the condensed consolidated balance sheets.

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Notes to Condensed Consolidated Financial Statements

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

(Unaudited)

The following table presents information about our resale agreements and securities lending activity depicting the potential effect of rights of setoff between these recognized assets and recognized liabilities at June 30, 2018 and December 31, 2017.

				Gross Amounts Not Offset in the Condensed Consolidated Balance Sheets		
	Gross Assets/ Liabilities	Gross Amounts Offset in the Condensed Consolidated Balance Sheets	Net Amounts Presented in the Condensed Consolidated Balance Sheets	Counterparty Offsetting	Collateral	Net Amount
June 30, 2018						
Assets:						
Resale agreements ⁽¹⁾	\$ 5,391	\$	—\$ 5,391	\$—	\$(5,391) ⁽²⁾	\$ —
Securities borrowed ⁽³⁾	484	—	484	(362)	(119)	3
Total	\$ 5,875	\$	—\$ 5,875	\$(362)	\$(5,510)	\$ 3
Liabilities:						
Securities loaned ^(4,5)	\$ 946	\$	—\$ 946	\$(362)	\$(492)	\$ 92
Total	\$ 946	\$	—\$ 946	\$(362)	\$(492)	\$ 92
December 31, 2017						
Assets:						
Resale agreements ⁽¹⁾	\$ 6,596	\$	—\$ 6,596	\$—	\$(6,596) ⁽²⁾	\$ —
Securities borrowed ⁽³⁾	222	—	222	(199)	(22)	1
Total	\$ 6,818	\$	—\$ 6,818	\$(199)	\$(6,618)	\$ 1
Liabilities:						
Securities loaned ^(4,5)	\$ 966	\$	—\$ 966	\$(199)	\$(670)	\$ 97
Total	\$ 966	\$	—\$ 966	\$(199)	\$(670)	\$ 97

⁽¹⁾ Included in cash and investments segregated and on deposit for regulatory purposes in the condensed consolidated balance sheets.

⁽²⁾ Actual collateral was greater than or equal to 102% of the related assets. At June 30, 2018 and December 31, 2017, the fair value of collateral received in connection with resale agreements that are available to be repledged or sold was \$5.5 billion and \$6.7 billion, respectively.

⁽³⁾ Included in receivables from brokers, dealers, and clearing organizations in the condensed consolidated balance sheets.

⁽⁴⁾ Included in payables to brokers, dealers, and clearing organizations in the condensed consolidated balance sheets. The cash collateral received from counterparties under securities lending transactions was equal to or greater than the market value of the securities loaned at June 30, 2018 and December 31, 2017.

⁽⁵⁾ Securities loaned are predominantly comprised of equity securities held in client brokerage accounts with overnight and continuous remaining contractual maturities.

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

	June 30, 2018	December 31, 2017
Fair value of client securities available to be pledged	\$28,511	\$ 25,905
Fair value of client securities pledged for:		
Fulfillment of requirements with the	2,921	2,280
Options Clearing Corporation		
(1)		
Fulfillment of client short sales	1,831	2,011
Securities lending to other broker-dealers	741	784
Total collateral pledged	\$5,493	\$ 5,075

Note: Excludes amounts available and pledged for securities lending from fully-paid client securities. The fair value of fully-paid client securities available and pledged was \$104 million as of June 30, 2018 and \$78 million as of December 31, 2017.

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

CHARLES SCHWAB CORPORATION

Notes to Condensed Consolidated Financial Statements

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

(Unaudited)

11. Fair Values of Assets and Liabilities

Assets and liabilities measured at fair value on a recurring basis

Schwab's assets and liabilities measured at fair value on a recurring basis include certain cash equivalents, certain investments segregated and on deposit for regulatory purposes, other securities owned, and AFS securities. The Company uses the market approach to determine the fair value of assets and liabilities. When available, the Company uses quoted prices in active markets to measure the fair value of assets and liabilities. When utilizing market data and bid-ask spread, the Company uses the price within the bid-ask spread that best represents fair value. When quoted prices do not exist, the Company uses prices obtained from independent third-party pricing services to measure the fair value of investment assets. We generally obtain prices from at least three independent pricing sources for assets recorded at fair value.

