TD AMERITRADE HOLDING CORP
Form 10-Q
August 05, 2014

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

FORM 10-Q

(Mark One)
x Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
for the quarterly period ended June 30, 2014
OR
¨ Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
for the transition period from to
Commission file number: 1-35509

TD Ameritrade Holding Corporation
(Exact name of registrant as specified in its charter)

Delaware	82-0543156
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

200 South 108th Avenue, Omaha, Nebraska, 68154
(Address of principal executive offices) (Zip Code)
(402) 331-7856
(Registrant's telephone number, including area code)

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, and (2) has been subject to such filing requirements for the past 90 days. Yes x 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 during the preceding 12 months. Yes x 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.

Large accelerated filer x	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 x
As of July 29, 2014, there were 547,471,360 outstanding shares of the registrant's common stock.

Table of Contents

TD AMERITRADE HOLDING CORPORATION
INDEX

Table of Contents

PART I – FINANCIAL INFORMATION
Item 1. – Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders
TD Ameritrade Holding Corporation

We have reviewed the condensed consolidated balance sheet of TD Ameritrade Holding Corporation and subsidiaries (the Company) as of June 30, 2014, and the related condensed consolidated statements of income and comprehensive income for the three-month and nine-month periods ended June 30, 2014 and 2013, and the condensed consolidated statements of cash flows for the nine-month periods ended June 30, 2014 and 2013. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of TD Ameritrade Holding Corporation and subsidiaries as of September 30, 2013, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for the year then ended (not presented herein) and we expressed an unqualified opinion on those consolidated financial statements in our report dated November 22, 2013. In our opinion, the accompanying condensed consolidated balance sheet of TD Ameritrade Holding Corporation and subsidiaries as of September 30, 2013, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ ERNST & YOUNG LLP
Chicago, Illinois
August 5, 2014

Table of Contents

TD AMERITRADE HOLDING CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	June 30, 2014	September 30, 2013
	(In millions)	
ASSETS		
Cash and cash equivalents	$1,260	$1,062
Cash and investments segregated and on deposit for regulatory purposes	5,258	5,894
Receivable from brokers, dealers and clearing organizations	1,315	1,348
Receivable from clients, net	11,231	8,984
Receivable from affiliates	116	117
Other receivables, net	128	137
Securities owned, at fair value	371	323
Property and equipment at cost, net	479	497
Goodwill	2,467	2,467
Acquired intangible assets, net	773	841
Other assets	181	166
Total assets	$23,579	$21,836
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Payable to brokers, dealers and clearing organizations	$2,537	$1,973
Payable to clients	14,265	13,183
Accounts payable and accrued liabilities	536	582
Payable to affiliates	5	4
Notes payable	150	—
Deferred revenue	9	14
Long-term debt	1,041	1,052
Deferred income taxes	338	352
Total liabilities	18,881	17,160
Stockholders' equity:		
Preferred stock, $0.01 par value; 100 million shares authorized, none issued	—	—
Common stock, $0.01 par value; one billion shares authorized; 631 million shares issued; June 30, 2014 - 549 million shares outstanding; September 30, 2013 - 550 million shares outstanding	6	6
Additional paid-in capital	1,610	1,592
Retained earnings	4,406	4,304
Treasury stock, common, at cost: June 30, 2014 - 82 million shares; September 30, 2013 - 81 million shares	(1,309)	(1,226)
Accumulated other comprehensive loss	(15)	—
Total stockholders' equity	4,698	4,676
Total liabilities and stockholders' equity	$23,579	$21,836

See notes to condensed consolidated financial statements.

TD AMERITRADE HOLDING CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2014	2013	2014	2013
	(In millions, except per share amounts)			
Revenues:				
Transaction-based revenues:				
Commissions and transaction fees	$317	$321	$1,019	$865
Asset-based revenues:				
Interest revenue	150	122	426	356
Brokerage interest expense	(1)	(2)	(5)	(5)
Net interest revenue	149	120	421	351
Insured deposit account fees	202	199	612	604
Investment product fees	79	65	226	182
Total asset-based revenues	430	384	1,259	1,137
Other revenues	16	20	49	53
Net revenues	763	725	2,327	2,055
Operating expenses:				
Employee compensation and benefits	189	176	565	522
Clearing and execution costs	35	30	98	81
Communications	29	28	84	85
Occupancy and equipment costs	39	42	116	121
Depreciation and amortization	24	22	71	63
Amortization of acquired intangible assets	22	23	68	68
Professional services	42	36	117	103
Advertising	48	56	205	184
Other	19	14	57	52
Total operating expenses	447	427	1,381	1,279
Operating income	316	298	946	776
Other expense (income):				
Interest on borrowings	6	6	18	19
Gain on sale of investments	—	(6)	—	(8)
Total other expense (income)	6	—	18	11
Pre-tax income	310	298	928	765
Provision for income taxes	120	114	352	291
Net income	$190	$184	$576	$474
Earnings per share - basic	$0.34	$0.33	$1.05	$0.86
Earnings per share - diluted	$0.34	$0.33	$1.04	$0.86
Weighted average shares outstanding - basic	551	550	551	548
Weighted average shares outstanding - diluted	555	554	555	553

Dividends declared per share	$0.12	$0.09	$0.86	$0.77

See notes to condensed consolidated financial statements.

Table of Contents

TD AMERITRADE HOLDING CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2014	2013	2014	2013
	(In millions)			
Net income	$190	$184	$576	$474
Other comprehensive income (loss), before tax:				
Investments available-for-sale:				
Net unrealized gain (loss)	—	(4)	—	23
Cash flow hedging instruments:				
Net unrealized loss	(15)	—	(24)	—
Total other comprehensive income (loss), before tax	(15)	(4)	(24)	23
Income tax effect	6	1	9	(9)
Total other comprehensive income (loss), net of tax	(9)	(3)	(15)	14
Comprehensive income	$181	$181	$561	$488

See notes to condensed consolidated financial statements.

TD AMERITRADE HOLDING CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended June 30,	
	2014	2013
	(In millions)	
Cash flows from operating activities:		
Net income	$576	$474
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	71	63
Amortization of acquired intangible assets	68	68
Deferred income taxes	(5)	13
Gain on sale of investments	—	(8)
Stock-based compensation	24	22
Excess tax benefits on stock-based compensation	(9)	(24)
Other, net	—	(1)
Changes in operating assets and liabilities:		
Cash and investments segregated and on deposit for regulatory purposes	636	(1,749)
Receivable from brokers, dealers and clearing organizations	33	46
Receivable from clients, net	(2,247)	(60)
Receivable from/payable to affiliates, net	2	(17)
Other receivables, net	9	(7)
Securities owned, at fair value	(48)	(5)
Other assets	(40)	(9)
Payable to brokers, dealers and clearing organizations	564	922
Payable to clients	1,082	902
Accounts payable and accrued liabilities	(59)	(68)
Deferred revenue	(5)	(12)
Net cash provided by operating activities	652	550
Cash flows from investing activities:		
Purchase of property and equipment	(54)	(124)
Proceeds from sale and maturity of short-term investments	1	151
Proceeds from sale of investments	13	10
Other, net	—	1
Net cash provided by (used in) investing activities	(40)	38

See notes to condensed consolidated financial statements.

Table of Contents

TD AMERITRADE HOLDING CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS – (Continued)
(Unaudited)

	Nine Months Ended June 30,	
	2014	2013
	(In millions)	
Cash flows from financing activities:		
Principal payments on long-term debt	$—	$(250)
Proceeds from notes payable	230	275
Principal payments on notes payable	(80)	(180)
Payment of cash dividends	(474)	(421)
Proceeds from exercise of stock options: Nine months ended June 30, 2014 - 0.4 million shares; 2013 - 4.6 million shares	7	19
Purchase of treasury stock: Nine months ended June 30, 2014 - 3.5 million shares; 2013 - 0.3 million shares	(106)	(5)
Principal payments on capital lease obligations	—	(2)
Excess tax benefits on stock-based compensation	9	24
Net cash used in financing activities	(414)	(540)
Net increase in cash and cash equivalents	198	48
Cash and cash equivalents at beginning of period	1,062	915
Cash and cash equivalents at end of period	$1,260	$963
Supplemental cash flow information:		
Interest paid	$22	$25
Income taxes paid	$367	$259

See notes to condensed consolidated financial statements.

Table of Contents

TD AMERITRADE HOLDING CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Three Month and Nine Month Periods Ended June 30, 2014 and 2013
(Unaudited)

1. BASIS OF PRESENTATION

The condensed consolidated financial statements include the accounts of TD Ameritrade Holding Corporation (the "Parent") and its wholly-owned subsidiaries (collectively, the “Company”). Intercompany balances and transactions have been eliminated.

These financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”) and, in the opinion of management, reflect all adjustments, which are all of a normal recurring nature, necessary to present fairly the financial position, results of operations and cash flows for the periods presented in conformity with U.S. generally accepted accounting principles ("GAAP"). These financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company’s annual report filed on Form 10-K for the fiscal year ended September 30, 2013.

Recently Adopted Accounting Pronouncements

ASU 2011-11 — On October 1, 2013 the Company retrospectively adopted, for all comparative periods presented, Accounting Standards Update (“ASU”) 2011-11, Disclosures about Offsetting Assets and Liabilities, and ASU 2013-01, Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities. The amendments in these ASUs enhance disclosures by requiring additional information about financial and derivative instruments, including bifurcated embedded derivatives, repurchase agreements and reverse repurchase agreements, and securities borrowing and securities lending transactions that are either (1) offset (netting assets and liabilities) in accordance with Section 210-20-45 or Section 815-10-45 of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification (“ASC”) or (2) subject to an enforceable master netting arrangement or similar agreement. Adoption of ASU 2011-11 and ASU 2013-01 resulted only in the additional disclosures presented in Note 9.

Recently Issued Accounting Pronouncements

ASU 2014-09 — In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers, to clarify the principles of recognizing revenue from contracts with customers and to improve financial reporting by creating common revenue recognition guidance for U.S. GAAP and International Financial Reporting Standards. This ASU will supersede the revenue recognition requirements in ASC Topic 605, Revenue Recognition and most industry-specific guidance. Entities are required to apply the following steps when recognizing revenue under ASU 2014-09: (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and, (5) recognize revenue when (or as) the entity satisfies a performance obligation. This ASU also requires additional disclosures related to the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts. An entity may apply the amendments in ASU 2014-09 by using one of the following two methods: (1) retrospective application to each prior reporting period presented or (2) a modified retrospective approach, requiring the standard be applied only to the most current period presented, with the cumulative effect of initially applying the standard recognized at the date of initial application. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Therefore, ASU 2014-09 will be effective for the Company's fiscal year beginning October 1, 2017. Early adoption is not permitted. The Company is currently assessing the impact that ASU 2014-09 will have on the Company's financial statements and evaluating which adoption method to apply.

ASU 2014-11 — In June 2014, the FASB issued ASU 2014-11, Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures. The amendments in ASU 2014-11 will require entities to account for repurchase-to-maturity transactions and linked repurchase financings as secured borrowings, which is consistent with the accounting for other repurchase agreements. The amendments also require new disclosures, including information regarding collateral pledged in securities lending transactions and similar transactions that are accounted for as secured borrowings. The accounting changes in ASU 2014-11 are effective for the first interim or annual period beginning after December 15, 2014, and the new disclosures related to collateral pledged in transactions that are accounted for as secured borrowings are required to be presented for annual periods beginning after December 15, 2014 and for interim periods beginning after March 15, 2015. Because the Company does not act as a transferor in repurchase-to-maturity transactions or linked repurchase financings, the Company's adoption of ASU 2014-11 is not expected to result in any accounting changes. The new disclosure requirements of ASU 2014-11 will be effective for the Company's fiscal quarter beginning April 1, 2015.

Table of Contents

2. CASH AND CASH EQUIVALENTS

The Company's cash and cash equivalents is summarized in the following table (dollars in millions):

	June 30, 2014	September 30, 2013
Corporate	$326	$429
Broker-dealer subsidiaries	871	540
Trust company subsidiary	54	74
Investment advisory subsidiaries	9	19
Total	$1,260	$1,062

Capital requirements may limit the amount of cash available for dividend from the broker-dealer and trust company subsidiaries to the parent company. Most of the trust company cash and cash equivalents arises from client transactions in the process of settlement, and therefore is generally not available for corporate purposes. Cash and cash equivalents of the investment advisory subsidiaries is generally not available for corporate purposes.

3. CASH AND INVESTMENTS SEGREGATED AND ON DEPOSIT FOR REGULATORY PURPOSES

Cash and investments segregated and on deposit for regulatory purposes consists of the following (dollars in millions):

	June 30, 2014	September 30, 2013
Reverse repurchase agreements (collateralized by U.S. government debt securities)	$1,494	$2,618
U.S. government debt securities	2,926	1,995
Cash in demand deposit accounts	617	1,154
Cash on deposit with futures commission merchant	171	77
U.S. government debt securities on deposit with futures commission merchant	50	50
Total	$5,258	$5,894

4. INCOME TAXES

The Company's effective income tax rate for the nine months ended June 30, 2014 was 37.9%, compared to 38.0% for the nine months ended June 30, 2013. The provision for income taxes for the nine months ended June 30, 2014 includes $9 million of favorable resolutions of state income tax matters, partially offset by $2 million of unfavorable deferred income tax adjustments resulting from state income tax law changes. These items had a net favorable impact on the Company's earnings for the nine months ended June 30, 2014 of approximately one cent per share.

5. NOTES PAYABLE AND LONG-TERM DEBT

Notes payable and long-term debt consist of the following (dollars in millions):

June 30, 2014	Face Value	Fair Value Adjustment (1)	Net Carrying Value
Notes payable:			
Parent Revolving Facility	$150	$—	$150
Senior Notes:			
4.150% Senior Notes due 2014	500	5	505
5.600% Senior Notes due 2019	500	36	536
Subtotal – Long-term debt	1,000	41	1,041
Total notes payable and long-term debt	$1,150	$41	$1,191

Table of Contents

September 30, 2013	Face Value	Fair Value Adjustment (1)	Net Carrying Value
Senior Notes:			
4.150% Senior Notes due 2014	$500	$15	$515
5.600% Senior Notes due 2019	500	37	537
Total long-term debt	$1,000	$52	$1,052

(1) Fair value adjustments relate to changes in the fair value of the debt while in a fair value hedging relationship. See "Fair Value Hedging" below.

Fair Value Hedging – The Company is exposed to changes in the fair value of its fixed-rate Senior Notes resulting from interest rate fluctuations. To hedge this exposure, on December 30, 2009, the Company entered into a fixed-for-variable interest rate swap on the 4.150% Senior Notes due December 1, 2014 (the "2014 Notes") for a notional amount of $500 million, with a maturity date matching the maturity date of the 2014 Notes. In addition, on January 7, 2011, the Company entered into a fixed-for-variable interest rate swap on the 5.600% Senior Notes due December 1, 2019 (the "2019 Notes" and, collectively with the 2014 Notes, the "Senior Notes") for a notional amount of $500 million, with a maturity date matching the maturity date of the 2019 Notes. The interest rate swaps effectively change the fixed-rate interest on the Senior Notes to variable-rate interest. Under the terms of the interest rate swap agreements, the Company receives semi-annual fixed-rate interest payments based on the same rates applicable to the Senior Notes, and makes quarterly variable-rate interest payments based on three-month LIBOR plus (a) 1.245% for the swap on the 2014 Notes and (b) 2.3745% for the swap on the 2019 Notes. As of June 30, 2014, the weighted average effective interest rate on the Senior Notes was 2.04%.

