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

FORM 10-Q

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

For the quarterly period ended June 30, 2023

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: 1-9700

THE CHARLES SCHWAB CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**94-3025021**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

3000 Schwab Way, Westlake, TX 76262
(Address of principal executive offices and zip code)

Registrant's telephone number, including area code: (817) 859-5000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock – $.01 par value per share	SCHW	New York Stock Exchange
Depositary Shares, each representing a 1/40th ownership interest in a share of 5.95% Non-Cumulative Preferred Stock, Series D	SCHW PrD	New York Stock Exchange
Depositary Shares, each representing a 1/40th ownership interest in a share of 4.450% Non-Cumulative Preferred Stock, Series J	SCHW PrJ	New York Stock Exchange

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer ☒	Accelerated filer ☐
Non-accelerated filer ☐	Smaller reporting company ☐
Emerging growth company ☐	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.
1,770,219,589 shares of $.01 par value Common Stock and 50,893,695 shares of $.01 par value Nonvoting Common Stock outstanding on July 31, 2023

THE CHARLES SCHWAB CORPORATION

Quarterly Report on Form 10-Q
For the Quarter Ended June 30, 2023

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Part I – FINANCIAL INFORMATION

THE CHARLES SCHWAB CORPORATION
Management's Discussion and Analysis of Financial Condition and Results of Operations
(Tabular Amounts in Millions, Except Ratios, or as Noted)

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

INTRODUCTION

The Charles Schwab Corporation (CSC) is a savings and loan holding company. CSC engages, through its subsidiaries (collectively referred to as Schwab or the Company), in wealth management, securities brokerage, banking, asset management, custody, and financial advisory services.

Principal business subsidiaries of CSC include the following:

- Charles Schwab & Co., Inc. (CS&Co), incorporated in 1971, a securities broker-dealer;
- TD Ameritrade, Inc., an introducing securities broker-dealer;
- TD Ameritrade Clearing, Inc. (TDAC), a securities broker-dealer that provides trade execution and clearing services to TD Ameritrade, Inc.;
- Charles Schwab Bank, SSB (CSB), our principal banking entity; and
- Charles Schwab Investment Management, Inc. (CSIM), the investment advisor for Schwab's proprietary mutual funds (Schwab Funds®) and for Schwab's exchange-traded funds (Schwab ETFs™).

Unless otherwise indicated, the terms "Schwab," "the Company," "we," "us," or "our" mean CSC together with its consolidated subsidiaries.

Schwab provides financial services to individuals and institutional clients through two segments – Investor Services and Advisor Services. The Investor Services segment provides retail brokerage, investment advisory, and banking and trust services to individual investors, and retirement plan services, as well as other corporate brokerage services, to businesses and their employees. The Advisor Services segment provides custodial, trading, banking and trust, and support services, as well as retirement business services, to independent registered investment advisors (RIAs), independent retirement advisors, and recordkeepers.

Schwab was founded on the belief that all Americans deserve access to a better investing experience. Although much has changed in the intervening years, our purpose remains clear – to champion every client's goals with passion and integrity. Guided by this purpose and our vision of creating the most trusted leader in investment services, management has adopted a strategy described as "Through Clients' Eyes."

This strategy emphasizes placing clients' perspectives, needs, and desires at the forefront. Because investing plays a fundamental role in building financial security, we strive to deliver a better investing experience for our clients – individual investors and the people and institutions who serve them – by disrupting longstanding industry practices on their behalf and providing superior service. We also aim to offer a broad range of products and solutions to meet client needs with a focus on transparency, value, and trust. In addition, management works to couple Schwab's scale and resources with ongoing expense discipline to keep costs low and ensure that products and solutions are affordable as well as responsive to client needs. In combination, these are the key elements of our "no trade-offs" approach to serving investors. We believe that following this strategy is the best way to maximize our market valuation and stockholder returns over time.

Management estimates that investable wealth in the United States (U.S.) (consisting of assets in defined contribution, retail wealth management and brokerage, and registered investment advisor channels, along with bank deposits) currently exceeds $60 trillion, which means the Company's $8.02 trillion in client assets leaves substantial opportunity for growth. Our strategy is based on the principle that developing trusted relationships will translate into more assets from both new and existing clients, ultimately driving more revenue, and along with expense discipline and thoughtful capital management, will generate earnings growth and build long-term stockholder value.

This Management's Discussion and Analysis should be read in conjunction with our Annual Report on Form 10-K for the fiscal year ended December 31, 2022 (2022 Form 10-K).

On our website, https://www.aboutschwab.com, we post the following filings after they are electronically filed with or furnished to the Securities and Exchange Commission (SEC or Commission): annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934. In addition, we post to the website the Dodd-Frank stress test results, our regulatory capital disclosures based on Basel III, our average liquidity coverage ratio (LCR), and our average net stable funding ratio (NSFR). The SEC maintains a website at https://www.sec.gov that contains reports, proxy statements, and other information that we file electronically with them.

FORWARD-LOOKING STATEMENTS

In addition to historical information, this Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of Section 27A of the Securities Act, and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are identified by words such as "believe," "anticipate," "expect," "intend," "plan," "will," "may," "estimate," "appear," "could," "would," "expand," "aim," "maintain," "continue," "seek," and other similar expressions. In addition, any statements that refer to expectations, projections, or other characterizations of future events or circumstances are forward-looking statements.

These forward-looking statements, which reflect management's beliefs, objectives, and expectations as of the date hereof, are estimates based on the best judgment of Schwab's senior management. These statements relate to, among other things:

- Maximizing our market valuation and stockholder returns over time; our belief that developing trusted relationships will translate into more client assets which drives revenue and, along with expense discipline and thoughtful capital management, generates earnings growth and builds stockholder value (see Introduction in Part I – Item 2);
- Investments to support growth in the business; business momentum (see Overview);
- Expected timing for the TD Ameritrade client transitions; cost estimates and timing related to the TD Ameritrade integration, including acquisition and integration-related costs and capital expenditures, cost synergies, and exit and other related costs (see Overview and Exit and Other Related Liabilities in Part I – Item 1 – Financial Information – Notes to Condensed Consolidated Financial Statements (Item 1) – Note 10);
- Our planning to take actions to streamline our operations and expectation to realize at least $500 million of incremental run-rate cost savings and the timing and amount of associated exit and related costs that we will incur (see Overview, Results of Operations, and Exit and Other Related Liabilities in Item 1 – Note 10);
- The expected impact of proposed rules (see Current Regulatory and Other Developments);
- The adjustment of rates paid on client-related liabilities; outstanding balances and the use of supplemental funding; net interest revenue (see Results of Operations);
- Capital expenditures (see Results of Operations);
- Management of interest rate risk; the impact of changes in interest rates on net interest margin and revenue, bank deposit account fee revenue, economic value of equity, and liability and asset duration (see Risk Management);
- The phase-out of the use of LIBOR (see Risk Management);
- Sources and uses of liquidity and capital (see Liquidity Risk and Capital Management);
- Capital management; the potential migration of insured deposit account balances (IDA balances) to our balance sheet; expectations about capital requirements, including accumulated other comprehensive income (AOCI), and meeting those requirements; plans regarding capital and dividends (see Capital Management and Commitments and Contingencies in Item 1 – Note 9);
- The expected impact of new accounting standards not yet adopted (see New Accounting Standards in Item 1 – Note 2);
- The likelihood of indemnification and guarantee payment obligations and clients failing to fulfill contractual obligations (see Commitments and Contingencies in Item 1 – Note 9); and
- The impact of legal proceedings and regulatory matters (see Commitments and Contingencies in Item 1 – Note 9 and Legal Proceedings in Part II – Item 1).

Achievement of the expressed beliefs, objectives, and expectations described in these statements is subject to certain risks and uncertainties that could cause actual results to differ materially from the expressed beliefs, objectives, and expectations. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this Quarterly Report on Form 10-Q or, in the case of documents incorporated by reference, as of the date of those documents.

Important factors that may cause actual results to differ include, but are not limited to:

- General market conditions, including equity valuations and the level of interest rates;
- The level and mix of client trading activity;
- Our ability to attract and retain clients, develop trusted relationships, and grow client assets;
- Client use of our advisory and lending solutions and other products and services;
- The level of client assets, including cash balances;
- Competitive pressure on pricing, including deposit rates;

- Client sensitivity to rates;
- Regulatory guidance and adverse impacts from new or changed legislation, rulemaking, or regulatory expectations;
- Capital and liquidity needs and management;
- Our ability to manage expenses;
- Our ability to attract and retain talent;
- Our ability to develop and launch new and enhanced products, services, and capabilities, as well as enhance our infrastructure, in a timely and successful manner;
- Our ability to monetize client assets;
- Our ability to support client activity levels;
- The risk that expected cost synergies and other benefits from the TD Ameritrade acquisition may not be fully realized or may take longer to realize than expected and that integration-related expenses may be higher than expected;
- Increased compensation and other costs due to inflationary pressures;
- The timing and scope of integration-related and other technology projects;
- Real estate and workforce decisions;
- Our ability to timely and successfully streamline our operations and realize expected run-rate cost savings;
- Client cash allocations;
- Migrations of bank deposit account balances (BDA balances);
- Balance sheet positioning relative to changes in interest rates;
- Interest-earning asset mix and growth;
- Our ability to access and use supplemental funding sources;
- Prepayment levels for mortgage-backed securities;
- Adverse developments in litigation or regulatory matters and any related charges; and
- Potential breaches of contractual terms for which we have indemnification and guarantee obligations.

Certain of these factors, as well as general risk factors affecting the Company, are discussed in greater detail in Part I – Item 1A – Risk Factors in the 2022 Form 10-K.

OVERVIEW

Management focuses on several client activity and financial metrics in evaluating Schwab's financial position and operating performance. Results for the second quarter and first six months of 2023 and 2022 are as follows:

	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Percent Change	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022	Percent Change
Client Metrics						
Net new client assets (in billions) (1)	$ 72.0	$ 43.4	66%	$ 222.7	$ 163.9	36%
Core net new client assets (in billions)	$ 52.2	$ 64.2	(19)%	$ 183.9	$ 184.7	—
Client assets (in billions, at quarter end)	$8,015.8	$6,832.5	17%			
Average client assets (in billions)	$7,698.3	$7,262.7	6%	$7,541.8	$7,514.6	—
New brokerage accounts (in thousands)	960	1,014	(5)%	2,002	2,216	(10)%
Active brokerage accounts (in thousands, at quarter end)	34,382	33,896	1%			
Assets receiving ongoing advisory services (in billions, at quarter end)	$4,075.3	$3,524.2	16%			
Client cash as a percentage of client assets (at quarter end) (2)	10.5%	12.8%				
Company Financial Information and Metrics						
Total net revenues	$ 4,656	$ 5,093	(9)%	$ 9,772	$ 9,765	—
Total expenses excluding interest	2,965	2,819	5%	5,971	5,652	6%
Income before taxes on income	1,691	2,274	(26)%	3,801	4,113	(8)%
Taxes on income	397	481	(17)%	904	918	(2)%
Net income	1,294	1,793	(28)%	2,897	3,195	(9)%
Preferred stock dividends and other	121	141	(14)%	191	265	(28)%
Net income available to common stockholders	$ 1,173	$ 1,652	(29)%	$ 2,706	$ 2,930	(8)%
Earnings per common share — diluted	$ .64	$ .87	(26)%	$ 1.48	$ 1.54	(4)%
Net revenue change from prior year	(9)%	13%		—	6%	
Pre-tax profit margin	36.3%	44.6%		38.9%	42.1%	
Return on average common stockholders' equity (annualized)	17%	19%		20%	15%	
Expenses excluding interest as a percentage of average client assets (annualized)	0.15%	0.16%		0.16%	0.15%	
Consolidated Tier 1 Leverage Ratio (at quarter end)	7.5%	6.4%				
Non-GAAP Financial Measures (3)						
Adjusted total expenses (4)	$ 2,701	$ 2,571		$ 5,474	$ 5,154	
Adjusted diluted EPS	$ .75	$ .97		$ 1.68	$ 1.74	
Return on tangible common equity	62%	45%		71%	32%	

(1) The second quarter and first six months of 2023 include inflows of $7.8 billion and $26.8 billion, respectively, from off-platform brokered certificates of deposit (CDs) issued by CSB and includes an inflow of $12.0 billion from a mutual fund clearing services client. The second quarter and first six months of 2022 include an outflow of $20.8 billion from a mutual fund clearing services client.
(2) Client cash as a percentage of client assets excludes brokered CDs issued by CSB.
(3) See Non-GAAP Financial Measures for further details and a reconciliation of such measures to GAAP reported results.
(4) Adjusted total expenses is a non-GAAP financial measure adjusting total expenses excluding interest. See Non-GAAP Financial Measures.

Schwab saw sustained strong client engagement and momentum during the second quarter and first six months of 2023 through an evolving macroeconomic environment. Under its monetary tightening policy, the Federal Reserve raised the Federal Funds rate twice in the first quarter and once in the second quarter for a total of 75 basis points. Investor sentiment was bearish throughout the first quarter, especially following the onset of banking industry turmoil in early March, but turned positive by the end of the second quarter, and Schwab's clients were net buyers of equities in June. Equity markets continued to rise from year-end 2022 levels in the second quarter, with the S&P 500® increasing 8% and 16% during the second quarter and first six months of 2023, respectively.

Core net new assets totaled $52.2 billion in the second quarter of 2023, bringing year-to-date asset gathering to $183.9 billion, representing an annualized organic growth rate of over 5%. Total client assets were $8.02 trillion at June 30, 2023, up 14% from year-end 2022, supported by sustained asset gathering as well as market value gains. Trading volume was lower throughout the first half of 2023 relative to the same period in 2022. Clients' daily average trades (DATs) were 5.3 million and 5.6 million in the second quarter and first half of 2023, respectively, down 15% and 13% from the respective prior periods.

Clients opened 960 thousand and 2.0 million new brokerage accounts in the second quarter and first six months of 2023, respectively, bringing active brokerage accounts to 34.4 million at quarter-end, up 1% year-over-year. Schwab's financial performance in the second quarter and first six months of 2023 reflected effects of significantly increased interest rates and improvement in equity market valuations.

Net income totaled $1.3 billion and $2.9 billion in the second quarter and first six months of 2023, respectively, down 28% and 9% from the same periods in 2022. The Company produced diluted earnings per share (EPS) of $.64 and $1.48 in the second quarter and first six months of 2023, respectively, down 26% and 4% from the comparable periods in the prior year. Adjusted diluted EPS [(1)], which excludes acquisition and integration-related costs, amortization of acquired intangible assets, and related income tax effects, was $.75 and $1.68 in the second quarter and first six months of 2023, respectively, down 23% and 3% from the comparable 2022 periods.

Total net revenues were $4.7 billion in the second quarter of 2023, down 9% from the prior year, which brought the year-to-date total to $9.8 billion, up slightly from the first half of 2022. Net interest revenue was $2.3 billion and $5.1 billion in the second quarter and first six months of 2023, respectively, down 10% and up 7% from the comparable periods in 2022, as the benefits of significantly higher interest rates were more than offset in the second quarter by increased utilization of supplemental funding to facilitate client cash allocation decisions and lower interest-earning assets. Asset management and administration fees totaled $1.2 billion and $2.3 billion in the second quarter and first six months of 2023, respectively, rising 12% and 8% from the comparable periods in 2022 due to growth in money market funds, partially offset by lower balances in other third-party mutual funds and ETFs. Trading revenue was $803 million and $1.7 billion in the second quarter and first six months of 2023, respectively, down 9% and 8% from the comparable periods in 2022 due primarily to lower trading volume and change in mix of client trading activity. Bank deposit account fee revenue was $175 million and $326 million in the second quarter and first six months of 2023, respectively, down 50% from both comparable periods in the prior year due to lower average BDA balances and lower net yields, as well as $97 million in one-time breakage fees related to ending our arrangements with certain third-party banks in the first quarter of 2023. BDA balances totaled $102.7 billion at June 30, 2023, down 19% from year-end 2022 due primarily to client cash allocation decisions. During the second quarter of 2023, the Company executed a Second Amended and Restated Insured Deposit Account Agreement (2023 IDA agreement) (see Results of Operations – Bank Deposit Account Fees).

Total expenses excluding interest were $3.0 billion and $6.0 billion in the second quarter and first six months of 2023, respectively, increasing 5% and 6% from the same periods in 2022. Adjusted total expenses [(1)] were $2.7 billion and $5.5 billion in the second quarter and first six months of 2023, respectively, also higher by 5% and 6% from the comparable prior-year periods. These increases reflected higher expenses for compensation and benefits, depreciation and amortization, and occupancy and equipment, due largely to investments in people and technology to support growth in the business and TD Ameritrade integration. Acquisition and integration-related costs were $130 million and $228 million during the second quarter and first six months of 2023, respectively, up 38% and 20% from the same periods in 2022 due primarily to real estate exit costs incurred in the second quarter of 2023. Amortization of acquired intangible assets was $134 million and $269 million in the second quarter and first six months of 2023, respectively, down 13% from both comparable periods in 2022 as certain assets from the TD Ameritrade acquisition were fully amortized at the beginning of the fourth quarter of 2022.

Return on average common stockholders' equity was 17% and 20% for the second quarter and first six months of 2023, respectively, down from 19% and up from 15% from the same periods in 2022. Return on tangible common equity [(1)] (ROTCE) was 62% and 71% for the second quarter and first six months of 2023, respectively, up from 45% and 32% in the same periods in 2022. These changes reflected lower stockholders' equity and lower net income in 2023 compared with 2022. Stockholders' equity was lower in the first six months of 2023 due to a year-over-year decrease in average AOCI driven by unrealized losses on our available for sale (AFS) portfolio and securities transferred from AFS to held to maturity (HTM) in 2022 (see Item 1 – Note 4).

The Company continued its diligent approach to balance sheet management throughout the first six months of 2023 to maintain capital and liquidity levels to sustain ongoing business momentum. Total balance sheet assets decreased 7% from year-end 2022 to June 30, 2023. Amid higher market interest rates in the first half of 2023, clients allocated assets to higher yielding cash and fixed income alternatives, and to facilitate these client cash movements and help build available cash, the Company utilized additional temporary funding sources including Federal Home Loan Bank (FHLB) borrowings and issuances of brokered CDs. Amounts outstanding under FHLB borrowings, other short-term borrowings, and brokered CDs increased by a total of

[(1)] Adjusted diluted EPS, adjusted total expenses, and return on tangible common equity are non-GAAP financial measures. See Non-GAAP Financial Measures for further details and a reconciliation of such measures to GAAP reported results.

$6.8 billion from March 31 to June 30, 2023, though the outstanding balance of these temporary funding sources declined $6.9 billion from an intra-quarter peak in May to quarter-end, as the pace of client cash reallocations declined significantly during the second quarter. In addition, in May, the Company issued $2.5 billion in long-term debt which provided incremental liquidity to support growth and helped bolster our capital ratios at our banking subsidiaries. Concurrently, driven by a combination of the Company's first-half net income and a smaller balance sheet, our consolidated Tier 1 Leverage Ratio increased to 7.5% as of June 30, 2023.

Integration of TD Ameritrade

Effective October 6, 2020, the Company completed its acquisition of TD Ameritrade Holding Corporation (TDA Holding) and its consolidated subsidiaries (collectively referred to as "TD Ameritrade" or "TDA"). Integration work continued during the first six months of 2023, including the completion of client transition groups in February and May 2023. With the completion of the May transition group, which included more than five million client accounts, the Company has now transitioned approximately one-third of its TD Ameritrade client accounts to the Schwab platform. The Company expects to complete most remaining client transitions from TD Ameritrade to Schwab across two groups over the remainder of 2023, with the transition of a small client group in the first half of 2024. We expect to incur total acquisition and integration-related costs and capital expenditures of between $2.4 billion and $2.5 billion.

The Company's estimates of the nature, amounts, and timing of recognition of acquisition and integration-related costs remain subject to change based on a number of factors, including the expected duration and complexity of the integration process and the continued uncertainty of the economic environment. More specifically, factors that could cause variability in our expected acquisition and integration-related costs include the level of employee attrition and availability of third-party labor, workforce redeployment from eliminated positions into open roles, changes in the levels of client activity, as well as changes in the scope and cost of technology and real estate-related exit cost variability due to effects of changes in remote working trends.

Acquisition and integration-related costs, which are inclusive of related exit costs, totaled $130 million and $228 million for the second quarter and first six months of 2023, respectively, and $94 million and $190 million for the second quarter and first six months of 2022, respectively. Over the course of the integration, we expect to realize annualized cost synergies of between $1.8 billion and $2.0 billion, and, through June 30, 2023, we have achieved approximately 75% of this amount on an annualized run-rate basis. The Company expects to realize the vast majority of the remaining estimated cost synergies by the end of 2024, with anticipated full year synergy realization beginning in 2025. Estimated timing and amounts of synergy realization are subject to change as we progress in the integration. Refer to Part II – Item 7 – Overview in our 2022 Form 10-K, Results of Operations – Total Expenses Excluding Interest, Non-GAAP Financial Measures, and Item 1 – Note 10 for additional information regarding our integration of TD Ameritrade.

Other

In addition to cost synergies directly related to the integration of TD Ameritrade, the Company is planning incremental actions to streamline its operations to prepare for post-integration. Schwab is currently assessing its real estate footprint, and plans to close or downsize certain corporate offices. In addition, the Company plans to streamline its operational design, including through position eliminations. Through these actions, the Company expects to realize at least $500 million of incremental run-rate cost savings in addition to integration synergies. Refer to Results of Operations – Total Expenses Excluding Interest for additional information.

Current Regulatory and Other Developments

In July 2023, the Board of Governors of the Federal Reserve System, in collaboration with the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation (FDIC), issued a notice of proposed rulemaking for amendments to the regulatory capital rule. Among other things, the proposed rule would require us to include AOCI in regulatory capital and to calculate our risk-weighted assets using a revised risk-based approach, a component of which is based on operational risk, phased in over a three-year transition period beginning July 1, 2025 and ending July 1, 2028. The comment period for the proposed rule ends on November 30, 2023.

In May 2023, the FDIC issued a notice of proposed rulemaking that would impose a special assessment to recover losses incurred by the Deposit Insurance Fund to protect uninsured depositors due to the March 2023 closures of two banks. Based on the proposed rule, the Company estimates its total special assessment would be approximately $160 million, which would be paid over eight quarters beginning in the first quarter of 2024. Any special assessment will be recognized fully in earnings upon enactment of a final rule.

In December 2022, the SEC proposed a set of four related equity market structure rules that would make significant changes to how national market system (NMS) stock orders are priced, executed and reported. The four proposed rules are described below.

- The "Order Competition Rule" would require that, before most individual investors' orders could be executed internally by a trading center (like wholesaler market makers), those orders must first be exposed to a qualifying order-by-order auction in which both market makers and institutional investors can participate.
- "Regulation Best Execution" would establish an SEC-level best execution standard (in addition to the existing FINRA and MSRB best execution rules) for broker-dealers and require them to establish, maintain, and enforce written policies and procedures addressing how the broker-dealer will comply with the best execution standard and make routing or execution decisions for customer orders. Regulation Best Execution would apply not only to equities, but to all securities.
- Amendments to Rule 605 of Regulation NMS requiring enhanced disclosures of order execution quality for large brokers that handle retail orders.
- A rule to (i) amend minimum pricing increments (or tick sizes) that would apply to both the quoting and trading of NMS stocks, (ii) reduce the exchange access fee caps, and (iii) require transparency of odd-lots.

The comment periods for the proposed rules ended on March 31, 2023 and the impact to Schwab cannot be assessed until final rules are released.

In November 2022, the SEC proposed a rule that would require substantial changes to the liquidity risk management programs for open-end mutual funds other than money market funds (funds) and require them to implement "swing pricing" and impose a "hard close" on the acceptance of purchase and redemption orders. Swing pricing would require funds to adjust the fund's current net asset value (NAV) per share by a "swing factor" if the fund has either (i) net redemptions (no threshold) or (ii) net purchases that exceed a specified threshold (2% of the fund's net assets). To implement the swing pricing requirements, the proposed rule also would require that a fund, its transfer agent, or a registered clearing agency receive purchase and redemption orders prior to the time the fund has established for determining the NAV, typically market close, in order to receive a given day's NAV (a "hard close"). Current practices permit fund orders received by a financial intermediary prior to the fund cut-off time to be transmitted to the fund after the fund cut-off time and for the order to receive that day's NAV. Under the proposed rule, orders received by the fund, its transfer agent or registered clearing agency after the fund cut-off time would receive the next day's NAV. The comment period for the proposed rule ended on February 14, 2023 and the impact to Schwab cannot be assessed until the final rule is released.

In May 2022, the federal banking agencies issued a joint notice of proposed rulemaking that would substantially revise how an insured depository institution's Community Reinvestment Act (CRA) performance is evaluated. The proposed rule includes revisions relating to the delineation of assessment areas, the overall evaluation framework and performance standards and metrics, the definition of community development activities and data collection and reporting. The comment period for the proposed rule ended on August 5, 2022 and the impact to Schwab cannot be assessed until the final rule is released.