Our primary independent pricing service provides prices based on observable trades and discounted cash flows that incorporate observable information such as yields for similar types of securities (a benchmark interest rate plus observable spreads) and weighted-average maturity for the same or similar "to-be-issued" securities. We compare the prices obtained from the primary independent pricing service to the prices obtained from the additional independent pricing sources to determine if the price obtained from the primary independent pricing service is reasonable. Schwab does not adjust the prices received from independent third-party pricing services unless such prices are inconsistent with the definition of fair value and result in a material difference in the recorded amounts.

For a description of the fair value hierarchy and Schwab's fair value methodologies, including the use of independent third-party pricing services, see Note 2 in the 2017 Form 10-K. We did not transfer any assets or liabilities between Level 1, Level 2, or Level 3 during the six months ended June 30, 2018, or the year ended December 31, 2017. In addition, the Company did not adjust prices received from the primary independent third-party pricing service at June 30, 2018 or December 31, 2017.

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CHARLES SCHWAB CORPORATION

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

(Unaudited)

Assets and Liabilities Measured at Fair Value on a Recurring Basis

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

June 30, 2018	Level 1	Level 2	Level 3	Balance at Fair Value
Cash equivalents:				
Money market funds	\$ 1,103	\$—	\$	—\$ 1,103
Commercial paper	—	210	—	210
Total cash equivalents	1,103	210	—	1,313
Investments segregated and on deposit for regulatory purposes:				
Certificates of deposit	—	1,999	—	1,999
U.S. Government securities	—	1,532	—	1,532
Total investments segregated and on deposit for regulatory purposes	—	3,531	—	3,531
Other securities owned:				
Equity and bond mutual funds	399	—	—	399
Schwab Funds® money market funds	42	—	—	42
State and municipal debt obligations	—	42	—	42
Equity, U.S. Government and corporate debt, and other securities	3	39	—	42
Total other securities owned	444	81	—	525
Available for sale securities:				
U.S. agency mortgage-backed securities	—	22,947	—	22,947
U.S. Treasury securities	—	10,859	—	10,859
Asset-backed securities	—	10,720	—	10,720
Corporate debt securities	—	6,191	—	6,191
Certificates of deposit	—	2,692	—	2,692
U.S. agency notes	—	1,524	—	1,524
Commercial paper	—	505	—	505
Foreign government agency securities	—	48	—	48
Non-agency commercial mortgage-backed securities	—	36	—	36
Total available for sale securities	—	55,522	—	55,522
Total	\$ 1,547	\$ 59,344	\$	—\$ 60,891

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CHARLES SCHWAB CORPORATION

Notes to Condensed Consolidated Financial Statements

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

(Unaudited)

December 31, 2017	Level 1	Level 2	Level 3	Balance at Fair Value
Cash equivalents:				
Money market funds	\$2,727	\$—	\$	-\$ 2,727
Total cash equivalents	2,727	—	—	2,727
Investments segregated and on deposit for regulatory purposes:				
Certificates of deposit	—	2,198	—	2,198
U.S. Government securities	—	3,658	—	3,658
Total investments segregated and on deposit for regulatory purposes	—	5,856	—	5,856
Other securities owned:				
Equity and bond mutual funds	318	—	—	318
Schwab Funds® money market funds	135	—	—	135
State and municipal debt obligations	—	52	—	52
Equity, U.S. Government and corporate debt, and other securities	2	32	—	34
Total other securities owned	455	84	—	539
Available for sale securities:				
U.S. agency mortgage-backed securities	—	20,929	—	20,929
U.S. Treasury securities	—	9,500	—	9,500
Asset-backed securities	—	9,047	—	9,047
Corporate debt securities	—	6,169	—	6,169
Certificates of deposit	—	2,041	—	2,041
U.S. agency notes	—	1,906	—	1,906
Commercial paper	—	313	—	313
Foreign government agency securities	—	50	—	50
Non-agency commercial mortgage-backed securities	—	40	—	40
Total available for sale securities	—	49,995	—	49,995
Total	\$3,182	\$55,935	\$	-\$ 59,117

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CHARLES SCHWAB CORPORATION

Notes to Condensed Consolidated Financial Statements

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

(Unaudited)