The interest rate swaps are accounted for as fair value hedges and qualify for the shortcut method of accounting. Changes in the payment of interest resulting from the interest rate swaps are recorded in interest on borrowings on the Condensed Consolidated Statements of Income. Changes in fair value of the interest rate swaps are completely offset by changes in fair value of the related notes, resulting in no effect on net income. The following table summarizes gains and losses resulting from changes in the fair value of the interest rate swaps and the hedged fixed-rate debt for the periods indicated (dollars in millions):

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2014	2013	2014	2013
Gain (loss) on fair value of interest rate swaps	$1	$(26)	$(11)	$(42)
Gain (loss) on fair value of hedged fixed-rate debt	(1)	26	11	42
Net gain (loss) recorded in interest on borrowings	$—	$—	$—	$—

Cash Flow Hedging – The Company plans to refinance its 2014 Notes on or near their December 1, 2014 maturity date. On January 17, 2014, the Company entered into forward-starting interest rate swap contracts with an aggregate notional amount of $500 million to hedge against changes in the benchmark interest rate component of future interest payments resulting from the anticipated fixed-rate debt issuance. The Company has designated the contracts as a cash flow hedge of the future interest payments. The Company expects to settle the swap contracts in cash upon the earlier of the date of the debt issuance or December 1, 2014. If, upon settlement, the current 10-year LIBOR swap rate is greater than the fixed rate (3.341%) of the swap contracts, the Company would realize a gain and receive a payment from the contract counterparties. However, if, at the time of settlement, the current 10-year LIBOR swap rate is less than the fixed rate of the swap contracts, the Company would realize a loss and be required to make a payment to the contract counterparties.

Under cash flow hedge accounting, until settlement the swap contracts are carried at fair value and, to the extent they are an effective hedge, any unrealized gains or losses are recorded in other comprehensive income (loss). Any ineffective portion of the unrealized gains or losses is immediately recorded into earnings. The Company evaluates the effectiveness of forward-starting interest rate swap agreements on a quarterly basis. The Company did not record any ineffectiveness for the nine months ended June 30, 2014. Upon settlement, any realized gain or loss that has been recorded in other comprehensive income (loss) will be amortized into earnings over the term of the newly-issued fixed-rate debt. As of June 30, 2014, the Company expects to reclassify $1.4 million of pre-tax net unrealized losses, that are currently reported in accumulated other comprehensive loss, into earnings within the next 12 months.

Table of Contents

The following table summarizes pre-tax losses resulting from changes in the fair value of the forward-starting interest rate swaps for the periods indicated (dollars in millions):

	Amount of Loss Recognized in Other Comprehensive Income (Loss) (Effective Portion)			
	Three Months Ended June 30,		Nine Months Ended June 30,	
	2014	2013	2014	2013
Forward-starting interest rate swaps	$(15)	$—	$(24)	$—

Balance Sheet Impact of Hedging Instruments — The following table summarizes the fair value of outstanding derivatives designated as hedging instruments on the Condensed Consolidated Balance Sheets (dollars in millions):

	Balance Sheet Location	June 30, 2014	September 30, 2013
Interest rate contracts:			
Pay-variable interest rate swaps designated as fair value hedges	Other assets	$41	$52
Forward-starting interest rate swaps designated as cash flow hedges	Accounts payable and accrued liabilities	$(24)	$—

The interest rate swaps are subject to counterparty credit risk. Credit risk is managed by limiting activity to approved counterparties that meet a minimum credit rating threshold, by entering into credit support agreements, or by utilizing approved central clearing counterparties registered with the Commodity Futures Trading Commission ("CFTC"). The interest rate swaps require daily collateral coverage, in the form of cash or U.S. Treasury securities, for the aggregate fair value of the interest rate swaps. As of June 30, 2014 and September 30, 2013, the pay-variable interest rate swap counterparties had pledged $44 million and $67 million of collateral, respectively, to the Company in the form of cash. A liability for collateral pledged to the Company in the form of cash is recorded in accounts payable and accrued liabilities on the Condensed Consolidated Balance Sheets. As of June 30, 2014, the Company had pledged $38 million of collateral to the forward-starting interest rate swap counterparties in the form of cash. An asset for collateral pledged to the swap counterparties in the form of cash is recorded in other assets on the Condensed Consolidated Balance Sheets.

TD Ameritrade Holding Corporation Credit Agreement — On June 11, 2014, the Parent entered into a credit agreement consisting of a senior unsecured revolving credit facility in the aggregate principal amount of $300 million (the “Parent Revolving Facility”). The Parent Revolving Facility replaced the Parent's prior $300 million unsecured revolving credit facility, which was scheduled to expire on June 28, 2014. The maturity date of the Parent Revolving Facility is June 11, 2019.

The applicable interest rate under the Parent Revolving Facility is calculated as a per annum rate equal to, at the option of the Parent, (a) LIBOR plus an interest rate margin (“Parent LIBOR loans”) or (b) (i) the highest of (x) the prime rate, (y) the federal funds effective rate plus 0.50% or (z) one-month LIBOR plus 1.00%, plus (ii) an interest rate margin (“Base Rate loans”). The interest rate margin ranges from 0.875% to 1.75% for Parent LIBOR loans and from 0% to 0.75% for Base Rate loans, determined by reference to the Company’s public debt ratings. The Parent is obligated to pay a commitment fee ranging from 0.10% to 0.25% on any unused amount of the Parent Revolving Facility, determined by reference to the Company's public debt ratings.

As of June 30, 2014, there was $150 million of borrowings outstanding under the Parent Revolving Facility, consisting of Parent LIBOR loans. As of June 30, 2014, the commitment fee was 0.15% and the interest rate margin was 1.25%, each determined by reference to the Company’s public debt ratings, and the interest rate was 1.40%, based on one-month LIBOR plus the interest rate margin.

The obligations under the Parent Revolving Facility are guaranteed by TD Ameritrade Online Holdings Corp. (“TDAOH”), a wholly-owned subsidiary of the Parent, and each “significant subsidiary” (as defined in SEC Rule 1-02(w) of Regulation S-X) of the Parent, other than broker-dealer subsidiaries, futures commission merchant subsidiaries and controlled foreign corporations. Currently, the only subsidiary guarantor of the obligations under the Parent Revolving Facility is TDAOH.

The Parent Revolving Facility contains negative covenants that limit or restrict, subject to certain exceptions, the incurrence of liens, indebtedness of subsidiaries, mergers, consolidations, transactions with affiliates, change in nature of business and the sale of all or substantially all of the assets of the Company. The Parent is also required to maintain compliance with a maximum consolidated leverage ratio covenant and a minimum consolidated interest coverage ratio covenant, and the Company's broker-

Table of Contents

dealer subsidiaries are required to maintain compliance with a minimum regulatory net capital covenant. The Company was in compliance with all covenants under the Parent Revolving Facility as of June 30, 2014.

TD Ameritrade Clearing, Inc. Credit Agreement - On June 11, 2014, TD Ameritrade Clearing, Inc. (“TDAC”), the Company’s clearing broker-dealer subsidiary, entered into a credit agreement consisting of a senior unsecured revolving credit facility in the aggregate principal amount of $300 million (the “TDAC Revolving Facility”). The TDAC Revolving Facility replaced TDAC’s prior $300 million unsecured revolving credit facility, which was scheduled to expire on June 28, 2014. The maturity date of the TDAC Revolving Facility is June 11, 2019. The applicable interest rate under the TDAC Revolving Facility is calculated as a per annum rate equal to, at the option of TDAC, (a) LIBOR plus an interest rate margin (“TDAC LIBOR loans”) or (b) the federal funds effective rate plus an interest rate margin (“Fed Funds Rate loans”). The interest rate margin ranges from 0.75% to 1.50% for both TDAC LIBOR loans and Fed Funds Rate loans, determined by reference to the Company’s public debt ratings. TDAC is obligated to pay a commitment fee ranging from 0.08% to 0.20% on any unused amount of the TDAC Revolving Facility, determined by reference to the Company’s public debt ratings. As of June 30, 2014, the interest rate margin would have been 1.00% for both TDAC LIBOR loans and Fed Funds Rate loans, and the commitment fee was 0.125%, each determined by reference to the Company’s public debt ratings. There were no borrowings outstanding under the TDAC Revolving Facility as of June 30, 2014.

The TDAC Revolving Facility contains negative covenants that limit or restrict, subject to certain exceptions, the incurrence of liens, indebtedness of TDAC, mergers, consolidations, change in nature of business and the sale of all or substantially all of the assets of TDAC. TDAC is also required to maintain minimum tangible net worth and is required to maintain compliance with minimum regulatory net capital requirements. TDAC was in compliance with all covenants under the TDAC Revolving Facility as of June 30, 2014.

6. CAPITAL REQUIREMENTS

The Company’s broker-dealer subsidiaries are subject to the SEC Uniform Net Capital Rule (Rule 15c3-1 under the Securities Exchange Act of 1934, or the “Exchange Act”), administered by the SEC and the Financial Industry Regulatory Authority (“FINRA”), which requires the maintenance of minimum net capital, as defined. Net capital and the related net capital requirement may fluctuate on a daily basis.

TD Ameritrade Clearing, Inc., the Company’s clearing broker-dealer subsidiary, and TD Ameritrade, Inc., the Company’s introducing broker-dealer subsidiary, compute net capital under the alternative method as permitted by Rule 15c3-1. TDAC is required to maintain minimum net capital of the greater of $1.5 million, which is based on the type of business conducted by the broker-dealer, or 2% of aggregate debit balances arising from client transactions. Under Rule 15c3-1, TD Ameritrade, Inc. is required to maintain minimum net capital of the greater of $250,000 or 2% of aggregate debit balances. As a futures commission merchant registered with the CFTC, TD Ameritrade, Inc. is also subject to CFTC Regulation 1.17 under the Commodity Exchange Act, administered by the CFTC and the National Futures Association, which requires the maintenance of minimum net capital of the greatest of (a) $1.0 million, (b) its futures risk-based capital requirement, equal to 8% of the total risk margin requirement for all futures positions carried by the futures commission merchant in client and nonclient accounts, or (c) its Rule 15c3-1 net capital requirement. Under the alternative method, a broker-dealer may not repay any subordinated borrowings, pay cash dividends or make any unsecured advances or loans to its parent company or employees if such payment would result in a net capital amount of (a) less than 5% of aggregate debit balances, (b) less than 110% of its risk-based capital requirement under CFTC Regulation 1.17, or (c) less than 120% of its minimum dollar requirement. These net capital thresholds, which are specified in Exchange Act Rule 17a-11 and CFTC Regulation 1.12, are typically referred to as “early warning” net capital thresholds.

Table of Contents

Net capital and net capital requirements for the Company's broker-dealer subsidiaries are summarized in the following tables (dollars in millions):

TD Ameritrade Clearing, Inc.

Date	Net Capital	Required Net Capital (2% of Aggregate Debit Balances)	Net Capital in Excess of Required Net Capital	Net Capital in Excess of Early Warning Threshold (5% of Aggregate Debit Balances)	Ratio of Net Capital to Aggregate Debit Balances
June 30, 2014	$1,560	$271	$1,289	$883	11.52 %
September 30, 2013	$1,302	$222	$1,080	$746	11.70 %

TD Ameritrade, Inc.

Date	Net Capital	Required Net Capital (8% of Total Risk Margin)	Net Capital in Excess of Required Net Capital	Net Capital in Excess of Early Warning Threshold (110% of Required Net Capital)
June 30, 2014	$284	$17	$267	$265
September 30, 2013	$305	$10	$295	$294

The Company's non-depository trust company subsidiary, TD Ameritrade Trust Company ("TDATC"), is subject to capital requirements established by the State of Maine, which require TDATC to maintain minimum Tier 1 capital, as defined. TDATC's Tier 1 capital was $26 million and $23 million as of June 30, 2014 and September 30, 2013, respectively, which exceeded the required Tier 1 capital by $11 million and $8 million, respectively.

7. COMMITMENTS AND CONTINGENCIES

Legal and Regulatory Matters

Reserve Fund Matters – During September 2008, The Reserve, an independent mutual fund company, announced that the net asset value of the Reserve Yield Plus Fund declined below $1.00 per share. The Yield Plus Fund was not a money market mutual fund, but its stated objective was to maintain a net asset value of $1.00 per share. TD Ameritrade, Inc.'s clients continue to hold shares in the Yield Plus Fund (now known as "Yield Plus Fund – In Liquidation"), which is being liquidated. On July 23, 2010, The Reserve announced that through that date it had distributed approximately 94.8% of the Yield Plus Fund assets as of September 15, 2008 and that the Yield Plus Fund had approximately $39.7 million in total remaining assets. The Reserve stated that the fund's Board of Trustees has set aside almost the entire amount of the remaining assets to cover potential claims, fees and expenses. The Company estimates that TD Ameritrade, Inc. clients' current positions held in the Reserve Yield Plus Fund amount to approximately 79% of the fund.

On January 27, 2011, TD Ameritrade, Inc. entered into a settlement with the SEC, agreeing to pay $0.012 per share to all eligible current or former clients that purchased shares of the Yield Plus Fund and continued to own those shares. Clients who purchased Yield Plus Fund shares through independent registered investment advisors were not eligible for the payment. In February 2011, the Company paid clients approximately $10 million under the settlement agreement.

In November 2008, a purported class action lawsuit was filed with respect to the Yield Plus Fund. The lawsuit is captioned Ross v. Reserve Management Company, Inc. et al. and is pending in the U.S. District Court for the Southern District of New York. The Ross lawsuit is on behalf of persons who purchased shares of Reserve Yield Plus Fund. On November 20, 2009, the plaintiffs filed a first amended complaint naming as defendants the fund's advisor, certain of its affiliates and the Company and certain of its directors, officers and shareholders as alleged control persons. The complaint alleges claims of violations of the federal securities laws and other claims based on allegations that false and misleading statements and omissions were made in the Reserve Yield Plus Fund prospectuses and in other statements regarding the fund. The complaint seeks an unspecified amount of compensatory damages including interest, attorneys' fees, rescission, exemplary damages and equitable relief. On January 19, 2010, the defendants submitted motions to dismiss the complaint. The motions are pending.

The Company estimates that its clients' current aggregate shortfall, based on the original par value of their holdings in the Yield Plus Fund, less the value of fund distributions to date and payments to clients under the SEC settlement, is approximately $36 million. This amount does not take into account any assets remaining in the fund that may become available for future distributions.

The Company is unable to predict the outcome or the timing of the ultimate resolution of the Ross lawsuit, or the potential loss, if any, that may result. However, management believes the outcome is not likely to have a material adverse effect on the financial condition, results of operations or cash flows of the Company.

Other Legal and Regulatory Matters – The Company is subject to a number of other lawsuits, arbitrations, claims and other legal proceedings in connection with its business. Some of these legal actions include claims for substantial or unspecified compensatory and/or punitive damages. In addition, in the normal course of business, the Company discusses matters with its regulators raised during regulatory examinations or otherwise subject to their inquiry. These matters could result in censures, fines, penalties or other sanctions. ASC 450, Loss Contingencies, governs the recognition and disclosure of loss contingencies, including potential losses from legal and regulatory matters. ASC 450 categorizes loss contingencies using three terms based on the likelihood of occurrence of events that result in a loss: "probable" means that "the future event or events are likely to occur;" "remote" means that "the chance of the future event or events occurring is slight;" and "reasonably possible" means that "the chance of the future event or events occurring is more than remote but less than likely." Under ASC 450, the Company accrues for losses that are considered both probable and reasonably estimable. The Company may incur losses in addition to the amounts accrued where the losses are greater than estimated by management, or for matters for which an unfavorable outcome is considered reasonably possible, but not probable.