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

RESULTS OF OPERATIONS

Total Net Revenues

The following tables present a comparison of revenue by category:

		2023		2022	
Three Months Ended June 30,	Percent Change	Amount	% of Total Net Revenues	Amount	% of Total Net Revenues
Net interest revenue					
Interest revenue	51%	$ 4,104	88%	$ 2,710	53%
Interest expense	N/M	(1,814)	(39)%	(166)	(3)%
Net interest revenue	(10)%	2,290	49%	2,544	50%
Asset management and administration fees					
Mutual funds, exchange-traded funds (ETFs), and collective trust funds (CTFs)	22%	630	13%	515	10%
Advice solutions	1%	464	10%	461	9%
Other	4%	79	2%	76	2%
Asset management and administration fees	12%	1,173	25%	1,052	21%
Trading revenue					
Commissions	(11)%	394	8%	443	9%
Order flow revenue	(15)%	365	8%	430	8%
Principal transactions	N/M	44	1%	12	—
Trading revenue	(9)%	803	17%	885	17%
Bank deposit account fees	(50)%	175	4%	352	7%
Other	(17)%	215	5%	260	5%
Total net revenues	(9)%	$ 4,656	100%	$ 5,093	100%

		2023		2022	
Six Months Ended June 30,	Percent Change	Amount	% of Total Net Revenues	Amount	% of Total Net Revenues
Net interest revenue					
Interest revenue	61%	$ 8,120	83%	$ 5,029	51%
Interest expense	N/M	(3,060)	(31)%	(302)	(3)%
Net interest revenue	7%	5,060	52%	4,727	48%
Asset management and administration fees					
Mutual funds, ETFs, and CTFs	21%	1,215	13%	1,004	10%
Advice solutions	(4)%	917	9%	957	10%
Other	—	159	2%	159	2%
Asset management and administration fees	8%	2,291	24%	2,120	22%
Trading revenue					
Commissions	(12)%	816	8%	927	9%
Order flow revenue	(13)%	779	8%	900	9%
Principal transactions	N/M	100	1%	21	1%
Trading revenue	(8)%	1,695	17%	1,848	19%
Bank deposit account fees	(50)%	326	3%	646	7%
Other	(6)%	400	4%	424	4%
Total net revenues	—	$ 9,772	100%	$ 9,765	100%

N/M Not meaningful. Percent changes greater than 200% are presented as not meaningful.

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

Net Interest Revenue

Revenue on interest-earning assets is affected by various factors, such as the composition of assets, prevailing interest rates and spreads at the time of origination or purchase, changes in interest rates on floating-rate securities and loans, and changes in prepayment levels for mortgage-backed and other asset-backed securities and loans. Schwab establishes the rates paid on client-related liabilities, and management expects that it will generally adjust the rates paid on these liabilities at some fraction of any movement in short-term rates. Interest expense on long-term debt, Federal Home Loan Bank (FHLB) borrowings, other short-term borrowings, and other funding sources is impacted by market interest rates at the time of borrowing and changes in interest rates on floating-rate liabilities. See also Risk Management – Interest Rate Risk Simulations.

Interest rates increased significantly beginning late in the first quarter of 2022 through the second quarter of 2023. Short-term rates were near zero until the Federal Reserve began its aggressive tightening cycle in March 2022 in response to rising inflation, ultimately increasing the federal funds target overnight rate ten times between March 2022 and May 2023 for a total increase of 500 basis points. Long-term interest rates increased throughout 2022 and the first six months of 2023, though at a slower pace, leading to an inverted yield curve.

Schwab's average interest-earning assets in the second quarter and first six months of 2023 were lower compared with the same periods of 2022 due primarily to client cash allocation movement to higher yielding investment solutions beginning in the second quarter of 2022 through the second quarter of 2023, which resulted primarily from the rapid increases to the federal funds overnight rate. These changes in client cash allocations reduced average balances of bank deposits and payables to brokerage clients. To support this client cash allocation activity, the Company utilized temporary supplemental funding beginning in the fourth quarter of 2022 and during the first half of 2023, including drawing upon FHLB secured lending facilities and issuing brokered CDs. The average daily pace of client cash allocation out of sweep products into higher yielding investment solutions decreased significantly in the second quarter of 2023, and in June, the Company was able to accommodate these client cash movements without accessing additional FHLB borrowings or issuing additional brokered CDs.

The following tables present net interest revenue information corresponding to interest-earning assets and funding sources on the condensed consolidated balance sheets:

	2023			2022		
Three Months Ended June 30, 2023	Average Balance	Interest Revenue/ Expense	Average Yield/Rate	Average Balance	Interest Revenue/ Expense	Average Yield/Rate
Interest-earning assets						
Cash and cash equivalents	$ 44,683	$ 547	4.84%	$ 65,414	$ 133	0.81%
Cash and investments segregated	27,399	324	4.68%	51,232	79	0.61%
Receivables from brokerage clients	60,709	1,167	7.60%	79,061	706	3.53%
Available for sale securities (1)	145,032	791	2.18%	287,313	1,088	1.51%
Held to maturity securities (1)	167,499	720	1.72%	101,752	339	1.33%
Bank loans	40,124	410	4.09%	38,831	230	2.38%
Total interest-earning assets	485,446	3,959	3.24%	623,603	2,575	1.64%
Securities lending revenue		124			130	
Other interest revenue		21			5	
Total interest-earning assets	$ 485,446	$ 4,104	3.36%	$ 623,603	$ 2,710	1.73%
Funding sources						
Bank deposits	$ 312,543	$ 863	1.11%	$ 449,936	$ 28	0.03%
Payables to brokerage clients	64,892	64	0.40%	101,784	4	0.02%
Other short-term borrowings (2)	7,622	97	5.08%	2,587	4	0.69%
Federal Home Loan Bank borrowings (2,3)	46,813	606	5.13%	—	—	—
Long-term debt	21,237	157	2.95%	21,119	124	2.34%
Total interest-bearing liabilities	453,107	1,787	1.57%	575,426	160	0.11%
Non-interest-bearing funding sources	32,339			48,177		
Securities lending expense		28			8	
Other interest expense		(1)			(2)	
Total funding sources	$ 485,446	$ 1,814	1.49%	$ 623,603	$ 166	0.11%
Net interest revenue		$ 2,290	1.87%		$ 2,544	1.62%

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

	2023			2022		
Six Months Ended June 30,	Average Balance	Interest Revenue/ Expense	Average Yield/ Rate	Average Balance	Interest Revenue/ Expense	Average Yield/ Rate
Interest-earning assets						
Cash and cash equivalents	$ 40,891	$ 960	4.67%	$ 68,920	$ 167	0.48%
Cash and investments segregated	33,699	756	4.46%	51,570	94	0.36%
Receivables from brokerage clients	60,626	2,251	7.39%	81,618	1,332	3.24%
Available for sale securities (1)	150,382	1,616	2.15%	285,927	2,035	1.42%
Held to maturity securities (1)	169,184	1,466	1.73%	102,580	717	1.40%
Bank loans	40,185	801	4.00%	37,351	417	2.24%
Total interest-earning assets	494,967	7,850	3.16%	627,966	4,762	1.51%
Securities lending revenue		236			259	
Other interest revenue		34			8	
Total interest-earning assets	$ 494,967	$ 8,120	3.27%	$ 627,966	$ 5,029	1.60%
Funding sources						
Bank deposits	$ 327,739	$ 1,481	0.91%	$ 451,306	$ 44	0.02%
Payables to brokerage clients	70,997	139	0.40%	103,846	6	0.01%
Other short-term borrowings (2)	7,272	183	5.06%	3,646	8	0.46%
Federal Home Loan Bank borrowings (2,3)	35,697	910	5.07%	—	—	—
Long-term debt	20,766	296	2.85%	20,495	232	2.26%
Total interest-bearing liabilities	462,471	3,009	1.31%	579,293	290	0.10%
Non-interest-bearing funding sources	32,496			48,673		
Securities lending expense		50			15	
Other interest expense		1			(3)	
Total funding sources	$ 494,967	$ 3,060	1.24%	$ 627,966	$ 302	0.10%
Net interest revenue		$ 5,060	2.03%		$ 4,727	1.50%

(1) Amounts have been calculated based on amortized cost. Interest revenue on investment securities is presented net of related premium amortization.
(2) Beginning in the first quarter of 2023, Federal Home Loan Bank borrowings are presented separately from other short-term borrowings. Prior period amounts have been reclassified to reflect this change.
(3) Average balance and interest expense were less than $500 thousand in the prior period.

Net interest revenue decreased $254 million, or 10%, in the second quarter of 2023 compared to the second quarter of 2022, primarily due to utilization of higher cost funding sources including FHLB borrowings, other short-term borrowings, and brokered CDs to support client cash allocations in the rising rate environment, and lower average interest-earning assets, which more than offset the benefits of higher average yields on interest-earning assets. Net interest revenue in the first six months of 2023 increased $333 million, or 7%, compared to the same period in 2022, primarily due to higher average yields on interest-earning assets, partially offset by utilization of higher cost funding sources and lower average interest-earning assets. With the increases in market interest rates during the first half of 2023, net premium amortization of investment securities decreased to $207 million and $392 million in the second quarter and first six months of 2023, respectively, from $382 million and $868 million in the second quarter and first six months of 2022, respectively.

Average interest-earning assets for the second quarter and first six months of 2023 were lower by 22% and 21%, respectively, compared to the same periods in 2022. These decreases were primarily due to lower bank deposits and payables to brokerage clients as a result of changes in client cash allocations due to higher market interest rates.

Net interest margin increased to 1.87% and 2.03% during the second quarter and first six months of 2023, respectively, from 1.62% and 1.50% during the same periods in 2022. Higher market interest rates improved yields on interest-earning assets, which more than offset the higher rates paid across interest-bearing funding sources.

The Company's higher average balances in the second quarter and first six months of 2023 of FHLB borrowings, other short-term borrowings, and brokered CDs resulted in higher funding costs. The Company currently expects its outstanding balances of supplemental funding sources to decrease between now and the end of 2024, with a limited portion remaining outstanding in early 2025. Additional higher cost supplemental funding may be necessary if client cash allocation movements increase, which could reduce net interest revenue. See also Risk Management – Liquidity Risk, Item 1 – Note 7 Bank Deposits, and Item 1 – Note 8 Borrowings for additional information on these and other funding sources.

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

Asset Management and Administration Fees

The following table presents asset management and administration fees, average client assets, and average fee yields:

	2023			2022		
Three Months Ended June 30,	Average Client Assets	Revenue	Average Fee	Average Client Assets	Revenue	Average Fee
Schwab money market funds before fee waivers	$ 375,898	$ 252	0.27%	$ 146,009	$ 106	0.29%
Fee waivers		—			(3)	
Schwab money market funds	375,898	252	0.27%	146,009	103	0.28%
Schwab equity and bond funds, ETFs, and CTFs	465,079	94	0.08%	431,747	92	0.09%
Mutual Fund OneSource® and other no-transaction-fee (NTF) funds	229,207	151	0.26%	192,435	149	0.31%
Other third-party mutual funds and ETFs	681,486	133	0.08%	795,727	171	0.09%
Total mutual funds, ETFs, and CTFs (1)	$ 1,751,670	630	0.14%	$ 1,565,918	515	0.13%
Advice solutions (1)						
Fee-based	$ 455,859	464	0.41%	$ 440,336	461	0.42%
Non-fee-based	95,427	—	—	86,684	—	—
Total advice solutions	$ 551,286	464	0.34%	$ 527,020	461	0.35%
Other balance-based fees (2)	594,528	63	0.04%	566,712	61	0.04%
Other (3)		16			15	
Total asset management and administration fees		$ 1,173			$ 1,052	

	2023			2022		
Six Months Ended June 30,	Average Client Assets	Revenue	Average Fee	Average Client Assets	Revenue	Average Fee
Schwab money market funds before fee waivers	$ 346,145	$ 465	0.27%	$ 145,371	$ 208	0.29%
Fee waivers		—			(57)	
Schwab money market funds	346,145	465	0.27%	145,371	151	0.21%
Schwab equity and bond funds, ETFs, and CTFs	457,830	185	0.08%	444,036	189	0.09%
Mutual Fund OneSource® and other NTF funds (4)	225,822	299	0.27%	202,538	314	0.31%
Other third-party mutual funds and ETFs (4)	678,915	266	0.08%	833,969	350	0.08%
Total mutual funds, ETFs, and CTFs (1)	$ 1,708,712	1,215	0.14%	$ 1,625,914	1,004	0.12%
Advice solutions (1)						
Fee-based	$ 449,443	917	0.41%	$ 454,830	957	0.42%
Non-fee-based	94,948	—	—	88,509	—	—
Total advice solutions	$ 544,391	917	0.34%	$ 543,339	957	0.36%
Other balance-based fees (2)	578,158	125	0.04%	591,695	128	0.04%
Other (3)		34			31	
Total asset management and administration fees		$ 2,291			$ 2,120	

(1) Average client assets for advice solutions may also include the asset balances contained in the mutual fund and/or ETF categories listed above.
(2) Includes various asset-related fees, such as trust fees, 401(k) recordkeeping fees, and mutual fund clearing fees and other service fees.
(3) Includes miscellaneous service and transaction fees relating to mutual funds and ETFs that are not balance-based.
(4) The first six months of 2022 include transfers from other third-party mutual funds and ETFs to Mutual Fund OneSource® and other NTF funds.

Asset management and administration fees increased by $121 million, or 12%, and $171 million, or 8%, in the second quarter and first six months of 2023, respectively, compared to the same periods in 2022. These increases were primarily a result of higher balances in Schwab money market funds and, for the first six months of 2023, the elimination of fee waivers on those funds. Money market fund balances increased as clients shifted their cash allocations to higher yielding investment solutions, and money market fund fee waivers were eliminated during 2022, both due primarily to the Federal Reserve's increases to the federal funds target overnight rate. These increases were partially offset by lower balances in other third-party mutual funds and ETFs.

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

The following table presents a roll forward of client assets for the Schwab money market funds, Schwab equity and bond funds, ETFs, and CTFs, and Mutual Fund OneSource® and other NTF funds. These funds generated 42% and 41% of the asset management and administration fees earned in the second quarter and first six months of 2023, respectively, compared with 33% and 31% in the second quarter and first six months of 2022, respectively:

	Schwab Money Market Funds		Schwab Equity and Bond Funds, ETFs, and CTFs		Mutual Fund OneSource® and Other NTF funds	
Three Months Ended June 30,	2023	2022	2023	2022	2023	2022
Balance at beginning of period	$ 357,822	$ 143,105	$ 443,719	$ 444,277	$ 244,262	$ 235,465
Net inflows (outflows)	30,807	16,012	2,315	5,684	(6,650)	(10,207)
Net market gains (losses) and other	4,258	114	19,813	(62,750)	17,024	(28,680)
Balance at end of period	$ 392,887	$ 159,231	$ 465,847	$ 387,211	$ 254,636	$ 196,578

	Schwab Money Market Funds		Schwab Equity and Bond Funds, ETFs, and CTFs		Mutual Fund OneSource® and Other NTF funds	
Six Months Ended June 30,	2023	2022	2023	2022	2023	2022
Balance at beginning of period	$ 278,926	$ 146,509	$ 412,942	$ 454,864	$ 235,738	$ 234,940
Net inflows (outflows)	105,843	12,592	12,659	15,145	(11,279)	(18,763)
Net market gains (losses) and other (1)	8,118	130	40,246	(82,798)	30,177	(19,599)
Balance at end of period	$ 392,887	$ 159,231	$ 465,847	$ 387,211	$ 254,636	$ 196,578

(1) Includes $14.2 billion of transfers from other third-party mutual funds and ETFs to Mutual Fund OneSource® and Other NTF Funds in 2022.

Trading Revenue

Trading revenue includes commissions, order flow revenue, and principal transactions revenues. Commission revenue is affected by volume and mix of trades executed. Order flow revenue is comprised of payments received from trade execution venues to which our broker-dealer subsidiaries send equity and option orders. Order flow revenue is affected by volume and mix of client trades, as well as pricing received from trade execution venues. Principal transactions revenue is recognized primarily as a result of accommodating clients' fixed income trading activity, and includes adjustments to the fair value of securities positions held to facilitate such client trading activity. Principal transactions revenue also includes unrealized gains and losses on cash and investments segregated for regulatory purposes.

The following tables present trading revenue, trade details, and related information:

	Three Months Ended June 30,		Percent	Six Months Ended June 30,		Percent
	2023	2022	Change	2023	2022	Change
Commissions	$ 394	$ 443	(11)%	$ 816	$ 927	(12)%
Order flow revenue						
Options	251	286	(12)%	532	603	(12)%
Equities	114	144	(21)%	247	297	(17)%
Total order flow revenue	365	430	(15)%	779	900	(13)%
Principal transactions	44	12	N/M	100	21	N/M
Total trading revenue	$ 803	$ 885	(9)%	$ 1,695	$ 1,848	(8)%

N/M Not meaningful. Percent changes greater than 200% are presented as not meaningful.

	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Percent Change	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022	Percent Change
DATs (in thousands)	5,272	6,227	(15)%	5,584	6,403	(13)%
Product as a percentage of DATs						
Equities	51%	50%		50%	51%	
Derivatives	24%	22%		23%	23%	
ETFs	19%	22%		20%	20%	
Mutual funds	5%	5%		5%	5%	
Fixed income	1%	1%		2%	1%	
Number of trading days	62.0	62.0	—	124.0	124.0	—
Revenue per trade [1]	$ 2.46	$ 2.29	7%	$ 2.45	$ 2.33	5%

[1] Revenue per trade is calculated as trading revenue divided by DATs multiplied by the number of trading days.

Trading revenue decreased $82 million and $153 million in the second quarter and first six months of 2023, respectively, compared to the same periods in 2022. This change is primarily due to a decrease in commissions and order flow revenue resulting from lower client trading activity. Additionally, order flow revenue decreased due to a shift in the mix of client trading activity toward more lower-dollar equity trades and index options and futures and fewer single stocks. Partially offsetting these decreases, principal transactions revenue increased as a result of higher volume in fixed income trading and higher market interest rates.

Bank Deposit Account Fees

The Company earns bank deposit account fee revenue from TD Bank USA, National Association and TD Bank, National Association (together, the TD Depository Institutions). These fees are affected by changes in interest rates and the composition of balances designated as fixed- and floating-rate obligation amounts.

On May 4, 2023, the Company executed the 2023 IDA agreement with the TD Depository Institutions that replaced and superseded the previous agreement dated November 24, 2019, as amended (the 2019 IDA agreement). In accordance with the 2023 IDA agreement, cash held in eligible brokerage client accounts is swept off-balance sheet to deposit accounts at the TD Depository Institutions, consistent with the 2019 IDA agreement. Schwab provides recordkeeping and support services to the TD Depository Institutions with respect to the deposit accounts for which Schwab receives an aggregate monthly fee. Under the 2023 IDA agreement, the service fee on client cash deposits held at the TD Depository Institutions remains at 15 basis points, as it was in the 2019 IDA agreement. See Item 1 – Note 9 for additional discussion of the 2023 IDA agreement.

The following table presents bank deposit account fee revenue, average BDA balances, average net yield, and average balances earning fixed- and floating-rate yields:

	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Percent Change	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022	Percent Change
Bank deposit account fees	$ 175	$ 352	(50)%	$ 326	$ 646	(50)%
Average BDA balances	$ 103,622	$ 154,227	(33)%	$ 109,716	$ 155,013	(29)%
Average net yield	0.67%	0.90%		0.59%	0.83%	
Percentage of average BDA balances designated as:						
Fixed-rate balances	97%	77%		94%	77%	
Floating-rate balances	3%	23%		6%	23%	

In January 2023, the Company ended its arrangements with other third-party banks to simplify bank sweep operations ahead of the first TD Ameritrade client transition group in February 2023. In addition, the FDIC implemented a 2-basis-point increase to the initial base deposit insurance assessment rate, which became effective for the first quarterly assessment period in 2023. This increase in the FDIC's deposit insurance assessment results in a decrease to bank deposit account fee revenue, dependent on BDA balance levels.

Bank deposit account fees decreased $177 million, or 50%, and $320 million, or 50%, in the second quarter and first six months of 2023, respectively, compared to the same periods in 2022. The decreases were primarily due to breakage fees of $97 million incurred during the first quarter of 2023 as a result of ending the other third-party bank arrangements, the decrease in average floating-rate BDA balances, and an increase in the amount paid to clients due to higher interest rates. These factors also contributed to the decrease in average net yield in the second quarter and first six months of 2023 compared to the same periods in 2022. The decreases in average BDA balances in the second quarter and first six months of 2023 compared to the same periods in 2022 were primarily due to client cash allocation decisions in response to rising short-term market interest rates throughout 2022 and through the second quarter of 2023. The percentages of BDA balances designated as fixed-rate and floating-rate obligation amounts as of June 30, 2023 were 94% and 6%, respectively.

Other Revenue

Other revenue includes exchange processing fees, certain service fees, other gains and losses from the sale of assets, and the provision for credit losses on bank loans.

Other revenue decreased $45 million and $24 million in the second quarter and first six months of 2023, respectively, compared to the same periods in 2022, due to the impact of changes to exchange processing fees and net losses on sales of AFS securities, partially offset by lower provision for credit losses on bank loans and certain service fees. Exchange processing fees decreased in the second quarter of 2023 compared to the second quarter of 2022 as a result of an SEC fee rate decrease which became effective February 27, 2023, and decreased the fee rate by approximately 65% from the rate in effect since May 2022. Exchange processing fees were higher during the first six months of 2023 compared to the same period in 2022, due to a higher average SEC fee rate in effect during the first quarter of 2023. The provision for credit losses on bank loans was lower in the second quarter and first six months of 2023 compared to the same periods in 2022, as loan loss factors and the total balance of first lien residential real estate mortgage loans (First Mortgages) remained consistent with year-end 2022. The Company's provision for credit losses on bank loans in the second quarter and first six months of 2022 reflected increased loan loss factors driven primarily by higher forecasted interest rates at the start of the Federal Reserve's monetary tightening, as well as growth in the loan portfolio. In addition, other revenue in the second quarter and first six months of 2022 included gains of $37 million and $46 million, respectively, on the sale of Schwab Compliance Technologies, Inc. and certain investments.

Total Expenses Excluding Interest

The following table shows a comparison of expenses excluding interest:

	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Percent Change	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022	Percent Change
Compensation and benefits						
Salaries and wages	$ 961	$ 876	10%	$ 1,933	$ 1,729	12%
Incentive compensation	287	333	(14)%	651	750	(13)%
Employee benefits and other	250	217	15%	552	493	12%
Total compensation and benefits	$ 1,498	$ 1,426	5%	$ 3,136	$ 2,972	6%
Professional services	272	258	5%	530	502	6%
Occupancy and equipment	319	294	9%	618	563	10%
Advertising and market development	103	105	(2)%	191	207	(8)%
Communications	188	169	11%	334	313	7%
Depreciation and amortization	191	159	20%	368	309	19%
Amortization of acquired intangible assets	134	154	(13)%	269	308	(13)%
Regulatory fees and assessments	80	67	19%	163	135	21%
Other	180	187	(4)%	362	343	6%
Total expenses excluding interest	$ 2,965	$ 2,819	5%	$ 5,971	$ 5,652	6%
Expenses as a percentage of total net revenues						
Compensation and benefits	32%	28%		32%	30%	
Advertising and market development	2%	2%		2%	2%	
Full-time equivalent employees (in thousands)						
At quarter end	36.6	35.2	4%			
Average	36.2	34.5	5%	35.9	34.2	5%

Expenses excluding interest increased by $146 million, or 5%, and $319 million, or 6%, in the second quarter and first six months of 2023, respectively, compared to the same periods in 2022. Adjusted total expenses, which excludes acquisition and integration-related costs and amortization of acquired intangible assets, increased 5% and 6% in the second quarter and first six months of 2023, respectively, compared to the same periods in 2022. See Non-GAAP Financial Measures for further details and a reconciliation of such measures to GAAP reported results.

Total compensation and benefits expense increased in the second quarter and first six months of 2023 compared to the same periods in 2022, primarily due to growth in employee headcount to support our expanding client base and TDA client account transitions, as well as annual merit increases. These increases were partially offset by lower incentive compensation. Compensation and benefits included acquisition and integration-related costs of $48 million and $53 million in the second quarter of 2023 and 2022, respectively, and $106 million and $109 million in the first six months of 2023 and 2022, respectively.

Professional services expense increased in the second quarter and first six months of 2023 compared to the same periods in 2022, primarily due to increased utilization of professional services to support overall growth of the business and enhancement to technological infrastructure to support our expanding client base, as well as the TDA integration and client account transitions. Professional services included acquisition and integration-related costs of $41 million and $35 million in the second quarter of 2023 and 2022, respectively, and $74 million and $66 million in the first six months of 2023 and 2022, respectively.

Occupancy and equipment expense increased in the second quarter and first six months of 2023 compared to the same periods in 2022, primarily due to an increase in software maintenance and other agreements as well as other technology equipment costs to support growth of the business and the integration of TD Ameritrade. Occupancy and equipment included acquisition and integration-related costs of $10 million and $4 million in the second quarter of 2023 and 2022, respectively, and $14 million and $8 million in the first six months of 2023 and 2022, respectively.