Fair Value of Other Financial Instruments

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

June 30, 2018	Carrying Amount	Level 1	Level 2	Level 3	Balance at Fair Value
Assets:					
Cash and cash equivalents	\$11,937	\$	-\$11,937	\$	-\$11,937
Cash and investments segregated and on deposit for regulatory purposes	7,469	—	7,469	—	7,469
Receivables from brokers, dealers, and clearing organizations	1,025	—	1,025	—	1,025
Receivables from brokerage clients — net	22,344	—	22,344	—	22,344
Held to maturity securities:					
U.S. agency mortgage-backed securities	113,106	—	110,254	—	110,254
Asset-backed securities	16,356	—	16,471	—	16,471
Corporate debt securities	4,550	—	4,504	—	4,504
U.S. state and municipal securities	1,242	—	1,257	—	1,257
Non-agency commercial mortgage-backed securities	1,065	—	1,044	—	1,044
U.S. Treasury securities	223	—	214	—	214
Certificates of deposit	200	—	200	—	200
Foreign government agency securities	50	—	48	—	48
Total held to maturity securities	136,792	—	133,992	—	133,992
Bank loans — net:					
First Mortgages	10,141	—	9,915	—	9,915
HELOCs	1,691	—	1,758	—	1,758
Pledged asset lines	4,570	—	4,570	—	4,570
Other	167	—	167	—	167
Total bank loans — net	16,569	—	16,410	—	16,410
Other assets	441	—	441	—	441
Total	\$196,577	\$	-\$193,618	\$	-\$193,618
Liabilities:					
Bank deposits	\$199,922	\$	-\$199,922	\$	-\$199,922
Payables to brokers, dealers, and clearing organizations	3,319	—	3,319	—	3,319
Payables to brokerage clients	30,347	—	30,347	—	30,347
Accrued expenses and other liabilities	1,110	—	1,110	—	1,110
Long-term debt	5,789	—	5,718	—	5,718
Total	\$240,487	\$	-\$240,416	\$	-\$240,416

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CHARLES SCHWAB CORPORATION

Notes to Condensed Consolidated Financial Statements

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

(Unaudited)

December 31, 2017	Carrying Amount	Level 1	Level 2	Level 3	Balance at Fair Value
Assets:					
Cash and cash equivalents	\$11,490	\$	-\$11,490	\$	-\$11,490
Cash and investments segregated and on deposit for regulatory purposes	9,277	—	9,277	—	9,277
Receivables from brokers, dealers, and clearing organizations	649	—	649	—	649
Receivables from brokerage clients — net	20,568	—	20,568	—	20,568
Held to maturity securities:					
U.S. agency mortgage-backed securities	101,197	—	100,453	—	100,453
Asset-backed securities	12,937	—	13,062	—	13,062
Corporate debt securities	4,078	—	4,086	—	4,086
U.S. state and municipal securities	1,247	—	1,304	—	1,304
Non-agency commercial mortgage-backed securities	994	—	999	—	999
U.S. Treasury securities	223	—	220	—	220
Certificates of deposit	200	—	200	—	200
Foreign government agency securities	50	—	49	—	49
Total held to maturity securities	120,926	—	120,373	—	120,373
Bank loans — net:					
First Mortgages	10,000	—	9,917	—	9,917
HELOCs	1,935	—	2,025	—	2,025
Pledged asset lines	4,369	—	4,369	—	4,369
Other	174	—	174	—	174
Total bank loans — net	16,478	—	16,485	—	16,485
Other assets	781	—	781	—	781
Total	\$180,169	\$	-\$179,623	\$	-\$179,623
Liabilities:					
Bank deposits	\$169,656	\$	-\$169,656	\$	-\$169,656
Payables to brokers, dealers, and clearing organizations	1,287	—	1,287	—	1,287
Payables to brokerage clients	31,243	—	31,243	—	31,243
Accrued expenses and other liabilities	1,463	—	1,463	—	1,463
Short-term borrowings	15,000	—	15,000	—	15,000
Long-term debt	4,753	—	4,811	—	4,811
Total	\$223,402	\$	-\$223,460	\$	-\$223,460

CHARLES SCHWAB CORPORATION

Notes to Condensed Consolidated Financial Statements

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

(Unaudited)

12. Stockholders' Equity

The Company's preferred stock issued and outstanding is as follows:

	Shares Issued and Outstanding (In thousands) at		Liquidation Preference Per Share	Carrying Value			Dividend Rate in Effect at June 30, 2018	Earliest Redemption Date	Date at Which Dividend Rate Becomes Floating	Floating Annual Rate of Three-Month LIBOR plus:
	June 30, 2018	December 31, 2017		June 30, 2018	December 31, 2017	Issue Date				
Fixed-rate:										
Series C	600	600	\$ 1,000	\$ 585	\$ 585	08/03/15	6.000 %	12/01/20	N/A	N/A
Series D	750	750	1,000	728	728	03/07/16	5.950 %	06/01/21	N/A	N/A
Fixed-to-floating-rate:										
Series A	400	400	1,000	397	397	01/26/12	7.000 %	02/01/22	02/01/22	4.820 %
Series E	6	6	100,000	591	591	10/31/16	4.625 %	03/01/22	03/01/22	3.315 %
Series F	5	5	100,000	492	492	10/31/17	5.000 %	12/01/27	12/01/27	2.575 %
Total preferred stock	1,761	1,761		\$ 2,793	\$ 2,793					

⁽¹⁾ Represented by depositary shares, except for Series A.

N/A Not applicable.

13. Accumulated Other Comprehensive Income

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

	2018		2017		Net of Tax
	Before Tax	Net of Tax	Before Tax	Net of Tax	
Three Months Ended June 30,					
Change in net unrealized gain (loss) on available for sale securities:					
Net unrealized gain (loss)	\$(33)	\$ 8	\$(25)	\$ 29	\$(11) \$ 18
Other reclassifications included in other revenue	—	—	—	(6)	3 (3)
Change in net unrealized gain (loss) on held to maturity securities:					
Amortization of amounts previously recorded upon transfer from available for sale	9	(2)	7	9	(4) 5
Other comprehensive income (loss)	\$(24)	\$ 6	\$(18)	\$ 32	\$(12) \$ 20
Six Months Ended June 30,					
Change in net unrealized gain (loss) on available for sale securities:					
Net unrealized gain (loss)	\$(141)	\$ 34	\$(107)	\$ 81	\$(30) \$ 51
	—	—	—	227	(85) 142

Explanation of Responses:

Reclassification of net unrealized loss on securities transferred to held to maturity ⁽¹⁾						
Other reclassifications included in other revenue	—	—	—	(7)	3	(4)
Change in net unrealized gain (loss) on held to maturity securities:						
Reclassification of net unrealized loss on securities transferred from available for sale ⁽¹⁾	—	—	—	(227)	85	(142)
Amortization of amounts previously recorded upon transfer from available for sale	18	(4)	14	11	(5)	6
Other	—	—	—	(3)	1	(2)
Other comprehensive income (loss)	\$(123)	\$ 30	\$(93)	\$82	\$(31)	\$51

⁽¹⁾ See Note 5 in the 2017 10-K for discussion of the transfer of securities from the AFS category to the HTM category during the first quarter of 2017.

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CHARLES SCHWAB CORPORATION

Notes to Condensed Consolidated Financial Statements

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

(Unaudited)

AOCI balances are as follows:

	Total Accumulated Other Comprehensive Income
Balance at December 31, 2016	\$ (163)
Available for sale securities:	
Net unrealized gain (loss)	51
Reclassification of net unrealized loss on securities transferred to held to maturity	142
Other reclassifications included in other revenue	(4)
Held to maturity securities:	
Reclassification of net unrealized loss on securities transferred from available for sale	(142)
Amortization of amounts previously recorded upon transfer to held to maturity from available for sale	6
Other	(2)
Balance at June 30, 2017	\$ (112)
Balance at December 31, 2017	\$ (152)
Adoption of accounting standards (Note 2)	(33)
Available for sale securities:	
Net unrealized gain (loss)	(107)
Held to maturity securities:	
Amortization of amounts previously recorded upon transfer to held to maturity from available for sale	14
Balance at June 30, 2018	\$ (278)

14. Taxes on Income

On December 22, 2017, the Tax Act was signed into law. Among other things, the Tax Act lowered the federal corporate income tax rate from 35% to 21%, effective for tax years including or commencing January 1, 2018. Schwab's effective tax rate for the three and six months ended June 30, 2018 was 23.4% and 22.7%, respectively, compared to 36.7% and 35.0% for the three and six months ended June 30, 2017, respectively, resulting from the impact of the Tax Act of 2017.