The Company estimates that the aggregate range of reasonably possible losses in excess of amounts accrued is from $0 to $35 million as of June 30, 2014. This estimated aggregate range of reasonably possible losses is based upon currently available information for those legal and regulatory matters in which the Company is involved, taking into account the Company's best estimate of reasonably possible losses for those cases as to which an estimate can be made. For certain cases, the Company does not believe an estimate can currently be made, as some cases are in preliminary stages and some cases have no specific amounts claimed. The Company's estimate involves significant judgment, given the varying stages of the proceedings and the inherent uncertainty of predicting outcomes. The estimated range will change from time to time as the underlying matters, stages of proceedings and available information change. Actual losses may vary significantly from the current estimated range.

The Company believes, based on its current knowledge and after consultation with counsel, that the ultimate disposition of these legal and regulatory matters, individually or in the aggregate, is not likely to have a material adverse effect on the financial condition or cash flows of the Company. However, in light of the uncertainties involved in such matters, the Company is unable to predict the outcome or the timing of the ultimate resolution of these matters, or the potential losses, fines, penalties or equitable relief, if any, that may result, and it is possible that the ultimate resolution of one or more of these matters may be material to the Company's results of operations for a particular reporting period.

Income Taxes

The Company's federal and state income tax returns are subject to examination by taxing authorities. Because the application of tax laws and regulations to many types of transactions is subject to varying interpretations, amounts reported in the condensed consolidated financial statements could be significantly changed at a later date upon final determinations by taxing authorities. The Toronto-Dominion Bank ("TD") has agreed to indemnify the Company for tax obligations, if any, pertaining to activities of TD Waterhouse Group, Inc. ("TD Waterhouse") prior to the Company's acquisition of TD Waterhouse in January 2006.

General Contingencies

In the ordinary course of business, there are various contingencies that are not reflected in the condensed consolidated financial statements. These include the Company's broker-dealer subsidiaries' client activities involving the execution, settlement and financing of various client securities, options, futures and foreign exchange transactions. These activities may expose the Company to credit risk in the event the clients are unable to fulfill their contractual obligations.

The Company extends margin credit and leverage to its clients. In margin transactions, the Company extends credit to the client, subject to various regulatory and internal margin requirements, collateralized by cash and securities in the client's account. In connection with these activities, the Company also executes and clears client transactions involving the sale of securities not yet purchased ("short sales"). Such margin-related transactions may expose the Company to credit risk in the event a client's assets are not sufficient to fully cover losses that the client may incur. Leverage involves securing a large potential future obligation with a lesser amount of cash and securities. The risks associated with margin credit and leverage increase during periods of rapid market movements, or in cases where leverage or collateral is concentrated and market movements occur. In the event the client fails to satisfy its obligations, the Company has the authority to purchase or sell financial instruments in the client's account at prevailing market prices in order to fulfill the client's obligations. However, during periods of rapid market movements, clients who utilize margin credit or leverage and who have collateralized their obligations with securities may find that the securities have

Table of Contents

a rapidly depreciating value and may not be sufficient to cover their obligations in the event of liquidation. The Company seeks to mitigate the risks associated with its client margin and leverage activities by requiring clients to maintain margin collateral in compliance with various regulatory and internal guidelines. The Company monitors required margin levels throughout each trading day and, pursuant to such guidelines, requires clients to deposit additional collateral, or to reduce positions, when necessary.

The Company loans securities temporarily to other broker-dealers in connection with its broker-dealer business. The Company receives cash as collateral for the securities loaned. Increases in securities prices may cause the market 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, the Company may be exposed to the risk of acquiring the securities at prevailing market prices in order to satisfy its client obligations. The Company mitigates this risk by requiring credit approvals for counterparties, by monitoring the market value of securities loaned on a daily basis and requiring additional cash as collateral when necessary, and by participating in a risk-sharing program offered through the Options Clearing Corporation ("OCC").

The Company borrows securities temporarily from other broker-dealers in connection with its broker-dealer business. The Company deposits cash as collateral for the securities borrowed. Decreases in securities prices may cause the market value of the securities borrowed to fall below the amount of cash deposited as collateral. In the event the counterparty to these transactions does not return the cash deposited, the Company may be exposed to the risk of selling the securities at prevailing market prices. The Company mitigates this risk by requiring credit approvals for counterparties, by monitoring the collateral values on a daily basis and requiring collateral to be returned by the counterparties when necessary, and by participating in a risk-sharing program offered through the OCC.

The Company transacts in reverse repurchase agreements (securities purchased under agreements to resell) in connection with its broker-dealer business. The Company's policy is to take possession or control of securities with a market value in excess of the principal amount loaned, plus accrued interest, in order to collateralize resale agreements. The Company monitors the market value of the underlying securities that collateralize the related receivable on resale agreements on a daily basis and may require additional collateral when deemed appropriate.

The following table summarizes the fair values of client margin securities and stock borrowings that were available to the Company to utilize as collateral on various borrowings or for other purposes, and the amount of that collateral loaned or repledged by the Company (dollars in billions):

	June 30, 2014	September 30, 2013
Client margin securities	$15.6	$12.5
Stock borrowings	1.1	1.2
Total collateral available	$16.7	$13.7
Collateral loaned	$2.5	$1.9
Collateral repledged	2.0	1.8
Total collateral loaned or repledged	$4.5	$3.7

The Company is subject to cash deposit and collateral requirements with clearinghouses based on its clients' trading activity. The following table summarizes cash deposited with and securities pledged to clearinghouses by the Company (dollars in millions):

Assets	Balance Sheet Classification	June 30, 2014	September 30, 2013
Cash	Receivable from brokers, dealers and clearing organizations	$171	$115
U.S. government debt securities	Securities owned, at fair value	166	61
Total		$337	$176

Guarantees

The Company is a member of and provides guarantees to securities clearinghouses and exchanges in connection with client trading activities. Under related agreements, the Company is generally required to guarantee the performance of other members. Under these agreements, if a member becomes unable to satisfy its obligations to the clearinghouse, other members would be required to meet shortfalls. The Company's liability under these arrangements is not quantifiable and could exceed the cash and securities it has posted to the clearinghouse as collateral. However, the potential for the Company to be required to make payments under these agreements is considered remote. Accordingly, no contingent liability is carried on the Condensed Consolidated Balance Sheets for these guarantees.

Table of Contents

The Company clears its clients' futures transactions on an omnibus account basis through unaffiliated clearing firms. The Company has agreed to indemnify the unaffiliated clearing firms for any loss that they may incur for the client transactions introduced to them by the Company.

See "Insured Deposit Account Agreement" in Note 12 for a description of a guarantee included in that agreement.

8. FAIR VALUE DISCLOSURES

Fair Value Measurement — Definition and Hierarchy

ASC 820-10, Fair Value Measurement, defines fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date.

ASC 820-10 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability, developed based on market data obtained from sources independent of the Company. Unobservable inputs reflect the Company's own assumptions about the assumptions market participants would use in pricing the asset or liability, developed based on the best information available in the circumstances.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels, as follows:

- Level 1— Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access. This category includes active exchange-traded funds, money market mutual funds, mutual funds and equity securities.
- Level 2— Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Such inputs include quoted prices in markets that are not active, quoted prices for similar assets and liabilities in active and inactive markets, inputs other than quoted prices that are observable for the asset or liability and inputs that are derived principally from or corroborated by observable market data by correlation or other means. This category includes most debt securities and other interest-sensitive financial instruments.
- Level 3 — Unobservable inputs for the asset or liability, where there is little, if any, observable market activity or data for the asset or liability.

Table of Contents

The following tables present the Company's fair value hierarchy for assets and liabilities measured at fair value on a recurring basis as of June 30, 2014 and September 30, 2013 (dollars in millions):

	As of June 30, 2014			
	Level 1	Level 2	Level 3	Fair Value
Assets:				
Cash equivalents:				
Money market mutual funds	$1,132	$—	$—	$1,132
Investments segregated for regulatory purposes:				
U.S. government debt securities	—	2,976	—	2,976
Securities owned:				
Auction rate securities	—	—	3	3
Money market and other mutual funds	—	—	1	1
U.S. government debt securities	—	357	—	357
Other	6	4	—	10
Subtotal - Securities owned	6	361	4	371
Other assets:				
Pay-variable interest rate swaps(1)	—	41	—	41
U.S. government debt securities	—	4	—	4
Subtotal - Other assets	—	45	—	45
Total assets at fair value	$1,138	$3,382	$4	$4,524
Liabilities:				
Accounts payable and accrued liabilities:				
Forward-starting interest rate swaps(2)	$—	$24	$—	$24
Securities sold, not yet purchased:				
Equity securities	15	—	—	15
Total liabilities at fair value	$15	$24	$—	$39

(1) See "Fair Value Hedging" in Note 5 for details.
(2) See "Cash Flow Hedging" in Note 5 for details.

Table of Contents

	As of September 30, 2013			
	Level 1	Level 2	Level 3	Fair Value
Assets:				
Cash equivalents:				
Money market mutual funds	$969	$—	$—	$969
Investments segregated for regulatory purposes:				
U.S. government debt securities	—	2,045	—	2,045
Securities owned:				
Auction rate securities	—	—	5	5
Money market and other mutual funds	—	—	1	1
U.S. government debt securities	—	313	—	313
Other	1	3	—	4
Subtotal - Securities owned	1	316	6	323
Other assets:				
Equity securities	13	—	—	13
Pay-variable interest rate swaps(1)	—	52	—	52
U.S. government debt securities	—	4	—	4
Subtotal - Other assets	13	56	—	69
Total assets at fair value	$983	$2,417	$6	$3,406
Liabilities:				
Accounts payable and accrued liabilities:				
Securities sold, not yet purchased:				
Equity securities	$13	$—	$—	$13

(1) See “Fair Value Hedging” in Note 5 for details.

There were no transfers between any levels of the fair value hierarchy during the periods covered by this report.

Valuation Techniques

In general, and where applicable, the Company uses quoted prices in active markets for identical assets or liabilities to determine fair value. This pricing methodology applies to the Company’s Level 1 assets and liabilities. If quoted prices in active markets for identical assets and liabilities are not available to determine fair value, then the Company uses quoted prices for similar assets and liabilities or inputs other than the quoted prices that are observable, either directly or indirectly. This pricing methodology applies to the Company’s Level 2 assets and liabilities.

Level 2 Measurements:

Debt Securities – Fair values for debt securities are based on prices obtained from an independent pricing vendor. The primary inputs to the valuation include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, contractual cash flows, benchmark yields and credit spreads. The Company validates the vendor pricing by periodically comparing it to pricing from another independent pricing service. The Company has not adjusted prices obtained from the independent pricing vendor for any periods presented in the condensed consolidated financial statements because no significant pricing differences have been observed.

Interest Rate Swaps – These derivatives are valued by the Company using a valuation model provided by a third party service that incorporates interest rate yield curves, which are observable for substantially the full term of the contract. The valuation model is widely accepted in the financial services industry and does not involve significant judgment because most of the inputs are observable in the marketplace. Credit risk is not an input to the valuation because in each case the Company or counterparty has possession of collateral, in the form of cash or U.S. Treasury securities, in amounts equal to or exceeding the fair value of the

19

Table of Contents

interest rate swaps. The Company validates the third party service valuations by comparing them to valuation models provided by the swap counterparties.

Level 3 Measurements:

The Company has no material assets or liabilities classified as Level 3 of the fair value hierarchy.

Fair Value of Financial Instruments Not Recorded at Fair Value

Cash and cash equivalents, receivable from/payable to brokers, dealers and clearing organizations, receivable from/payable to clients, receivable from/payable to affiliates, other receivables, accounts payable and accrued liabilities and notes payable are short-term in nature and accordingly are carried at amounts that approximate fair value. Cash and cash equivalents include cash and highly-liquid investments with an original maturity of three months or less (categorized as Level 1 of the fair value hierarchy). Receivable from/payable to brokers, dealers and clearing organizations, receivable from/payable to clients, receivable from/payable to affiliates, other receivables, accounts payable and accrued liabilities and notes payable are recorded at or near their respective transaction prices and historically have been settled or converted to cash at approximately that value (categorized as Level 2 of the fair value hierarchy).

Cash and investments segregated and on deposit for regulatory purposes includes reverse repurchase agreements (securities purchased under agreements to resell). Reverse repurchase agreements are treated as collateralized financing transactions and are carried at amounts at which the securities will subsequently be resold, plus accrued interest. The Company’s reverse repurchase agreements generally have a maturity of seven days and are collateralized by U.S. Treasury securities in amounts exceeding the carrying value of the resale agreements. Accordingly, the carrying value of reverse repurchase agreements approximates fair value (categorized as Level 2 of the fair value hierarchy). In addition, this category includes cash held in demand deposit accounts and on deposit with a futures commission merchant, for which the carrying values approximate the fair value (categorized as Level 1 of the fair value hierarchy). See Note 3 for a summary of cash and investments segregated and on deposit for regulatory purposes.

Senior Notes – As of June 30, 2014, the Company’s Senior Notes had an aggregate estimated fair value, based on quoted market prices (categorized as Level 1 of the fair value hierarchy), of approximately $1.093 billion, compared to the aggregate carrying value of the Senior Notes on the Condensed Consolidated Balance Sheet of $1.041 billion. As of September 30, 2013, the Company’s Senior Notes had an aggregate estimated fair value, based on quoted market prices, of approximately $1.100 billion, compared to the aggregate carrying value of the Senior Notes on the Condensed Consolidated Balance Sheet of $1.052 billion.

Table of Contents

9. OFFSETTING ASSETS AND LIABILITIES

Substantially all of the Company's reverse repurchase agreements, securities borrowing and securities lending activity and derivative financial instruments are transacted under master agreements that may allow for net settlement in the ordinary course of business, as well as offsetting of all contracts with a given counterparty in the event of default by one of the parties. However, for financial statement purposes, the Company does not net balances related to these financial instruments.

The following table presents information about the potential effect of rights of setoff associated with the Company's recognized assets and liabilities as of June 30, 2014 and September 30, 2013 (dollars in millions):

				Gross Amounts Not Offset in the Condensed Consolidated Balance Sheet		
	Gross Amounts of Recognized Assets and Liabilities	Gross Amounts Offset in the Condensed Consolidated Balance Sheet	Net Amounts Presented in the Condensed Consolidated Balance Sheet	Financial Instruments[3]	Collateral Received or Pledged (Including Cash) [4]	Net Amount [5]
June 30, 2014						
Assets:						
Investments segregated for regulatory purposes:						
Reverse repurchase agreements	$ 1,494	$ —	$ 1,494	$—	$ (1,494)	$ —
Receivable from brokers, dealers and clearing organizations:						
Deposits paid for securities borrowed [1]	1,125	—	1,125	(93)	(1,008)	24
Other assets:						
Pay-variable interest rate swaps	41	—	41	—	(41)	—
Total	$ 2,660	$ —	$ 2,660	$ (93)	$ (2,543)	$ 24
Liabilities:						
Payable to brokers, dealers and clearing organizations:						
Deposits received for securities loaned [2]	$ 2,487	$ —	$ 2,487	$ (93)	$ (2,160)	$ 234
Accounts payable and accrued liabilities:						
Forward-starting interest rate swaps	24	—	24	—	(24)	—
Total	$ 2,511	$ —	$ 2,511	$ (93)	$ (2,184)	$ 234

September 30, 2013						
Assets:						
Investments segregated for regulatory purposes:						
Reverse repurchase agreements	$ 2,618	$ —	$ 2,618	$—	$(2,618)	$ —
Receivable from brokers, dealers and clearing organizations:						
Deposits paid for securities borrowed [1]	1,220	—	1,220	(168)	(1,020)	32
Other assets:						
Pay-variable interest rate swaps	52	—	52	—	(52)	—
Total	$ 3,890	$ —	$ 3,890	$(168)	$(3,690)	$ 32
Liabilities:						
Payable to brokers, dealers and clearing organizations:						
Deposits received for securities loaned [2]	$ 1,948	$ —	$ 1,948	$(168)	$(1,561)	$ 219

21

Table of Contents

(1) Included in the gross amounts of deposits paid for securities borrowed is $677 million and $702 million as of June 30, 2014 and September 30, 2013, respectively, transacted through a risk-sharing program with the OCC, which guarantees the return of cash to the Company.