Advertising and market development expense decreased in the second quarter and first six months of 2023, compared to the same periods in 2022. These decreases were primarily due to lower client promotional spending for TD Ameritrade.

Communications expense increased in the second quarter and first six months of 2023, compared to the same periods in 2022. These increases were primarily a result of client communications related to TDA account transitions completed during the second quarter.

Depreciation and amortization expense increased in the second quarter and first six months of 2023 compared to the same periods in 2022, primarily as a result of higher amortization of purchased and internally developed software and higher depreciation of hardware, driven by capital expenditures in 2022 and the first six months of 2023 to support the TDA integration and enhance our technological infrastructure to support growth of the business.

Amortization of acquired intangible assets decreased in the second quarter and first six months of 2023 compared to the same periods in 2022, as certain assets from the TDA acquisition were fully amortized by the beginning of the fourth quarter of 2022.

Regulatory fees and assessments increased in the second quarter and first six months of 2023 compared to the same periods in 2022, primarily as a result of a 2-basis-point increase to the FDIC deposit insurance assessment rate, which became effective for the first quarterly assessment period in 2023.

Other expense decreased in the second quarter of 2023 and increased in the first six months of 2023, compared to the same periods in 2022. The decrease in the second quarter was primarily due to lower exchange processing fees, partially offset by impairment of leased assets related to facility closures. Exchange processing fees decreased in the second quarter of 2023 compared to the second quarter of 2022 as a result of an SEC fee rate decrease which became effective February 27, 2023, and decreased the fee rate by approximately 65% from the rate in effect since May 2022. The increase in other expense in the first six months of 2023 was primarily a result of impairment of leased assets related to facility closures and higher exchange processing fees. Exchange processing fees were higher during the first six months of 2023 compared to the same period in 2022, due to a higher average SEC fee rate in effect during the first quarter of 2023. Other expense included acquisition and integration-related costs of $20 million and $22 million in the second quarter and first six months of 2023, respectively.

Capital expenditures were $168 million and $339 million in the second quarter of 2023 and 2022, respectively, and $355 million and $548 million for the first six months of 2023 and 2022, respectively. Capital expenditures decreased when compared to heightened integration-related spend in 2022 in preparation for TDA client account transitions. These decreases were partially offset by higher purchased software to enhance our technological infrastructure to support our expanding client base. We continue to anticipate capital expenditures for full-year 2023 will be approximately 3-4% of total net revenues.

With significant progress now made in the integration of TD Ameritrade, the Company is planning incremental actions to streamline its operations to prepare for post-integration. Schwab is currently assessing its real estate footprint, and plans to close or downsize certain corporate offices. In addition, the Company plans to reduce its operating costs primarily through lower headcount and professional services. The Company is still evaluating both its real estate locations and its organizational headcount, though Schwab expects to realize at least $500 million of total annual run-rate cost savings to be achieved through these actions. In order to achieve these cost savings, the Company will incur exit and related costs, which could be significant, primarily related to employee compensation and benefits and facility exit costs. The Company anticipates most costs related to position eliminations will be incurred in the second half of 2023, and costs related to real estate will be incurred in 2023 and 2024; however, amounts related to these planned actions are not yet estimable.

Taxes on Income

Taxes on income were $397 million and $481 million for the second quarter of 2023 and 2022, respectively, resulting in effective tax rates of 23.5% and 21.2%, respectively. Taxes on income were $904 million and $918 million for the first six months of 2023 and 2022, respectively, resulting in effective tax rates of 23.8% and 22.3%, respectively. The increase in the effective tax rates in the second quarter and first six months of 2023 compared to the same periods in 2022 was primarily related to a decrease in reserve releases in 2023, tax benefits recognized on the portion of a regulatory matter charge that was determined upon settlement to be deductible in the second quarter of 2022, and increased 2023 state tax expense.

Segment Information

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

	Investor Services			Advisor Services			Total		
Three Months Ended June 30,	Percent Change	2023	2022	Percent Change	2023	2022	Percent Change	2023	2022
Net Revenues									
Net interest revenue	(7)%	$ 1,705	$ 1,834	(18)%	$ 585	$ 710	(10)%	$ 2,290	$ 2,544
Asset management and administration fees	10%	841	763	15%	332	289	12%	1,173	1,052
Trading revenue	(8)%	701	763	(16)%	102	122	(9)%	803	885
Bank deposit account fees	(38)%	140	227	(72)%	35	125	(50)%	175	352
Other	(17)%	156	187	(19)%	59	73	(17)%	215	260
Total net revenues	(6)%	3,543	3,774	(16)%	1,113	1,319	(9)%	4,656	5,093
Expenses Excluding Interest	4%	2,191	2,111	9%	774	708	5%	2,965	2,819
Income before taxes on income	(19)%	$ 1,352	$ 1,663	(45)%	$ 339	$ 611	(26)%	$ 1,691	$ 2,274
Net New Client Assets (in billions) [(1)]	N/M	$ 36.0	$ 8.8	4%	$ 36.0	$ 34.6	66%	$ 72.0	$ 43.4

	Investor Services			Advisor Services			Total		
Six Months Ended June 30,	Percent Change	2023	2022	Percent Change	2023	2022	Percent Change	2023	2022
Net Revenues									
Net interest revenue	10%	$ 3,738	$ 3,408	—	$ 1,322	$ 1,319	7%	$ 5,060	$ 4,727
Asset management and administration fees	7%	1,646	1,544	12%	645	576	8%	2,291	2,120
Trading revenue	(8)%	1,476	1,607	(9)%	219	241	(8)%	1,695	1,848
Bank deposit account fees	(44)%	239	427	(60)%	87	219	(50)%	326	646
Other	(2)%	307	314	(15)%	93	110	(6)%	400	424
Total net revenues	1%	7,406	7,300	(4)%	2,366	2,465	—	9,772	9,765
Expenses Excluding Interest	4%	4,424	4,242	10%	1,547	1,410	6%	5,971	5,652
Income before taxes on income	(2)%	$ 2,982	$ 3,058	(22)%	$ 819	$ 1,055	(8)%	$ 3,801	$ 4,113
Net New Client Assets (in billions) [(1)]	82%	$ 115.4	$ 63.4	7%	$ 107.3	$ 100.5	36%	$ 222.7	$ 163.9

[(1)] In the second quarter and first six months of 2023, Investor Services includes inflows of $7.8 billion and $26.8 billion, respectively, from off-platform brokered CDs issued by CSB. Also, in the second quarter and first six months of 2023, Investor Services includes an inflow of $12.0 billion from a mutual fund clearing services client. In the second quarter and first six months of 2022, Investor Services includes an outflow of $20.8 billion from a mutual fund clearing services client.

N/M Not meaningful. Percentage changes greater than 200% are presented as not meaningful.

Segment Net Revenues

Investor Services total net revenues decreased by 6% and increased by 1% in the second quarter and first six months of 2023, respectively, compared to the same periods in 2022, while Advisor Services total net revenues decreased by 16% and 4%, in the second quarter and first six months of 2023, respectively, compared to the same periods in 2022. Decreases in Investor Services and Advisor Services revenues for the second quarter were primarily driven by decreases in net interest revenue due to higher cost funding sources and certain lower average interest-earning asset balances, as described above. For the six-month period, the increase in Investor Services revenues was primarily driven by higher net interest revenue due to higher yields on interest-earning assets as described above, while Advisor Services net interest revenue was flat. Both segments saw a decrease in bank deposit account fees in the second quarter and first six months of 2023 due to lower average BDA balances and higher yields paid to clients, as well as, for the six-month period, breakage fees incurred as a result of ending certain third-party bank arrangements. Trading revenue decreased in the second quarter and first six months of 2023 for both segments primarily due to lower client trading activity and changes in client trading mix, resulting in lower commissions and order flow revenue. Other revenue also decreased in the second quarter and first six months of 2023 for both segments primarily due to gains on the sale of certain investments in 2022 and net losses on sales of AFS securities in 2023. These decreases were partially offset by increased asset management and administration fees in both segments in the second quarter and first six months of 2023, primarily as a result of higher money market fund balances and, for the six-month period, the elimination of money market fund fee waivers during 2022.

Segment Expenses Excluding Interest

Investor Services total expenses excluding interest increased by 4% in the second quarter and first six months of 2023 compared to the same periods in 2022, while Advisor Services total expenses excluding interest increased by 9% and 10% in the second quarter and first six months of 2023, respectively, compared to the same periods in 2022. Both segments saw higher compensation and benefits expenses due to increases in headcount to support our expanding client base and TDA client account transitions, and annual merit increases, partially offset by lower incentive compensation. Depreciation and amortization increased for both segments primarily due to higher amortization of purchased and internally developed software and higher depreciation of hardware, driven by capital expenditures in 2022 and the first six months of 2023 to enhance our technological infrastructure to support growth of the business. Occupancy and equipment expenses increased in both segments, primarily due to an increase in software maintenance and other agreements as well as other technology equipment costs to support growth of the business and the integration of TD Ameritrade. Both segments saw higher communications expenses due to client communications related to TDA account transitions and overall growth of the business. Regulatory fees and assessments increased in both segments in the second quarter and first six months of 2023 compared to the same periods in 2022, primarily due to the FDIC deposit insurance assessment rate increase described above. In Investor Services, these increases were partially offset by lower amortization of acquired intangible assets as certain assets from the TDA acquisition became fully amortized in 2022.

RISK MANAGEMENT

Schwab's business activities expose it to a variety of risks, including operational, compliance, credit, market, and liquidity risks. The Company has a comprehensive risk management program to identify and manage these risks and their associated potential for financial and reputational impact.

For a discussion of our risk management programs, see Part II – Item 7 – Management's Discussion and Analysis of Financial Condition and Results of Operations – Risk Management in the 2022 Form 10-K.

Market Risk

Market risk is the potential for changes in earnings or the value of financial instruments held by Schwab as a result of fluctuations in interest rates, equity prices, or market conditions. Schwab is exposed to market risk primarily from changes in interest rates within our interest-earning assets relative to changes in the costs of funding sources that finance these assets.

To manage interest rate risk, we have established policies and procedures, which include setting limits on net interest revenue risk and economic value of equity (EVE) risk. To remain within these limits, we manage the maturity, repricing, and cash flow characteristics of the investment portfolios. Management monitors established guidelines to stay within the Company's risk appetite. In 2023, the Company began to utilize interest rate swap derivative instruments to assist with managing interest rate risk. For further information on our interest rate risk management strategies utilizing interest rate swaps, see Item 1 – Note 11.

Interest Rate Risk Simulations

Net Interest Revenue Simulation

For our net interest revenue sensitivity analysis, we use net interest revenue simulation modeling techniques to evaluate and manage the effect of changing interest rates. The simulations include all balance sheet interest rate-sensitive assets and liabilities. Key assumptions include the projection of interest rate scenarios with rate floors, rates and balances of non-maturity client cash held on the balance sheet, prepayment speeds of mortgage-related investments, repricing of financial instruments, and reinvestment of matured or paid-down securities and loans.

Net interest revenue is affected by various factors, such as the distribution and composition of interest-earning assets and interest-bearing liabilities, the spread between yields earned on interest-earning assets and rates paid on interest-bearing liabilities, which may reprice at different times or by different amounts, and the spread between short- and long-term interest rates. Interest-earning assets include investment securities, margin loans, bank loans, and cash and cash equivalents. These assets are sensitive to changes in interest rates and changes in prepayment levels that tend to increase in a declining rate environment and decrease in a rising rate environment. Because we establish the rates paid on certain brokerage client cash balances and bank deposits and the rates charged on certain margin and bank loans, and control the composition of our investment securities, we have some ability to manage our net interest spread, depending on competitive factors and market conditions. When we have liquidity needs that exceed our primary sources of funding, the Company has needed to utilize higher cost funding sources, which can reduce net interest margin and net interest revenue.

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

Net interest revenue sensitivity analysis assumes the asset and liability structure of the consolidated balance sheet would not be changed as a result of the simulated changes in interest rates. While this approach is useful to isolate the impact of changes in interest rates on a statically-sized asset and liability structure, it does not capture changes to client cash allocations. We conduct simulations on EVE to capture the impact of client cash allocation changes on our balance sheet. As we actively manage the consolidated balance sheet and interest rate exposure, we have taken and would typically seek to take steps to manage additional interest rate exposure that could result from changes in the interest rate environment.

Higher short-term interest rates would generally positively impact net interest margin as yields on interest-earning assets are expected to rise faster than the cost of funding sources. If the cost of funding sources is greater than the increased revenue from repricing assets, however, net interest margin can be reduced. A decline in short-term interest rates could negatively impact the yield on the Company's investment and loan portfolios to a greater degree than any offsetting reduction in interest expense from funding sources, compressing net interest margin.

The following table shows simulated changes to net interest revenue over the next 12 months beginning June 30, 2023 and December 31, 2022 of a gradual increase or decrease in market interest rates relative to prevailing market rates at the end of each reporting period:

	June 30, 2023	December 31, 2022
Increase of 200 basis points	9.1%	7.3%
Increase of 100 basis points	4.5%	3.6%
Increase of 50 basis points	2.2%	1.7%
Decrease of 50 basis points	(1.8)%	(1.5)%
Decrease of 100 basis points	(3.4)%	(3.2)%
Decrease of 200 basis points	(7.0)%	(6.7)%

The Company's simulated incremental increases in market interest rates had a larger impact on net interest revenue as of June 30, 2023 compared to December 31, 2022 primarily due to higher cash and margin loan balances, which was partially offset by an increased allocation to FHLB borrowings and other short-term borrowings across the Company's banking subsidiaries. Simulated incremental decreases in market interest rates had a larger impact on net interest revenue as of June 30, 2023 compared to December 31, 2022 primarily due to higher cash and margin loan balances, while increased allocation to shorter-term liabilities contributed to lower interest expense in a lower rate environment.

In addition to measuring the effect of gradual parallel increases or decreases in current interest rates, we regularly simulate the effects of non-parallel shifts and instantaneous shifts of interest rates on net interest revenue.

Bank Deposit Account Fees Simulation

Consistent with the presentation on the consolidated statement of income, the sensitivity of bank deposit account fee revenue to interest rate changes is assessed separately from the net interest revenue simulation described above. As of June 30, 2023 and December 31, 2022, simulated changes in bank deposit account fee revenue from gradual changes in market interest rates relative to prevailing market rates, under the interest rate scenarios described above for net interest revenue, did not have a significant impact on the Company's total net revenues.

Economic Value of Equity Simulation

Management also uses EVE simulations to measure interest rate risk. EVE sensitivity measures the long-term impact of interest rate changes on the net present value of assets and liabilities. EVE is calculated by subjecting the balance sheet to hypothetical instantaneous shifts in the level of interest rates. This analysis is highly dependent upon asset and liability assumptions based on historical behaviors as well as our expectations of the economic environment. Key assumptions in our EVE calculation include projection of interest rate scenarios with rate floors, prepayment speeds of mortgage-related investments, term structure models of interest rates, behavior of non-maturity client cash held on the balance sheet, and pricing assumptions. Our net interest revenue, bank deposit account fee revenue, and EVE simulations reflect the assumption of non-negative investment yields.

Effective Duration

Effective duration measures price sensitivity relative to a change in prevailing interest rates, taking account of amortizing cash flows and prepayment optionality for mortgage-related securities and loans. Duration is measured in years and commonly interpreted as the average timing of principal and interest cash flows. We seek to manage the Company's asset duration in relation to management's estimate of the Company's liability duration. The Company's liability duration is impacted by the composition of funding sources, and typically decreases in periods of rising market interest rates and increases in periods of declining market interest rates. The estimated effective duration of our AFS investment securities portfolio was approximately 2.4 years and 3.4 years as of June 30, 2023 and 2022, respectively. The estimated effective duration for the Company's total AFS and HTM investment securities portfolio was approximately 4.0 years and 4.1 years as of June 30, 2023 and 2022, respectively. AFS and HTM securities comprised approximately 57% of the Company's consolidated total assets as of both June 30, 2023 and 2022. The estimated effective duration of the remaining balance sheet assets in aggregate was less than one year as of both June 30, 2023 and 2022. The Company's estimated effective duration of consolidated total assets was approximately 2.5 years at June 30, 2023 and 2022.

Phase-out of LIBOR

Effective June 30, 2023, publication of the London Interbank Offered Rate (LIBOR) ceased. While we completed all LIBOR transition work that could be done prior to June 30, 2023, we will continue to monitor and manage the LIBOR substitution for certain investment securities that we hold and the portfolio of legacy loans that we have for which scheduled interest rate resets or related interest rate transitions will occur in future periods. We will also monitor our financial models and systems that previously referenced LIBOR.

See also Part II – Item 7 – Management's Discussion and Analysis of Financial Condition and Results of Operations – Risk Management in the 2022 Form 10-K.

Liquidity Risk

Liquidity risk is the potential that Schwab will be unable to sell assets or meet cash flow obligations when they come due without incurring unacceptable losses.

Due to its role as a source of financial strength, CSC's liquidity needs are primarily driven by the liquidity and capital needs of: CS&Co, TD Ameritrade, Inc., and TDAC, our principal broker-dealer subsidiaries; the capital needs of the banking subsidiaries; principal and interest due on corporate debt, and dividend payments on CSC's preferred and common stock. The liquidity needs of our broker-dealer subsidiaries are primarily driven by client activity including trading and margin lending activities and capital expenditures. The capital needs of the banking subsidiaries are primarily driven by client deposit levels and other borrowings. We have established liquidity policies to support the successful execution of business strategies, while ensuring ongoing and sufficient liquidity to meet operational needs and satisfy applicable regulatory requirements under both normal and stressed conditions. We seek to maintain client confidence in the balance sheet and the safety of client assets by maintaining liquidity and diversity of funding sources to allow the Company to meet its obligations. To this end, we have established limits and contingency funding plans to support liquidity levels during both business as usual and stressed conditions.

We employ a variety of metrics to monitor and manage liquidity. We conduct regular liquidity stress testing to develop a view of liquidity risk exposures and to ensure our ability to maintain sufficient liquidity during market-related or company-specific liquidity stress events. Liquidity sources are also tested periodically and results are reported to the Financial Risk Oversight Committee. A number of early warning indicators are monitored to help identify emerging liquidity stresses in the market or within the organization and are reviewed with management periodically.

Funding Sources

Schwab's primary source of funds is cash generated by client activity which includes bank deposits and cash balances in client brokerage accounts. These funds are used to purchase investment securities and extend loans to clients. Other sources of funds may include cash flows from operations, maturities and sales of investment securities, repayments on loans, securities lending of assets held in client brokerage accounts, FHLB borrowings, issuance of CDs, cash provided by securities issuances by CSC in the capital markets, and other facilities described below.

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

To meet daily funding needs, we maintain liquidity in the form of overnight cash deposits and short-term investments. For unanticipated liquidity needs, we also maintain a buffer of highly liquid investments, including U.S. Treasury securities.

Our clients' bank deposits and brokerage cash balances primarily originate from our 34.4 million active brokerage accounts. More than 80% of our bank deposits qualified for FDIC insurance as of June 30, 2023. Our clients' allocation of cash held on our balance sheet as bank deposits or payables to brokerage clients is sensitive to interest rate levels, with clients typically increasing their utilization of investment cash solutions such as purchased money market funds and certain fixed income products when those yields are higher than those of cash sweep features.

Schwab's need for borrowings from external debt facilities arises primarily from timing differences between cash flow requirements, including in the event the outflow of client cash from the balance sheet is greater than cash flows from operations and investment securities and bank loans; payments on interest-earning investments; movements of cash to meet regulatory brokerage client cash segregation requirements; and general corporate purposes. We maintain policies and procedures necessary to access funding, and test borrowing procedures on a periodic basis. Rollover risk is the risk that we will not be able to refinance or payoff borrowings as they mature. We manage rollover risk on borrowings, taking into account expected principal paydowns on our investment and loan portfolios along with expected deposit flows.

The following table describes external debt facilities available at June 30, 2023:

Description	Borrower	Outstanding	Available		Maturity of Amounts Outstanding	Weighted-Average Interest Rate on Amounts Outstanding
FHLB secured credit facilities	Banking subsidiaries	$ 41,000	$ 38,288	(1)	July 2023 - September 2024	5.14%
Federal Reserve discount window	Banking subsidiaries	—	8,802	(1)	N/A	—
Federal Reserve Bank Term Funding Program	Banking subsidiaries	—	41,583	(1)	N/A	—
Repurchase agreements	Banking subsidiaries	7,831	—	(2)	August 2023 - April 2024	5.01%
Uncommitted, unsecured lines of credit with various external banks	CSC, CS&Co	—	1,767		N/A	—
Unsecured commercial paper	CSC	—	5,000		N/A	—
Secured uncommitted line of credit with external bank	CS&Co	—	—	(3)	N/A	—
Secured uncommitted lines of credit with various external banks	TDAC	—	—	(4)	N/A	—

(1) Amounts shown as available from the FHLB and Federal Reserve facilities represent remaining capacity based on assets pledged as of June 30, 2023. Incremental borrowing capacity may be made available by pledging additional assets, subject to applicable facility terms. See below and Note 8 for additional information.
(2) Secured borrowing capacity is made available based on the banking subsidiaries' ability to provide collateral deemed acceptable by each respective counterparty. See Note 12 for additional information.
(3) In the second quarter of 2023, CS&Co entered into a secured, uncommitted line of credit agreement with an external bank. Secured borrowing capacity is made available based on CS&Co's ability to provide acceptable collateral to lender as determined by the credit agreement.
(4) Secured borrowing capacity is made available based on TDAC's ability to provide acceptable collateral to the lenders as determined by the credit agreements.
N/A Not applicable.

Available borrowing capacity from the FHLB and Federal Reserve facilities maintained by our banking subsidiaries is dependent on the value of assets pledged and the terms of the borrowing arrangements. As of June 30, 2023, the Company had additional investment securities with a par value of approximately $172 billion or a fair value of approximately $156 billion available to be pledged to obtain additional capacity. These securities could be used to provide additional borrowing capacity of up to $172 billion, dependent on the facility utilized. Additional details regarding availability and use of these facilities is described below.

Amounts available under secured credit facilities with the FHLB are dependent on the value of our First Mortgages, home equity lines of credit (HELOCs), and the fair value of certain of our investment securities that are pledged as collateral. These credit facilities are also available as backup financing in the event the outflow of client cash from the banking subsidiaries' respective balance sheets is greater than maturities and paydowns on investment securities and bank loans. CSC's banking subsidiaries must each maintain positive tangible capital, as defined by the Federal Housing Finance Agency, in order to place new draws upon these credit facilities, and the Company manages capital with consideration of minimum tangible capital ratios at our banking subsidiaries. Tangible capital pursuant to the requirements of the FHLB borrowing facilities for our banking subsidiaries is common equity less goodwill and intangible assets.

Our banking subsidiaries also have access to short-term secured funding through the Federal Reserve discount window. Amounts available under the Federal Reserve discount window are dependent on the fair value of certain investment securities that are pledged as collateral. Our banking subsidiaries may also engage with external financial institutions in repurchase agreements collateralized by investment securities as another source of short-term liquidity. In addition, our banking subsidiaries are counterparties to the standing repo facility with the Federal Reserve Bank of New York; other than de minimis tests performed to satisfy the Federal Reserve Bank of New York's testing requirements, this facility was not used during the first six months of 2023 and there were no amounts outstanding at June 30, 2023. Beginning in the second quarter of 2023, CSC maintains a standing bilateral repurchase agreement with an external bank. Other than a de minimis test, this facility was not used during the second quarter of 2023 and there were no amounts outstanding under this facility at June 30, 2023.

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

On March 12, 2023, the Federal Reserve Board announced the creation of a new Bank Term Funding Program, offering loans of up to one year in length to eligible financial institutions with U.S. Treasury securities, agency debt, mortgage-backed securities, and other qualifying assets pledged as collateral. Borrowing capacity available under this program is dependent upon the par value of the investment securities that are pledged as collateral. The Company is eligible to obtain advances under this program. This facility was not used during the first six months of 2023.

CSC's ratings for Commercial Paper Notes were P1 by Moody's Investor Service (Moody's), A2 by Standard & Poor's Rating Group (Standard & Poor's), and F1 by Fitch Ratings, Ltd (Fitch) at June 30, 2023. During the second quarter of 2023, Standard & Poor's downgraded its rating of CSC's Commercial Paper Notes from A1 to A2, and Moody's changed its outlook from positive to stable.

CSC also has a universal automatic shelf registration statement on file with the SEC, which enables it to issue debt, equity, and other securities.

CS&Co maintains uncommitted, unsecured bank credit lines with a group of banks as a source of short-term liquidity, which can also be accessed by CSC. Beginning in the second quarter of 2023, CS&Co also maintains a secured, uncommitted line of credit, under which CS&Co may borrow on a short-term basis and pledge either client margin securities or firm securities as collateral. TDAC maintains secured uncommitted lines of credit, under which TDAC borrows on either a demand or short-term basis and pledges client margin securities as collateral.