Also as a result of the Tax Act, Schwab recognized a \$46 million one-time non-cash charge to taxes on income in the fourth quarter of 2017 associated with the remeasurement of net deferred tax assets and other tax adjustments related to the Tax Act. While we were able to make a reasonable estimate of the impact of the reduction in the corporate tax rate in the fourth quarter of 2017, our accounting for various elements of the Tax Act may be affected by clarifications of the Tax Act and other related analysis.

During the second quarter of 2018, Schwab concluded its analysis of the effect of bonus depreciation that allows for immediate expensing of qualified property related to the Tax Act. The impact of the true-up adjustment from this analysis was determined to be immaterial. We are continuing to gather additional information to complete the accounting for the remaining estimated items, including the state tax effect of adjustments made to federal temporary

differences, and expect to complete the accounting within the prescribed measurement period. As such, the impact of the Tax Act is an estimate pending further information and the analysis noted.

As of January 1, 2018, Schwab adopted new accounting guidance that decreased AOCI and increased retained earnings by \$33 million for the reclassification of certain impacts of the Tax Act as described in Note 2.

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CHARLES SCHWAB CORPORATION

Notes to Condensed Consolidated Financial Statements

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

(Unaudited)

15. Earnings Per Common Share

EPS under the basic and diluted computations is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net income	\$866	\$575	\$1,649	\$1,139
Preferred stock dividends and other ⁽¹⁾	(53)	(45)	(90)	(84)
Net income available to common stockholders	\$813	\$530	\$1,559	\$1,055
Weighted-average common shares outstanding — basic	1,350	1,338	1,349	1,337
Common stock equivalent shares related to stock incentive plans	14	13	14	14
Weighted-average common shares outstanding — diluted ⁽²⁾	1,364	1,351	1,363	1,351
Basic EPS	\$.60	\$.40	\$1.16	\$.79
Diluted EPS	\$.60	\$.39	\$1.14	\$.78

⁽¹⁾ Includes preferred stock dividends and undistributed earnings and dividends allocated to non-vested restricted stock units.

⁽²⁾ Antidilutive stock options and restricted stock units excluded from the calculation of diluted EPS totaled 10 million and 9 million shares for the second quarters of 2018 and 2017, respectively, and 12 million and 10 million shares for the first six months of 2018 and 2017, respectively.

CHARLES SCHWAB CORPORATION

Notes to Condensed Consolidated Financial Statements

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

(Unaudited)

16. Regulatory Requirements

At June 30, 2018, Schwab and CSB met all of their respective capital requirements. The regulatory capital and ratios for CSC (consolidated) and CSB are as follows:

	Actual		Minimum to be Well Capitalized		Minimum Capital Requirement	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
June 30, 2018						
CSC						
Common Equity Tier 1 Risk-Based Capital	\$ 16,328	19.3%	N/A		\$ 3,813	4.5%
Tier 1 Risk-Based Capital	19,121	22.6%	N/A		5,083	6.0%
Total Risk-Based Capital	19,149	22.6%	N/A		6,778	8.0%
Tier 1 Leverage	19,121	7.6 %	N/A		10,049	4.0%
CSB						
Common Equity Tier 1 Risk-Based Capital	\$ 14,599	20.1%	\$ 4,725	6.5 %	\$ 3,271	4.5%
Tier 1 Risk-Based Capital	14,599	20.1%	5,815	8.0 %	4,362	6.0%
Total Risk-Based Capital	14,626	20.1%	7,269	10.0 %	5,815	8.0%
Tier 1 Leverage	14,599	7.2 %	10,136	5.0 %	8,108	4.0%

December 31, 2017

CSC						
Common Equity Tier 1 Risk-Based Capital	\$ 14,630	19.3%	N/A		\$ 3,414	4.5%
Tier 1 Risk-Based Capital	17,423	23.0%	N/A		4,552	6.0%
Total Risk-Based Capital	17,452	23.0%	N/A		6,069	8.0%
Tier 1 Leverage	17,423	7.6 %	N/A		9,218	4.0%
CSB						
Common Equity Tier 1 Risk-Based Capital	\$ 13,355	20.1%	\$ 4,324	6.5 %	\$ 2,993	4.5%
Tier 1 Risk-Based Capital	13,355	20.1%	5,321	8.0 %	3,991	6.0%
Total Risk-Based Capital	13,382	20.1%	6,652	10.0 %	5,321	8.0%
Tier 1 Leverage	13,355	7.1 %	9,462	5.0 %	7,569	4.0%

N/A Not applicable.