(2) Included in the gross amounts of deposits received for securities loaned is $641 million and $275 million as of June 30, 2014 and September 30, 2013, respectively, transacted through a risk-sharing program with the OCC, which guarantees the return of securities to the Company.

(3) Amounts represent recognized assets and liabilities that are subject to enforceable master agreements with rights of setoff.

(4) Represents the fair value of collateral the Company had received or pledged under enforceable master agreements, limited for table presentation purposes to the net amount of the recognized assets due from or liabilities due to each counterparty. At June 30, 2014 and September 30, 2013, the Company had received total collateral with a fair value of $2,666 million and $3,919 million, respectively, and pledged total collateral with a fair value of $2,289 million and $1,721 million, respectively.

(5) Represents the amount for which, in the case of net recognized assets, the Company had not received collateral, and in the case of net recognized liabilities, the Company had not pledged collateral.

10. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The following tables present the net change in fair value recorded for each component of other comprehensive income (loss) before and after income tax for the periods indicated (dollars in millions):

	Three Months Ended June 30,					
	2014			2013		
	Before Tax	Tax Effect	Net of Tax	Before Tax	Tax Effect	Net of Tax
Investments available-for-sale:						
Net unrealized loss	$—	$—	$—	$(4)	$1	$(3)
Cash flow hedging instruments:						
Net unrealized loss	(15)	6	(9)	—	—	—
Other comprehensive loss	$(15)	$6	$(9)	$(4)	$1	$(3)

	Nine Months Ended June 30,					
	2014			2013		
	Before Tax	Tax Effect	Net of Tax	Before Tax	Tax Effect	Net of Tax
Investments available-for-sale:						
Net unrealized gain	$—	$—	$—	$23	$(9)	$14
Cash flow hedging instruments:						
Net unrealized loss	(24)	9	(15)	—	—	—
Other comprehensive income (loss)	$(24)	$9	$(15)	$23	$(9)	$14

Table of Contents

The following table presents after-tax changes in each component of accumulated other comprehensive income (loss) (dollars in millions):

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2014	2013	2014	2013
Investments available-for-sale:				
Beginning balance	$—	$35	$—	$18
Current period change	—	(3)	—	14
Ending balance	$—	$32	$—	$32
Cash flow hedging instruments:				
Beginning balance	$(6)	$—	$—	$—
Current period change	(9)	—	(15)	—
Ending balance	$(15)	$—	$(15)	$—
Total accumulated other comprehensive income (loss):				
Beginning balance	$(6)	$35	$—	$18
Current period change	(9)	(3)	(15)	14
Ending balance	$(15)	$32	$(15)	$32

11. EARNINGS PER SHARE

The difference between the numerator and denominator used in the computation of basic and diluted earnings per share consists of common stock equivalent shares related to stock-based compensation for all periods presented. The Company excluded from the calculation of diluted earnings per share 0.05 million and 0.9 million shares underlying stock-based compensation awards for the three and nine months ended June 30, 2013, respectively, because their inclusion would have been antidilutive. There were no material antidilutive awards for the three and nine months ended June 30, 2014.

12. RELATED PARTY TRANSACTIONS

Transactions with TD and Affiliates

As a result of the Company’s acquisition of TD Waterhouse during fiscal 2006, TD became an affiliate of the Company. TD owned approximately 41% of the Company’s common stock as of June 30, 2014. Pursuant to the Stockholders Agreement among TD, the Company and certain other stockholders, TD has the right to designate five of twelve members of the Company’s board of directors. The Company transacts business and has extensive relationships with TD and certain of its affiliates. Transactions with TD and its affiliates are discussed and summarized below.

Insured Deposit Account Agreement

The Company is party to an insured deposit account (“IDA”) agreement with TD Bank USA, N.A. (“TD Bank USA”), TD Bank, N.A. and TD. Under the IDA agreement, TD Bank USA and TD Bank, N.A. (together, the “Depository Institutions”) make available to clients of the Company FDIC-insured money market deposit accounts as either designated sweep vehicles or as non-sweep deposit accounts. The Company provides marketing, recordkeeping and support services for the Depository Institutions with respect to the money market deposit accounts. In exchange for providing these services, the Depository Institutions pay the Company an aggregate marketing fee based on the weighted average yield earned on the client IDA assets, less the actual interest paid to clients, a servicing fee to the Depository Institutions and the cost of FDIC insurance premiums.

The current IDA agreement became effective as of January 1, 2013 and has an initial term expiring July 1, 2018. It is automatically renewable for successive five-year terms, provided that it may be terminated by either the Company or the Depository Institutions by providing written notice of non-renewal at least two years prior to the initial expiration date or the expiration date of any subsequent renewal period.

The fee earned on the IDA agreement is calculated based on two primary components: (a) the yield on fixed-rate “notional” investments, based on prevailing fixed rates for identical balances and maturities in the interest rate swap market (generally LIBOR-based) at the time such investments were added to the IDA portfolio (including any adjustments required to adjust the variable

Table of Contents

rate leg of such swaps to a one-month reset frequency and the overall swap payment frequency to monthly) and (b) the yield on floating-rate investments. As of June 30, 2014, the IDA portfolio was comprised of approximately 79% fixed-rate notional investments and 21% floating-rate investments.

The IDA agreement provides that the Company may designate amounts and maturity dates for the fixed-rate notional investments in the IDA portfolio, subject to certain limitations. For example, if the Company designates that $100 million of deposits be invested in 5-year fixed-rate investments, and on the day such investment is confirmed by the Depository Institutions the prevailing fixed yield for the applicable 5-year U.S. dollar LIBOR-based swaps is 1.45%, then the Company will earn a gross fixed yield of 1.45% on that portion of the portfolio (before any deductions for interest paid to clients, the servicing fee to the Depository Institutions and the cost of FDIC insurance premiums).

Under the current IDA agreement, in the event that (1) the federal funds effective rate is established at 0.75% or greater and (2) the rate on 5-year U.S. dollar interest rate swaps is equal to or greater than 1.50% for 20 consecutive business days, then the rate earned by the Company on new fixed-rate notional investments will be reduced by 20% of the excess of the 5-year U.S. dollar swap rate over 1.50%, up to a maximum of 0.10%.

Under the current IDA agreement, the yield on floating-rate investments is calculated daily based on the greater of the following rates published by the Federal Reserve: (1) the interest rate paid by Federal Reserve Banks on balances held in excess of required reserve balances and contractual clearing balances under Regulation D and (2) the daily effective federal funds rate.

The interest rates paid to clients are set by the Depository Institutions and are not linked to any index. The servicing fee to the Depository Institutions under the IDA agreement is equal to 25 basis points on the aggregate average daily balance in the IDA accounts, subject to adjustment as it relates to deposits of less than or equal to $20 billion kept in floating-rate investments or in fixed-rate notional investments with a maturity of up to 24 months (“short-term fixed-rate investments”). For floating-rate and short-term fixed-rate investments, the servicing fee is equal to the difference of the interest rate earned on the investments less the FDIC premiums paid (in basis points), divided by two. The servicing fee has a floor of 3 basis points (subject to adjustment from time to time to reflect material changes to the Depository Institutions’ leverage costs) and a maximum of 25 basis points.

In the event the marketing fee computation results in a negative amount, the Company must pay the Depository Institutions the negative amount. This effectively results in the Company guaranteeing the Depository Institutions revenue equal to the servicing fee on the IDA agreement, plus the reimbursement of FDIC insurance premiums. The marketing fee computation under the IDA agreement is affected by many variables, including the type, duration, principal balance and yield of the fixed-rate and floating-rate investments, the prevailing interest rate environment, the amount of client deposits and the yield paid on client deposits. Because a negative marketing fee computation would arise only if there were extraordinary movements in many of these variables, the maximum potential amount of future payments the Company could be required to make under this arrangement cannot be reasonably estimated. Management believes the potential for the marketing fee calculation to result in a negative amount is remote. Accordingly, no contingent liability is carried on the Condensed Consolidated Balance Sheets for the IDA agreement.

In addition, the Company has various other services agreements and transactions with TD and its affiliates. The following tables summarize revenues and expenses resulting from transactions with TD and its affiliates for the periods indicated (dollars in millions):

		Revenues from TD and Affiliates			
	Statement of Income Classification	Three months ended June 30,		Nine months ended June 30,	
Description		2014	2013	2014	2013
Insured Deposit Account Agreement	Insured deposit account fees	$202	$199	$612	$604
Referral and Strategic Alliance Agreement	Various	3	3	9	8
Other	Various	2	2	5	5
Total revenues		$207	$204	$626	$617

		Expenses to TD and Affiliates			
	Statement of Income Classification	Three months ended June 30,		Nine months ended June 30,	

Description		2014	2013	2014	2013
Canadian Call Center Services Agreement	Professional services	$4	$5	$13	$14
Other	Various	—	—	2	2
Total expenses		$4	$5	$15	$16

24

Table of Contents

The following table summarizes the classification and amount of receivables from and payables to TD and its affiliates on the Condensed Consolidated Balance Sheets resulting from related party transactions (dollars in millions):

	June 30, 2014	September 30, 2013
Assets:		
Receivable from brokers, dealers and clearing organizations	$1	$1
Receivable from affiliates	116	117
Liabilities:		
Payable to brokers, dealers and clearing organizations	$94	$115
Payable to affiliates	5	4

Receivables from and payables to brokers, dealers and clearing organizations primarily relate to securities borrowing and lending activity and are settled in accordance with customary contractual terms. Receivables from and payables to TD affiliates resulting from client cash sweep activity are generally settled in cash the next business day. Other receivables from and payables to affiliates of TD are generally settled in cash on a monthly basis.

Table of Contents

13. CONDENSED CONSOLIDATING FINANCIAL INFORMATION

The Senior Notes are jointly and severally and fully and unconditionally guaranteed by TD Ameritrade Online Holdings Corp. ("TDAOH"), a wholly-owned subsidiary of the Company. Presented below is condensed consolidating financial information for the Company, its guarantor subsidiary and its non-guarantor subsidiaries for the periods indicated. Because all other comprehensive income activity occurred on the parent company for all periods presented, condensed consolidating statements of comprehensive income are not presented.

CONDENSED CONSOLIDATING BALANCE SHEET
AS OF JUNE 30, 2014
(Unaudited)

	Parent	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Total
	(In millions)				
ASSETS					
Cash and cash equivalents	$173	$3	$ 1,084	$—	$1,260
Cash and investments segregated and on deposit for regulatory purposes	—	—	5,258	—	5,258
Receivable from brokers, dealers and clearing organizations	—	—	1,315	—	1,315
Receivable from clients, net	—	—	11,231	—	11,231
Investments in subsidiaries	5,693	5,579	—	(11,272)	—
Receivable from affiliates	10	3	113	(10)	116
Goodwill	—	—	2,467	—	2,467
Acquired intangible assets, net	—	146	627	—	773
Other, net	143	13	1,050	(47)	1,159
Total assets	$6,019	$5,744	$ 23,145	$(11,329)	$23,579
LIABILITIES AND STOCKHOLDERS' EQUITY					
Liabilities:					
Payable to brokers, dealers and clearing organizations	$—	$—	$ 2,537	$—	$2,537
Payable to clients	—	—	14,265	—	14,265
Accounts payable and accrued liabilities	130	—	416	(10)	536
Payable to affiliates	—	—	15	(10)	5
Notes payable	150	—	—	—	150
Long-term debt	1,041	—	—	—	1,041
Other	—	51	333	(37)	347
Total liabilities	1,321	51	17,566	(57)	18,881
Stockholders' equity	4,698	5,693	5,579	(11,272)	4,698
Total liabilities and stockholders' equity	$6,019	$5,744	$ 23,145	$(11,329)	$23,579

26

Table of Contents

CONDENSED CONSOLIDATING BALANCE SHEET
AS OF SEPTEMBER 30, 2013
(Unaudited)

	Parent	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Total
	(In millions)				
ASSETS					
Cash and cash equivalents	$199	$7	$ 856	$—	$1,062
Cash and investments segregated and on deposit for regulatory purposes	—	—	5,894	—	5,894
Receivable from brokers, dealers and clearing organizations	—	—	1,348	—	1,348
Receivable from clients, net	—	—	8,984	—	8,984
Investments in subsidiaries	5,568	5,360	550	(11,478)	—
Receivable from affiliates	4	3	117	(7)	117
Goodwill	—	—	2,467	—	2,467
Acquired intangible assets, net	—	146	695	—	841
Other, net	140	9	1,015	(41)	1,123
Total assets	$5,911	$5,525	$ 21,926	$(11,526)	$21,836
LIABILITIES AND STOCKHOLDERS’ EQUITY					
Liabilities:					
Payable to brokers, dealers and clearing organizations	$—	$—	$ 1,973	$—	$1,973
Payable to clients	—	—	13,183	—	13,183
Accounts payable and accrued liabilities	180	—	410	(8)	582
Payable to affiliates	3	—	8	(7)	4
Long-term debt	1,052	—	—	—	1,052
Other	—	51	348	(33)	366
Total liabilities	1,235	51	15,922	(48)	17,160
Stockholders’ equity	4,676	5,474	6,004	(11,478)	4,676
Total liabilities and stockholders’ equity	$5,911	$5,525	$ 21,926	$(11,526)	$21,836

Table of Contents

CONDENSED CONSOLIDATING STATEMENT OF INCOME
THREE MONTHS ENDED JUNE 30, 2014
(Unaudited)

	Parent	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Total
	(In millions)				
Net revenues	$4	$—	$ 764	$(5)	$763
Operating expenses	4	—	448	(5)	447
Operating income	—	—	316	—	316
Other expense	6	—	—	—	6
Income (loss) before income taxes and equity in income of subsidiaries	(6)	—	316	—	310
Provision for (benefit from) income taxes	(2)	—	122	—	120
Income (loss) before equity in income of subsidiaries	(4)	—	194	—	190
Equity in income of subsidiaries	194	194	—	(388)	—
Net income	$190	$194	$ 194	$(388)	$190

CONDENSED CONSOLIDATING STATEMENT OF INCOME
THREE MONTHS ENDED JUNE 30, 2013
(Unaudited)

	Parent	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Total
	(In millions)				
Net revenues	$3	$—	$ 725	$(3)	$725
Operating expenses	(1)	—	431	(3)	427
Operating income	4	—	294	—	298
Other expense (income)	6	—	(6)	—	—
Income (loss) before income taxes and equity in income of subsidiaries	(2)	—	300	—	298
Provision for income taxes	—	—	114	—	114
Income (loss) before equity in income of subsidiaries	(2)	—	186	—	184
Equity in income of subsidiaries	186	180	10	(376)	—
Net income	$184	$180	$ 196	$(376)	$184

Table of Contents

CONDENSED CONSOLIDATING STATEMENT OF INCOME
NINE MONTHS ENDED JUNE 30, 2014
(Unaudited)

	Parent	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Total
	(In millions)				
Net revenues	$10	$—	$ 2,328	$(11)	$2,327
Operating expenses	9	—	1,383	(11)	1,381
Operating income	1	—	945	—	946
Other expense	18	—	—	—	18
Income (loss) before income taxes and equity in income of subsidiaries	(17)	—	945	—	928
Provision for (benefit from) income taxes	(13)	1	364	—	352
Income (loss) before equity in income of subsidiaries	(4)	(1)	581	—	576
Equity in income of subsidiaries	580	573	17	(1,170)	—
Net income	$576	$572	$ 598	$(1,170)	$576