In the fourth quarter of 2022 and first six months of 2023, CSB issued brokered CDs as a supplemental funding source. The following table provides information about brokered CDs issued by CSB and outstanding as of June 30, 2023:

	Amount Outstanding	Maturity	Weighted-Average Interest Rate
Brokered CDs	$ 41,368	July 2023 - April 2025	4.97%

Cash Flow Activity

As a result of rapidly increasing short-term interest rates beginning in 2022, the Company saw an increase in the pace at which clients moved certain cash balances out of our sweep features and into higher yielding alternatives. As a result of these outflows, our banking subsidiaries have supplemented excess cash on hand and cash generated by maturities and paydowns on our investment securities portfolios with fixed- and floating-rate FHLB advances, repurchase agreements, and issuances of brokered CDs. During the second quarter of 2023, the pace of client cash allocations out of our sweep features decreased significantly, and in June, the Company was able to cover these client cash movements without drawing upon additional FHLB borrowings or issuing additional brokered CDs.

In the second quarter of 2023, the Company's FHLB borrowings and other short-term borrowings decreased by $3.8 billion as a result of FHLB maturities during the period. Bank deposits also decreased during the second quarter of 2023 by $21.3 billion, resulting from a decrease of $29.5 billion in deposits swept from brokerage accounts due to ongoing changes in client cash allocations and a slight increase in client equities purchases, which was partially offset by a net increase in brokered CDs of $10.6 billion.

During the first six months of 2023, the Company's cash and cash equivalents, excluding amounts restricted, increased by $7.5 billion to $47.7 billion as of June 30, 2023. This increase was driven by net cash provided by investing and operating activities, partially offset by net cash used for financing activities. Bank deposits decreased by a total of $62.3 billion during the first six months of 2023; this was driven by a decrease of $93.2 billion in deposits swept from brokerage accounts due primarily to clients' cash allocation decisions described above, partially offset by a net increase in brokered CDs of $35.3 billion. Offsetting the decrease in bank deposits, investing cash flows from our AFS and HTM securities totaled $30.8 billion in the first six months of 2023, and the Company increased its FHLB borrowings and other short-term borrowings by a total of $31.8 billion.

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

Liquidity Coverage Ratio

Schwab is subject to the full LCR rule, which requires the Company to hold high quality liquid assets (HQLA) in an amount equal to at least 100% of the Company's projected net cash outflows over a prospective 30-calendar-day period of acute liquidity stress, calculated on each business day. See Part I – Item 1 – Business – Regulation in the 2022 Form 10-K for additional information. The Company was in compliance with the LCR rule at June 30, 2023, and the table below presents information about our average daily LCR:

	Average for the Three Months Ended	
	June 30, 2023	March 31, 2023
Total eligible HQLA	$ 65,738	$ 80,128
Net cash outflows	50,965	62,163
LCR	129%	129%

To support growth in margin loan balances at our broker-dealer subsidiaries while meeting our LCR requirements, the Company may issue commercial paper or draw on secured lines of credit, in addition to capital markets issuances.

Net Stable Funding Ratio

Schwab is subject to disclosure requirements under the NSFR rule, which requires the semi-annual public disclosure of its NSFR levels beginning in the second quarter of 2023. The NSFR rule stipulates that the Company's available stable funding (ASF) must be at least 100% of the Company's required stable funding (RSF). ASF is calculated by assessing the stability of the Company's funding sources and RSF is calculated by evaluating the characteristics of the Company's assets, derivatives, and off-balance-sheet exposures. The Company was in compliance with the NSFR rule at June 30, 2023, and the table below presents information about our average NSFR:

	Average for the Three Months Ended	
	June 30, 2023	March 31, 2023
ASF	$ 200,512	$ 202,504
RSF	166,428	163,622
NSFR	120%	124%

Long-Term Borrowings

The Company's long-term debt is primarily comprised of Senior Notes and totaled $22.5 billion and $20.8 billion at June 30, 2023 and December 31, 2022, respectively.

The following table provides information about our Senior Notes outstanding at June 30, 2023:

June 30, 2023	Par Outstanding	Maturity	Weighted Average Interest Rate	Moody's	Standard & Poor's	Fitch
CSC Senior Notes	$ 22,212	2024 - 2034	2.81%	A2	A-	A
TDA Holding Senior Notes	213	2024 - 2029	3.47%	A2	A-	—

During the second quarter of 2023, Standard and Poor's downgraded CSC's and TDA Holding's long-term issuer credit and senior unsecured debt ratings from A to A- and affirmed its outlook remained stable. Moody's also affirmed its rating of A2 for CSC and TDA Holding and changed its outlook from positive to stable.

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

New Debt Issuances

The below debt issuances in the first six months of 2023 were senior unsecured obligations. Additional details are as follows:

Issuance Date	Issuance Amount	Maturity Date	Interest Rate
May 19, 2023	$ 1,200	05/19/2029	5.643% (1)
May 19, 2023	1,300	05/19/2034	5.853% (1)

(1) Interest rates presented are those in effect at June 30, 2023. For additional information regarding future interest rates on fixed-to-floating rate Senior Notes, see Item 1 – Note 8.

Schwab additionally enters into guarantees and other similar arrangements in the ordinary course of business. For information on these arrangements, see Item 1 – Notes 5, 6, 8, 9, and 12.

Additional information regarding our sources and uses of liquidity and management of liquidity risk is included in Part II – Item 7 – Management's Discussion and Analysis of Financial Condition and Results of Operations – Risk Management – Liquidity Risk in our 2022 Form 10-K. See also Item 1 – Condensed Consolidated Statements of Cash Flows, Item 1 – Note 7 for the Company's bank deposits, Item 1 – Note 8 for the Company's debt and borrowing facilities, and Item 1 – Note 14 for equity outstanding balances and activity.

CAPITAL MANAGEMENT

Schwab seeks to manage capital to a level and composition sufficient to support execution of our business strategy, including balance sheet growth over time, management of the 2023 IDA agreement inclusive of potential migration of IDA balances (see further discussion below), providing financial support to our subsidiaries, and sustained access to the capital markets, while at the same time meeting our regulatory capital requirements and serving as a source of financial strength to our banking subsidiaries. Schwab also seeks to return excess capital to stockholders. We may return excess capital through such activities as dividends, repurchases of common shares, preferred stock redemptions, and repurchases of our preferred stock represented by depositary shares. Schwab's primary sources of capital are funds generated by the operations of subsidiaries and securities issuances by CSC in the capital markets. To ensure that Schwab has sufficient capital to absorb unanticipated losses or declines in asset values, we have adopted a policy to remain well capitalized even in stressed scenarios.

Regulatory Capital Requirements

CSC and certain subsidiaries including our banking and broker-dealer subsidiaries are subject to various capital requirements set by regulatory agencies as discussed in further detail in Part II – Item 7 – Management's Discussion and Analysis of Financial Condition and Results of Operations – Capital Management of the 2022 Form 10-K and in Item 1 – Note 17. As of June 30, 2023, CSC and our banking subsidiaries are considered well capitalized, and CS&Co, TDAC, and TD Ameritrade, Inc. are in compliance with their respective net capital requirements.

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

The following table details the capital ratios for CSC consolidated and CSB:

	June 30, 2023		December 31, 2022	
	CSC	CSB	CSC	CSB
Total stockholders' equity	$ 37,147	$ 13,552	$ 36,608	$ 7,664
Less:				
Preferred stock	9,191	—	9,706	—
Common Equity Tier 1 Capital before regulatory adjustments	$ 27,956	$ 13,552	$ 26,902	$ 7,664
Less:				
Goodwill, net of associated deferred tax liabilities	$ 11,797	$ 13	$ 11,816	$ 13
Other intangible assets, net of associated deferred tax liabilities	6,852	—	7,079	—
Deferred tax assets, net of valuation allowances and deferred tax liabilities	37	35	37	35
AOCI adjustment [1]	(20,729)	(18,052)	(22,620)	(19,680)
Common Equity Tier 1 Capital	$ 29,999	$ 31,556	$ 30,590	$ 27,296
Tier 1 Capital	$ 39,190	$ 31,556	$ 40,296	$ 27,296
Total Capital	39,272	31,632	40,376	27,370
Risk-Weighted Assets	132,791	94,278	139,657	99,631
Average Assets with regulatory adjustments	520,602	356,406	562,803	372,802
Total Leverage Exposure	524,576	359,257	566,809	375,846
Common Equity Tier 1 Capital/Risk-Weighted Assets	22.6%	33.5%	21.9%	27.4%
Tier 1 Capital/Risk-Weighted Assets	29.5%	33.5%	28.9%	27.4%
Total Capital/Risk-Weighted Assets	29.6%	33.6%	28.9%	27.5%
Tier 1 Leverage Ratio	7.5%	8.9%	7.2%	7.3%
Supplementary Leverage Ratio	7.5%	8.8%	7.1%	7.3%

[1] Changes in market interest rates can result in unrealized gains or losses on AFS securities, which are included in AOCI. As a Category III banking organization, CSC has elected to exclude AOCI from regulatory capital.

The Company's consolidated Tier 1 Leverage Ratio increased to 7.5% at June 30, 2023 from 7.1% at March 31, 2023 and 7.2% at year-end 2022. This increase during the second quarter was primarily due to net income during the quarter and a decrease in the Company's total assets. Total balance sheet assets decreased $24.0 billion, or 4%, during the second quarter of 2023 due primarily to a decrease of $24.1 billion, or 6%, in total bank deposits and payables to brokerage clients due to client cash allocation decisions resulting from the rising interest rate environment. CSB's Tier 1 Leverage Ratio increased from year-end 2022, ending the second quarter of 2023 at 8.9% primarily as a result of capital contributions from CSC enabled by the Company's issuance of $2.5 billion of long-term debt in May 2023.

The Board of Governors of the Federal Reserve System recently issued a notice of proposed changes to the regulatory capital rules that would require us to include AOCI in regulatory capital, phased in over a three-year transition period beginning July 1, 2025 (see Current Regulatory and Other Developments). As of June 30, 2023, our adjusted Tier 1 Leverage Ratio, which reflects the inclusion of AOCI in the ratio, was 3.7% for CSC consolidated and 4.0% for CSB (see Non-GAAP Financial Measures for further details and a reconciliation of such measures to GAAP reported results). The Company is continuing to accrete and retain capital while it continues to evaluate the impacts of the proposal. The Company currently anticipates meeting the proposed capital requirements organically well ahead of the transition period provided within the proposal.

IDA Agreement

Certain brokerage client deposits are swept off-balance sheet to the TD Depository Institutions pursuant to the 2023 IDA agreement. During the first six months of 2023, Schwab did not move IDA balances to its balance sheet. The Company's overall capital management strategy includes supporting migration of IDA balances in future periods as available pursuant to the terms of the 2023 IDA agreement. The Company's ability to migrate these balances to its balance sheet is dependent upon multiple factors including having sufficient capital levels to sustain these incremental deposits. See Item 1 – Note 9 for further information on the 2023 IDA agreement.

Dividends

On January 26, 2023, the Board of Directors (Board) of CSC declared a three cent, or 14%, increase in the quarterly cash dividend to $.25 per common share.

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

Cash dividends paid and per share amounts, exclusive of amounts related to preferred stock repurchases, for the first six months of 2023 and 2022 are as follows:

	2023		2022	
Six Months Ended June 30,	Cash Paid	Per Share Amount	Cash Paid	Per Share Amount
Common and Nonvoting Common Stock	$ 921	$ .50	$ 762	$ .40
Preferred Stock:				
Series A [(1)]	N/A	N/A	19	47.70
Series D [(2)]	22	29.76	22	29.76
Series E [(3)]	N/A	N/A	20	3,293.32
Series F [(4)]	12	2,500.00	13	2,500.00
Series G [(2)]	67	2,687.50	67	2,687.50
Series H [(2)]	46	2,000.00	50	2,000.00
Series I [(2)]	42	2,000.00	45	2,000.00
Series J [(2)]	13	22.26	13	22.26
Series K [(5)]	19	2,500.00	9	1,208.33

[(1)] Series A was redeemed on November 1, 2022. Prior to redemption, dividends were paid semi-annually until February 1, 2022 and quarterly thereafter. The final dividend was paid on November 1, 2022.
[(2)] Dividends paid quarterly.
[(3)] Series E was redeemed on December 1, 2022. Prior to redemption, dividends were paid semi-annually until March 1, 2022 and quarterly thereafter. The final dividend was paid on December 1, 2022.
[(4)] Dividends paid semi-annually until December 1, 2027 and quarterly thereafter.
[(5)] Series K was issued on March 4, 2022. Dividends are paid quarterly, and the first dividend was paid on June 1, 2022.
N/A Not applicable.

Share Repurchases

On July 27, 2022, CSC publicly announced that its Board of Directors approved a new share repurchase authorization to repurchase up to $15.0 billion of common stock, replacing the previous and now terminated share repurchase authorization of up to $4.0 billion of common stock. The new share repurchase authorization does not have an expiration date. There were no repurchases of CSC's common stock during the three months ended June 30, 2023. CSC repurchased 37 million shares of its common stock for $2.8 billion during the six months ended June 30, 2023. As of June 30, 2023, approximately $8.7 billion remained on the new authorization. There were no repurchases of CSC's common stock under the terminated authorization during the six months ended June 30, 2022.

There were no repurchases of CSC's preferred stock during the three months ended June 30, 2023. The Company repurchased 11,620 depositary shares representing interests in Series F preferred stock for $11 million, 42,036 depositary shares representing interests in Series G preferred stock for $42 million, 273,251 depositary shares representing interests in Series H preferred stock for $235 million, and 194,567 depositary shares representing interests in Series I preferred stock for $179 million on the open market during the six months ended June 30, 2023. The repurchase prices are inclusive of $3 million of dividends accrued by the stockholders as of the repurchase date.

Beginning in 2023, share repurchases, net of issuances, are subject to a nondeductible 1% excise tax which was recognized as a direct and incremental cost associated with these transactions. For repurchases of common stock, the tax is recorded as part of the cost basis of the treasury stock repurchased, resulting in no impact to the condensed consolidated statement of income. For repurchases of preferred stock, the tax impact is included within preferred stock dividends and other on the condensed consolidated statement of income.

OTHER

Foreign Exposure

At June 30, 2023, Schwab had exposure to non-sovereign financial and non-financial institutions in foreign countries, as well as agencies of foreign governments. At June 30, 2023, the fair value of these holdings totaled $10.5 billion, with the top three exposures being to issuers and counterparties domiciled in France at $2.9 billion, the United Kingdom at $2.4 billion, and Canada at $1.7 billion. At December 31, 2022, the fair value of these holdings totaled $16.4 billion, with the top three exposures being to issuers and counterparties domiciled in France at $5.1 billion, the United Kingdom at $4.8 billion, and

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

Canada at $1.7 billion. In addition, Schwab had outstanding margin loans to foreign residents of $2.7 billion and $2.5 billion at June 30, 2023 and December 31, 2022, respectively.

CRITICAL ACCOUNTING ESTIMATES

Certain of our accounting policies that involve a higher degree of judgment and complexity are discussed in Part II – Item 7 – Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Estimates in the 2022 Form 10-K. There have been no changes to critical accounting estimates during the first six months of 2023.

NON-GAAP FINANCIAL MEASURES

In addition to disclosing financial results in accordance with generally accepted accounting principles in the U.S. (GAAP), Management's Discussion and Analysis of Financial Condition and Results of Operations contain references to the non-GAAP financial measures described below. We believe these non-GAAP financial measures provide useful supplemental information about the financial performance of the Company, and facilitate meaningful comparison of Schwab's results in the current period to both historic and future results. These non-GAAP measures should not be considered a substitute for, or superior to, financial measures calculated in accordance with GAAP, and may not be comparable to non-GAAP financial measures presented by other companies.

Schwab's use of non-GAAP measures is reflective of certain adjustments made to GAAP financial measures as described below.

Non-GAAP Adjustment or Measure	Definition	Usefulness to Investors and Uses by Management
Acquisition and integration-related costs and amortization of acquired intangible assets	Schwab adjusts certain GAAP financial measures to exclude the impact of acquisition and integration-related costs incurred as a result of the Company's acquisitions, amortization of acquired intangible assets, and, where applicable, the income tax effect of these expenses. Adjustments made to exclude amortization of acquired intangible assets are reflective of all acquired intangible assets, which were recorded as part of purchase accounting. These acquired intangible assets contribute to the Company's revenue generation. Amortization of acquired intangible assets will continue in future periods over their remaining useful lives.	We exclude acquisition and integration-related costs and amortization of acquired intangible assets for the purpose of calculating certain non-GAAP measures because we believe doing so provides additional transparency of Schwab's ongoing operations, and is useful in both evaluating the operating performance of the business and facilitating comparison of results with prior and future periods. Acquisition and integration-related costs fluctuate based on the timing of acquisitions and integration activities, thereby limiting comparability of results among periods, and are not representative of the costs of running the Company's ongoing business. Amortization of acquired intangible assets is excluded because management does not believe it is indicative of the Company's underlying operating performance.
Return on tangible common equity	Return on tangible common equity represents annualized adjusted net income available to common stockholders as a percentage of average tangible common equity. Tangible common equity represents common equity less goodwill, acquired intangible assets – net, and related deferred tax liabilities.	Acquisitions typically result in the recognition of significant amounts of goodwill and acquired intangible assets. We believe return on tangible common equity may be useful to investors as a supplemental measure to facilitate assessing capital efficiency and returns relative to the composition of Schwab's balance sheet.
Adjusted Tier 1 Leverage Ratio	Adjusted Tier 1 Leverage Ratio represents the Tier 1 Leverage Ratio as prescribed by bank regulatory guidance for the consolidated company and for CSB, adjusted to reflect the inclusion of AOCI in the ratio.	Inclusion of the impacts of AOCI in the Company's Tier 1 Leverage Ratio provides additional information regarding the Company's current capital position. We believe Adjusted Tier 1 Leverage Ratio may be useful to investors as a supplemental measure of the Company's capital levels.

The Company also uses adjusted diluted EPS and return on tangible common equity as components of performance criteria for employee bonus and certain executive management incentive compensation arrangements. The Compensation Committee of CSC's Board of Directors maintains discretion in evaluating performance against these criteria.

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

The following tables present reconciliations of GAAP measures to non-GAAP measures:

	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Total expenses excluding interest (GAAP)	$ 2,965	$ 2,819	$ 5,971	$ 5,652
Acquisition and integration-related costs [1]	(130)	(94)	(228)	(190)
Amortization of acquired intangible assets	(134)	(154)	(269)	(308)
Adjusted total expenses (non-GAAP)	$ 2,701	$ 2,571	$ 5,474	$ 5,154

[1] Acquisition and integration-related costs for the three and six months ended June 30, 2023 primarily consist of $48 million and $106 million of compensation and benefits, $41 million and $74 million of professional services, $10 million and $14 million of occupancy and equipment, and $20 million and $22 million of other. Acquisition and integration-related costs for the three and six months ended June 30, 2022 primarily consist of $53 million and $109 million of compensation and benefits, $35 million and $66 million of professional services, and $4 million and $8 million of occupancy and equipment.

	Three Months Ended June 30, 2023		Three Months Ended June 30, 2022		Six Months Ended June 30, 2023		Six Months Ended June 30, 2022	
	Amount	Diluted EPS	Amount	Diluted EPS	Amount	Diluted EPS	Amount	Diluted EPS
Net income available to common stockholders (GAAP), Earnings per common share — diluted (GAAP)	$ 1,173	$ .64	$ 1,652	$ .87	$ 2,706	$ 1.48	$ 2,930	$ 1.54
Acquisition and integration-related costs	130	.07	94	.05	228	.12	190	.10
Amortization of acquired intangible assets	134	.07	154	.08	269	.15	308	.16
Income tax effects [1]	(64)	(.03)	(60)	(.03)	(120)	(.07)	(121)	(.06)
Adjusted net income available to common stockholders (non-GAAP), Adjusted diluted EPS (non-GAAP)	$ 1,373	$ .75	$ 1,840	$ .97	$ 3,083	$ 1.68	$ 3,307	$ 1.74

[1] The income tax effects of the non-GAAP adjustments are determined using an effective tax rate reflecting the exclusion of non-deductible acquisition costs and are used to present the acquisition and integration-related costs and amortization of acquired intangible assets on an after-tax basis.

	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Return on average common stockholders' equity (GAAP)	17%	19%	20%	15%
Average common stockholders' equity	$ 27,556	$ 35,611	$ 27,429	$ 40,063
Less: Average goodwill	(11,951)	(11,952)	(11,951)	(11,952)
Less: Average acquired intangible assets — net	(8,591)	(9,151)	(8,657)	(9,227)
Plus: Average deferred tax liabilities related to goodwill and acquired intangible assets — net	1,834	1,868	1,837	1,877
Average tangible common equity	$ 8,848	$ 16,376	$ 8,658	$ 20,761
Adjusted net income available to common stockholders [1]	$ 1,373	$ 1,840	$ 3,083	$ 3,307
Return on tangible common equity (non-GAAP)	62%	45%	71%	32%

[1] See table above for the reconciliation of net income available to common stockholders to adjusted net income available to common stockholders (non-GAAP).

	June 30, 2023 CSC	June 30, 2023 CSB
Tier 1 Leverage Ratio (GAAP)	7.5%	8.9%
Tier 1 Capital	$ 39,190	$ 31,556
Plus: AOCI adjustment	(20,729)	(18,052)
Adjusted Tier 1 Capital	18,461	13,504
Average assets with regulatory adjustments	520,602	356,406
Plus: AOCI adjustment	(20,397)	(17,707)
Adjusted average assets with regulatory adjustments	$ 500,205	$ 338,699
Adjusted Tier 1 Leverage Ratio (non-GAAP)	3.7%	4.0%

Item 3. Quantitative and Qualitative Disclosures About Market Risk

For discussion of the quantitative and qualitative disclosures about market risk, see Risk Management in Item 2.

THE CHARLES SCHWAB CORPORATION
Condensed Consolidated Statements of Income
(In Millions, Except Per Share Amounts)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Net Revenues				
Interest revenue	$ 4,104	$ 2,710	$ 8,120	$ 5,029
Interest expense	(1,814)	(166)	(3,060)	(302)
Net interest revenue	2,290	2,544	5,060	4,727
Asset management and administration fees [(1)]	1,173	1,052	2,291	2,120
Trading revenue	803	885	1,695	1,848
Bank deposit account fees	175	352	326	646
Other	215	260	400	424
Total net revenues	4,656	5,093	9,772	9,765
Expenses Excluding Interest				
Compensation and benefits	1,498	1,426	3,136	2,972
Professional services	272	258	530	502
Occupancy and equipment	319	294	618	563
Advertising and market development	103	105	191	207
Communications	188	169	334	313
Depreciation and amortization	191	159	368	309
Amortization of acquired intangible assets	134	154	269	308
Regulatory fees and assessments	80	67	163	135
Other	180	187	362	343
Total expenses excluding interest	2,965	2,819	5,971	5,652
Income before taxes on income	1,691	2,274	3,801	4,113
Taxes on income	397	481	904	918
Net Income	1,294	1,793	2,897	3,195
Preferred stock dividends and other	121	141	191	265
Net Income Available to Common Stockholders	$ 1,173	$ 1,652	$ 2,706	$ 2,930
Weighted-Average Common Shares Outstanding:				
Basic	1,820	1,896	1,827	1,895
Diluted	1,825	1,904	1,834	1,905
Earnings Per Common Shares Outstanding [(2)]:				
Basic	$ .64	$ .87	$ 1.48	$ 1.55
Diluted	$ .64	$ .87	$ 1.48	$ 1.54

[(1)] No fee waivers were recognized for the three and six months ended June 30, 2023. Includes fee waivers of $3 million and $57 million for the three and six months ended June 30, 2022, respectively.
[(2)] The Company has voting and nonvoting common stock outstanding. As the participation rights, including dividend and liquidation rights, are identical between the voting and nonvoting stock classes, basic and diluted earnings per share are the same for each class. See Note 16 for additional information.

See Notes to Condensed Consolidated Financial Statements.

THE CHARLES SCHWAB CORPORATION
Condensed Consolidated Statements of Comprehensive Income
(In Millions)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Net income	$ 1,294	$ 1,793	$ 2,897	$ 3,195
Other comprehensive income (loss), before tax:				
Change in net unrealized gain (loss) on available for sale securities:				
Net unrealized gain (loss) excluding transfers to held to maturity	(683)	(6,671)	1,166	(19,806)
Reclassification of net unrealized loss transferred to held to maturity	—	—	—	2,429
Other reclassifications included in other revenue	11	(5)	20	(17)
Change in net unrealized gain (loss) on held to maturity securities:				
Reclassification of net unrealized loss transferred from available for sale	—	—	—	(2,429)
Amortization of amounts previously recorded upon transfer to held to maturity from available for sale	642	122	1,251	214
Other	(1)	—	(9)	—
Other comprehensive income (loss), before tax	(31)	(6,554)	2,428	(19,609)
Income tax effect	(9)	1,577	(537)	4,696
Other comprehensive income (loss), net of tax	(40)	(4,977)	1,891	(14,913)
Comprehensive Income (Loss)	$ 1,254	$ (3,184)	$ 4,788	$ (11,718)

See Notes to Condensed Consolidated Financial Statements.

