

Glossary of Terms

In discussing and analyzing our business, we utilize several metrics and other terms that are defined in the following Glossary of Terms. *Italics* indicate other defined terms that appear elsewhere in the Glossary. The term “GAAP” refers to U.S. generally accepted accounting principles.

Activity rate – total accounts — *Average client trades per day* during the period divided by the average number of *total accounts* during the period.

Activity rate – funded accounts — *Average client trades per day* during the period divided by the average number of *funded accounts* during the period.

Asset-based revenues — Revenues consisting of (1) *net interest revenue*, (2) *insured deposit account fees* and (3) *investment product fees*. The primary factors driving our asset-based revenues are average balances and average rates. Average balances consist primarily of average *client margin balances*, average *segregated cash balances*, average *client credit balances*, average client insured deposit account balances, average *fee-based investment balances* and average securities borrowing and lending balances. Average rates consist of the average interest rates and fees earned and paid on such balances.

Average client trades per account (annualized) — *Total trades* divided by the average number of *total accounts* during the period, annualized based on the number of *trading days* in the fiscal year.

Average client trades per day — *Total trades* divided by the number of *trading days* in the period.

Average commissions and transaction fees per trade — Total commissions and transaction fee revenues as reported on the Company’s Consolidated Statements of Income (excluding revenues from thinkorswim, Inc.’s active trader business) divided by *total trades* for the period. Commissions and transaction fee revenues primarily consist of trading commissions and revenue-sharing arrangements with market destinations (also referred to as “payment for order flow”).

Basis point — When referring to interest rates, one basis point represents one one-hundredth of one percent.

Beneficiary accounts — *Brokerage accounts* managed by a custodian, guardian, conservator or trustee on behalf of one or more beneficiaries. Examples include accounts maintained under the Uniform Gift to Minors Act (UGMA) or Uniform Transfer to Minors Act (UTMA), guardianship, conservatorship and trust arrangements and pension or profit plan for small business accounts.

Brokerage accounts — Accounts maintained by the Company on behalf of clients for securities brokerage activities. The primary types of brokerage accounts are *cash accounts*, *margin accounts*, *IRA accounts* and *beneficiary accounts*.

Cash accounts — *Brokerage accounts* that do not have *margin account* approval.

Clearing accounts — Accounts for which the Company served as the clearing broker-dealer on behalf of an unaffiliated introducing broker-dealer. The Company charged a fee to the introducing broker-dealer to process trades in clearing accounts.

Client assets — The total value of cash and securities in *brokerage accounts*.

Client cash and money market assets — The sum of all client cash balances, including *client credit balances* and client cash balances swept into insured deposit accounts or money market mutual funds.

Client credit balances — Client cash held in *brokerage accounts*, excluding balances generated by client short sales on which no interest is paid. Interest paid on client credit balances is a reduction of *net interest revenue*. Client credit balances are included in “payable to clients” on our Consolidated Balance Sheets.

Client margin balances — The total amount of cash loaned to clients in *margin accounts*. Such loans are secured by client assets. Interest earned on client margin balances is a component of *net interest revenue*. Client margin balances are included in “receivable from clients” on our Consolidated Balance Sheets.

Conduit-based assets — Deposits paid on *securities borrowing* associated with our conduit-based securities borrowing/lending business. In our conduit business, we act as an intermediary by borrowing securities from one counterparty and lending the same securities to another counterparty. We generally earn a net interest spread equal to the excess of interest earned on *securities borrowing* deposits over the interest paid on *securities lending* deposits.

EBITDA and EBITDA excluding investment gains/losses — EBITDA (earnings before interest, taxes, depreciation and amortization) and EBITDA excluding investment gains/losses are non-GAAP financial measures. We consider EBITDA and EBITDA excluding investment gains/losses to be important measures of our financial performance and of our ability to generate cash flows to service debt, fund capital expenditures and fund other corporate investing and financing activities. EBITDA is used as the denominator in the consolidated leverage ratio calculation for covenant purposes under our senior revolving credit facility. EBITDA eliminates the non-cash effect of tangible asset depreciation and amortization and intangible asset amortization. EBITDA excluding investment gains/losses also eliminates the effect of non-brokerage investment-related gains and losses that are not likely to be indicative of the ongoing operations of our business. EBITDA and EBITDA excluding investment gains/losses should be considered in addition to, rather than as a substitute for, pre-tax income, net income and cash flows from operating activities.