CONDENSED CONSOLIDATING STATEMENT OF INCOME
NINE MONTHS ENDED JUNE 30, 2013
(Unaudited)

	Parent	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Eliminations	Total
	(In millions)				
Net revenues	$12	$—	$ 2,054	$(11)	$2,055
Operating expenses	7	—	1,283	(11)	1,279
Operating income	5	—	771	—	776
Other expense (income)	20	—	(9)	—	11
Income (loss) before income taxes and equity in income of subsidiaries	(15)	—	780	—	765
Provision for (benefit from) income taxes	(7)	1	297	—	291
Income (loss) before equity in income of subsidiaries	(8)	(1)	483	—	474
Equity in income of subsidiaries	482	465	26	(973)	—
Net income	$474	$464	$ 509	$(973)	$474

Table of Contents

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
NINE MONTHS ENDED JUNE 30, 2014
(Unaudited)

	Parent	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Total
	(In millions)			
Net cash provided by (used in) operating activities	$(80)	$1	$ 731	$652
Cash flows from investing activities:				
Purchase of property and equipment	—	—	(54)	(54)
Proceeds from sale and maturity of short-term investments	—	—	1	1
Proceeds from sale of investments	13	—	—	13
Net cash provided by (used in) investing activities	13	—	(53)	(40)
Cash flows from financing activities:				
Proceeds from notes payable	230	—	—	230
Principal payments on notes payable	(80)	—	—	(80)
Payment of cash dividends	(474)	—	—	(474)
Purchase of treasury stock	(106)	—	—	(106)
Other	16	—	—	16
Net cash used in financing activities	(414)	—	—	(414)
Intercompany investing and financing activities, net	455	(5)	(450)	—
Net increase (decrease) in cash and cash equivalents	(26)	(4)	228	198
Cash and cash equivalents at beginning of period	199	7	856	1,062
Cash and cash equivalents at end of period	$173	$3	$ 1,084	$1,260

Table of Contents

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
NINE MONTHS ENDED JUNE 30, 2013
(Unaudited)

	Parent	Guarantor Subsidiary	Non-Guarantor Subsidiaries	Total
	(In millions)			
Net cash provided by (used in) operating activities	$(71)	$—	$ 621	$550
Cash flows from investing activities:				
Purchase of property and equipment	—	—	(124)	(124)
Proceeds from sale and maturity of short-term investments	150	—	1	151
Proceeds from sale of investments	—	—	10	10
Other, net	—	—	1	1
Net cash provided by (used in) investing activities	150	—	(112)	38
Cash flows from financing activities:				
Principal payments on long-term debt	(250)	—	—	(250)
Proceeds from notes payable	275	—	—	275
Principal payments on notes payable	(180)	—	—	(180)
Payment of cash dividends	(421)	—	—	(421)
Purchase of treasury stock	(5)	—	—	(5)
Other, net	43	—	(2)	41
Net cash used in financing activities	(538)	—	(2)	(540)
Intercompany investing and financing activities, net	381	—	(381)	—
Net increase (decrease) in cash and cash equivalents	(78)	—	126	48
Cash and cash equivalents at beginning of period	178	6	731	915
Cash and cash equivalents at end of period	$100	$6	$ 857	$963

Table of Contents

Item 2. - Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion of the financial condition and results of operations of the Company should be read in conjunction with the Selected Financial Data and the Consolidated Financial Statements and Notes thereto included in the Company's annual report on Form 10-K for the fiscal year ended September 30, 2013, and the Condensed Consolidated Financial Statements and Notes thereto contained in this quarterly report on Form 10-Q.

This discussion contains forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Statements that are not historical facts, including statements about our beliefs and expectations, are forward-looking statements. Forward-looking statements include statements preceded by, followed by or that include the words "may," "could," "would," "should," "believe," "expect," "anticipate," "plan," "estimate," "target," "project," similar words or expressions. In particular, forward-looking statements contained in this discussion include our expectations regarding: the effect of client trading activity on our results of operations; the effect of changes in interest rates on our net interest spread; diluted earnings per share; the average yield earned on insured deposit account assets; our effective income tax rate; and our capital and liquidity needs and our plans to finance such needs.

The Company's actual results could differ materially from those anticipated in such forward-looking statements. Important factors that may cause such differences include, but are not limited to: general economic and political conditions and other securities industry risks; fluctuations in interest rates; stock market fluctuations and changes in client trading activity; credit risk with clients and counterparties; increased competition; systems failures, delays and capacity constraints; network security risks; liquidity risk; new laws and regulations affecting our business; regulatory and legal matters and uncertainties and the other risks and uncertainties set forth under Item 1A. – Risk Factors of the Company's annual report on Form 10-K for the fiscal year ended September 30, 2013 and in Item 1A of Part II of this quarterly report on Form 10-Q. The forward-looking statements contained in this report speak only as of the date on which the statements were made. We undertake no obligation to publicly update or revise these statements, whether as a result of new information, future events or otherwise, except to the extent required by the federal securities laws.

The preparation of our financial statements requires us to make judgments and estimates that may have a significant impact upon our financial results. Note 1 of our Notes to Consolidated Financial Statements for the fiscal year ended September 30, 2013, contains a summary of our significant accounting policies, many of which require the use of estimates and assumptions. We believe that the following areas are particularly subject to management's judgments and estimates and could materially affect our results of operations and financial position: valuation of goodwill and acquired intangible assets; estimates of effective income tax rates, uncertain tax positions, deferred income taxes and related valuation allowances; accruals for contingent liabilities; and valuation of guarantees. These areas are discussed in further detail under the heading "Critical Accounting Policies and Estimates" in Item 7 of our annual report on Form 10-K for the fiscal year ended September 30, 2013.

Unless otherwise indicated, the terms "we," "us," "our" or "Company" in this report refer to TD Ameritrade Holding Corporation and its wholly-owned subsidiaries. The term "GAAP" refers to U.S. generally accepted accounting principles.

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 – 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 securities lending balances. Average rates consist of the average interest rates and fees earned and paid on such balances.

Average client trades per funded account (annualized) — Total trades divided by the average number of funded 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. This metric is also known as daily average revenue trades (“DARTs”).

Table of Contents

Average commissions and transaction fees per trade — Total commissions and transaction fee revenues as reported on the Company's Consolidated Statements of Income (excluding clearing revenues from TD Waterhouse UK) divided by total trades for the period. Commissions and transaction fee revenues primarily consist of trading commissions, order routing revenue and markups on riskless principal transactions in fixed-income securities.
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. Futures accounts are sub-accounts associated with a brokerage account for clients who wish to trade futures and/or options on futures.
Cash accounts — Brokerage accounts that do not have margin account approval.
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, net" on our Consolidated Balance Sheets.
Consolidated duration – The weighted average remaining years until maturity of our spread-based assets. For purposes of this calculation, floating rate balances are treated as having a one-month duration. Consolidated duration is used in analyzing our aggregate interest rate sensitivity.
Daily average revenue trades ("DARTs") — Total trades divided by the number of trading days in the period. This metric is also known as average client trades per day.
EBITDA — EBITDA (earnings before interest, taxes, depreciation and amortization) is a non-GAAP financial measure. We consider EBITDA to be an important measure 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 holding company's senior revolving credit facility. EBITDA eliminates the non-cash effect of tangible asset depreciation and amortization and intangible asset amortization. EBITDA 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 amortization of intangible assets — Earnings per share ("EPS") excluding amortization of intangible assets is a non-GAAP financial measure. We define EPS excluding amortization of intangible assets as earnings (loss) per share, adjusted to remove the after-tax effect of amortization of acquired intangible assets. We consider EPS excluding amortization of intangible assets an important measure of our financial performance. Amortization of acquired intangible assets is excluded because we believe it is not indicative of underlying business performance. EPS excluding amortization of intangible assets 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 Amerivest,® 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.
Futures accounts — Sub-accounts maintained by the Company on behalf of clients for trading in futures and/or options on futures. Each futures account must be associated with a brokerage account. Futures accounts are not counted separately for purposes of the Company's client account metrics.
Insured deposit account — The Company is party to an Insured Deposit Account ("IDA") agreement with TD Bank USA, N.A. ("TD Bank USA"), TD Bank, N.A. and The Toronto-Dominion Bank ("TD"). Under the IDA agreement, TD Bank USA and TD Bank, N.A. (together, the "Depository Institutions") make available to clients of the Company FDIC-insured money market deposit accounts as either designated sweep vehicles or as non-sweep deposit accounts. The Company provides marketing, recordkeeping and support services for the Depository Institutions with respect to the money market deposit accounts. In exchange for providing these services, the Depository Institutions pay the Company an aggregate marketing fee based on the yield earned on the client IDA assets, less the actual interest paid to clients, a servicing fee to the Depository Institutions and the cost of FDIC insurance premiums.
Interest rate-sensitive assets — Consist of spread-based assets and client cash invested in money market mutual funds.
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 Amerivest®.
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 – management target — "Liquid assets – management target" is a non-GAAP financial measure. We define "liquid assets – management target" as the sum of (a) corporate cash and cash equivalents, (b) corporate short-term investments and (c) regulatory net capital of (i) our clearing broker-dealer subsidiary in excess of 10% of aggregate debit items and (ii) our introducing broker-dealer subsidiaries in excess of a minimum operational target established by management ($50 million in the case of our primary introducing broker-dealer, TD Ameritrade, Inc.). We include the excess capital of our broker-dealer subsidiaries in "liquid assets – management target," rather than simply including broker-dealer cash and cash equivalents, because capital requirements may limit the amount of cash available for dividend from the broker-dealer subsidiaries to the parent company. Excess capital, as defined under clause (c) above, is generally available for dividend from the broker-dealer subsidiaries to the parent company. "Liquid assets – management target" is based on more conservative measures of broker-dealer net capital than "liquid assets – regulatory threshold" (defined below) because we prefer to maintain significantly more conservative levels of net capital at the broker-dealer subsidiaries than the regulatory thresholds require. We consider "liquid assets – management target" to be a measure that reflects our liquidity that would be readily available for corporate investing and financing activities under normal operating circumstances. "Liquid assets – regulatory threshold" is a related metric that reflects our liquidity that would be available for corporate investing and financing activities under unusual operating circumstances, such as the need to provide funding for significant strategic business transactions. Our liquid assets metrics should be considered as supplemental measures of liquidity, rather than as substitutes for cash and cash equivalents.
Liquid assets – regulatory threshold — "Liquid assets – regulatory threshold" is a non-GAAP financial measure. We define "liquid assets – regulatory threshold" 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 the applicable "early warning" net capital requirement and (d) Tier 1 capital of our trust company in excess of the minimum requirement. We include the excess capital of our broker-dealer and trust company subsidiaries in "liquid assets – regulatory threshold," rather than simply including broker-dealer and trust company cash and cash equivalents, because capital requirements may limit the

amount of cash available for dividend from the broker-dealer and trust company 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 company subsidiaries to the parent company. We consider “liquid assets – regulatory threshold” to be a measure that reflects our liquidity that would be available for corporate investing and financing activities under unusual operating circumstances, such as the need to provide funding for significant strategic business transactions. “Liquid assets – management target” is a related metric that reflects our liquidity that would be readily available for corporate investing and financing activities under normal operating circumstances. Our liquid assets metrics should be considered as supplemental measures of liquidity, rather than as substitutes 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. It also includes the value of open futures, foreign exchange and options 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.

Market fee-based investment balances — Client assets invested in mutual funds (except money market funds) and Company programs such as AdvisorDirect® and Amerivest,® on which we earn fee revenues that are largely based on a percentage of the market value of the investment. Market fee-based investment balances are a component of fee-based investment balances. Fee revenues earned on these balances are included in investment product fees on our Consolidated Statements of Income.

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 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 and interest earned on securities borrowing/securities lending. Brokerage interest expense consists of amounts paid or payable to clients based on credit balances maintained in brokerage accounts and interest incurred on securities borrowing/securities lending. Brokerage interest expense does not include interest on Company non-brokerage borrowings.

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.

Net new asset growth rate (annualized) — Annualized net new assets as a percentage of client assets as of the beginning of the period.

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, can vary 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.

Order routing revenue — Revenues generated from revenue-sharing arrangements with market destinations (also referred to as "payment for order flow"). Order routing revenue is a component of transaction-based revenues.

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. We also incur interest expense for borrowing certain securities.

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. We also earn revenue for lending certain securities.

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 and other cash and interest-earning investment balances. Spread-based assets is used in the calculation of our net interest margin and our consolidated duration.

Table of Contents

Total trades — Revenue-generating client securities trades, which are executed by the Company's broker-dealer subsidiaries, excluding trades processed for TD Waterhouse UK. 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, markups on riskless principal transactions in fixed income securities, transaction fees and/or order routing revenue.
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, markups on riskless principal transactions in fixed income securities, transaction clearing fees and order routing revenue.

RESULTS OF OPERATIONS

Conditions in the U.S. equity markets significantly impact the volume of our clients' trading activity. There is a direct correlation between the volume of our clients' trading activity and our results of operations. We cannot predict future trading volumes in the U.S. equity markets. If client trading activity increases, we expect that it would have a positive impact on our results of operations. If client trading activity declines, we expect that it would have a negative impact on our results of operations.

Changes in average balances, especially client margin, credit, insured deposit account and mutual fund balances, may significantly impact our results of operations. Changes in interest rates also significantly impact our results of operations. We seek to mitigate interest rate risk by aligning the average duration of our interest-earning assets with that of our interest-bearing liabilities. We cannot predict the direction of interest rates or the levels of client balances. If interest rates rise, we generally expect to earn a larger net interest spread. Conversely, a falling interest rate environment generally would result in our earning a smaller net interest spread.

Financial Performance Metrics

Pre-tax income, net income, earnings per share and EBITDA are key metrics we use in evaluating our financial performance. EBITDA is a non-GAAP financial measure.

We consider EBITDA to be an important measure 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 holding company's senior revolving credit facility. EBITDA eliminates the non-cash effect of tangible asset depreciation and amortization and intangible asset amortization. EBITDA should be considered in addition to, rather than as a substitute for, pre-tax income, net income and cash flows from operating activities.

The following table sets forth EBITDA in dollars and as a percentage of net revenues for the periods indicated, and provides reconciliations to net income, which is the most directly comparable GAAP measure (dollars in millions):

	Three months ended June 30,				Nine months ended June 30,			
	2014		2013		2014		2013	
	$	% of Net Revenues	$	% of Net Revenues	$	% of Net Revenues	$	% of Net Revenues
EBITDA	$362	47.4 %	$349	48.1 %	$1,085	46.6 %	$915	44.5 %
Less:								
Depreciation and amortization	(24)	(3.1)%	(22)	(3.0)%	(71)	(3.1)%	(63)	(3.1)%
Amortization of acquired intangible assets	(22)	(2.9)%	(23)	(3.2)%	(68)	(2.9)%	(68)	(3.3)%
Interest on borrowings	(6)	(0.8)%	(6)	(0.8)%	(18)	(0.8)%	(19)	(0.9)%
Provision for income taxes	(120)	(15.7)%	(114)	(15.7)%	(352)	(15.1)%	(291)	(14.2)%
Net income	$190	24.9 %	$184	25.4 %	$576	24.8 %	$474	23.1 %

Our EBITDA increased 19% for the first nine months of fiscal 2014 compared to the first nine months of fiscal 2013, primarily due to a 13% increase in net revenues, partially offset by an 8% increase in operating expenses excluding depreciation and amortization during the first nine months of fiscal 2014 and the impact of $8 million of gains on the sale of investments during the first nine months of the prior year. The increase in net revenues was due to an 18% increase in transaction-based revenues and an 11% increase in asset-based revenues. The increase in operating expenses excluding depreciation and amortization was

36

Table of Contents

primarily due to an 8% increase in employee compensation and benefits expense, an 11% increase in advertising expense, a 21% increase in clearing and execution costs and a 14% increase in professional services expense. Detailed analysis of net revenues and operating expenses is presented later in this discussion.