THE CHARLES SCHWAB CORPORATION
Condensed Consolidated Balance Sheets [1]
(In Millions, Except Per Share and Share Amounts)
(Unaudited)

		June 30, 2023		December 31, 2022
Assets				
Cash and cash equivalents	$	47,651	$	40,195
Cash and investments segregated and on deposit for regulatory purposes (including resale agreements of $5,405 and $12,159 at June 30, 2023 and December 31, 2022, respectively)		25,083		42,983
Receivables from brokerage clients — net		65,162		66,591
Available for sale securities (amortized cost of $136,874 at June 30, 2023 and $160,162 at December 31, 2022; including assets pledged of $28 and $41, respectively)		125,769		147,871
Held to maturity securities (including assets pledged of $8,365 at June 30, 2023 and $4,522 at December 31, 2022)		166,328		173,074
Bank loans — net		40,061		40,505
Equipment, office facilities, and property — net		3,686		3,714
Goodwill		11,951		11,951
Acquired intangible assets — net		8,524		8,789
Other assets		17,290		16,099
Total assets	$	511,505	$	551,772
Liabilities and Stockholders' Equity				
Bank deposits	$	304,414	$	366,724
Payables to brokerage clients		84,795		97,438
Accrued expenses and other liabilities		13,836		13,124
Other short-term borrowings		7,831		4,650
Federal Home Loan Bank borrowings		41,000		12,400
Long-term debt		22,482		20,828
Total liabilities		474,358		515,164
Stockholders' equity:				
Preferred stock — $.01 par value per share; aggregate liquidation preference of $9,328 and $9,850 at June 30, 2023 and December 31, 2022, respectively		9,191		9,706
Common stock — 3 billion shares authorized; $.01 par value per share; 2,023,295,180 shares issued at June 30, 2023 and December 31, 2022		20		20
Nonvoting common stock — 300 million shares authorized; $.01 par value per share; 50,893,695 shares issued at June 30, 2023 and December 31, 2022		1		1
Additional paid-in capital		27,220		27,075
Retained earnings		32,865		31,066
Treasury stock, at cost — 253,803,819 and 221,033,042 shares at June 30, 2023 and December 31, 2022, respectively		(11,420)		(8,639)
Accumulated other comprehensive income (loss)		(20,730)		(22,621)
Total stockholders' equity		37,147		36,608
Total liabilities and stockholders' equity	$	511,505	$	551,772

[1] Certain prior year amounts have been reclassified to conform to the current year presentation. See Note 1 for additional information.

See Notes to Condensed Consolidated Financial Statements.

THE CHARLES SCHWAB CORPORATION
Condensed Consolidated Statements of Stockholders' Equity
(In Millions)
(Unaudited)

	Preferred Stock	Common Stock Shares	Common Stock Amount	Nonvoting Common Stock Shares	Nonvoting Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Treasury Stock, at cost	Accumulated Other Comprehensive Income (Loss)	Total
Balance at March 31, 2022	$ 10,694	1,995	$ 20	79	$ 1	$ 26,826	$ 26,895	$ (5,293)	$ (11,045)	$ 48,098
Net income	—	—	—	—	—	—	1,793	—	—	1,793
Other comprehensive income (loss), net of tax	—	—	—	—	—	—	—	—	(4,977)	(4,977)
Dividends declared on preferred stock	—	—	—	—	—	—	(133)	—	—	(133)
Dividends declared on common stock — $.20 per share	—	—	—	—	—	—	(381)	—	—	(381)
Stock option exercises and other	—	—	—	—	—	(5)	—	8	—	3
Share-based compensation	—	—	—	—	—	53	—	—	—	53
Other	—	—	—	—	—	44	—	13	—	57
Balance at June 30, 2022	$ 10,694	1,995	$ 20	79	$ 1	$ 26,918	$ 28,174	$ (5,272)	$ (16,022)	$ 44,513
Balance at March 31, 2023	$ 9,191	2,023	$ 20	51	$ 1	$ 27,136	$ 32,144	$ (11,455)	$ (20,690)	$ 36,347
Net income	—	—	—	—	—	—	1,294	—	—	1,294
Other comprehensive income (loss), net of tax	—	—	—	—	—	—	—	—	(40)	(40)
Dividends declared on preferred stock	—	—	—	—	—	—	(116)	—	—	(116)
Dividends declared on common stock — $.25 per share	—	—	—	—	—	—	(457)	—	—	(457)
Stock option exercises and other	—	—	—	—	—	(9)	—	14	—	5
Share-based compensation	—	—	—	—	—	53	—	—	—	53
Other	—	—	—	—	—	40	—	21	—	61
Balance at June 30, 2023	$ 9,191	2,023	$ 20	51	$ 1	$ 27,220	$ 32,865	$ (11,420)	$ (20,730)	$ 37,147

	Preferred Stock	Common Stock Shares	Common Stock Amount	Nonvoting Common Stock Shares	Nonvoting Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Treasury Stock, at cost	Accumulated Other Comprehensive Income (Loss)	Total
Balance at December 31, 2021	$ 9,954	1,995	$ 20	79	$ 1	$ 26,741	$ 25,992	$ (5,338)	$ (1,109)	$ 56,261
Net income	—	—	—	—	—	—	3,195	—	—	3,195
Other comprehensive income (loss), net of tax	—	—	—	—	—	—	—	—	(14,913)	(14,913)
Issuance of preferred stock, net	740	—	—	—	—	—	—	—	—	740
Dividends declared on preferred stock	—	—	—	—	—	—	(251)	—	—	(251)
Dividends declared on common stock — $.40 per share	—	—	—	—	—	—	(762)	—	—	(762)
Stock option exercises and other	—	—	—	—	—	(56)	—	89	—	33
Share-based compensation	—	—	—	—	—	165	—	—	—	165
Other	—	—	—	—	—	68	—	(23)	—	45
Balance at June 30, 2022	$ 10,694	1,995	$ 20	79	$ 1	$ 26,918	$ 28,174	$ (5,272)	$ (16,022)	$ 44,513
Balance at December 31, 2022	$ 9,706	2,023	$ 20	51	$ 1	$ 27,075	$ 31,066	$ (8,639)	$ (22,621)	$ 36,608
Net income	—	—	—	—	—	—	2,897	—	—	2,897
Other comprehensive income (loss), net of tax	—	—	—	—	—	—	—	—	1,891	1,891
Redemption and repurchase of preferred stock, inclusive of tax	(515)	—	—	—	—	—	44	—	—	(471)
Dividends declared on preferred stock	—	—	—	—	—	—	(221)	—	—	(221)
Dividends declared on common stock — $.50 per share	—	—	—	—	—	—	(921)	—	—	(921)
Repurchase of common stock, inclusive of tax	—	—	—	—	—	—	—	(2,869)	—	(2,869)
Stock option exercises and other	—	—	—	—	—	(101)	—	125	—	24
Share-based compensation	—	—	—	—	—	182	—	—	—	182
Other	—	—	—	—	—	64	—	(37)	—	27
Balance at June 30, 2023	$ 9,191	2,023	$ 20	51	$ 1	$ 27,220	$ 32,865	$ (11,420)	$ (20,730)	$ 37,147

See Notes to the Condensed Consolidated Financial Statements.

THE CHARLES SCHWAB CORPORATION
Condensed Consolidated Statements of Cash Flows [1]
(in Millions)
(Unaudited)

	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Cash Flows from Operating Activities		
Net income	$ 2,897	$ 3,195
Adjustments to reconcile net income to net cash provided by (used for) operating activities:		
Share-based compensation	194	206
Depreciation and amortization	368	309
Amortization of acquired intangible assets	269	308
Provision (benefit) for deferred income taxes	4	(37)
Premium amortization, net, on available for sale and held to maturity securities	392	868
Other	278	187
Net change in:		
Investments segregated and on deposit for regulatory purposes	10,832	(10,605)
Receivables from brokerage clients	1,409	14,420
Other assets	(27)	(74)
Payables to brokerage clients	(12,643)	(10,791)
Accrued expenses and other liabilities	588	(2,876)
Net cash provided by (used for) operating activities	4,561	(4,890)
Cash Flows from Investing Activities		
Purchases of available for sale securities	—	(46,454)
Proceeds from sales of available for sale securities	2,900	13,470
Principal payments on available for sale securities	20,181	28,533
Principal payments on held to maturity securities	7,672	8,658
Net change in bank loans	413	(4,830)
Purchases of equipment, office facilities, and property	(398)	(537)
Purchases of FHLB stock	(1,562)	—
Proceeds from sales of FHLB stock	82	—
Purchases of Federal Reserve stock	(82)	(85)
Proceeds from sales of Federal Reserve stock	98	4
Other investing activities	(108)	(11)
Net cash provided by (used for) investing activities	29,196	(1,252)
Cash Flows from Financing Activities		
Net change in bank deposits	(62,310)	(1,775)
Proceeds from FHLB borrowings	39,200	4
Repayments of FHLB borrowings	(10,600)	(4)
Proceeds from other short-term borrowings	8,114	14,499
Repayments of other short-term borrowings	(4,939)	(18,007)
Issuances of long-term debt	2,478	2,971
Repayments of long-term debt	(815)	(765)
Net proceeds from preferred stock offerings	—	740
Redemption and repurchase of preferred stock	(467)	—
Dividends paid	(1,142)	(1,020)
Proceeds from stock options exercised	24	33
Repurchases of common stock and nonvoting common stock	(2,842)	—
Other financing activities	(71)	(46)
Net cash provided by (used for) financing activities	(33,370)	(3,370)
Increase (Decrease) in Cash and Cash Equivalents, including Amounts Restricted	387	(9,512)
Cash and Cash Equivalents, including Amounts Restricted at Beginning of Year	58,720	93,338
Cash and Cash Equivalents, including Amounts Restricted at End of Period	$ 59,107	$ 83,826

Continued on following page.

(in Millions)

Continued from previous page.

	Six Months Ended June 30, 2023		Six Months Ended June 30, 2022	
Supplemental Cash Flow Information				
Non-cash investing activity:				
Securities transferred from available for sale to held to maturity, at fair value	$	—	$	108,805
Changes in accrued equipment, office facilities, and property purchases	$	(43)	$	11
Other Supplemental Cash Flow Information:				
Cash paid during the period for:				
Interest	$	2,135	$	286
Income taxes	$	876	$	837
Amounts included in the measurement of lease liabilities	$	128	$	106
Leased assets obtained in exchange for new operating lease liabilities	$	40	$	199
Leased assets obtained in exchange for new finance lease liabilities	$	—	$	5

	June 30, 2023		June 30, 2022	
Reconciliation of cash, cash equivalents and amounts reported within the balance sheet [2]				
Cash and cash equivalents	$	47,651	$	64,550
Restricted cash and cash equivalents amounts included in cash and investments segregated and on deposit for regulatory purposes		11,456		19,276
Total cash and cash equivalents, including amounts restricted shown in the statement of cash flows	$	59,107	$	83,826

[1] Certain prior period amounts have been reclassified to conform to the current year presentation. See Note 1 for additional information.
[2] For more information on the nature of restrictions on restricted cash and cash equivalents, see Note 17.

See Notes to Condensed Consolidated Financial Statements.

1. Introduction and Basis of Presentation

The Charles Schwab Corporation (CSC) is a savings and loan holding company. CSC engages, through its subsidiaries (collectively referred to as Schwab or the Company), in wealth management, securities brokerage, banking, asset management, custody, and financial advisory services.

Principal business subsidiaries of CSC include the following:

- Charles Schwab & Co., Inc. (CS&Co), incorporated in 1971, a securities broker-dealer;
- TD Ameritrade, Inc., an introducing securities broker-dealer;
- TD Ameritrade Clearing, Inc. (TDAC), a securities broker-dealer that provides trade execution and clearing services to TD Ameritrade, Inc.;
- Charles Schwab Bank, SSB (CSB), our principal banking entity; and
- Charles Schwab Investment Management, Inc. (CSIM), the investment advisor for Schwab's proprietary mutual funds (Schwab Funds®) and for Schwab's exchange-traded funds (Schwab ETFs™).

Unless otherwise indicated, the terms "Schwab," "the Company," "we," "us," or "our" mean CSC together with its consolidated subsidiaries.

These unaudited condensed consolidated financial statements have been prepared in conformity with GAAP, which require management to make certain estimates and assumptions that affect the reported amounts in the accompanying financial statements and in the related disclosures. These estimates are based on information available as of the date of the condensed consolidated financial statements. While management makes its best judgment, actual amounts or results could differ from these estimates. In the opinion of management, all normal, recurring adjustments have been included for a fair statement of this interim financial information.

These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto, included in Schwab's 2022 Form 10-K.

Reclassifications: Certain prior period amounts have been reclassified to conform to the current period presentation. Beginning in 2023, Federal Home Loan Bank borrowings are presented separately from other short-term borrowings in the condensed consolidated balance sheets. Prior period amounts have been reclassified to reflect these changes. Corresponding presentation changes have been made to the condensed consolidated statements of cash flows and related notes.

The significant accounting policies are included in Item 8 – Note 2 in the 2022 Form 10-K. There have been no significant changes to these accounting policies during the first six months of 2023, except as described in Note 2 below.

2. Summary of Significant Accounting Policies and New Accounting Standards

Derivative Instruments and Hedging Activities

As discussed further in Note 11, beginning in 2023, the Company utilizes derivative instruments as part of its interest rate risk management. The Company records all derivatives on the balance sheet at fair value. Accounting for the changes in the fair values of derivatives depends on the nature of the hedging relationship, and whether we qualify for and elect to apply hedge accounting. Hedge accounting generally matches the timing of gain or loss recognition on the derivatives with the recognition of the changes in the fair values or cash flows attributable to the risk being hedged of the hedged asset or liability in a fair value hedge or the earnings effect of the hedged forecasted transactions in a cash flow hedge, respectively. Schwab's policy is to designate all eligible derivatives in hedge accounting relationships. To qualify for hedge accounting, among other requirements, a derivative must be highly effective at reducing exposure to the hedged risk. The assessment of effectiveness is done at inception and on an ongoing basis for hedging relationships and, depending on certain criteria, may be qualitative or quantitative. Schwab applies the "shortcut method" of hedge accounting for a portion of its fair value hedges, which assumes perfect effectiveness. Alternatively, when quantitative effectiveness assessments are required, the Company uses regression analysis, which is the method employed for the rest of our hedging relationships.

For derivatives the Company has designated and that qualify as fair value hedges of interest rate risk, the gain or loss on the derivatives and the changes in fair values of the hedged assets attributable to benchmark interest rates (basis adjustments) are both recorded in interest revenue on the condensed consolidated statement of income. If the hedging relationship is terminated, the basis adjustment remaining on the hedged asset continues to be reported as part of the amortized cost of that asset and is amortized to interest revenue over the remaining life of the asset as a yield adjustment using the effective interest method. The Company does not amortize basis adjustments prior to termination of the hedging relationship.

Certain fair value hedges may be designated under the portfolio layer method (PLM) of hedge accounting, which allows the Company to hedge the interest rate risk of prepayable and non-prepayable financial assets by designating a stated amount of a closed portfolio that is expected to be outstanding for the designated hedge period (a hedged layer) as the hedged item. A PLM hedging relationship may include multiple hedged layers. If at any point during the hedge period the aggregate amount of the hedged layers exceeds the amount of the closed portfolio (i.e., a breach of the hedged layer(s) has occurred), the PLM hedge must be fully or partially terminated to cure the breach. Basis adjustments for active PLM hedges are maintained at the closed portfolio level and are only allocated to individual assets remaining in the closed portfolio when the hedge is terminated, except for the portion of the basis adjustment related to the breach of the hedged layer(s), if any, which is recognized in interest revenue immediately. Allocated PLM basis adjustments are reported as part of the amortized cost of the assets and are amortized to interest revenue over the assets' respective remaining lives as a yield adjustment using the effective interest method.

For derivatives the Company has designated and that qualify as cash flow hedges of interest rate risk, the gain or loss on the derivatives is recorded in AOCI and subsequently reclassified into interest revenue or interest expense, depending on where the hedged cash flows are recognized, on the condensed consolidated statement of income in the same period during which the hedged transactions affect earnings. Amounts reported in AOCI for cash flow hedges of AFS investment securities or other recognized financial assets are reclassified into interest revenue as interest payments on the securities or financial assets are accrued or received. If the hedging relationship is terminated and transactions that were hedged are no longer probable of occurring, the gain or loss on the derivative(s) recorded in AOCI prior to termination is reclassified into interest revenue immediately. Otherwise, the derivative gain or loss in AOCI will continue to be reclassified into interest revenue or interest expense in the periods during which the transactions that were hedged affect earnings.

Cash flows associated with derivative instruments are reflected as cash flows from operating activities in the statement of cash flows consistent with the treatment and nature of the items being hedged.

Adoption of New Accounting Standards

Standard	**Description**	**Date of Adoption**	**Effects on the Financial Statements or Other Significant Matters**
Accounting Standards Update (ASU) 2022-02, "Financial Instruments—Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures"	***Troubled Debt Restructurings (TDRs)*** Eliminates the accounting guidance for TDRs. Rather than applying the specific guidance for TDRs, creditors will apply the recognition and measurement guidance for loan refinancings and restructurings to determine whether a modification results in a new loan or a continuation of an existing loan. The guidance requires enhanced disclosures for certain loan refinancings and restructurings by creditors when a borrower is experiencing financial difficulty. ***Vintage Disclosures*** Requires that an entity disclose current-period gross writeoffs by year of origination for financing receivables and net investments in leases within the scope of Subtopic 326-20, Financial Instruments—Credit Losses—Measured at Amortized Cost. Adoption provides for prospective application, with an option to apply the modified retrospective transition method for the change in recognition and measurement of TDRs.	January 1, 2023	The Company adopted this guidance on January 1, 2023 using the prospective transition method. The adoption of this guidance did not have a material impact on the Company's financial statements.

New Accounting Standards Not Yet Adopted

There are currently no new accounting standards not yet adopted that are material to the Company.

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

3. Revenue Recognition

Disaggregation of Schwab's revenue by major source is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Net interest revenue				
Cash and cash equivalents	$ 547	$ 133	$ 960	$ 167
Cash and investments segregated	324	79	756	94
Receivables from brokerage clients	1,167	706	2,251	1,332
Available for sale securities	791	1,088	1,616	2,035
Held to maturity securities	720	339	1,466	717
Bank loans	410	230	801	417
Securities lending revenue	124	130	236	259
Other interest revenue	21	5	34	8
Interest revenue	4,104	2,710	8,120	5,029
Bank deposits	(863)	(28)	(1,481)	(44)
Payables to brokerage clients	(64)	(4)	(139)	(6)
Other short-term borrowings [(1)]	(97)	(4)	(183)	(8)
Federal Home Loan Bank borrowings [(1)]	(606)	—	(910)	—
Long-term debt	(157)	(124)	(296)	(232)
Securities lending expense	(28)	(8)	(50)	(15)
Other interest expense	1	2	(1)	3
Interest expense	(1,814)	(166)	(3,060)	(302)
Net interest revenue	2,290	2,544	5,060	4,727
Asset management and administration fees				
Mutual funds, ETFs, and CTFs	630	515	1,215	1,004
Advice solutions	464	461	917	957
Other	79	76	159	159
Asset management and administration fees	1,173	1,052	2,291	2,120
Trading revenue				
Commissions	394	443	816	927
Order flow revenue	365	430	779	900
Principal transactions	44	12	100	21
Trading revenue	803	885	1,695	1,848
Bank deposit account fees	175	352	326	646
Other	215	260	400	424
Total net revenues	$ 4,656	$ 5,093	$ 9,772	$ 9,765

Note: For a summary of revenue provided by our reportable segments, see Note 18. The recognition of revenue is not impacted by the operating segment in which revenue is generated.

(1) Certain prior year amounts have been reclassified to conform to the current year presentation. See Note 1 for additional information.

Contract balances: Substantially all receivables from contracts with customers within the scope of Accounting Standards Codification (ASC) 606 *Revenue From Contracts With Customers* (ASC 606), are included in other assets on the condensed consolidated balance sheets, and totaled $634 million and $560 million at June 30, 2023 and December 31, 2022, respectively. Schwab did not have any other significant contract assets as of December 31, 2022.

At June 30, 2023, the Company also had net contract assets of $111 million related to the buy down of fixed-rate obligation amounts pursuant to the 2023 IDA agreement. This balance is included in other assets on the condensed consolidated balance sheet, and is amortized on a straight-line basis over the remaining contract term as a reduction to bank deposit account fee revenue. For additional discussion of the 2023 IDA agreement, see Note 9. Schwab did not have any significant contract liability balances as of June 30, 2023 or December 31, 2022.

Unsatisfied performance obligations: We do not have any unsatisfied performance obligations other than those that are subject to an elective practical expedient under ASC 606. The practical expedient applies to and is elected for contracts where we recognize revenue at the amount to which we have the right to invoice for services performed.

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

4. Investment Securities

The amortized cost, gross unrealized gains and losses, and fair value of the Company's AFS and HTM investment securities are as follows:

June 30, 2023	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for sale securities				
U.S. agency mortgage-backed securities	$ 79,534	$ 1	$ 7,808	$ 71,727
U.S. Treasury securities	30,015	—	1,491	28,524
Asset-backed securities (1)	11,499	—	542	10,957
Corporate debt securities (2)	13,427	—	1,145	12,282
Certificates of deposit	350	—	2	348
Foreign government agency securities	1,034	—	56	978
U.S. state and municipal securities	637	—	65	572
Non-agency commercial mortgage-backed securities	282	—	19	263
Other	122	—	4	118
Unallocated portfolio layer method fair value basis adjustments (3)	(26)	—	(26)	—
Total available for sale securities (4)	$ 136,874	$ 1	$ 11,106	$ 125,769
Held to maturity securities				
U.S. agency mortgage-backed securities	$ 166,328	$ 817	$ 15,548	$ 151,597
Total held to maturity securities	$ 166,328	$ 817	$ 15,548	$ 151,597

December 31, 2022	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for sale securities				
U.S. agency mortgage-backed securities	$ 85,994	$ —	$ 8,306	$ 77,688
U.S. Treasury securities	41,879	—	1,877	40,002
Asset-backed securities (1)	13,672	—	649	13,023
Corporate debt securities (2)	13,830	—	1,275	12,555
Certificates of deposit	2,245	—	14	2,231
Foreign government agency securities	1,033	—	64	969
U.S. state and municipal securities	713	—	75	638
Non-agency commercial mortgage-backed securities	473	—	23	450
Other	323	—	8	315
Total available for sale securities (4)	$ 160,162	$ —	$ 12,291	$ 147,871
Held to maturity securities				
U.S. agency mortgage-backed securities	$ 173,074	$ 1,442	$ 15,580	$ 158,936
Total held to maturity securities	$ 173,074	$ 1,442	$ 15,580	$ 158,936

(1) Approximately 61% and 57% of asset-backed securities held as of June 30, 2023 and December 31, 2022, respectively, were Federal Family Education Loan Program Asset-Backed Securities. Asset-backed securities collateralized by credit card receivables represented approximately 19% and 18% of the asset-backed securities held as of June 30, 2023 and December 31, 2022, respectively.
(2) As of both June 30, 2023 and December 31, 2022, approximately 37% of the total AFS in corporate debt securities were issued by institutions in the financial services industry.
(3) Beginning in 2023, this represents the amount of PLM basis adjustments related to AFS securities hedged in a closed portfolio. These amounts are not allocated to individual securities, however the amounts impact the unrealized gains or losses for the individual securities being hedged. See Note 2 for more information on PLM hedge accounting.
(4) Included in cash and cash equivalents on the condensed consolidated balance sheets, but excluded from this table is $48 million of AFS commercial paper as of December 31, 2022 (none as of June 30, 2023). These holdings have maturities of three months or less and an aggregate market value equal to amortized cost.

During 2022, the Company transferred a total of $188.6 billion of U.S. agency mortgage-backed securities with a total net pretax unrealized loss at the times of transfer of $18.2 billion from the AFS category to the HTM category. The transfer of these securities to the HTM category reduces the Company's exposure to fluctuations in AOCI that can result from unrealized losses on AFS securities due to changes in market interest rates. The unrealized loss at the time of transfer is amortized over the remaining life of the security, offsetting the amortization of the security's premium or discount, and resulting in no impact to net income. As of June 30, 2023, the total remaining unamortized loss on these securities transferred to HTM included in AOCI was $12.3 billion net of tax effect ($16.3 billion pretax).

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

At June 30, 2023, our banking subsidiaries had pledged investment securities with a value of $61.4 billion as collateral to secure borrowing capacity on secured credit facilities with the FHLB (see Note 8). Our banking subsidiaries pledge investment securities as collateral to secure borrowing capacity at the Federal Reserve discount window, and had pledged securities with a fair value of $8.8 billion as collateral for this facility at June 30, 2023. Beginning in 2023, our banking subsidiaries pledge investment securities as collateral to secure borrowing capacity at the Federal Reserve through the Bank Term Funding Program, and had pledged securities with a par value of $41.6 billion as collateral for this facility at June 30, 2023. The Company also pledges investment securities issued by federal agencies to secure certain trust deposits. The fair value of these pledged securities was $1.6 billion at June 30, 2023.

