

SCHWAB CHARLES CORP  
Form 10-Q  
August 06, 2009  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

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

**For the quarterly period ended June 30, 2009**

**Commission File Number: 1-9700**

**THE CHARLES SCHWAB CORPORATION**

(Exact name of Registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction)

**94-3025021**  
(I.R.S. Employer Identification No.)

of incorporation or organization)

**211 Main Street, San Francisco, CA 94105**

(Address of principal executive offices and zip code)

Registrant's telephone number, including area code: (415) 636-7000

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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

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Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company)

Smaller reporting company

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

1,160,852,817 shares of \$.01 par value Common Stock

Outstanding on July 24, 2009

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**THE CHARLES SCHWAB CORPORATION**

**Quarterly Report on Form 10-Q**

**For the Quarter Ended June 30, 2009**

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## Part I FINANCIAL INFORMATION

## Item 1. Condensed Consolidated Financial Statements

THE CHARLES SCHWAB CORPORATION

**Condensed Consolidated Statements of Income**

(In millions, except per share amounts)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
<b>Net Revenues</b>				
Asset management and administration fees	\$ 486	\$ 618	\$ 988	\$ 1,231
Interest revenue	361	478	707	988
Interest expense	(59)	(51)	(99)	(142)
Net interest revenue	302	427	608	846
Trading revenue	272	230	531	476
Other	38	33	96	62
Total other-than-temporary impairment losses	(37)		(187)	
Noncredit portion of loss recognized in other comprehensive income	24		160	
Net impairment losses on securities	(13)		(27)	
Total net revenues	1,085	1,308	2,196	2,615
<b>Expenses Excluding Interest</b>				
Compensation and benefits	377	438	802	875
Professional services	64	84	124	168
Occupancy and equipment	97	72	178	146
Advertising and market development	49	58	107	134
Communications	54	52	107	104
Depreciation and amortization	41	37	83	75
Other	68	53	105	91
Total expenses excluding interest	750	794	1,506	1,593
Income from continuing operations before taxes on income	335	514	690	1,022
Taxes on income	(130)	(201)	(267)	(404)
Income from continuing operations	205	313	423	618
Loss from discontinued operations, net of tax		(18)		(18)
<b>Net Income</b>	<b>\$ 205</b>	<b>\$ 295</b>	<b>\$ 423</b>	<b>\$ 600</b>
<b>Weighted-Average Common Shares Outstanding Diluted</b>	<b>1,160</b>	<b>1,154</b>	<b>1,158</b>	<b>1,157</b>

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<b>Earnings Per Share Basic</b>				
Income from continuing operations	\$ .18	\$ .27	\$ .37	\$ .54
Loss from discontinued operations, net of tax	\$	\$ (.01)	\$	\$ (.02)
Net income	\$ .18	\$ .26	\$ .37	\$ .52
<b>Earnings Per Share Diluted</b>				
Income from continuing operations	\$ .18	\$ .27	\$ .36	\$ .53
Loss from discontinued operations, net of tax	\$	\$ (.01)	\$	\$ (.01)
Net income	\$ .18	\$ .26	\$ .36	\$ .52
<b>Dividends Declared Per Common Share</b>				
	\$ .06	\$ .05	\$ .12	\$ .10

*See Notes to Condensed Consolidated Financial Statements.*

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THE CHARLES SCHWAB CORPORATION

**Condensed Consolidated Balance Sheets**

(In millions, except share and per share amounts)

(Unaudited)

	June 30, 2009	December 31, 2008
<b>Assets</b>		
Cash and cash equivalents	\$ 9,362	\$ 5,442
Cash and investments segregated and on deposit for regulatory purposes (including resale agreements of \$6,795 at June 30, 2009 and \$6,701 at December 31, 2008)	15,524	14,685
Receivables from brokers, dealers, and clearing organizations	490	759
Receivables from brokerage clients net	7,704	7,129
Other securities owned at fair value	381	626
Securities available for sale	17,249	14,446
Securities held to maturity (fair value \$2,721 at June 30, 2009 and \$244 at December 31, 2008)	2,680	243
Loans to banking clients net	6,539	6,044
Loans held for sale	169	41
Equipment, office facilities, and property net	650	661
Goodwill	528	528
Other assets	985	1,071
<b>Total assets</b>	<b>\$ 62,261</b>	<b>\$ 51,675</b>
<b>Liabilities and Stockholders Equity</b>		
Deposits from banking clients	\$ 31,705	\$ 23,841
Payables to brokers, dealers, and clearing organizations	1,466	1,100
Payables to brokerage clients	21,601	20,256
Accrued expenses and other liabilities	1,315	1,534
Long-term debt	1,560	883
<b>Total liabilities</b>	<b>57,647</b>	<b>47,614</b>
Stockholders equity:		
Preferred stock 9,940,000 shares authorized; \$.01 par value per share; none issued		
Common stock 3 billion shares authorized; \$.01 par value per share; 1,392,091,544 shares issued	14	14
Additional paid-in capital	2,253	2,214
Retained earnings	7,019	6,735
Treasury stock, at cost 231,767,899 shares at June 30, 2009 and 234,991,565 shares at December 31, 2008	(4,310)	(4,349)
Accumulated other comprehensive loss	(362)	(553)
<b>Total stockholders equity</b>	<b>4,614</b>	<b>4,061</b>
<b>Total liabilities and stockholders equity</b>	<b>\$ 62,261</b>	<b>\$ 51,675</b>

*See Notes to Condensed Consolidated Financial Statements.*

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THE CHARLES SCHWAB CORPORATION

**Condensed Consolidated Statements of Cash Flows**

(In millions)

(Unaudited)

	<b>Six Months Ended June 30,</b>	
	<b>2009</b>	<b>2008</b>
<b>Cash Flows from Operating Activities</b>		
Net income	\$ 423	\$ 600
Adjustments to reconcile net income to net cash provided by (used for) operating activities:		
Loss from discontinued operations, net of tax		18
Depreciation and amortization expense	83	75
Stock-based compensation expense	35	33
Net impairment losses on securities	27	
Other	(20)	(29)
Originations of loans held for sale	(1,900)	(1,054)
Proceeds from sales of loans held for sale	1,777	1,019
Net change in:		
Cash and investments segregated and on deposit for regulatory purposes	(839)	(551)
Other securities owned	245	203
Receivables from brokers, dealers, and clearing organizations	275	212
Receivables from brokerage clients	(577)	(614)
Other assets	28	15
Payables to brokers, dealers, and clearing organizations	416	865
Payables to brokerage clients	1,345	(788)
Accrued expenses and other liabilities	(212)	(228)
Net cash provided by (used for) operating activities	1,106	(224)
<b>Cash Flows from Investing Activities</b>		
Purchases of securities available for sale	(5,511)	(6,294)
Proceeds from sales of securities available for sale	85	
Principal payments on securities available for sale	2,869	826
Purchases of securities held to maturity	(2,464)	
Principal payments on securities held to maturity	28	