Our diluted earnings per share was $1.04 for the first nine months of fiscal 2014 compared to $0.86 for the first nine months of fiscal 2013. Higher EBITDA for the first nine months of fiscal 2014 contributed to a 22% increase in net income compared to the first nine months of fiscal 2013. Based on current operating conditions, we expect our diluted EPS to be near the high end of our previously announced outlook range of $1.20 to $1.40 for the full fiscal year 2014, and, if client trading activity remains strong, diluted EPS could exceed $1.40.

Operating Metrics

Our largest sources of revenues are asset-based revenues and transaction-based revenues. For the first nine months of fiscal 2014, asset-based revenues and transaction-based revenues accounted for 54% and 44% of our net revenues, respectively. Asset-based revenues consist 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. The primary factors driving our transaction-based revenues are total client trades and average commissions and transaction fees per trade. We also consider client account and client asset metrics, although we believe they are generally of less significance to our results of operations for any particular period than our metrics for asset-based and transaction-based revenues.

Asset-Based Revenue Metrics

We calculate the return on our interest-earning assets and our insured deposit account balances using a measure we refer to as net interest margin. Net interest margin is calculated for a given period by dividing the annualized sum of net interest revenue and insured deposit account fees by average spread-based assets. Spread-based assets consist of client and brokerage-related asset balances, including client margin balances, segregated cash, insured deposit account balances, deposits paid on securities borrowing and other cash and interest-earning investment balances. The following table sets forth net interest margin and average spread-based assets (dollars in millions):

	Three months ended June 30, 2014	2013	Increase/ (Decrease)	Nine months ended June 30, 2014	2013	Increase/ (Decrease)
Average interest-earning assets	$18,827	$16,034	$2,793	$18,287	$15,546	$2,741
Average insured deposit account balances	72,430	68,642	3,788	72,713	66,635	6,078
Average spread-based balances	$91,257	$84,676	$6,581	$91,000	$82,181	$8,819
Net interest revenue	$149	$120	$29	$421	$351	$70
Insured deposit account fee revenue	202	199	3	612	604	8
Spread-based revenue	$351	$319	$32	$1,033	$955	$78
Avg. annualized yield—interest-earning assets	3.13 %	2.95 %	0.18 %	3.04 %	2.97 %	0.07 %
Avg. annualized yield—insured deposit account fees	1.10 %	1.15 %	(0.05)%	1.11 %	1.19 %	(0.08)%
Net interest margin (NIM)	1.52 %	1.49 %	0.03 %	1.50 %	1.53 %	(0.03)%

37

Table of Contents

The following tables set forth key metrics that we use in analyzing net interest revenue, which is a component of net interest margin (dollars in millions):

	Interest Revenue (Expense) Three months ended June 30,		Increase/ (Decrease)	Interest Revenue (Expense) Nine months ended June 30,		Increase/ (Decrease)
	2014	2013		2014	2013	
Segregated cash	$2	$1	$1	$5	$4	$1
Client margin balances	105	85	20	299	259	40
Securities lending/borrowing, net	42	34	8	117	88	29
Other cash and interest-earning investments	—	—	—	1	1	—
Client credit balances	—	—	—	(1)	(1)	—
Net interest revenue	$149	$120	$29	$421	$351	$70

	Average Balance Three months ended June 30,		% Change	Average Balance Nine months ended June 30,		% Change
	2014	2013		2014	2013	
Segregated cash	$5,172	$4,698	10 %	$5,312	$4,333	23 %
Client margin balances	10,980	8,575	28 %	10,258	8,591	19 %
Securities borrowing	1,011	1,191	(15)%	1,084	1,033	5 %
Other cash and interest-earning investments	1,664	1,570	6 %	1,633	1,589	3 %
Interest-earning assets	$18,827	$16,034	17 %	$18,287	$15,546	18 %
Client credit balances	$11,473	$9,430	22 %	$11,056	$9,240	20 %
Securities lending	2,617	2,273	15 %	2,535	2,116	20 %
Interest-bearing liabilities	$14,090	$11,703	20 %	$13,591	$11,356	20 %

	Avg. Annualized Yield (Cost) Three months ended June 30,		Net Yield Increase/ (Decrease)	Avg. Annualized Yield (Cost) Nine months ended June 30,		Net Yield Increase/ (Decrease)
	2014	2013		2014	2013	
Segregated cash	0.14 %	0.11 %	0.03 %	0.13 %	0.13 %	0.00 %
Client margin balances	3.79 %	3.91 %	(0.12)%	3.85 %	3.97 %	(0.12)%
Other cash and interest-earning investments	0.06 %	0.11 %	(0.05)%	0.07 %	0.08 %	(0.01)%
Client credit balances	(0.01)%	(0.01)%	0.00 %	(0.01)%	(0.01)%	0.00 %
Net interest revenue	3.13 %	2.95 %	0.18 %	3.04 %	2.97 %	0.07 %

The following tables set forth key metrics that we use in analyzing investment product fee revenues (dollars in millions):

	Fee Revenue Three months ended June 30,		Increase/ (Decrease)	Fee Revenue Nine months ended June 30,		Increase/ (Decrease)
	2014	2013		2014	2013	
Money market mutual fund	$—	$—	$—	$—	$1	$(1)
Market fee-based investment balances	79	65	14	226	181	45
Total investment product fees	$79	$65	$14	$226	$182	$44

Table of Contents

	Average Balance Three months ended June 30, 2014	2013	% Change	Average Balance Nine months ended June 30, 2014	2013	% Change
Money market mutual fund	$5,212	$5,103	2 %	$5,254	$5,112	3 %
Market fee-based investment balances	133,338	113,014	18 %	128,957	104,515	23 %
Total fee-based investment balances	$138,550	$118,117	17 %	$134,211	$109,627	22 %

	Average Annualized Yield Three months ended June 30, 2014	2013	Increase/ (Decrease)	Average Annualized Yield Nine months ended June 30, 2014	2013	Increase/ (Decrease)
Money market mutual fund	0.00 %	0.00 %	0.00 %	0.00 %	0.02 %	(0.02)%
Market fee-based investment balances	0.24 %	0.23 %	0.01 %	0.23 %	0.23 %	0.00 %
Total investment product fees	0.23 %	0.22 %	0.01 %	0.22 %	0.22 %	0.00 %

Transaction-Based Revenue Metrics

The following table sets forth several key metrics regarding client trading activity, which we utilize in measuring and evaluating performance and the results of our operations:

	Three months ended June 30, 2014	2013	% Change	Nine months ended June 30, 2014	2013	% Change
Total trades (in millions)	25.29	25.55	(1)%	81.37	68.61	19 %
Average client trades per day	401,468	399,216	1 %	435,123	370,874	17 %
Average client trades per funded account (annualized)	16.2	16.8	(4)%	17.9	15.7	14 %
Activity rate—funded accounts	6.5 %	6.7 %	(3)%	7.1 %	6.3 %	13 %
Trading days	63.0	64.0	(2)%	187.0	185.0	1 %
Average commissions and transaction fees per trade (1)	$12.52	$12.57	(0)%	$12.51	$12.60	(1)%
Order routing revenue (in millions)	$72	$64	13 %	$226	$174	30 %
Average order routing revenue per trade (2)	$2.85	$2.51	14 %	$2.78	$2.53	10 %

(1) Average commissions and transaction fees per trade excludes the TD Waterhouse UK business.
(2) Average order routing revenue per trade is included in average commissions and transaction fees per trade.

Table of Contents

Client Account and Client Asset Metrics

The following table sets forth certain metrics regarding client accounts and client assets, which we use to analyze growth and trends in our client base:

	Three months ended June 30,		% Change	Nine months ended June 30,		% Change
	2014	2013		2014	2013	
Funded accounts (beginning of period)	6,146,000	5,880,000	5 %	5,993,000	5,764,000	4 %
Funded accounts (end of period)	6,237,000	5,943,000	5 %	6,237,000	5,943,000	5 %
Percentage change during period	1 %	1 %		4 %	3 %	
Client assets (beginning of period, in billions)	$617.1	$516.8	19 %	$555.9	$472.3	18 %
Client assets (end of period, in billions)	$650.2	$523.5	24 %	$650.2	$523.5	24 %
Percentage change during period	5 %	1 %		17 %	11 %	
Net new assets (in billions)	$13.4	$10.8	24 %	$40.0	$39.4	2 %
Net new assets annualized growth rate	9 %	8 %		10 %	11 %	

Condensed Consolidated Statements of Income Data

The following table summarizes certain data from our Condensed Consolidated Statements of Income for analysis purposes (dollars in millions):

	Three months ended June 30, 2014	Three months ended June 30, 2013	% Change	Nine months ended June 30, 2014	Nine months ended June 30, 2013	% Change
Revenues:						
Transaction-based revenues:						
Commissions and transaction fees	$317	$321	(1)%	$1,019	$865	18%
Asset-based revenues:						
Interest revenue	150	122	23%	426	356	20%
Brokerage interest expense	(1)	(2)	(50)%	(5)	(5)	0%
Net interest revenue	149	120	24%	421	351	20%
Insured deposit account fees	202	199	2%	612	604	1%
Investment product fees	79	65	22%	226	182	24%
Total asset-based revenues	430	384	12%	1,259	1,137	11%
Other revenues	16	20	(20)%	49	53	(8)%
Net revenues	763	725	5%	2,327	2,055	13%
Operating expenses:						
Employee compensation and benefits	189	176	7%	565	522	8%
Clearing and execution costs	35	30	17%	98	81	21%
Communications	29	28	4%	84	85	(1)%
Occupancy and equipment costs	39	42	(7)%	116	121	(4)%
Depreciation and amortization	24	22	9%	71	63	13%
Amortization of acquired intangible assets	22	23	(4)%	68	68	0%
Professional services	42	36	17%	117	103	14%
Advertising	48	56	(14)%	205	184	11%
Other	19	14	36%	57	52	10%
Total operating expenses	447	427	5%	1,381	1,279	8%
Operating income	316	298	6%	946	776	22%
Other expense (income):						
Interest on borrowings	6	6	0%	18	19	(5)%
Gain on sale of investments	—	(6)	(100)%	—	(8)	(100)%
Total other expense (income)	6	—	N/A	18	11	64%
Pre-tax income	310	298	4%	928	765	21%
Provision for income taxes	120	114	5%	352	291	21%
Net income	$190	$184	3%	$576	$474	22%
Other information:						
Effective income tax rate	38.7%	38.3%		37.9%	38.0%	
Average debt outstanding	$1,101	$1,139	(3)%	$1,086	$1,188	(9)%

Average interest rate incurred on borrowings	2.00 %	2.05 %	2.02 %	2.07 %

41

Table of Contents

Three-Month Periods Ended June 30, 2014 and 2013

Net Revenues

Commissions and transaction fees decreased 1% to $317 million, primarily due to slightly lower average commissions and transaction fees per trade. Total trades decreased 1%, as average client trades per day increased 1% to 401,468 for the third quarter of fiscal 2014 compared to 399,216 for the third quarter of the prior year, but there was one less trading day during the third quarter of fiscal 2014. Average client trades per funded account (annualized) were 16.2 for the third quarter of fiscal 2014 compared to 16.8 for the third quarter of the prior year. Average commissions and transaction fees per trade decreased slightly to $12.52 for the third quarter of fiscal 2014 from $12.57 for the third quarter of the prior year, primarily due to a higher percentage of reduced commission trades, including negotiated rates for our active trader clients and promotional trades to attract new accounts and client assets, as well as lower average contracts per trade on option trades. These decreases were largely offset by a 14% increase in average order routing revenue per trade.

Asset-based revenues, which consists of net interest revenue, insured deposit account fees and investment product fees, increased 12% to $430 million for the third quarter of fiscal 2014, primarily due to an 8% increase in average spread-based assets and an 18% increase in average market fee-based investment balances. Our net interest margin was 1.52% for the third quarter of fiscal 2014, compared to 1.49% for the third quarter of the prior year, as increased net interest revenue from our securities borrowing/lending program was partially offset by lower average yields earned on client margin and insured deposit account balances. The following paragraphs provide further analysis of the components of asset-based revenues.

Net interest revenue increased 24% to $149 million, due primarily to a 28% increase in average client margin balances and an $8 million increase in net interest revenue from our securities borrowing/lending program, partially offset by a decrease of 12 basis points in the average yield earned on client margin balances.

Insured deposit account fees increased 2% to $202 million, primarily due to a 6% increase in average client IDA balances, mostly offset by a decrease of 5 basis points in the average yield earned on the IDA assets. The increased IDA balances are mostly due to our success in attracting net new client assets over the past year. Since the end of fiscal year 2012, interest rates on 5- to 7-year LIBOR-based swaps have increased by approximately 95 to 100 basis points. If such rates were to remain stable at these higher levels, this would prospectively result in most investments in the IDA portfolio no longer being reinvested at lower interest rates upon maturity. However, we expect that, absent further increases in interest rates, the average yield earned on IDA assets may continue to decrease slightly, as any growth in IDA balances is invested at a shorter average duration and a lower average yield than reinvestments of existing balances in the IDA portfolio. For more information about the IDA agreement, please see Note 12 – RELATED PARTY TRANSACTIONS under Item 1, Financial Statements – Notes to Condensed Consolidated Financial Statements.

Investment product fees increased 22% to $79 million, due to an 18% increase in average market fee-based investment balances and an increase of 1 basis point in the average yield earned on those balances.

Other revenues decreased 20% to $16 million, due primarily to lower client education revenue.

Operating Expenses

Employee compensation and benefits expense increased 7% to $189 million, primarily due to an increase in average headcount related to strategic growth initiatives. The average number of full-time equivalent employees increased to 5,620 for the third quarter of fiscal 2014 compared to 5,285 for the third quarter of the prior year.

Clearing and execution costs increased 17% to $35 million, primarily due to higher client trading volume in singly-listed options and fee increases by the Options Clearing Corporation that became effective April 1, 2014.

Occupancy and equipment costs decreased 7% to $39 million, primarily due to costs associated with exiting our previous headquarters building and placing our new Omaha corporate campus in service during the third quarter of the prior year.

Professional services increased 17% to $42 million, primarily due to higher costs associated with legal and regulatory matters and increased usage of consulting and contract services in connection with operational and technology projects.

Advertising expense decreased 14% to $48 million. We generally adjust our level of advertising spending in relation to stock market activity and other market conditions in an effort to maximize the number of new accounts while minimizing the advertising cost per new account. We find trading volumes in the stock market to be an effective indicator of self-directed investor engagement. When self-directed investors are actively engaged in the stock market, we tend to experience more success with our advertising, resulting in a lower cost per new account. We also find that self-directed investors tend to demonstrate more interest in financial products and services during certain times of the year, such as in the months immediately preceding the annual April tax filing deadline, and less interest during certain other times, such as the summer months. In addition, in periods when advertising market demand is weak, we may adjust our spending to take advantage of attractive advertising rates.

Table of Contents

Other operating expenses increased 36% to $19 million, primarily due to the impact of a bad debt recovery during the third quarter of the prior year.