At June 30, 2018, CSB is considered well capitalized (the highest category) under its regulatory capital rules. At June 30, 2018, both CSC's and CSB's capital levels exceeded the fully implemented capital conservation buffer requirement. Certain events, such as growth in bank deposits and regulatory discretion, could adversely affect our ability to meet future capital requirements.

In late 2017, Schwab acquired a federal savings bank charter and changed the name to Charles Schwab Signature Bank (CSSB). At June 30, 2018, CSSB's balance sheet consisted primarily of investment securities with total assets of \$9.6 billion. CSSB is subject to similar regulatory guidelines and requirements, and seeks to maintain a Tier 1 Leverage Ratio similar to CSB.

Net capital and net capital requirements for CS&Co are as follows:

June 30, 2018	December 31, 2017
---------------	-------------------

Explanation of Responses:

Net Capital	\$2,323	\$ 2,118
Minimum net capital required	0.250	0.250
2% of aggregate debit balances	475	435
Net Capital in excess of required net capital	\$1,848	\$ 1,683

In accordance with the SEC Customer Protection Rule, CS&Co had portions of its cash and investments segregated for the exclusive benefit of clients at June 30, 2018. The SEC Customer Protection Rule requires broker-dealers to segregate client fully paid securities and cash balances not collateralizing margin positions and not swept to money market funds or bank

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CHARLES SCHWAB CORPORATION

Notes to Condensed Consolidated Financial Statements

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

(Unaudited)

deposit accounts. Amounts included in cash and investments segregated and on deposit for regulatory purposes represent actual balances on deposit. Cash and cash equivalents included in cash and investments segregated and on deposit for regulatory purposes are presented as part of Schwab's cash balances in the consolidated statements of cash flows.

17. Segment Information

Schwab's two reportable segments are Investor Services and Advisor Services. Schwab structures the operating segments according to its clients and the services provided to those clients. The Investor Services segment provides retail brokerage and banking services to individual investors and retirement plan services, as well as other corporate brokerage services, to businesses and their employees. The Advisor Services segment provides custodial, trading, banking, and support services, as well as retirement business services to independent RIAs, independent retirement advisors, and recordkeepers. Revenues and expenses are allocated to the two segments based on which segment services the client.

Management evaluates the performance of the segments on a pre-tax basis. Segment assets and liabilities are not used for evaluating segment performance or in deciding how to allocate resources to segments. There are no revenues from transactions between the segments.

Financial information for the segments is presented in the following tables:

	Investor Services		Advisor Services		Total	
Three Months Ended June 30,	2018	2017	2018	2017	2018	2017
Net Revenues:						
Net interest revenue	\$ 1,063	\$ 795	\$ 344	\$ 258	\$ 1,407	\$ 1,053
Asset management and administration fees	569	582	245	263	814	845
Trading revenue	115	98	65	59	180	157
Other	65	55	20	20	85	75
Total net revenues	1,812	1,530	674	600	2,486	2,130
Expenses Excluding Interest	1,012	914	343	307	1,355	1,221
Income before taxes on income	\$ 800	\$ 616	\$ 331	\$ 293	\$ 1,131	\$ 909
Six Months Ended June 30,	Investor Services		Advisor Services		Total	
2018	2017	2018	2017	2018	2017	
Net Revenues:						
Net interest revenue	\$ 2,020	\$ 1,548	\$ 650	\$ 505	\$ 2,670	\$ 2,053
Asset management and administration fees	1,162	1,148	503	520	1,665	1,668
Trading revenue	242	217	139	132	381	349
Other	129	105	39	36	168	141
Total net revenues	3,553	3,018	1,331	1,193	4,884	4,211
Expenses Excluding Interest	2,054	1,844	697	615	2,751	2,459
Income before taxes on income	\$ 1,499	\$ 1,174	\$ 634	\$ 578	\$ 2,133	\$ 1,752

THE CHARLES SCHWAB CORPORATION

Item 4. Controls and Procedures

Evaluation of disclosure controls and procedures: The management of the Company, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) as of June 30, 2018. Based on this evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures were effective as of June 30, 2018.