EPS excluding investment gains/losses – Earnings per share (“EPS”) excluding investment gains/losses is a non-GAAP financial measure. We define EPS excluding investment gains/losses as earnings (loss) per share, adjusted to remove the after-tax effect of non-brokerage investment-related gains and losses. We consider EPS excluding investment gains/losses an important measure of our financial performance. Gains/losses on non-brokerage investments and investment-related derivatives are excluded because we believe they are not likely to be indicative of the ongoing operations of our business. EPS excluding investment gains/losses should be considered in addition to, rather than as a substitute for, GAAP earnings per share.

EPS from ongoing operations — EPS from ongoing operations is a non-GAAP financial measure. We define EPS from ongoing operations as earnings (loss) per share, adjusted to remove any significant unusual gains or charges. We consider EPS from ongoing operations an important measure of the financial performance of our ongoing business. Unusual gains and charges are excluded because we believe they are not likely to be indicative of the ongoing operations of our business. EPS from ongoing operations should be considered in addition to, rather than as a substitute for, GAAP earnings per share.

Fee-based investment balances — Client assets invested in money market mutual funds, other mutual funds and Company programs such as AdvisorDirect® and Amerinvest[™] on which we earn fee revenues. Fee revenues earned on these balances are included in *investment product fees* on our Consolidated Statements of Income.

Funded accounts – All open client accounts with a total *liquidation value* greater than zero, except *clearing accounts*.

Insured deposit account fees — Revenues resulting from the Money Market Deposit Account (“MMDA”) agreement with TD Bank USA, N.A. (“TD Bank USA”), a subsidiary of The Toronto-Dominion Bank (“TD”). Under the MMDA agreement, TD Bank USA makes available to clients of our broker-dealer subsidiaries FDIC-insured deposit accounts as designated sweep vehicles. With respect to the insured deposit accounts, our broker-dealer subsidiaries provide marketing and support services and act as recordkeeper for TD Bank USA and as agent for clients. In exchange for these services, TD Bank USA pays our broker-dealer subsidiaries a fee based on the yield earned on the client insured deposit account assets, less the actual interest cost paid to clients, actual interest cost incurred on borrowings, a flat fee to TD Bank USA of 25 basis points and the cost of FDIC insurance premiums.

Investment product fees – Revenues earned on *fee-based investment balances*. Investment product fees include fees earned on money market mutual funds, other mutual funds and through Company programs such as AdvisorDirect® and Amerinvest[™].

IRA accounts (Individual Retirement Arrangements) — A personal trust account for the exclusive benefit of a U.S. individual (or his or her beneficiaries) that provides tax advantages in accumulating funds to save for retirement or other qualified purposes. These accounts are subject to numerous restrictions on additions to and withdrawals from the account, as well as prohibitions against certain investments or transactions conducted within the account. The Company offers traditional, Roth, Savings Incentive Match Plan for Employees (SIMPLE) and Simplified Employee Pension (SEP) IRA accounts.

Liquid assets — Liquid assets is a non-GAAP financial measure. We define liquid assets as the sum of (a) corporate cash and cash equivalents, (b) corporate short-term investments, (c) regulatory net capital of (i) our clearing broker-dealer subsidiary in excess of 5% of aggregate debit items and (ii) our introducing broker-dealer subsidiaries in excess of 120% of the minimum dollar net capital requirement or in excess of 8 1/3% of aggregate indebtedness and (d) Tier 1 capital of our trust company in excess of the minimum dollar requirement. We include the excess capital of our broker-dealer and trust company subsidiaries in liquid assets, rather than simply including broker-dealer and trust cash and cash equivalents, because capital requirements may limit the amount of cash available for dividend from the broker-dealer and trust subsidiaries to the parent company. Excess capital, as defined under clauses (c) and (d) above, is generally available for dividend from the broker-dealer and trust subsidiaries to the parent company. We consider liquid assets an important measure of our liquidity and of our ability to fund corporate investing and financing activities. Liquid assets should be considered as a supplemental measure of liquidity, rather than as a substitute for cash and cash equivalents.