At June 30, 2023, our banking subsidiaries had pledged HTM and AFS securities as collateral under repurchase agreements with external financial institutions. HTM securities pledged were U.S. agency mortgage-backed securities with an aggregate amortized cost of $8.4 billion, and AFS securities pledged were U.S. agency mortgage-backed securities with an aggregate fair value of $28 million. Securities pledged as collateral under these repurchase agreements may be sold, repledged, or otherwise used by the counterparties. See Notes 8 and 12 for additional information on these repurchase agreements.

At June 30, 2023, our banking subsidiaries had pledged AFS securities with an aggregate fair value of $178 million as initial margin on interest rate swaps (see Note 11). All of Schwab's interest rate swaps are cleared through central counterparty (CCP) clearing houses which require the Company to post initial margin as collateral against potential losses.

Securities with unrealized losses, aggregated by category and period of continuous unrealized loss, of AFS investment securities are as follows:

	Less than 12 months		12 months or longer		Total	
June 30, 2023	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available for sale securities						
U.S. agency mortgage-backed securities	$ 2,811	$ 111	$ 68,687	$ 7,697	$ 71,498	$ 7,808
U.S. Treasury securities	2,371	6	26,153	1,485	28,524	1,491
Asset-backed securities	263	2	10,669	540	10,932	542
Corporate debt securities	192	7	12,090	1,138	12,282	1,145
Certificates of deposit	250	—	98	2	348	2
Foreign government agency securities	—	—	978	56	978	56
U.S. state and municipal securities	18	—	554	65	572	65
Non-agency commercial mortgage-backed securities	—	—	263	19	263	19
Other	—	—	118	4	118	4
Total [1]	$ 5,905	$ 126	$ 119,610	$ 11,006	$ 125,515	$ 11,132
December 31, 2022						
Available for sale securities						
U.S. agency mortgage-backed securities	$ 34,938	$ 2,025	$ 42,558	$ 6,281	$ 77,496	$ 8,306
U.S. Treasury securities	27,063	716	12,519	1,161	39,582	1,877
Asset-backed securities	6,717	217	6,299	432	13,016	649
Corporate debt securities	8,552	542	3,998	733	12,550	1,275
Certificates of deposit	2,033	10	196	4	2,229	14
Foreign government agency securities	756	50	214	14	970	64
U.S. state and municipal securities	482	31	157	44	639	75
Non-agency commercial mortgage-backed securities	443	23	—	—	443	23
Other	315	8	—	—	315	8
Total	$ 81,299	$ 3,622	$ 65,941	$ 8,669	$ 147,240	$ 12,291

[1] For purposes of this table, unrealized losses on AFS securities excludes the PLM fair value hedge basis adjustments of $26 million at June 30, 2023.

At June 30, 2023, substantially all rated securities in the investment portfolios were investment grade. U.S. agency mortgage-backed securities do not have explicit credit ratings; however, management considers these to be of the highest credit quality and rating given the guarantee of principal and interest by the U.S. government or U.S. government-sponsored enterprises. For a description of management's quarterly evaluation of AFS securities in unrealized loss positions see Item 8 – Note 2 in the 2022 Form 10-K. No amounts were recognized as credit loss expense and no securities were written down to fair value through earnings for the six months ended June 30, 2023 and the year ended December 31, 2022. None of the Company's AFS securities held as of June 30, 2023 and December 31, 2022 had an allowance for credit losses. All HTM securities as of June 30, 2023 and December 31, 2022 were U.S. agency mortgage-backed securities and therefore had no allowance for credit losses because expected nonpayment of the amortized cost basis is zero.

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

The Company had $607 million and $685 million of accrued interest for AFS and HTM securities as of June 30, 2023 and December 31, 2022, respectively. These amounts are excluded from the amortized cost basis and fair market value of AFS and HTM securities and included in other assets on the condensed consolidated balance sheets. There were no writeoffs of accrued interest receivable on AFS and HTM securities during the six months ended June 30, 2023, or for the year ended December 31, 2022.

In the table below, mortgage-backed securities and other asset-backed securities have been allocated to maturity groupings based on final contractual maturities. As borrowers may have the right to call or prepay certain obligations underlying our investment securities, actual maturities may differ from the scheduled contractual maturities presented below. As of June 30, 2023, the estimated effective duration, which reflects anticipated future payments, of our total AFS and HTM investment securities portfolio is approximately 4.0 years. The estimated effective duration of our AFS investment securities portfolio is approximately 2.4 years as of June 30, 2023.

The maturities of AFS and HTM investment securities are as follows:

June 30, 2023	Within 1 year	After 1 year through 5 years	After 5 years through 10 years	After 10 years	Total
Available for sale securities					
U.S. agency mortgage-backed securities	$ 727	$ 14,526	$ 13,340	$ 43,134	$ 71,727
U.S. Treasury securities	13,789	14,707	28	—	28,524
Asset-backed securities	31	3,000	1,745	6,181	10,957
Corporate debt securities	1,835	8,259	2,188	—	12,282
Certificates of deposit	348	—	—	—	348
Foreign government agency securities	201	777	—	—	978
U.S. state and municipal securities	—	38	402	132	572
Non-agency commercial mortgage-backed securities	—	—	—	263	263
Other	98	—	—	20	118
Total fair value	$ 17,029	$ 41,307	$ 17,703	$ 49,730	$125,769
Total amortized cost [(1)]	$ 17,276	$ 44,216	$ 19,887	$ 55,521	$136,900
Held to maturity securities					
U.S. agency mortgage-backed securities	$ 700	$ 6,371	$ 38,623	$105,903	$151,597
Total fair value	$ 700	$ 6,371	$ 38,623	$105,903	$151,597
Total amortized cost	$ 716	$ 6,808	$ 41,871	$116,933	$166,328

[(1)] For purposes of this table, the amortized cost of AFS securities excludes the PLM fair value hedge basis adjustments of $26 million at June 30, 2023.

Proceeds and gross realized gains and losses from sales of AFS investment securities are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Proceeds	$ 1,849	$ 3,949	$ 2,900	$ 13,470
Gross realized gains	—	25	—	140
Gross realized losses	11	20	20	123

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

5. Bank Loans and Related Allowance for Credit Losses

The composition of bank loans and delinquency analysis by portfolio segment and class of financing receivable is as follows:

June 30, 2023	Current	30-59 days past due	60-89 days past due	≥90 days past due and other nonaccrual loans [3]	Total past due and other nonaccrual loans	Total loans	Allowance for credit losses	Total bank loans – net
Residential real estate:								
First Mortgages [1,2]	$ 25,783	$ 12	$ 1	$ 10	$ 23	$ 25,806	$ 68	$ 25,738
HELOCs [1,2]	507	—	1	5	6	513	3	510
Total residential real estate	26,290	12	2	15	29	26,319	71	26,248
Pledged asset lines	13,566	6	—	—	6	13,572	—	13,572
Other	245	—	—	—	—	245	4	241
Total bank loans	$ 40,101	$ 18	$ 2	$ 15	$ 35	$ 40,136	$ 75	$ 40,061
December 31, 2022								
Residential real estate:								
First Mortgages [1,2]	$ 25,157	$ 25	$ 2	$ 14	$ 41	$ 25,198	$ 66	$ 25,132
HELOCs [1,2]	590	2	—	5	7	597	4	593
Total residential real estate	25,747	27	2	19	48	25,795	70	25,725
Pledged asset lines	14,584	4	—	4	8	14,592	—	14,592
Other	191	—	—	—	—	191	3	188
Total bank loans	$ 40,522	$ 31	$ 2	$ 23	$ 56	$ 40,578	$ 73	$ 40,505

[1] First Mortgages and HELOCs include unamortized premiums and discounts and direct origination costs of $99 million and $98 million at June 30, 2023 and December 31, 2022, respectively.
[2] At both June 30, 2023 and December 31, 2022, 43% of the First Mortgage and HELOC portfolios were concentrated in California. These loans have performed in a manner consistent with the portfolio as a whole.
[3] There were no loans accruing interest that were contractually 90 days or more past due at June 30, 2023 or December 31, 2022.

At June 30, 2023, CSB had pledged the full balance of First Mortgages and HELOCs pursuant to a blanket lien status collateral arrangement to secure borrowing capacity on a secured credit facility with the FHLB (see Note 8).

Changes in the allowance for credit losses on bank loans were as follows:

Three Months Ended June 30, 2023	First Mortgages	HELOCs	Total residential real estate	Pledged asset lines	Other	Total
Balance at beginning of period	$ 67	$ 4	$ 71	$ —	$ 3	$ 74
Charge-offs	—	—	—	—	—	—
Recoveries	—	—	—	—	—	—
Provision for credit losses	1	(1)	—	—	1	1
Balance at end of period	$ 68	$ 3	$ 71	$ —	$ 4	$ 75
June 30, 2022						
Balance at beginning of period	$ 23	$ 2	$ 25	$ —	$ 3	$ 28
Charge-offs	—	—	—	—	—	—
Recoveries	—	—	—	—	—	—
Provision for credit losses	8	1	9	—	—	9
Balance at end of period	$ 31	$ 3	$ 34	$ —	$ 3	$ 37

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

Six Months Ended						
June 30, 2023	First Mortgages	HELOCs	Total residential real estate	Pledged asset lines	Other	Total
Balance at beginning of period	$ 66	$ 4	$ 70	$ —	$ 3	$ 73
Charge-offs	—	—	—	—	—	—
Recoveries	—	—	—	—	—	—
Provision for credit losses	2	(1)	1	—	1	2
Balance at end of period	$ 68	$ 3	$ 71	$ —	$ 4	$ 75
June 30, 2022						
Balance at beginning of period	$ 13	$ 2	$ 15	$ —	$ 3	$ 18
Charge-offs	—	—	—	—	—	—
Recoveries	—	—	—	—	—	—
Provision for credit losses	18	1	19	—	—	19
Balance at end of period	$ 31	$ 3	$ 34	$ —	$ 3	$ 37

Consistent with Schwab's loan charge off policy for pledged asset lines (PALs) as disclosed in Item 8 – Note 2 of the 2022 Form 10-K, the Company charges off any unsecured balances no later than 90-days past due. PALs are also subject to the collateral maintenance practical expedient under ASC 326 *Financial Instruments — Credit Losses*. All PALs were fully collateralized by securities with fair values in excess of borrowings as of June 30, 2023 and December 31, 2022. Therefore, no allowance for credit losses for PALs as of those dates was required.

The U.S. economy continues to be challenged by elevated inflation, tightening monetary policy, and geopolitical unrest. Although some of the headwinds show signs of moderation, management's macroeconomic outlook reflects a near term increase in unemployment coupled with home price depreciation, which combined with rising Treasury yields and mortgage rates, have softened demand and reduced borrower affordability. This macroeconomic outlook, combined with continued strong credit quality metrics in the Company's bank loans portfolio, resulted in relatively stable projections of loss rates at June 30, 2023, as compared to December 31, 2022.

A summary of bank loan-related nonperforming assets is as follows:

	June 30, 2023	December 31, 2022
Nonaccrual loans [(1)]	$ 15	$ 23
Other real estate owned [(2)]	—	2
Total nonperforming assets	$ 15	$ 25

[(1)] Nonaccrual loans include nonaccrual troubled debt restructurings recorded prior to the adoption of ASU 2022-02.
[(2)] Included in other assets on the condensed consolidated balance sheets.

Credit Quality

In addition to monitoring delinquency, Schwab monitors the credit quality of First Mortgages and HELOCs by stratifying the portfolios by the following:

- Year of origination;
- Borrower FICO scores at origination (Origination FICO);
- Updated borrower FICO scores (Updated FICO);
- Loan-to-value (LTV) ratios at origination (Origination LTV); and
- Estimated Current LTV ratios (Estimated Current LTV).

Borrowers' FICO scores are provided by an independent third-party credit reporting service and generally updated quarterly. The Origination LTV and Estimated Current LTV for a HELOC include any first lien mortgage outstanding on the same property at the time of the HELOC's origination. The Estimated Current LTV for each loan is updated on a monthly basis by reference to a home price appreciation index.

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

The credit quality indicators of the Company's bank loan portfolio are detailed below:

	First Mortgages Amortized Cost Basis by Origination Year									
June 30, 2023	2023	2022	2021	2020	2019	pre-2019	Total First Mortgages	Revolving HELOCs amortized cost basis	HELOCs converted to term loans	Total HELOCs
Origination FICO										
<620	$ —	$ 2	$ 1	$ 1	$ —	$ 1	$ 5	$ —	$ —	$ —
620 – 679	3	27	30	20	2	13	95	—	1	1
680 – 739	177	807	1,193	412	110	215	2,914	53	41	94
≥740	1,319	5,426	10,719	3,689	776	863	22,792	274	144	418
Total	$ 1,499	$ 6,262	$ 11,943	$ 4,122	$ 888	$ 1,092	$ 25,806	$ 327	$ 186	$ 513
Origination LTV										
≤70%	$ 1,017	$ 4,638	$ 10,343	$ 3,425	$ 718	$ 812	$ 20,953	$ 288	$ 130	$ 418
>70% – ≤90%	482	1,624	1,600	697	170	278	4,851	39	55	94
>90% – ≤100%	—	—	—	—	—	2	2	—	1	1
Total	$ 1,499	$ 6,262	$ 11,943	$ 4,122	$ 888	$ 1,092	$ 25,806	$ 327	$ 186	$ 513
Updated FICO										
<620	$ 1	$ 13	$ 13	$ 7	$ 2	$ 11	$ 47	$ 2	$ 4	$ 6
620 – 679	19	85	119	41	11	37	312	5	10	15
680 – 739	170	604	956	344	72	132	2,278	45	28	73
≥740	1,309	5,560	10,855	3,730	803	912	23,169	275	144	419
Total	$ 1,499	$ 6,262	$ 11,943	$ 4,122	$ 888	$ 1,092	$ 25,806	$ 327	$ 186	$ 513
Estimated Current LTV (1)										
≤70%	$ 1,016	$ 4,756	$ 11,603	$ 4,108	$ 887	$ 1,090	$ 23,460	$ 322	$ 186	$ 508
>70% – ≤90%	483	1,484	340	14	1	2	2,324	5	—	5
>90% – ≤100%	—	19	—	—	—	—	19	—	—	—
>100%	—	3	—	—	—	—	3	—	—	—
Total	$ 1,499	$ 6,262	$ 11,943	$ 4,122	$ 888	$ 1,092	$ 25,806	$ 327	$ 186	$ 513
Gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Percent of Loans on Nonaccrual Status	0.02%	0.03%	0.03%	0.03%	0.02%	0.30%	0.04%	0.26%	2.01%	0.97%

(1) Represents the LTV for the full line of credit (drawn and undrawn) for revolving HELOCs.

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

	First Mortgages Amortized Cost Basis by Origination Year								
December 31, 2022	2022	2021	2020	2019	pre-2019	Total First Mortgages	Revolving HELOCs amortized cost basis	HELOCs converted to term loans	Total HELOCs
Origination FICO									
<620	$ 3	$ 1	$ —	$ —	$ 1	$ 5	$ —	$ —	$ —
620 – 679	28	31	21	2	15	97	—	2	2
680 – 739	820	1,224	430	116	243	2,833	59	47	106
≥740	5,593	11,037	3,819	811	1,003	22,263	323	166	489
Total	$ 6,444	$ 12,293	$ 4,270	$ 929	$ 1,262	$ 25,198	$ 382	$ 215	$ 597
Origination LTV									
≤70%	$ 4,771	$ 10,641	$ 3,549	$ 749	$ 940	$ 20,650	$ 332	$ 153	$ 485
>70% – ≤90%	1,673	1,652	721	180	320	4,546	50	61	111
>90% – ≤100%	—	—	—	—	2	2	—	1	1
Total	$ 6,444	$ 12,293	$ 4,270	$ 929	$ 1,262	$ 25,198	$ 382	$ 215	$ 597
Updated FICO									
<620	$ 11	$ 12	$ 7	$ 2	$ 13	$ 45	$ 2	$ 5	$ 7
620 – 679	87	127	42	10	43	309	6	10	16
680 – 739	711	1,079	378	89	161	2,418	52	35	87
≥740	5,635	11,075	3,843	828	1,045	22,426	322	165	487
Total	$ 6,444	$ 12,293	$ 4,270	$ 929	$ 1,262	$ 25,198	$ 382	$ 215	$ 597
Estimated Current LTV (1)									
≤70%	$ 4,574	$ 11,751	$ 4,255	$ 928	$ 1,257	$ 22,765	$ 380	$ 214	$ 594
>70% – ≤90%	1,845	542	15	1	5	2,408	2	1	3
>90% – ≤100%	25	—	—	—	—	25	—	—	—
>100%	—	—	—	—	—	—	—	—	—
Total	$ 6,444	$ 12,293	$ 4,270	$ 929	$ 1,262	$ 25,198	$ 382	$ 215	$ 597
Percent of Loans on Nonaccrual Status	0.02%	0.03%	0.09%	0.02%	0.43%	0.06%	0.34%	1.90%	0.84%

(1) Represents the LTV for the full line of credit (drawn and undrawn) for revolving HELOCs.

At June 30, 2023, First Mortgage loans of $21.1 billion had adjustable interest rates. Substantially all of these mortgages have initial fixed interest rates for three to ten years and interest rates that adjust annually thereafter. Approximately 27% of the balance of these mortgages consisted of loans with interest-only payment terms. The interest rates on approximately 91% of the balance of these interest-only loans are not scheduled to reset for three or more years. Schwab's mortgage loans do not include interest terms described as temporary introductory rates below current market rates.

At June 30, 2023 and December 31, 2022, Schwab had $144 million and $134 million, respectively, of accrued interest on bank loans, which is excluded from the amortized cost basis of bank loans and included in other assets on the condensed consolidated balance sheets.

The HELOC product has a 30-year loan term with an initial draw period of ten years from the date of origination. After the initial draw period, the balance outstanding at such time is converted to a 20-year amortizing loan. The interest rate during the initial draw period and the 20-year amortizing period is a floating rate based on the prime rate plus a margin.

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

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

June 30, 2023	Balance
Converted to an amortizing loan by period end [1]	$ 186
Within 1 year	24
> 1 year – 3 years	42
> 3 years – 5 years	53
> 5 years	208
Total	$ 513

[1] Includes $5 million and $11 million of HELOCs converted to amortizing loans during the three and six months ended June 30, 2023, respectively.

At June 30, 2023, $404 million of the HELOC portfolio was secured by second liens on the associated properties. Second lien mortgage loans typically possess a higher degree of credit risk given the subordination to the first lien holder in the event of default. In addition to the credit monitoring activities described previously, Schwab also monitors credit risk by reviewing the delinquency status of the first lien loan on the associated property. At June 30, 2023, the borrowers on approximately 57% of HELOC loan balances outstanding only paid the minimum amount due.

6. Variable Interest Entities

As of June 30, 2023 and December 31, 2022, substantially all of Schwab's involvement with variable interest entities (VIEs) is through CSB's CRA-related investments and most of these are related to Low-Income Housing Tax Credit (LIHTC) investments. As part of CSB's community reinvestment initiatives, CSB invests in funds that make equity investments in multifamily affordable housing properties and receives tax credits and other tax benefits for these investments.

Aggregate assets, liabilities, and maximum exposure to loss

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

	June 30, 2023			December 31, 2022		
	Aggregate assets	Aggregate liabilities	Maximum exposure to loss	Aggregate assets	Aggregate liabilities	Maximum exposure to loss
LIHTC investments [1]	$ 1,201	$ 697	$ 1,201	$ 1,094	$ 619	$ 1,094
Other investments [2]	182	—	225	167	—	215
Total	$ 1,383	$ 697	$ 1,426	$ 1,261	$ 619	$ 1,309

[1] Aggregate assets and aggregate liabilities are included in other assets and accrued expenses and other liabilities, respectively, on the condensed consolidated balance sheets.
[2] Other investments include non-LIHTC CRA investments that are accounted for as loans at amortized cost, equity method investments, AFS securities, or using the adjusted cost method. Aggregate assets are included in AFS securities, bank loans – net, or other assets on the condensed consolidated balance sheets.

Schwab's maximum exposure to loss would result from the loss of the investments, including any committed amounts. Schwab's funding of these remaining commitments is dependent upon the occurrence of certain conditions, and Schwab expects to pay substantially all of these commitments between 2023 and 2026. During the six months ended June 30, 2023 and year ended December 31, 2022, Schwab did not provide or intend to provide financial or other support to the VIEs that it was not contractually required to provide.

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

7. Bank Deposits

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

	June 30, 2023	December 31, 2022
Interest-bearing deposits:		
Deposits swept from brokerage accounts	$ 240,575	$ 333,754
Time certificates of deposit [1]	41,368	6,047
Checking	16,347	19,719
Savings and other	5,055	6,098
Total interest-bearing deposits	303,345	365,618
Non-interest-bearing deposits	1,069	1,106
Total bank deposits	$ 304,414	$ 366,724

[1] Time certificates of deposit consist of brokered CDs. As of June 30, 2023, uninsured time CDs totaled $178 million. As of December 31, 2022, there were no time deposits that were in excess of FDIC insurance limits or otherwise uninsured.

Annual maturities on time certificates of deposit outstanding at June 30, 2023 are as follows:

	Balance
2023	$ 9,615
2024	30,115
2025	1,638
Total	$ 41,368

8. Borrowings

CSC Senior Notes

CSC's Senior Notes are unsecured obligations. CSC may redeem some or all of the Senior Notes of each series prior to their maturity, subject to certain restrictions, and the payment of an applicable make-whole premium in certain instances. Interest is payable semi-annually for the fixed-rate Senior Notes and quarterly for the floating-rate Senior Notes. Interest for the fixed-to-floating rate Senior Notes is payable semi-annually during the fixed rate period of the notes and quarterly during the floating rate period of the notes.

TDA Holding Senior Notes

TDA Holding's Senior Notes are unsecured obligations. TDA Holding may redeem some or all of the Senior Notes of each series prior to their maturity, subject to certain restrictions, and the payment of an applicable make-whole premium in certain instances. Interest is payable semi-annually for the fixed-rate Senior Notes.

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

The following table lists long-term debt by instrument outstanding as of June 30, 2023 and December 31, 2022:

	Date of Issuance	Principal Amount Outstanding June 30, 2023	December 31, 2022
CSC Fixed-rate Senior Notes:			
2.650% due January 25, 2023	12/07/17	$ —	$ 800
3.550% due February 1, 2024	10/31/18	500	500
0.750% due March 18, 2024	03/18/21	1,500	1,500
3.750% due April 1, 2024	09/24/21	350	350
3.000% due March 10, 2025	03/10/15	375	375
4.200% due March 24, 2025	03/24/20	600	600
3.625% due April 1, 2025	09/24/21	418	418
3.850% due May 21, 2025	05/22/18	750	750
3.450% due February 13, 2026	11/13/15	350	350
0.900% due March 11, 2026	12/11/20	1,250	1,250
1.150% due May 13, 2026	05/13/21	1,000	1,000
3.200% due March 2, 2027	03/02/17	650	650
2.450% due March 3, 2027	03/03/22	1,500	1,500
3.300% due April 1, 2027	09/24/21	744	744
3.200% due January 25, 2028	12/07/17	700	700
2.000% due March 20, 2028	03/18/21	1,250	1,250
4.000% due February 1, 2029	10/31/18	600	600
3.250% due May 22, 2029	05/22/19	600	600
2.750% due October 1, 2029	09/24/21	475	475
4.625% due March 22, 2030	03/24/20	500	500
1.650% due March 11, 2031	12/11/20	750	750
2.300% due May 13, 2031	05/13/21	750	750
1.950% due December 1, 2031	08/26/21	850	850
2.900% due March 3, 2032	03/03/22	1,000	1,000
CSC Floating-rate Senior Notes:			
SOFR + 0.500% due March 18, 2024	03/18/21	1,250	1,250
SOFR + 0.520% due May 13, 2026	05/13/21	500	500
SOFR + 1.050% due March 3, 2027	03/03/22	500	500
CSC Fixed-to-Floating rate Senior Notes:			
5.643% due May 19, 2029 (1)	05/19/23	1,200	—
5.853% due May 19, 2034 (2)	05/19/23	1,300	—
Total CSC Senior Notes		22,212	20,512
TDA Holding Fixed-rate Senior Notes:			
3.750% due April 1, 2024	11/01/18	50	50
3.625% due April 1, 2025	10/22/14	82	82
3.300% due April 1, 2027	04/27/17	56	56
2.750% due October 1, 2029	08/16/19	25	25
Total TDA Holding Senior Notes		213	213
Finance lease liabilities		52	68
Unamortized premium — net		109	129
Debt issuance costs		(104)	(94)
Total long-term debt		$ 22,482	$ 20,828

(1) The 2029 fixed-to-floating rate Senior Notes bear interest at a fixed rate of 5.643%, payable semi-annually, until the interest reset date on May 19, 2028. On and after this date, these notes will bear interest at an annual floating rate of SOFR plus 2.210%, payable quarterly.