Income Taxes

Our effective income tax rate was 38.7% for the third quarter of fiscal 2014, compared to 38.3% for the third quarter of the prior year. We expect our effective income tax rate to range from 38% to 39% for the remainder of fiscal 2014, excluding the effect of any adjustments related to remeasurement or resolution of uncertain tax positions. However, we expect to experience some volatility in our quarterly and annual effective income tax rate because current accounting rules for uncertain tax positions require that any change in measurement of a tax position taken in a prior tax year be recognized as a discrete event in the period in which the change occurs.

Nine-Month Periods Ended June 30, 2014 and 2013

Net Revenues

Commissions and transaction fees increased 18% to $1.02 billion, primarily due to increased client trading activity, partially offset by slightly lower average commissions and transaction fees per trade. Total trades increased 19%, as average client trades per day increased 17% to 435,123 for the first nine months of fiscal 2014 compared to 370,874 for the first nine months of the prior year, and there were two more trading days during the first nine months of fiscal 2014. Two trading days were lost during the first nine months of the prior year due to unscheduled market closures resulting from Hurricane Sandy. Average client trades per funded account (annualized) were 17.9 for the first nine months of fiscal 2014 compared to 15.7 for the first nine months of the prior year. Average commissions and transaction fees per trade decreased to $12.51 for the first nine months of fiscal 2014 from $12.60 for the first nine months of the prior year, primarily due to a higher percentage of reduced commission trades, including negotiated rates for our active trader clients and promotional trades to attract new accounts and client assets, as well as lower average contracts per trade on option trades. These decreases were largely offset by a 10% increase in average order routing revenue per trade.

Asset-based revenues increased 11% to $1.26 billion, primarily due to an 11% increase in average spread-based assets and a 23% increase in average market fee-based investment balances, partially offset by a decrease of 3 basis points in the net interest margin earned on spread-based assets. Our net interest margin was 1.50% for the first nine months of fiscal 2014, compared to 1.53% for the first nine months of the prior year, as lower average yields earned on client margin and insured deposit account balances were partially offset by increased net interest revenue from our securities borrowing/lending program. The following paragraphs provide further analysis of the components of asset-based revenues.

Net interest revenue increased 20% to $421 million, primarily due to a 19% increase in average client margin balances and a $29 million increase in net interest revenue from our securities borrowing/lending program, partially offset by a decrease of 12 basis points in the average yield earned on client margin balances.

Insured deposit account fees increased 1% to $612 million, primarily due to a 9% increase in average client IDA balances, mostly offset by a decrease of 8 basis points in the average yield earned on the IDA assets. The increased IDA balances are mostly due to our success in attracting net new client assets over the past year.

Investment product fees increased 24% to $226 million, primarily due to a 23% increase in average market fee-based investment balances.

Other revenues decreased 8% to $49 million, due primarily to lower client education revenue.

Operating Expenses

Employee compensation and benefits expense increased 8% to $565 million, primarily due to an increase in average headcount related to strategic growth initiatives and higher incentive-based compensation related to Company and individual performance. The average number of full-time equivalent employees increased to 5,536 for the first nine months of fiscal 2014 compared to 5,292 for the first nine months of the prior year.

Clearing and execution costs increased 21% to $98 million, primarily due to higher client trading volumes, increased option clearing and execution costs and increased client statement processing costs.

Occupancy and equipment costs decreased 4% to $116 million, primarily due to costs associated with exiting our previous headquarters building and placing our new Omaha corporate campus in service during the third quarter of the prior year.

Depreciation and amortization increased 13% to $71 million, primarily due to depreciation on our new Omaha corporate campus, which was placed in service in April 2013, and on recent technology infrastructure upgrades. Professional services increased 14% to $117 million, primarily due to higher costs associated with legal and regulatory matters and increased usage of consulting and contract services in connection with operational and technology projects.

Table of Contents

Advertising expense increased 11% to $205 million, primarily due to increased advertising in connection with our sponsorship of the Winter Olympics and an increase in new account promotions.

Other operating expenses increased 10% to $57 million, primarily due to the impact of a bad debt recovery during the prior year.

Income Taxes

Our effective income tax rate was 37.9% for the first nine months of fiscal 2014, compared to 38.0% for the first nine months of the prior year. The effective tax rate for the first nine months of fiscal 2014 includes $9 million of favorable resolutions of state income tax matters, partially offset by $2 million of unfavorable deferred income tax adjustments resulting from state income tax law changes. These items had a net favorable impact on our earnings for the first nine months of fiscal 2014 of approximately one cent per share.

LIQUIDITY AND CAPITAL RESOURCES

As a holding company, TD Ameritrade Holding Corporation conducts substantially all of its business through its operating subsidiaries, principally its broker-dealer subsidiaries.

We have historically financed our liquidity and capital needs primarily through the use of funds generated from subsidiary operations and from borrowings under our credit agreements. We have also issued common stock and long-term debt to finance mergers and acquisitions and for other corporate purposes. Our liquidity needs during the first nine months of fiscal 2014 were financed primarily from our subsidiaries' earnings, cash on hand and borrowings on our parent company's revolving credit facility. We financed our payment of a $0.50 per share special cash dividend on December 17, 2013 with $121 million from cash on hand and $155 million borrowed on our parent company's revolving credit facility. During the third quarter of fiscal 2014, we borrowed an additional $75 million on our parent company's revolving credit facility to partially fund repurchases of our common stock under our stock repurchase program. As of June 30, 2014, $150 million of borrowings remained outstanding under the parent company's revolving credit facility. We currently expect to repay the outstanding borrowings on our parent company's revolving credit facility during fiscal 2015; however, we may alter our plans if other capital or liquidity needs arise. We plan to finance our capital and liquidity needs during the remainder of fiscal 2014 primarily from our subsidiaries' earnings, cash on hand and borrowings.

We plan to refinance our $500 million of 4.150% Senior Notes on or near their December 1, 2014 maturity date. On January 17, 2014, we entered into forward-starting interest rate swap contracts with an aggregate notional amount of $500 million to hedge against changes in the benchmark interest rate component of future interest payments resulting from the anticipated fixed-rate debt issuance. We have designated the contracts as a cash flow hedge of the future interest payments. We expect to settle the swap contracts in cash upon the earlier of the date of the debt issuance or December 1, 2014. If, upon settlement, the current 10-year LIBOR swap rate is greater than the fixed rate (3.341%) of the swap contracts, we would receive a payment from the contract counterparties. However, if, at the time of settlement, the current 10-year LIBOR swap rate is less than the fixed rate of the swap contracts, we would be required to make a payment to the contract counterparties. As of June 30, 2014, we have recorded a liability of approximately $24 million for the fair value of the forward-starting interest rate swap contracts.

Dividends from our subsidiaries are the primary source of liquidity for the parent company. Some of our subsidiaries are subject to requirements of the Securities and Exchange Commission ("SEC"), the Financial Industry Regulatory Authority ("FINRA"), the Commodity Futures Trading Commission ("CFTC"), the National Futures Association ("NFA") and other regulators relating to liquidity, capital standards and the use of client funds and securities, which may limit funds available for the payment of dividends to the parent company.

Broker-dealer Subsidiaries

Our broker-dealer subsidiaries are subject to regulatory requirements that are intended to ensure their liquidity and general financial soundness. Under the SEC's Uniform Net Capital Rule (Rule 15c3-1 under the Securities Exchange Act of 1934, or the "Exchange Act"), our broker-dealer subsidiaries are required to maintain, at all times, at least the minimum level of net capital required under Rule 15c3-1. For our clearing broker-dealer subsidiary, this minimum net capital level is determined by a calculation described in Rule 15c3-1 that is primarily based on the broker-dealer's "aggregate debits," which primarily are a function of client margin balances at the clearing broker-dealer. Since our aggregate debits may fluctuate significantly, our minimum net capital requirements may also fluctuate significantly from period to period. The parent company may make cash capital contributions to our broker-dealer subsidiaries, if necessary, to meet minimum net capital requirements.

Each of our broker-dealer subsidiaries may not repay any subordinated borrowings, pay cash dividends or make any unsecured advances or loans to its parent company or employees if such payment would result in a net capital amount of (a) less than 5% of aggregate debit balances, (b) less than 110% of its risk-based capital requirement under CFTC Regulation 1.17 or (c) less than 120% of its minimum dollar requirement. These net capital thresholds, which are specified in Rule 17a-11 under the Exchange

Table of Contents

Act and CFTC Regulation 1.12, are typically referred to as "early warning" net capital thresholds. As of June 30, 2014, our clearing and introducing broker-dealer subsidiaries had $1,560 million and $284 million of net capital, respectively, which exceeded the early warning net capital thresholds by $883 million and $265 million, respectively. Our clearing broker-dealer subsidiary, TD Ameritrade Clearing, Inc. ("TDAC"), engages in activities such as settling client securities transactions with clearinghouses, extending credit to clients through margin lending, securities lending and borrowing transactions and processing client cash sweep transactions to and from insured deposit accounts and money market mutual funds. These types of broker-dealer activities require active daily liquidity management.

Most of TDAC's assets are readily convertible to cash, consisting primarily of cash and investments segregated for the exclusive benefit of clients, receivables from clients and receivables from brokers, dealers and clearing organizations. Cash and investments segregated for the exclusive benefit of clients may be held in cash, reverse repurchase agreements (collateralized by U.S. Treasury securities), U.S. Treasury securities and other qualified securities. Receivables from clients consist of margin loans, which are demand loan obligations secured by readily marketable securities. Receivables from brokers, dealers and clearing organizations primarily arise from current open transactions, which usually settle or can be settled within a few business days.

TDAC is subject to cash deposit and collateral requirements with clearinghouses such as the Depository Trust & Clearing Corporation ("DTCC") and the Options Clearing Corporation ("OCC"), which may fluctuate significantly from time to time based on the nature and size of our clients' trading activity. TDAC had $336 million and $175 million of cash and investments deposited with clearing organizations for the clearing of client equity and option trades as of June 30, 2014 and September 30, 2013, respectively.

TDAC's liquidity needs relating to client trading and margin borrowing are met primarily through cash balances in client brokerage accounts, which were $14.0 billion and 13.0 billion as of June 30, 2014 and September 30, 2013, respectively. Cash balances in client brokerage accounts not used for client trading and margin borrowing activity are not generally available for other liquidity purposes and must be segregated for the exclusive benefit of clients under Rule 15c3-3 of the Exchange Act. TDAC had $5.0 billion and $5.7 billion of cash and investments segregated in special reserve bank accounts for the exclusive benefit of clients under Rule 15c3-3 as of June 30, 2014 and September 30, 2013, respectively.

For general liquidity needs, TDAC also maintains a senior unsecured revolving credit facility in an aggregate principal amount of $300 million. There were no borrowings outstanding on this facility as of June 30, 2014 and September 30, 2013.

Liquid Assets

We consider our liquid assets metrics to be important measures of our liquidity and of our ability to fund corporate investing and financing activities. Our liquid assets metrics are considered non-GAAP financial measures. We include the excess capital of our broker-dealer and trust company subsidiaries in the calculation of our liquid assets metrics, rather than simply including broker-dealer and trust company cash and cash equivalents, because capital requirements may limit the amount of cash available for dividend from the broker-dealer and trust company subsidiaries to the parent company. Excess capital, as defined below, is generally available for dividend from the broker-dealer and trust company subsidiaries to the parent company. The liquid assets metrics should be considered as supplemental measures of liquidity, rather than as substitutes for cash and cash equivalents.

We define "liquid assets - management target" as the sum of (a) corporate cash and cash equivalents, (b) corporate short-term investments and (c) regulatory net capital of (i) our clearing broker-dealer subsidiary in excess of 10% of aggregate debit items and (ii) our introducing broker-dealer subsidiaries in excess of a minimum operational target established by management ($50 million in the case of our primary introducing broker-dealer, TD Ameritrade, Inc.). "Liquid assets – management target" is based on more conservative measures of broker-dealer net capital than "liquid assets – regulatory threshold" (defined below) because we prefer to maintain significantly more conservative levels of net capital at the broker-dealer subsidiaries than the regulatory thresholds require. We consider "liquid assets—management target" to be a measure that reflects our liquidity that would be readily available for corporate investing or financing activities under normal operating circumstances.

We define “liquid assets - regulatory threshold” 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 the applicable “early warning” net capital requirement and (d) Tier 1 capital of our trust company in excess of the minimum requirement. For more information about the regulatory capital requirements of our broker-dealer and trust subsidiaries, please see Note 6 – CAPITAL REQUIREMENTS under Item 1, Financial Statements – Notes to Condensed Consolidated Financial Statements. We consider “liquid assets—regulatory threshold” to be a measure that reflects our liquidity that would be available for corporate investing or financing activities under unusual operating circumstances, such as the need to provide funding for significant strategic business transactions.

Table of Contents

The following table sets forth a reconciliation of cash and cash equivalents, which is the most directly comparable GAAP measure, to our liquid assets metrics (dollars in millions):

	Liquid Assets - Management Target			Liquid Assets - Regulatory Threshold		
	June 30, 2014	Sept. 30, 2013	Change	June 30, 2014	Sept. 30, 2013	Change
Cash and cash equivalents	$1,260	$1,062	$198	$1,260	$1,062	$198
Less: Broker-dealer cash and cash equivalents	(871)	(540)	(331)	(871)	(540)	(331)
Trust company cash and cash equivalents	(54)	(74)	20	(54)	(74)	20
Investment advisory cash and cash equivalents	(9)	(19)	10	(9)	(19)	10
Corporate cash and cash equivalents	326	429	(103)	326	429	(103)
Plus: Excess trust company Tier 1 capital	—	—	—	11	8	3
Excess broker-dealer regulatory net capital	441	445	(4)	1,148	1,040	108
Liquid assets	$767	$874	$(107)	$1,485	$1,477	$8

The changes in liquid assets are summarized as follows (dollars in millions):

	Liquid Assets Management Target	Regulatory Threshold
Liquid assets as of September 30, 2013	$874	$1,477
Plus: EBITDA (1)	1,085	1,085
Proceeds from notes payable	230	230
Proceeds from exercise of stock options	7	7
Proceeds from the sale of investments	14	14
Less: Income taxes paid	(367)	(367)
Interest paid	(22)	(22)
Purchase of property and equipment	(54)	(54)
Principal payments on notes payable	(80)	(80)
Payment of cash dividends	(474)	(474)
Purchase of treasury stock	(106)	(106)
Additional net capital requirement due to increase in aggregate debits	(240)	(121)
Other changes in working capital and regulatory net capital	(100)	(104)
Liquid assets as of June 30, 2014	$767	$1,485

(1) See “Financial Performance Metrics” earlier in this section for a description of EBITDA.

Loan Facilities

Senior Notes – We plan to refinance our $500 million of 4.150% Senior Notes on or near their December 1, 2014 maturity date. On January 17, 2014, we entered into forward-starting interest rate swap contracts with an aggregate notional amount of $500 million to hedge against changes in the benchmark interest rate component of future interest payments resulting from the anticipated fixed-rate debt issuance. For more information regarding the forward-starting interest rate swap contracts, see Note 5 – NOTES PAYABLE AND LONG-TERM DEBT – Cash Flow Hedging under Item 1, Financial Statements – Notes to Condensed Consolidated Financial Statements.

TD Ameritrade Holding Corporation Credit Agreement – On June 11, 2014, TD Ameritrade Holding Corporation entered into a credit agreement consisting of a senior unsecured revolving credit facility in the aggregate principal amount of $300 million (the

Table of Contents

“Parent Revolving Facility”). The Parent Revolving Facility replaced the Parent's prior $300 million unsecured revolving credit facility, which was scheduled to expire on June 28, 2014. The maturity date of the Parent Revolving Facility is June 11, 2019. As of June 30, 2014, there was $150 million of borrowings outstanding under the Parent Revolving Facility. For more information regarding the Parent Revolving Facility, see Note 5 – NOTES PAYABLE AND LONG-TERM DEBT – TD Ameritrade Holding Corporation Credit Agreement under Item 1, Financial Statements – Notes to Condensed Consolidated Financial Statements.