Liquidation value — The net value of a client's account holdings as of the close of a regular trading session. Liquidation value includes client cash and the value of long security positions, less margin balances and the cost to buy back short security positions.

Margin accounts — Brokerage accounts in which clients may borrow from the Company to buy securities or for any other purpose, subject to regulatory and Company-imposed limitations.

Net interest margin ("NIM") — A measure of the net yield on our average *spread-based assets*. Net interest margin is calculated for a given period by dividing the annualized sum of *net interest revenue* (excluding *net interest revenue* from *conduit-based assets*) and *insured deposit account fees* by average *spread-based assets*.

Net interest revenue — Net interest revenue is interest revenues less brokerage interest expense. Interest revenues are generated by charges to clients on margin balances maintained in *margin accounts*, the investment of cash from operations and *segregated cash* in short-term marketable securities and interest earned on *securities borrowing*. Brokerage interest expense consists of amounts paid or payable to clients based on credit balances maintained in *brokerage accounts* and interest incurred on *securities lending*. Brokerage interest expense does not include interest on Company non-brokerage borrowings.

Net new accounts or Net account growth — The number of new client accounts (funded and unfunded) opened in a specified period minus the number of client accounts closed in the same period.

Net new assets — Consists of total client asset inflows, less total client asset outflows, excluding activity from business combinations. Client asset inflows include interest and dividend payments and exclude changes in client assets due to market fluctuations. Net new assets are measured based on the market value of the assets as of the date of the inflows and outflows.

Operating expenses excluding advertising — Operating expenses excluding advertising is a non-GAAP financial measure. Operating expenses excluding advertising consists of total operating expenses, adjusted to remove advertising expense. We consider operating expenses excluding advertising an important measure of the financial performance of our ongoing business. Advertising spending is excluded because it is largely at the discretion of the Company, varies significantly from period to period based on market conditions and generally relates to the acquisition of future revenues through new accounts rather than current revenues from existing accounts. Operating expenses excluding advertising should be considered in addition to, rather than as a substitute for, total operating expenses.

Return on client assets (ROCA) — Annualized pre-tax income divided by average *client assets* during the period.

Securities borrowing — We borrow securities temporarily from other broker-dealers in connection with our broker-dealer business. We deposit cash as collateral for the securities borrowed, and generally earn interest revenue on the cash deposited with the counterparty.

Securities lending — We loan securities temporarily to other broker-dealers in connection with our broker-dealer business. We receive cash as collateral for the securities loaned, and generally incur interest expense on the cash deposited with us.

Segregated cash — Client cash and investments segregated in compliance with Rule 15c3-3 of the Securities Exchange Act of 1934 (the Customer Protection Rule) and other regulations. Interest earned on segregated cash is a component of *net interest revenue*.

Spread-based assets — Client and brokerage-related asset balances, including *client margin balances*, *segregated cash*, *insured deposit account* balances, deposits paid on *securities borrowing* (excluding *conduit-based assets*) and other cash and interest-earning investment balances. Spread-based assets is used in the calculation of our *net interest margin*.

Total accounts — All open client accounts (funded and unfunded), except *clearing accounts*.

Total trades — Revenue-generating client securities trades, which are executed by the Company's broker-dealer subsidiaries on an agency basis, excluding thinkorswim, Inc.'s active trader business. Total trades are a significant source of the Company's revenues. Such trades include, but are not limited to, trades in equities, options, futures, foreign exchange, mutual funds and debt instruments. Trades generate revenue from commissions, transaction fees and/or revenue-sharing arrangements with market destinations (also known as "payment for order flow").

Trading days — Days in which the U.S. equity markets are open for a full trading session. Reduced exchange trading sessions are treated as half trading days.

Transaction-based revenues — Revenues generated from client trade execution, consisting primarily of commissions, transaction clearing fees and revenue sharing arrangements with market destinations (also known as "payment for order flow").