Changes in internal control over financial reporting: No change in the Company's internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934) was identified during the quarter ended June 30, 2018, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

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THE CHARLES SCHWAB CORPORATION

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

For a discussion of legal proceedings, see Item 1 – Note 9.

Item 1A. Risk Factors

During the first six months of 2018, there have been no material changes to the risk factors in Part I – Item 1A – Risk Factors in the 2017 Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities

The following table summarizes purchases made by or on behalf of CSC of its common stock for each calendar month in the second quarter of 2018:

Month	Total number of shares Purchased (in thousands)	Average Price Paid per shares
April:		
Employee transactions ⁽¹⁾	6	\$ 51.07
May:		
Employee transactions ⁽¹⁾	6	\$ 55.80
June:		
Employee transactions ⁽¹⁾	6	\$ 56.36
Total:		
Employee Transactions ⁽¹⁾	18	\$ 54.45

⁽¹⁾ Includes restricted shares withheld (under the terms of grants under employee stock incentive plans) to offset tax withholding obligations that occur upon vesting and release of restricted shares. The Company may receive shares delivered or attested to pay the exercise price and/or to satisfy tax withholding obligations by employees who exercise stock options granted under employee stock incentive plans, which are commonly referred to as stock swap exercises.

There were no share repurchases under the Share Repurchase Program during the second quarter of 2018. At June 30, 2018, approximately \$596 million of future share repurchases remained authorized under the Share Repurchase Program, and the remaining authorizations do not have an expiration date. Repurchases as part of this program are under two authorizations by CSC's Board of Directors, each covering up to \$500 million of common stock, which were publicly announced by the Company on April 25, 2007 and March 13, 2008.

Item 3. Defaults Upon Senior Securities

None.

Explanation of Responses:

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

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THE CHARLES SCHWAB CORPORATION

Item 6. Exhibits

The following exhibits are filed as part of this Quarterly Report on Form 10-Q:

Exhibit
Exhibit
Number

- | | | |
|--------|---|-----|
| 10.392 | <u>Credit Agreement (364 – Day Commitment) dated as of June 1, 2018, between the Registrant and financial institutions therein (supersedes Exhibit 10.376).</u> | (1) |
| 12. | <u>Computation of Ratio of Earnings to Fixed Charges and Ratio of Earnings to Fixed Charges and Preferred Stock Dividends.</u> | |
| 31.1 | <u>Certification Pursuant to Rule 13a-14(a)/15d-14(a), As Adopted Pursuant to Section 302 of The Sarbanes-Oxley Act of 2002.</u> | |
| 31.2 | <u>Certification Pursuant to Rule 13a-14(a)/15d-14(a), As Adopted Pursuant to Section 302 of The Sarbanes-Oxley Act of 2002.</u> | |
| 32.1 | <u>Certification Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of The Sarbanes-Oxley Act of 2002.</u> | (1) |
| 32.2 | <u>Certification Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of The Sarbanes-Oxley Act of 2002.</u> | (1) |
| 101 | XBRL Instance Document | (2) |
| 101 | XBRL Taxonomy Extension Schema | (2) |
| 101 | XBRL Taxonomy Extension Calculation | (2) |
| 101 | XBRL Extension Definition | (2) |
| 101 | XBRL Taxonomy Extension Label | (2) |
| 101 | XBRL Taxonomy Extension Presentation | (2) |

(1)Furnished as an exhibit to this Quarterly Report on Form 10-Q.

Attached as Exhibit 101 to this Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2018 are the following materials formatted in XBRL (Extensible Business Reporting Language) (i) the Condensed Consolidated Statements of Income, (ii) the Condensed Consolidated Statements of Comprehensive Income, (2) (iii) the Condensed Consolidated Balance Sheets, (iv) the Condensed Consolidated Statements of Stockholders' Equity, (v) the Condensed Consolidated Statements of Cash Flows, and (vi) Notes to Condensed Consolidated Financial Statements.

THE CHARLES SCHWAB CORPORATION

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

THE CHARLES SCHWAB CORPORATION
(Registrant)

Date: August 8, 2018 /s/ Peter Crawford
Peter Crawford
Executive Vice President and Chief Financial Officer

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