TD Ameritrade Clearing, Inc. Credit Agreement – On June 11, 2014, TDAC entered into a credit agreement consisting of a senior unsecured revolving credit facility in the aggregate principal amount of $300 million (the "TDAC Revolving Facility"). The TDAC Revolving Facility replaced TDAC's prior $300 million unsecured revolving credit facility, which was scheduled to expire on June 28, 2014. The maturity date of the TDAC Revolving Facility is June 11, 2019. There were no borrowings outstanding under the TDAC Revolving Facility as of June 30, 2014. For more information regarding the TDAC Revolving Facility, see Note 5 – NOTES PAYABLE AND LONG-TERM DEBT – TD Ameritrade Clearing, Inc. Credit Agreement under Item 1, Financial Statements – Notes to Condensed Consolidated Financial Statements.

Stock Repurchase Program

On October 20, 2011, our board of directors authorized the repurchase of up to 30 million shares of our common stock. During the third quarter of fiscal 2014, we repurchased approximately 2.9 million shares at a weighted average purchase price of $30.48 per share. From the inception of this stock repurchase authorization through June 30, 2014, we have repurchased approximately 8.0 million shares at a weighted average purchase price of $22.21 per share. As of June 30, 2014, we had approximately 22.0 million shares remaining on the stock repurchase authorization.

Cash Dividends

We have declared a $0.12 per share quarterly cash dividend on our common stock during each quarter of fiscal 2014. We also declared and paid a $0.50 per share special cash dividend on our common stock during the first quarter of fiscal 2014. We paid a total of $474 million to fund the quarterly and special cash dividends declared during the first nine months of fiscal 2014. We expect to pay approximately $66 million on August 15, 2014 to fund the $0.12 per share fourth quarter dividend.

OFF-BALANCE SHEET ARRANGEMENTS

We enter into guarantees and other off-balance sheet arrangements in the ordinary course of business, primarily to meet the needs of our clients and manage our asset-based revenues. For information on these arrangements, see the following sections under Item 1, Financial Statements – Notes to Condensed Consolidated Financial Statements: “General Contingencies” and “Guarantees” under Note 7 – COMMITMENTS AND CONTINGENCIES and “Insured Deposit Account Agreement” under Note 12 – RELATED PARTY TRANSACTIONS. The IDA agreement accounts for a significant percentage of our net revenues (26% of our net revenues for the nine months ended June 30, 2014) and enables our clients to invest in an FDIC-insured deposit product without the need for the Company to establish the significant levels of capital that would be required to maintain our own bank charter.

WEBSITE AND SOCIAL MEDIA DISCLOSURE

From time to time, the Company may use its website and/or Twitter as distribution channels of material information. Financial and other important information regarding the Company is routinely accessible through and posted on the Company’s website at www.amtd.com and its Twitter account @TDAmeritradePR. We ask that interested parties visit or subscribe to newsfeeds at www.amtd.com/newsroom to automatically receive email alerts and other information, including the most up-to-date corporate financial information, presentation announcements, transcripts and archives. The website to access the Company’s Twitter account is https://twitter.com/TDAmeritrade. Website links provided in this report, although correct when published, may change in the future. We make available free of charge on our website our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports, as soon as reasonably practicable after we electronically file such material with or furnish it to the SEC.

Item 3. – Quantitative and Qualitative Disclosures About Market Risk

Market risk generally represents the risk of loss that may result from the potential change in the value of a financial instrument as a result of fluctuations in interest rates and market prices. We have established policies, procedures and internal processes governing our management of market risks in the normal course of our business operations.

Market-related Credit Risk

Two primary sources of credit risk inherent in our business are (1) client credit risk related to margin lending and leverage and (2) counterparty credit risk related to securities lending and borrowing. We manage risk on client margin lending and leverage by requiring clients to maintain margin collateral in compliance with regulatory and internal guidelines. The risks associated with margin lending and leverage increase during periods of rapid market movements, or in cases where leverage or collateral is concentrated and market movements occur. We monitor required margin levels daily and, pursuant to such guidelines, require our clients to deposit additional collateral, or to reduce positions, when necessary. We continuously monitor client accounts to detect excessive concentration, large orders or positions, patterns of day trading and other activities that indicate increased risk to us. We manage risks associated with our securities lending and borrowing activities by requiring credit approvals for counterparties, by monitoring the market value of securities loaned and collateral values for securities borrowed on a daily basis and requiring additional cash as collateral for securities loaned or return of collateral for securities borrowed when necessary, and by participating in a risk-sharing program offered through the Options Clearing Corporation.

We are party to interest rate swaps related to our long-term debt, which are subject to counterparty credit risk. Credit risk on derivative financial instruments is managed by limiting activity to approved counterparties that meet a minimum credit rating threshold and by entering into credit support agreements, or by utilizing approved central clearing counterparties registered with the Commodity Futures Trading Commission. Our interest rate swaps require daily collateral coverage, in the form of cash or U.S. Treasury securities, for the aggregate fair value of the interest rate swaps.

Interest Rate Risk

As a fundamental part of our brokerage business, we invest in interest-earning assets and are obligated on interest-bearing liabilities. In addition, we earn fees on our insured deposit account (“IDA”) arrangement with TD Bank USA, N.A. and TD Bank, N.A. and on money market mutual funds, which are subject to interest rate risk. Changes in interest rates could affect the interest earned on assets differently than interest paid on liabilities. A rising interest rate environment generally results in our earning a larger net interest spread. Conversely, a falling interest rate environment generally results in our earning a smaller net interest spread.

Our most prevalent form of interest rate risk is referred to as “gap” risk. This risk occurs when the interest rates we earn on our assets change at a different frequency or amount than the interest rates we pay on our liabilities. For example, in the current low interest rate environment, sharp increases in short-term interest rates could result in net interest spread compression if the yields paid on interest-bearing client balances were to increase faster than our earnings on interest-earning assets. We seek to mitigate interest rate risk by aligning the average duration of our interest-earning assets with that of our interest-bearing liabilities. We currently seek to maintain a consolidated duration of interest-sensitive assets, including IDA assets, within a range of 1.75 to 2.75 years. As of June 30, 2014, our consolidated duration was 2.4 years. We have an Asset/Liability Committee as the governance body with the responsibility of managing interest rate risk, including gap risk.

We use net interest simulation modeling techniques to evaluate the effect that changes in interest rates might have on pre-tax income. Our model includes all interest-sensitive assets and liabilities of the Company and interest-sensitive assets and liabilities associated with the insured deposit account arrangement. The simulations involve assumptions that are inherently uncertain and, as a result, cannot precisely predict the impact that changes in interest rates will have on pre-tax income. Actual results may differ from simulated results due to differences in timing and frequency of rate changes, changes in market conditions and changes in management strategy that lead to changes in the mix of interest-sensitive assets and liabilities.

The simulations assume that the asset and liability structure of our Condensed Consolidated Balance Sheet and the insured deposit account arrangement would not be changed as a result of a simulated change in interest rates. The results of the simulations based on our financial position as of June 30, 2014 indicate that a gradual 1% (100 basis points) increase in interest rates over a 12-month period would result in a range of approximately $119 million to $166 million higher pre-tax income, depending largely on the extent and timing of possible increases in payment rates on client cash balances. A gradual 1% (100 basis points) decrease in interest rates over a 12-month period would result in approximately $16 million lower pre-tax income. The results of the simulations reflect the fact that short-term interest rates remain at historically low levels, including the federal funds target rate, which is currently a range of zero to 0.25%.

Other Market Risks

Substantially all of our revenues and financial instruments are denominated in U.S. dollars. We generally do not enter into derivative transactions, except for hedging purposes.

Table of Contents

Item 4. – Controls and Procedures

Disclosure Controls and Procedures

Management, including the Chief Executive Officer and Chief Financial Officer, performed an evaluation of the effectiveness of the Company's disclosure controls and procedures as of June 30, 2014. Management, including the Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were effective as of June 30, 2014.

Changes in Internal Control over Financial Reporting

There have been no changes in the Company's internal control over financial reporting during the most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Part II – OTHER INFORMATION

Item 1. – Legal Proceedings

For information regarding legal proceedings, see Note 7 – COMMITMENTS AND CONTINGENCIES – "Legal and Regulatory Matters" under Item 1, Financial Statements – Notes to Condensed Consolidated Financial Statements.

Item 1A. – Risk Factors

In addition to the other information set forth in this report, you should carefully consider the following and the factors discussed under Item 1A— "Risk Factors" in our annual report on Form 10-K for the year ended September 30, 2013, which could materially affect our business, financial condition or future results of operations. The risks described in this Form 10-Q and in our Form 10 K are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or results of operations.

On December 4, 2013, we entered into Amendment No. 5 to the Stockholders Agreement among TD Ameritrade Holding Corporation, The Toronto-Dominion Bank ("TD") and certain other stockholders, which, among other changes, extended the term of the agreement from January 24, 2016 until January 24, 2021. The risk factor presented below has been updated to reflect the terms of Amendment No. 5 and should be considered in addition to the other risk factors disclosed in our Form 10-K for the fiscal year ended September 30, 2013. There have been no other material changes from the risk factors disclosed in the Company's Form 10-K for the fiscal year ended September 30, 2013.

TD and the Ricketts holders exercise significant influence over TD Ameritrade.

As of June 30, 2014, TD and J. Joe Ricketts, our founder, members of his family and trusts held for their benefit (which we collectively refer to as the Ricketts holders), owned approximately 41% and 12%, respectively, of our outstanding common stock. As a result, TD and the Ricketts holders have the ability to significantly influence the outcome of any matter submitted for the vote of our stockholders. TD is permitted under a stockholders agreement to exercise voting rights on up to 45% of our outstanding shares of common stock until termination of the stockholders agreement (which will occur no later than January 24, 2021). Beginning January 24, 2016, if our stock repurchases cause TD's ownership percentage to exceed 45%, TD is required to use reasonable efforts to sell or dispose of such excess stock, subject to TD's commercial judgment as to the optimal timing, amount and method of sales with a view to maximizing proceeds from such sales. TD has no absolute obligation to reduce its ownership percentage to 45% by the termination of the Stockholders Agreement. However, prior to and following the termination of the Stockholders Agreement, TD is required to vote any such excess stock on any matter in the same proportions as all the outstanding shares of stock held by holders other than TD and its affiliates are voted. Beginning January 24, 2016, in no event may TD Ameritrade repurchase shares of its common stock that would result in TD's ownership percentage exceeding 47%. The Ricketts holders are permitted under the stockholders agreement to own up to 29% of our outstanding common stock until January 24, 2016, when they will no longer be a party to the stockholders agreement. There is no restriction on the number of shares TD may own following the termination of the stockholders agreement or on the number of shares the Ricketts holders may own after January 24, 2016. As a result of their significant share ownership in TD Ameritrade, TD or the Ricketts holders may have the power, subject to applicable law, to significantly influence actions that might be favorable to TD or the Ricketts holders, but not necessarily favorable to our other stockholders. The stockholders agreement also provides that TD may designate five of the twelve members of our board of directors and the Ricketts holders may designate three of the twelve members of our board of directors, subject to adjustment based on their respective ownership positions in TD Ameritrade. As of June 30, 2014, based on their ownership positions, TD has designated five members of our board of directors, and the Ricketts holders have designated one. Accordingly, TD and the Ricketts holders are able to significantly influence the outcome of all matters that come before our board.

Table of Contents

The ownership position and governance rights of TD and the Ricketts holders could also discourage a third party from proposing a change of control or other strategic transaction concerning TD Ameritrade. As a result, our common stock could trade at prices that do not reflect a “takeover premium” to the same extent as do the stocks of similarly situated companies that do not have a stockholder with an ownership interest as large as TD’s and the Ricketts holders’ combined ownership interest.

Item 2. – Unregistered Sales of Equity Securities, Use of Proceeds and Issuer Purchases of Equity Securities

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Maximum Number of Shares that May Yet Be Purchased Under the Program
April 1, 2014 – April 30, 2014	46,907	$31.78	—	24,920,000
May 1, 2014 – May 31, 2014	1,413,561	$30.28	1,360,000	23,560,000
June 1, 2014 – June 30, 2014	1,560,567	$30.65	1,560,200	21,999,800
Total – Three months ended June 30, 2014	3,021,035	$30.50	2,920,200	21,999,800

On October 20, 2011, our board of directors authorized the repurchase of up to 30 million shares of our common stock. We disclosed this authorization on November 18, 2011 in our annual report on Form 10-K. This program was the only stock repurchase program in effect and no programs expired during the third quarter of fiscal 2014.

During the quarter ended June 30, 2014, 100,835 shares were repurchased from employees for income tax withholding in connection with distributions of stock-based compensation.

Table of Contents

Item 6. – Exhibits

3.1	Amended and Restated Certificate of Incorporation of TD Ameritrade Holding Corporation, dated January 24, 2006 (incorporated by reference to Exhibit 3.1 of the Company’s Form 8-K filed on January 27, 2006)
3.2	Amended and Restated By-Laws of TD Ameritrade Holding Corporation, effective February 12, 2014 (incorporated by reference to Exhibit 3.1 of the Company’s Form 8-K filed on February 19, 2014)
4.1	First Supplemental Indenture, dated November 25, 2009, among TD Ameritrade Holding Corporation, TD Ameritrade Online Holdings Corp., as guarantor, and The Bank of New York Mellon Trust Company, National Association, as trustee (incorporated by reference to Exhibit 4.1 of the Company’s Form 8-K filed on November 25, 2009)
4.2	Form of 4.150% Senior Note due 2014 (included in Exhibit 4.1)
4.3	Form of 5.600% Senior Note due 2019 (included in Exhibit 4.1)
10.1	Credit Agreement, dated June 11, 2014, among TD Ameritrade Holding Corporation, TD Ameritrade Online Holdings Corp., as guarantor, the lenders party thereto, Bank of America, N.A., as syndication agent, Barclays Bank PLC, U.S. Bank National Association and Wells Fargo Bank, National Association, as co-documentation agents and JPMorgan Chase Bank, N.A., as administrative agent (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed on June 17, 2014)
10.2	Credit Agreement, dated June 11, 2014, among TD Ameritrade Clearing, Inc., the lenders party thereto, Bank of America, N.A., as syndication agent, Barclays Bank PLC, U.S. Bank National Association and Wells Fargo Bank, National Association, as co-documentation agents and JPMorgan Chase Bank, N.A., as administrative agent (incorporated by reference to Exhibit 10.2 of the Company's Form 8-K filed on June 17, 2014)
15.1	Awareness Letter of Independent Registered Public Accounting Firm
31.1	Certification of Fredric J. Tomczyk, Principal Executive Officer, as required pursuant to Section 302 of the Sarbanes - Oxley Act of 2002
31.2	Certification of William J. Gerber, Principal Financial Officer, as required pursuant to Section 302 of the Sarbanes - Oxley Act of 2002
32.1	Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation
101.LAB	XBRL Taxonomy Extension Label
101.PRE	XBRL Taxonomy Extension Presentation

101.DEF XBRL Taxonomy Extension Definition

51

Table of Contents

Signatures

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.

Dated: August 5, 2014

TD Ameritrade Holding Corporation
(Registrant)

By: /s/ FREDRIC J. TOMCZYK
Fredric J. Tomczyk
President and Chief Executive Officer
(Principal Executive Officer)

By: /s/ WILLIAM J. GERBER
William J. Gerber
Executive Vice President, Chief Financial Officer
(Principal Financial and Accounting Officer)