(2) The 2034 fixed-to-floating rate Senior Notes bear interest at a fixed rate of 5.853%, payable semi-annually, until the interest reset date on May 19, 2033. On and after this date, these notes will bear interest at an annual floating rate of SOFR plus 2.500%, payable quarterly.

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

Annual maturities on all long-term debt outstanding at June 30, 2023 are as follows:

	Maturities
2023	$ 15
2024	3,675
2025	2,237
2026	3,100
2027	3,450
Thereafter	10,000
Total maturities	22,477
Unamortized premium — net	109
Debt issuance costs	(104)
Total long-term debt	$ 22,482

FHLB borrowings: Our banking subsidiaries maintain secured credit facilities with the FHLB. Amounts available under these facilities are dependent on the amount of bank loans and the fair value of certain investment securities that are pledged as collateral. There was $41.0 billion and $12.4 billion outstanding under these facilities as of June 30, 2023 and December 31, 2022, respectively, and these borrowings had a weighted-average interest rate of 5.14% and 4.88%, respectively. As of June 30, 2023 and December 31, 2022, the collateral pledged provided additional borrowing capacity of $38.3 billion and $68.6 billion, respectively.

Other short-term borrowings: Total other short-term borrowings outstanding at June 30, 2023 and December 31, 2022 were $7.8 billion and $4.7 billion, respectively, and had a weighted-average interest rate of 5.01% and 4.97%, respectively. Additional information regarding our other short-term borrowings facilities is described below.

CSC has the ability to issue up to $5.0 billion of commercial paper notes with maturities of up to 270 days. There were no commercial paper notes outstanding at June 30, 2023 and CSC had $250 million outstanding at December 31, 2022. CSC and CS&Co also have access to uncommitted lines of credit with external banks with total borrowing capacity of $1.8 billion; no amounts were outstanding as of June 30, 2023 or December 31, 2022. Beginning in the second quarter of 2023, CS&Co maintains a secured, uncommitted line of credit, under which CS&Co may borrow on a short-term basis and pledge either client margin securities or firm securities as collateral. There was no balance outstanding at June 30, 2023.

Our banking subsidiaries have access to funding through the Federal Reserve discount window. Amounts available are dependent upon the fair value of certain investment securities that are pledged as collateral. As of June 30, 2023 and December 31, 2022, our collateral pledged provided total borrowing capacity of $8.8 billion and $7.8 billion, respectively, of which no amounts were outstanding at the end of either period.

Beginning in 2023, our banking subsidiaries now have access to funding through the Federal Reserve Bank Term Funding Program. Amounts available are dependent upon the par value of certain investment securities that are pledged as collateral. As of June 30, 2023, our collateral pledged provided total borrowing capacity of $41.6 billion. There were no borrowings outstanding at June 30, 2023.

The Company may engage with external financial institutions in repurchase agreements collateralized by investment securities as another source of short-term liquidity. The Company had $7.8 billion and $4.4 billion outstanding pursuant to such repurchase agreements at June 30, 2023 and December 31, 2022, respectively. Repurchase agreements outstanding at June 30, 2023 mature between August 2023 and April 2024.

TDAC maintains senior uncommitted lines of credit, under which TDAC borrows on either a demand or short-term basis and pledges client margin securities as collateral. There was no balance outstanding at June 30, 2023 or December 31, 2022.

Annual maturities on FHLB borrowings and other short-term borrowings outstanding at June 30, 2023 are as follows:

	2023	2024	Total
FHLB borrowings	$ 24,200	$ 16,800	$ 41,000
Other short-term borrowings	6,625	1,206	7,831
Total	$ 30,825	$ 18,006	$ 48,831

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

9. Commitments and Contingencies

Loan Portfolio: CSB provides a co-branded loan origination program for CSB clients (the Program) with Rocket Mortgage, LLC (Rocket Mortgage®). Pursuant to the Program, Rocket Mortgage originates and services First Mortgages and HELOCs for CSB clients. Under the Program, CSB purchases certain First Mortgages and HELOCs that are originated by Rocket Mortgage. CSB purchased First Mortgages of $854 million and $2.0 billion during the second quarters of 2023 and 2022, respectively, and $1.6 billion and $4.7 billion during the first six months of 2023 and 2022, respectively. CSB purchased HELOCs with commitments of $52 million and $70 million during the second quarters of 2023 and 2022, respectively, and $95 million and $160 million during the first six months of 2023 and 2022, respectively.

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

	June 30, 2023	December 31, 2022
Commitments to extend credit related to unused HELOCs, PALs, and other lines of credit	$ 3,674	$ 4,533
Commitments to purchase First Mortgage loans	481	492
Total	$ 4,155	$ 5,025

Guarantees and indemnifications: Schwab has clients that sell (i.e., write) listed option contracts that are cleared by the Options Clearing Corporation – a clearing house that establishes margin requirements on these transactions. We satisfy the margin requirements of these transactions through the pledging of certain client securities. For additional information on these pledged securities refer to Note 12. In connection with its securities lending activities, Schwab is required to provide collateral to certain brokerage clients. The Company satisfies the collateral requirements by providing cash as collateral.

The Company also provides guarantees to securities clearing houses and exchanges under standard membership agreements, which require members to guarantee the performance of other members. Under the agreements, if another member becomes unable to satisfy its obligations to the clearing houses and exchanges, other members would be required to meet shortfalls. The Company's liability under these arrangements is not quantifiable and may exceed the amounts it has posted as collateral. The Company also engages third-party firms to clear clients' futures and options on futures transactions and to facilitate clients' foreign exchange trading, and has agreed to indemnify these firms for any losses that they may incur from the client transactions introduced to them by the Company. The potential requirement for the Company to make payments under these arrangements is remote. Accordingly, no liability has been recognized for these guarantees.

IDA agreement: The 2019 IDA agreement with the TD Depository Institutions became effective on October 6, 2020 and created responsibilities of the Company and certain contingent obligations. On May 4, 2023, the 2019 IDA agreement was replaced and superseded by the 2023 IDA agreement, which specifies responsibilities, including certain contingent obligations, of the Company going forward. Pursuant to the 2023 IDA agreement, uninvested cash within eligible brokerage client accounts is swept off-balance sheet to deposit accounts at the TD Depository Institutions. Schwab provides recordkeeping and support services to the TD Depository Institutions with respect to the deposit accounts for which Schwab receives an aggregate monthly fee. The Company's ability to migrate these balances to its balance sheet is dependent on multiple factors including having sufficient capital levels to sustain these incremental deposits and certain binding limitations specified in the 2023 IDA agreement, and, prior to May 4, 2023, the 2019 IDA agreement.

The 2019 IDA agreement provided that, as of July 1, 2021, Schwab had the option to migrate up to $10 billion of IDA balances every 12 months to Schwab's balance sheet, subject to certain limitations and adjustments. The Company migrated balances to the balance sheet in 2021 and 2022, subject to the terms of the 2019 IDA agreement. During the first six months of 2023, Schwab did not move IDA balances to its balance sheet.

The 2023 IDA agreement extends the agreement term to sweep balances to the TD Depository Institutions through July 1, 2034, and requires that Schwab maintain minimum and maximum IDA balances as follows:

- Through September 10, 2025, Schwab must maintain minimum balances above the total of then-outstanding unmatured fixed-rate obligation amounts, with a maximum of $30 billion above this total amount. During this period, withdrawals of IDA balances by Schwab are generally permitted only to the extent of withdrawals initiated by Schwab customers, with limited exceptions, except to the extent necessary for Schwab to maintain balances below the applicable maximum.
- After September 10, 2025, withdrawals of IDA balances are permitted at Schwab's discretion, subject to an obligation to maintain IDA balances above a minimum of $60 billion, with a maximum of $90 billion.

The 2023 IDA agreement eliminates the requirement of the 2019 IDA agreement that at least 80% of the IDA balances be designated as fixed-rate obligation amounts. Designation of deposit balances for investment in fixed- or floating-rate instruments under the 2023 IDA agreement is now at Schwab's sole discretion with certain limitations on the amount of fixed-rate obligation amounts.

Pursuant to the 2023 IDA agreement, Schwab has the option to buy down up to $5 billion of fixed-rate obligation amounts by paying a market-based fee during the agreement term, subject to certain limits. If IDA balances decline below the required IDA balance minimum as described above, Schwab would be required to make a nonperformance payment to the TD Depository Institutions pursuant to the terms of the 2023 IDA agreement.

In May 2023, Schwab opted to buy down $2.4 billion of fixed-rate obligation amounts, incurring a market-based fee of $112 million, which was capitalized as a contract asset and included in other assets on the condensed consolidated balance sheet. For additional information on the contract asset, see Note 3.

As of June 30, 2023, the total ending IDA balance was $102.7 billion, of which $96.4 billion was fixed-rate obligation amounts and $6.3 billion was floating-rate obligation amounts. As of December 31, 2022, the total ending IDA balance was $122.6 billion, of which $108.5 billion was fixed-rate obligation amounts and $14.1 billion was floating-rate obligation amounts.

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

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

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

Corrente Antitrust Litigation: On June 6, 2022, CSC was sued in the U.S. District Court for the Eastern District of Texas on behalf of a putative class of customers who purchased or sold securities through CS&Co or TD Ameritrade, Inc. from October 26, 2020 to the present. The lawsuit alleges that CSC's acquisition of TD Ameritrade violated Section 7 of the Clayton Act because it has resulted in an anticompetitive market for the execution of retail customer orders. Plaintiffs seek unspecified damages, as well as injunctive and other relief. A motion by the Company to dismiss the lawsuit was denied by the court on February 24, 2023, and discovery is proceeding. The Company considers the claims to be without merit and is vigorously contesting the lawsuit.

Crago Order Routing Litigation: On July 13, 2016, a securities class action lawsuit was filed in the U.S. District Court for the Northern District of California on behalf of a putative class of customers executing equity orders through CS&Co. The lawsuit names CS&Co and CSC as defendants and alleges that an agreement under which CS&Co routed orders to UBS Securities LLC between July 13, 2011 and December 31, 2014 violated CS&Co's duty to seek best execution. Plaintiffs seek unspecified damages, interest, injunctive and equitable relief, and attorneys' fees and costs. Defendants consider the allegations to be entirely without merit and have been vigorously contesting the lawsuit. After a first amended complaint was dismissed with leave to amend, plaintiffs filed a second amended complaint on August 14, 2017. Defendants again moved to dismiss, and in a decision issued December 5, 2017, the court denied the motion. Plaintiffs filed a motion for class certification on April 30, 2021, and in a decision on October 27, 2021, the court denied the motion and held that certification of a class action is inappropriate. Plaintiffs sought review of the order denying class certification by the U.S. Court of Appeals, 9th Circuit, which was denied. On September 23, 2022, plaintiffs filed a renewed motion for class certification and defendants moved to compel plaintiffs' case to arbitration. On February 2, 2023, the court granted defendants' motion, stayed the case pending the outcome of arbitration, and denied plaintiffs' renewed motion for class certification as moot.

Ford Order Routing Litigation: On September 15, 2014, TDA Holding, TD Ameritrade, Inc. and its former CEO, Frederick J. Tomczyk, were sued in the U.S. District Court for the District of Nebraska on behalf of a putative class of TD Ameritrade, Inc. clients alleging that defendants failed to seek best execution and made misrepresentations and omissions regarding its order routing practices. Plaintiffs seek unspecified damages and injunctive and other relief. Defendants consider the allegations to be entirely without merit and have been vigorously contesting the lawsuit. On September 14, 2018, the District Court granted plaintiffs' motion for class certification, and defendants petitioned for an immediate appeal of the District Court's class certification decision. On April 23, 2021, the U.S. Court of Appeals, 8th Circuit, issued a decision reversing the District Court's certification of a class and remanding the case back to the District Court for further proceedings. Plaintiff renewed his motion for class certification, which the District Court granted on September 20, 2022. Defendants are appealing the District Court's ruling before the U.S. Court of Appeals, 8th Circuit.

10. Exit and Other Related Liabilities

Integration of TD Ameritrade

The Company completed its acquisition of TD Ameritrade effective October 6, 2020 and integration work continued during the first six months of 2023, including the completion of client transition groups in February and May 2023. The Company expects to complete most remaining client transitions from TD Ameritrade to Schwab across two groups over the remainder of 2023, with the transition of a small client group in the first half of 2024.

The Company expects to continue to incur significant acquisition and integration-related costs and integration-related capital expenditures throughout the remaining integration process. Such costs have included, and are expected to continue to include, professional fees, such as legal, advisory, and accounting fees, compensation and benefits expenses for employees and contractors involved in the integration work, and costs for technology enhancements. The Company has also incurred exit and other related costs to attain anticipated synergies, which are primarily comprised of employee compensation and benefits such as severance pay, other termination benefits, and retention costs, as well as costs related to facility closures, such as accelerated amortization and depreciation or impairments of assets in those locations. Exit and other related costs are a component of the Company's overall acquisition and integration-related spending, and support the Company's ability to achieve integration objectives including expected synergies.

Our estimates of the nature, amounts, and timing of recognition of acquisition and integration-related costs remain subject to change based on a number of factors, including the expected duration and complexity of the integration process and the continued uncertainty of the economic environment. More specifically, factors that could cause variability in our expected acquisition and integration-related costs include the level of employee attrition and availability of third-party labor, workforce redeployment from eliminated positions into open roles, changes in the levels of client activity, as well as changes in the scope and cost of technology and real estate-related exit cost variability due to the effects of changes in remote working trends.

Inclusive of costs recognized through June 30, 2023, Schwab currently expects to incur total exit and other related costs for the integration of TD Ameritrade ranging from $500 million to $700 million, consisting of employee compensation and benefits, facility exit costs, and certain other costs. During the three months ended June 30, 2023 and 2022, the Company recognized $30 million and $8 million of acquisition-related exit costs, respectively. During the six months ended June 30, 2023 and 2022, the Company recognized $40 million and $20 million of acquisition-related exit costs, respectively. The Company expects that remaining exit and other related costs will be incurred and charged to expense over the next 18 months, with some costs expected to be incurred after client transition to decommission duplicative platforms and complete integration work. In addition to ASC 420 *Exit or Disposal Cost Obligations*, certain of the costs associated with these activities are accounted for in accordance with ASC 360 *Property, Plant and Equipment*, ASC 712 *Compensation — Nonretirement Post Employment Benefits*, ASC 718 *Compensation — Stock Compensation*, and ASC 842 *Leases*.

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

The following is a summary of the activity in the Company's exit and other related liabilities as of June 30, 2023 and activity for the six months ended June 30, 2023:

	Investor Services Employee Compensation and Benefits	Advisor Services Employee Compensation and Benefits	Total
Balance at December 31, 2022 [1]	$ 36	$ 10	$ 46
Amounts recognized in expense [2]	11	3	14
Costs paid or otherwise settled	(4)	(1)	(5)
Balance at June 30, 2023 [1]	$ 43	$ 12	$ 55

[1] Included in accrued expenses and other liabilities on the condensed consolidated balance sheets.
[2] Amounts recognized in expense for severance pay and other termination benefits, as well as retention costs, are included in compensation and benefits on the condensed consolidated statements of income.

The following table summarizes the exit and other related costs recognized in expense for the three and six months ended June 30, 2023:

	Investor Services			Advisor Services			
Three Months Ended June 30,	Employee Compensation and Benefits	Facility Exit Costs [1]	Investor Services Total	Employee Compensation and Benefits	Facility Exit Costs [1]	Advisor Services Total	Total
Compensation and benefits	$ 3	$ —	$ 3	$ 1	$ —	$ 1	$ 4
Occupancy and equipment	—	3	3	—	2	2	5
Other	—	14	14	—	7	7	21
Total	$ 3	$ 17	$ 20	$ 1	$ 9	$ 10	$ 30

	Investor Services			Advisor Services			
Six Months Ended June 30,	Employee Compensation and Benefits	Facility Exit Costs [1]	Investor Services Total	Employee Compensation and Benefits	Facility Exit Costs [1]	Advisor Services Total	Total
Compensation and benefits	$ 11	$ —	$ 11	$ 3	$ —	$ 3	$ 14
Occupancy and equipment	—	3	3	—	2	2	5
Other	—	14	14	—	7	7	21
Total	$ 11	$ 17	$ 28	$ 3	$ 9	$ 12	$ 40

[1] Costs related to facility closures. These costs, which are comprised of impairment and accelerated amortization of right-of-use (ROU) assets, relate to the impact of abandoning leased properties.

The following table summarizes the exit and other related costs recognized in expense for the three and six months ended June 30, 2022:

	Investor Services			Advisor Services			
Three Months Ended June 30,	Employee Compensation and Benefits	Facility Exit Costs [1]	Investor Services Total	Employee Compensation and Benefits	Facility Exit Costs [1]	Advisor Services Total	Total
Compensation and benefits	$ 5	$ —	$ 5	$ 2	$ —	$ 2	$ 7
Occupancy and equipment	—	1	1	—	—	—	1
Total	$ 5	$ 1	$ 6	$ 2	$ —	$ 2	$ 8

	Investor Services			Advisor Services			
Six Months Ended June 30,	Employee Compensation and Benefits	Facility Exit Costs [1]	Investor Services Total	Employee Compensation and Benefits	Facility Exit Costs [1]	Advisor Services Total	Total
Compensation and benefits	$ 13	$ —	$ 13	$ 4	$ —	$ 4	$ 17
Occupancy and equipment	—	2	2	—	1	1	3
Total	$ 13	$ 2	$ 15	$ 4	$ 1	$ 5	$ 20

[1] Costs related to facility closures. These costs, which are comprised of accelerated amortization of right-of-use (ROU) assets, relate to the impact of abandoning leased properties.

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

The following table summarizes the exit and other related costs incurred from October 6, 2020 through June 30, 2023:

	Investor Services			Advisor Services			
	Employee Compensation and Benefits	Facility Exit Costs (1)	Investor Services Total	Employee Compensation and Benefits	Facility Exit Costs (1)	Advisor Services Total	Total
Compensation and benefits	$ 234	$ —	$ 234	$ 64	$ —	$ 64	$ 298
Occupancy and equipment	—	34	34	—	9	9	43
Depreciation and amortization	—	2	2	—	1	1	3
Professional services	—	1	1	—	—	—	1
Other	—	16	16	—	7	7	23
Total	$ 234	$ 53	$ 287	$ 64	$ 17	$ 81	$ 368

(1) Costs related to facility closures. These costs, which are primarily comprised of impairment and accelerated amortization of ROU assets and accelerated depreciation of fixed assets, relate to the impact of abandoning leased and other properties.

Other

With significant progress now made in the integration of TD Ameritrade, the Company is planning incremental actions to streamline its operations to prepare for post-integration. Schwab is currently assessing its real estate footprint, and plans to close or downsize certain corporate offices. In addition, the Company plans to streamline its operational design, including through position eliminations. Through these actions, the Company expects to realize incremental run-rate cost savings in addition to integration synergies. In order to achieve these cost savings, the Company will incur exit and related costs, which could be significant, primarily related to employee compensation and benefits and facility exit costs. The Company is still evaluating both its real estate locations and its organizational headcount and associated exit and related costs are not yet estimable.

11. Derivative Instruments and Hedging Activities

Risk Management Objective of Using Derivatives

Beginning in 2023, the Company utilizes derivative instruments to manage interest rate risk exposures that arise from business activities related to changes in fair values or the receipt of future known and uncertain cash amounts due to changes in interest rates. The Company uses derivative instruments to manage changes in the fair values of, as well as changes in the amounts and/or timing of known or expected cash receipts related to, our AFS investment portfolio.

For a description of how the Company accounts for derivative instruments, see Note 2. For additional information on the basis of presentation for derivative instruments on the Company's condensed consolidated balance sheets and related offsetting considerations, see Note 12.

Fair Value Hedges of Interest Rate Risk

The Company is exposed to changes in the fair value of its fixed-rate AFS securities due to changes in benchmark interest rates. The Company uses cleared interest rate swaps to manage its exposure to changes in fair value on these instruments attributable to changes in the designated benchmark interest rate. Cleared interest rate swaps designated as fair value hedges involve the payment of fixed-rate amounts to a CCP in exchange for the Company receiving floating-rate payments over the life of the agreements without the exchange of the underlying notional amount.

The Company had outstanding interest rate swaps with aggregate notional amounts of $8.9 billion at June 30, 2023 that were designated as fair value hedges of interest rate risk.

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

Fair Values of Derivative Instruments

The table below presents the gross fair values of the Company's interest rate swaps designated as hedging instruments on the condensed consolidated balance sheet:

	June 30, 2023	
	Assets	Liabilities
Interest rate swaps [1,2]	$ 1	$ —

[1] Derivative assets are included in other assets and derivative liabilities are included in accrued expenses and other liabilities on the condensed consolidated balance sheet.
[2] Includes a $121 million reduction of derivative assets related to variation margin settlements on derivatives cleared through CCPs. Settlements on derivative positions cleared through CCPs are reflected as reductions to the associated derivative asset and liability balances.

Effects of Fair Value Hedge Accounting

The following amounts were recorded in AFS securities on the condensed consolidated balance sheet related to fair value hedges:

	June 30, 2023
Carrying amount of hedged AFS securities [1,2]	$ 8,863
Cumulative fair value hedging adjustment included in the carrying amount of hedged AFS securities [1,2]	(122)

[1] Includes the amortized cost basis of closed portfolios of AFS securities used to designate hedging relationships in which the hedged item is the stated amount of assets in the closed portfolios anticipated to be outstanding for the designated hedge period. The amortized cost basis of the closed portfolios used in these hedging relationships is $1.6 billion and the notional amount of the designated hedged items is $1.6 billion. The cumulative basis adjustments associated with these hedges is an unrealized loss of $26 million.
[2] Excludes the carrying amount and fair value hedging adjustment of AFS securities for which hedge accounting has been discontinued. The cumulative amount of fair value hedging adjustments remaining for these securities is an unrealized loss of less than $500 thousand, which is recorded in AFS securities on the condensed consolidated balance sheet.

The table below presents the effect of the Company's interest rate swaps designated as fair value hedges on the condensed consolidated statement of income:

	Three Months Ended June 30,	Six Months Ended June 30,
	2023	2023
Gain (loss) on fair value hedging relationships recognized in interest revenue:		
Hedged items	$ (126)	$ (122)
Derivatives designated as hedging instruments	126	122

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

Interest rate swaps: Beginning in 2023, Schwab uses interest rate swaps to manage certain interest rate risk exposures. Schwab's interest rate swaps are cleared through CCPs which require the Company to post initial margin as collateral against potential losses. Schwab pledges investment securities as collateral in order to meet the CCP's initial margin requirements. Initial margin is posted through futures commission merchants (FCM) which serve as the intermediary between CCPs and Schwab. Our interest rate swaps are subject to enforceable master netting arrangements allowing a right of setoff within each FCM-CCP relationship; however, we do not net these positions. Therefore, interest rate swaps are presented gross in the condensed consolidated balance sheets. See Note 11 for additional information on the Company's interest rate swaps.

Resale agreements: Schwab enters into collateralized resale agreements principally with other broker-dealers, which could result in losses in the event the counterparty fails to purchase the securities held as collateral for the cash advanced and the fair value of the securities declines. To mitigate this risk, Schwab requires that the counterparty deliver securities to a custodian, to be held as collateral, with a fair value at or in excess of the resale price. Schwab also sets standards for the credit quality of the counterparty, monitors the fair value of the underlying securities as compared to the related receivable, including accrued interest, and requires additional collateral where deemed appropriate. The collateral provided under these resale agreements is utilized to meet obligations under broker-dealer client protection rules, which place limitations on our ability to access such segregated securities. For Schwab to repledge or sell this collateral, we would be required to deposit cash and/or securities of an equal amount into our segregated reserve bank accounts in order to meet our segregated cash and investments requirement. Schwab's resale agreements as of June 30, 2023 and December 31, 2022 were not subject to master netting arrangements.

Securities lending: Schwab loans brokerage client securities temporarily to other brokers and clearing houses in connection with its securities lending activities and receives cash as collateral for the securities loaned. Increases in security prices may cause the fair value of the securities loaned to exceed the amount of cash received as collateral. In the event the counterparty to these transactions does not return the loaned securities or provide additional cash collateral, we may be exposed to the risk of acquiring the securities at prevailing market prices in order to satisfy our client obligations. Schwab mitigates this risk by requiring credit approvals for counterparties, monitoring the fair value of securities loaned, and requiring additional cash as collateral when necessary. In addition, most of our securities lending transactions are through a program with a clearing organization, which guarantees the return of cash to us. We also borrow securities from other broker-dealers to fulfill short sales by brokerage clients and deliver cash to the lender in exchange for the securities. The fair value of these borrowed securities was $1.3 billion and $685 million at June 30, 2023 and December 31, 2022, respectively. Our securities lending transactions are subject to enforceable master netting arrangements with other broker-dealers; however, we do not net securities lending transactions. Therefore, the securities loaned and securities borrowed are presented gross in the condensed consolidated balance sheets.

Repurchase agreements: Schwab enters into collateralized repurchase agreements with external financial institutions in which the Company sells securities and agrees to repurchase these securities on a specified future date at a stated repurchase price. These repurchase agreements are collateralized by investment securities with a fair value equal to or in excess of the secured borrowing liability. Decreases in security prices posted as collateral for repurchase agreements may require Schwab to transfer cash or additional securities deemed acceptable by the counterparty. To mitigate this risk, Schwab monitors the fair value of underlying securities pledged as collateral compared to the related liability. Our collateralized repurchase agreements with each external financial institution are considered to be enforceable master netting arrangements. However, we do not net these arrangements. As such, the secured short-term borrowings associated with these collateralized repurchase agreements are presented gross in the condensed consolidated balance sheets.

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

The following table presents information about our interest rate swaps, resale agreements, securities lending, and other activity depicting the potential effect of rights of setoff between these recognized assets and recognized liabilities.

	Gross Assets/ Liabilities	Gross Amounts Offset in the Condensed Consolidated Balance Sheets	Net Amounts Presented in the Condensed Consolidated Balance Sheets	Gross Amounts Not Offset in the Condensed Consolidated Balance Sheets		Net Amount
				Counterparty Offsetting	Collateral	
June 30, 2023						
Assets						
Interest rate swaps [1,3]	$ 1	$ —	$ 1	$ —	$ — [5]	$ 1
Resale agreements [1]	5,405	—	5,405	—	(5,405) [2]	—
Securities borrowed [4]	1,349	—	1,349	(907)	(439)	3
Total	$ 6,755	$ —	$ 6,755	$ (907)	$ (5,844)	$ 4
Liabilities						
Repurchase agreements [6]	$ 7,831	$ —	$ 7,831	$ —	$ (7,831)	$ —
Securities loaned [7]	4,612	—	4,612	(907)	(3,200)	505
Total	$ 12,443	$ —	$ 12,443	$ (907)	$ (11,031)	$ 505
December 31, 2022						
Assets						
Resale agreements [1]	$ 12,159	$ —	$ 12,159	$ —	$ (12,159) [2]	$ —
Securities borrowed [4]	705	—	705	(331)	(366)	8
Total	$ 12,864	$ —	$ 12,864	$ (331)	$ (12,525)	$ 8
Liabilities						
Repurchase agreements [6]	$ 4,402	$ —	$ 4,402	$ —	$ (4,402)	$ —
Securities loaned [7]	4,200	—	4,200	(331)	(3,313)	556
Total	$ 8,602	$ —	$ 8,602	$ (331)	$ (7,715)	$ 556

(1) Included in cash and investments segregated and on deposit for regulatory purposes in the condensed consolidated balance sheets.
(2) Actual collateral was greater than or equal to the value of the related assets. At June 30, 2023 and December 31, 2022, the fair value of collateral received in connection with resale agreements that are available to be repledged or sold was $5.5 billion and $12.3 billion, respectively.
(3) Derivative assets are included in other assets and derivative liabilities are included in accrued expenses and other liabilities on the condensed consolidated balance sheets. Derivative asset and liability positions are inclusive of variation margin settlements cleared through CCPs which are reflected as reductions to the associated derivative asset and liability balances. See Note 11 for additional information.
(4) Included in other assets on the condensed consolidated balance sheets.
(5) At June 30, 2023, the fair value of initial margin pledged as collateral related to interest rate swaps was $178 million. See Notes 4 and 11 for additional information.
(6) Included in other short-term borrowings in the condensed consolidated balance sheets. Actual collateral was greater than or equal to the value of the related liabilities. At June 30, 2023 and December 31, 2022, the fair value of collateral pledged in connection with repurchase agreements was $8.4 billion and $4.6 billion, respectively. See Note 8 for additional information.
(7) Included in accrued expenses and other liabilities in the condensed consolidated balance sheets. Securities loaned are predominantly comprised of equity securities held in client brokerage accounts with overnight and continuous remaining contractual maturities. The cash collateral received from counterparties under securities lending transactions was equal to or greater than the market value of the securities loaned at June 30, 2023 and December 31, 2022.

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

	June 30, 2023	December 31, 2022
Fair value of client securities available to be pledged	$ 86,977	$ 86,775
Fair value of securities pledged for:		
Fulfillment of requirements with the Options Clearing Corporation [1]	$ 15,847	$ 11,717
Fulfillment of client short sales	7,447	4,750
Securities lending to other broker-dealers	3,900	3,472
Total collateral pledged to third parties	$ 27,194	$ 19,939

Note: Excludes amounts available and pledged for securities lending from fully-paid client securities. The fair value of fully-paid client securities available and pledged was $195 million and $160 million at June 30, 2023 and December 31, 2022, respectively.
(1) Securities pledged to fulfill client margin requirements for open option contracts established with the Options Clearing Corporation.

13. Fair Values of Assets and Liabilities

Assets and liabilities measured at fair value on a recurring basis

Schwab's assets and liabilities measured at fair value on a recurring basis include: certain cash equivalents, certain investments segregated and on deposit for regulatory purposes, AFS securities, certain other assets, interest rate swaps and certain accrued expenses and other liabilities. The Company uses the market approach to determine the fair value of assets and liabilities. When available, the Company uses quoted prices in active markets to measure the fair value of assets and liabilities. Quoted prices for investments in exchange-traded securities represent end-of-day close prices published by exchanges. Quoted prices for money market funds and other mutual funds represent reported net asset values. When utilizing market data and bid-ask spread, the Company uses the price within the bid-ask spread that best represents fair value. When quoted prices in active markets do not exist, the Company uses prices obtained from independent third-party pricing services to measure the fair value of investment assets, and we generally obtain prices from three independent third-party pricing sources for such assets recorded at fair value.

Our primary independent pricing service provides prices for our fixed income investments such as commercial paper; certificates of deposits; U.S. government and agency securities; state and municipal securities; corporate debt securities; asset-backed securities; foreign government agency securities; and non-agency commercial mortgage-backed securities. Such prices are based on observable trades, broker/dealer quotes, and discounted cash flows that incorporate observable information such as yields for similar types of securities (a benchmark interest rate plus observable spreads) and weighted-average maturity for the same or similar "to-be-issued" securities. We compare the prices obtained from the primary independent pricing service to the prices obtained from the additional independent pricing services to determine if the price obtained from the primary independent pricing service is reasonable. Schwab does not adjust the prices received from independent third-party pricing services unless such prices are inconsistent with the definition of fair value and result in material differences in the amounts recorded.

Liabilities measured at fair value on a recurring basis include interest rate swaps and repurchase liabilities related to client-held fractional shares of equities, ETFs, and other securities, which are included in other assets on the condensed consolidated balance sheets. The Company has elected the fair value option pursuant to ASC 825 *Financial Instruments* for the repurchase liabilities to match the measurement and accounting of the related client-held fractional shares. The fair values of the repurchase liabilities are based on quoted market prices or other observable market data consistent with the related client-held fractional shares. Unrealized gains and losses on client-held fractional shares offset the unrealized gains and losses on the corresponding repurchase liabilities, resulting in no impact to the condensed consolidated statements of income. The Company's liabilities to repurchase client-held fractional shares do not have credit risk, and, as a result, the Company has not recognized any gains or losses in the condensed consolidated statements of income or comprehensive income attributable to instrument-specific credit risk for these repurchase liabilities. The repurchase liabilities are included in accrued expenses and other liabilities on the condensed consolidated balance sheets.

The fair values of interest rate swaps are based on market observable interest rate yield curves. Fair value measurements are priced considering the coupon rate of the fixed leg of the contract and the variable coupon rate on the floating leg of the contract. Valuation is based on both spot and forward rates on the swap yield curve. The Company validates its valuations with counterparty quotations from CCPs. See Note 11 for additional information on the Company's interest rate swaps.

For a description of the fair value hierarchy and Schwab's fair value methodologies, see Item 8 – Note 2 in the 2022 Form 10-K. The Company did not adjust prices received from the primary independent third-party pricing service at June 30, 2023 or December 31, 2022.

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

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following tables present the fair value hierarchy for assets and liabilities measured at fair value on a recurring basis:

June 30, 2023	Level 1	Level 2	Level 3	Balance at Fair Value
Cash equivalents:				
Money market funds	$ 14,361	$ —	$ —	$ 14,361
Total cash equivalents	14,361	—	—	14,361
Investments segregated and on deposit for regulatory purposes:				
U.S. Government securities	—	14,230	—	14,230
Certificates of deposit	—	1,098	—	1,098
Total investments segregated and on deposit for regulatory purposes	—	15,328	—	15,328
Available for sale securities:				
U.S. agency mortgage-backed securities	—	71,727	—	71,727
U.S. Treasury securities	—	28,524	—	28,524
Asset-backed securities	—	10,957	—	10,957
Corporate debt securities	—	12,282	—	12,282
Certificates of deposit	—	348	—	348
Foreign government agency securities	—	978	—	978
U.S. state and municipal securities	—	572	—	572
Non-agency commercial mortgage-backed securities	—	263	—	263
Other	—	118	—	118
Total available for sale securities	—	125,769	—	125,769
Other assets:				
Other securities owned at fair value:				
Equity, corporate debt, and other securities	880	67	—	947
Mutual funds and ETFs	695	—	—	695
State and municipal debt obligations	—	23	—	23
U.S. Government securities	—	2	—	2
Total other securities owned at fair value	1,575	92	—	1,667
Interest rate swaps	—	1	—	1
Total other assets	1,575	93	—	1,668
Total assets	$ 15,936	$ 141,190	$ —	$ 157,126
Accrued expenses and other liabilities:				
Other	$ 1,428	$ 46	$ —	$ 1,474
Total accrued expenses and other liabilities	1,428	46	—	1,474
Total liabilities	$ 1,428	$ 46	$ —	$ 1,474

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

December 31, 2022	Level 1	Level 2	Level 3	Balance at Fair Value
Cash equivalents:				
Money market funds	$ 14,007	$ —	$ —	$ 14,007
Commercial paper	—	48	—	48
Total cash equivalents	14,007	48	—	14,055
Investments segregated and on deposit for regulatory purposes:				
U.S. Government securities	—	23,645	—	23,645
Certificates of deposit	—	1,000	—	1,000
Total investments segregated and on deposit for regulatory purposes	—	24,645	—	24,645
Available for sale securities:				
U.S. agency mortgage-backed securities	—	77,688	—	77,688
U.S. Treasury securities	—	40,002	—	40,002
Asset-backed securities	—	13,023	—	13,023
Corporate debt securities	—	12,555	—	12,555
Certificates of deposit	—	2,231	—	2,231
Foreign government agency securities	—	969	—	969
U.S. state and municipal securities	—	638	—	638
Non-agency commercial mortgage-backed securities	—	450	—	450
Other	—	315	—	315
Total available for sale securities	—	147,871	—	147,871
Other assets:				
Other securities owned at fair value:				
Equity, corporate debt, and other securities	755	55	—	810
Mutual funds and ETFs	596	—	—	596
State and municipal debt obligations	—	25	—	25
U.S. Government securities	—	1	—	1
Total other securities owned at fair value	1,351	81	—	1,432
Total other assets	1,351	81	—	1,432
Total assets	$ 15,358	$ 172,645	$ —	$ 188,003
Accrued expenses and other liabilities:				
Other	$ 1,218	$ 43	$ —	$ 1,261
Total accrued expenses and other liabilities	1,218	43	—	1,261
Total liabilities	$ 1,218	$ 43	$ —	$ 1,261

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

Fair Value of Other Financial Instruments

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

June 30, 2023	Carrying Amount	Level 1	Level 2	Level 3	Balance at Fair Value
Assets					
Cash and cash equivalents	$ 33,290	$ 33,290	$ —	$ —	$ 33,290
Cash and investments segregated and on deposit for regulatory purposes	9,708	4,314	5,394	—	9,708
Receivables from brokerage clients — net	65,147	—	65,147	—	65,147
Held to maturity securities:					
U.S. agency mortgage-backed securities	166,328	—	151,597	—	151,597
Total held to maturity securities	166,328	—	151,597	—	151,597
Bank loans — net:					
First Mortgages	25,738	—	22,625	—	22,625
HELOCs	510	—	558	—	558
Pledged asset lines	13,572	—	13,572	—	13,572
Other	241	—	241	—	241
Total bank loans — net	40,061	—	36,996	—	36,996
Other assets	5,420	—	5,420	—	5,420
Liabilities					
Bank deposits	$ 304,414	$ —	$ 304,414	$ —	$ 304,414
Payables to brokerage clients	84,795	—	84,795	—	84,795
Accrued expenses and other liabilities	5,987	—	5,987	—	5,987
Other short-term borrowings	7,831	—	7,831	—	7,831
Federal Home Loan Bank borrowings	41,000	—	41,000	—	41,000
Long-term debt	22,430	—	20,553	—	20,553

December 31, 2022	Carrying Amount	Level 1	Level 2	Level 3	Balance at Fair Value
Assets					
Cash and cash equivalents	$ 26,140	$ 26,140	$ —	$ —	$ 26,140
Cash and investments segregated and on deposit for regulatory purposes	18,288	6,156	12,132	—	18,288
Receivables from brokerage clients — net	66,573	—	66,573	—	66,573
Held to maturity securities:					
U.S. agency mortgage-backed securities	173,074	—	158,936	—	158,936
Total held to maturity securities	173,074	—	158,936	—	158,936
Bank loans — net:					
First Mortgages	25,132	—	22,201	—	22,201
HELOCs	593	—	657	—	657
Pledged asset lines	14,592	—	14,592	—	14,592
Other	188	—	188	—	188
Total bank loans — net	40,505	—	37,638	—	37,638
Other assets	3,788	—	3,788	—	3,788
Liabilities					
Bank deposits	$ 366,724	$ —	$ 366,724	$ —	$ 366,724
Payables to brokerage clients	97,438	—	97,438	—	97,438
Accrued expenses and other liabilities	5,584	—	5,584	—	5,584
Other short-term borrowings	4,650	—	4,650	—	4,650
Federal Home Loan Bank borrowings	12,400	—	12,400	—	12,400
Long-term debt	20,760	—	19,108	—	19,108

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

14. Stockholders' Equity

On July 27, 2022, CSC publicly announced that its Board of Directors approved a new share repurchase authorization to repurchase up to $15.0 billion of common stock, replacing the previous and now terminated share repurchase authorization of up to $4.0 billion of common stock. The new share repurchase authorization does not have an expiration date. There were no repurchases of CSC's common stock during the three months ended June 30, 2023. CSC repurchased 37 million shares of its common stock for $2.8 billion during the six months ended June 30, 2023. As of June 30, 2023, approximately $8.7 billion remained on the new authorization. There were no repurchases of CSC's common stock under the terminated authorization during the six months ended June 30, 2022.

There were no repurchases of CSC's preferred stock during the three months ended June 30, 2023. The Company repurchased 11,620 depositary shares representing interests in Series F preferred stock for $11 million, 42,036 depositary shares representing interests in Series G preferred stock for $42 million, 273,251 depositary shares representing interests in Series H preferred stock for $235 million, and 194,567 depositary shares representing interests in Series I preferred stock for $179 million on the open market during the six months ended June 30, 2023. The repurchase prices are inclusive of $3 million of dividends accrued by the stockholders as of the repurchase date.

Beginning in 2023, share repurchases, net of issuances, are subject to a nondeductible excise tax which was recognized as a direct and incremental cost associated with these transactions.

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

	Shares Issued and Outstanding (in ones) at			Carrying Value at							
	June 30, 2023 (1)	December 31, 2022 (1)	Liquidation Preference Per Share	June 30, 2023	December 31, 2022	Issue Date	Dividend Rate in Effect at June 30, 2023	Earliest Redemption Date	Date at Which Dividend Rate Resets or Becomes Floating	Reset / Floating Rate	Margin Over Reset / Floating Rate
Fixed-rate:											
Series D	750,000	750,000	$ 1,000	$ 728	$ 728	03/07/16	5.950%	06/01/21	N/A	N/A	N/A
Series J	600,000	600,000	1,000	584	584	03/30/21	4.450%	06/01/26	N/A	N/A	N/A
Fixed-to-floating-rate/Fixed-rate reset:											
Series F	4,883	5,000	100,000	481	492	10/31/17	5.000%	12/01/27	12/01/27	3M LIBOR (4)	2.575%
Series G (2)	24,580	25,000	100,000	2,428	2,470	04/30/20	5.375%	06/01/25	06/01/25	5-Year Treasury	4.971%
Series H (3)	22,267	25,000	100,000	2,200	2,470	12/11/20	4.000%	12/01/30	12/01/30	10-Year Treasury	3.079%
Series I (2)	20,554	22,500	100,000	2,030	2,222	03/18/21	4.000%	06/01/26	06/01/26	5-Year Treasury	3.168%
Series K (2)	7,500	7,500	100,000	740	740	03/04/22	5.000%	06/01/27	06/01/27	5-Year Treasury	3.256%
Total preferred stock	1,429,784	1,435,000		$ 9,191	$ 9,706						

(1) Represented by depositary shares.
(2) The dividend rate for Series G, Series I, and Series K resets on each five-year anniversary from the first reset date.
(3) The dividend rate for Series H resets on each ten-year anniversary from the first reset date.
(4) The reset/floating rate for Series F will be determined by the calculation agent prior to the commencement of the floating rate period using what the calculation agent determines to be the industry-accepted substitute or successor base rate to LIBOR.
N/A Not applicable.

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

Dividends declared on the Company's preferred stock are as follows:

	Three Months Ended June 30,				Six Months Ended June 30,			
	2023		2022		2023		2022	
	Total Declared	Per Share Amount	Total Declared	Per Share Amount	Total Declared (1)	Per Share Amount	Total Declared	Per Share Amount
Series A (2)	N/A	N/A	$ 6.2	$ 15.60	N/A	N/A	$ 11.2	$ 28.30
Series D (3)	$ 11.1	$ 14.88	11.1	14.88	$ 22.3	$ 29.76	22.3	29.76
Series E (4)	N/A	N/A	5.9	980.82	N/A	N/A	19.8	3,293.32
Series F (5)	12.2	2,500.00	12.5	2,500.00	12.2	2,500.00	12.5	2,500.00
Series G (3)	33.1	1,343.75	33.6	1,343.75	66.3	2,687.50	67.2	2,687.50
Series H (3)	22.3	1,000.00	25.0	1,000.00	46.0	2,000.00	50.0	2,000.00
Series I (3)	20.6	1,000.00	22.5	1,000.00	41.9	2,000.00	45.0	2,000.00
Series J (3)	6.7	11.13	6.7	11.13	13.4	22.26	13.4	22.26
Series K (6)	9.5	1,250.00	9.1	1,208.33	18.8	2,500.00	9.1	1,208.33
Total	$ 115.5		$ 132.6		$ 220.9		$ 250.5	

(1) Excludes $3 million of dividends declared on Series G, H and I, and accrued by stockholders as of the repurchase date. Such dividends are part of the consideration paid upon repurchase of the depositary shares during the six months ended June 30, 2023.
(2) Series A was redeemed on November 1, 2022. Prior to redemption, dividends were paid semi-annually until February 1, 2022 and quarterly thereafter. The final dividend was paid on November 1, 2022.
(3) Dividends paid quarterly.
(4) Series E was redeemed on December 1, 2022. Prior to redemption, dividends were paid semi-annually until March 1, 2022 and quarterly thereafter. The final dividend was paid on December 1, 2022.
(5) Dividends paid semi-annually until December 1, 2027 and quarterly thereafter.
(6) Series K was issued on March 4, 2022. Dividends are paid quarterly, and the first dividend was paid on June 1, 2022.
N/A Not applicable.

15. Accumulated Other Comprehensive Income

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

	Total AOCI
Balance at March 31, 2022	$ (11,045)
Available for sale securities:	
Net unrealized gain (loss), net of tax expense (benefit) of $(1,604)	(5,067)
Other reclassifications included in other revenue, net of tax expense (benefit) of $(1)	(4)
Held to maturity securities:	
Amortization of amounts previously recorded upon transfer from available for sale, net of tax expense (benefit) of $28	94
Balance at June 30, 2022	$ (16,022)
Balance at March 31, 2023	$ (20,690)
Available for sale securities:	
Net unrealized gain (loss), net of tax expense (benefit) of $(160)	(523)
Other reclassifications included in other revenue, net of tax expense (benefit) of $3	8
Held to maturity securities:	
Amortization of amounts previously recorded upon transfer from available for sale, net of tax expense (benefit) of $166	476
Other (1)	(1)
Balance at June 30, 2023	$ (20,730)

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

		Total AOCI
Balance at December 31, 2021	$	(1,109)
Available for sale securities:		
Net unrealized gain (loss), excluding transfers to held to maturity, net of tax expense (benefit) of $(4,741)		(15,065)
Net unrealized loss on securities transferred to held to maturity, net of tax benefit of $579		1,850
Other reclassifications included in other revenue, net of tax expense (benefit) of $(4)		(13)
Held to maturity securities:		
Net unrealized loss on securities transferred from available for sale, net of tax benefit of $579		(1,850)
Amortization of amounts previously recorded upon transfer from available for sale, net of tax expense (benefit) of $49		165
Balance at June 30, 2022	$	(16,022)
Balance at December 31, 2022	$	(22,621)
Available for sale securities:		
Net unrealized gain (loss), net of tax expense (benefit) of $261		905
Other reclassifications included in other revenue, net of tax expense (benefit) of $5		15
Held to maturity securities:		
Amortization of amounts previously recorded upon transfer from available for sale, net of tax expense (benefit) of $273		978
Other, net of tax expense (benefit) of $(2)		(7)
Balance at June 30, 2023	$	(20,730)

(1) Tax expense (benefit) was less than $1 million.

In 2022, the Company transferred a portion of its AFS securities to the HTM category. As of June 30, 2023, the total remaining unamortized loss on these securities transferred to HTM included in AOCI was $12.3 billion net of tax effect ($16.3 billion pretax). See Note 4 for additional discussion on the 2022 transfers of AFS securities to HTM.

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

16. Earnings Per Common Share

For the three and six months ended June 30, 2023 and 2022, the Company had voting and nonvoting common stock outstanding. Since the rights of the voting and nonvoting common stock are identical, except with respect to voting, the net income of the Company has been allocated on a proportionate basis to the two classes. Diluted earnings per share is calculated using the treasury stock method for outstanding stock options and non-vested restricted stock units and the if-converted method for nonvoting common stock. The if-converted method assumes conversion of all nonvoting common stock to common stock. For further details surrounding the EPS computation, see Item 8 – Note 25 in the 2022 Form 10-K.

EPS under the basic and diluted computations for both common stock and nonvoting common stock are as follows:

	Three Months Ended June 30,				Six Months Ended June 30,			
	2023		2022		2023		2022	
	Common Stock	Nonvoting Common Stock	Common Stock	Nonvoting Common Stock	Common Stock	Nonvoting Common Stock	Common Stock	Nonvoting Common Stock
Basic earnings per share:								
Numerator								
Net income	$ 1,258	$ 36	$ 1,718	$ 75	$ 2,817	$ 80	$ 3,062	$ 133
Preferred stock dividends and other (1)	(118)	(3)	(135)	(6)	(186)	(5)	(254)	(11)
Net income available to common stockholders	$ 1,140	$ 33	$ 1,583	$ 69	$ 2,631	$ 75	$ 2,808	$ 122
Denominator								
Weighted-average common shares outstanding — basic	1,769	51	1,817	79	1,776	51	1,816	79
Basic earnings per share	$ .64	$ .64	$ .87	$ .87	$ 1.48	$ 1.48	$ 1.55	$ 1.55
Diluted earnings per share:								
Numerator								
Net income available to common stockholders	$ 1,140	$ 33	$ 1,583	$ 69	$ 2,631	$ 75	$ 2,808	$ 122
Reallocation of net income available to common stockholders as a result of conversion of nonvoting to voting shares	33	—	69	—	75	—	122	—
Allocation of net income available to common stockholders:	$ 1,173	$ 33	$ 1,652	$ 69	$ 2,706	$ 75	$ 2,930	$ 122
Denominator								
Weighted-average common shares outstanding — basic	1,769	51	1,817	79	1,776	51	1,816	79
Conversion of nonvoting shares to voting shares	51	—	79	—	51	—	79	—
Common stock equivalent shares related to stock incentive plans	5	—	8	—	7	—	10	—
Weighted-average common shares outstanding — diluted (2)	1,825	51	1,904	79	1,834	51	1,905	79
Diluted earnings per share	$ .64	$ .64	$ .87	$ .87	$ 1.48	$ 1.48	$ 1.54	$ 1.54

(1) Includes preferred stock dividends and undistributed earnings and dividends allocated to non-vested restricted stock units.
(2) Antidilutive stock options and restricted stock units excluded from the calculation of diluted EPS totaled 15 million and 18 million for the three and six months ended June 30, 2023, respectively, and 13 million and 14 million for the three and six months ended June 30, 2022, respectively.

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

17. Regulatory Requirements

At June 30, 2023, CSC and its banking subsidiaries met all of their respective capital requirements. Regulatory capital and ratios for CSC (consolidated) and CSB are as follows:

	Actual		Minimum to be Well Capitalized		Minimum Capital Requirement	
June 30, 2023	Amount	Ratio	Amount	Ratio	Amount	Ratio [(1)]
CSC						
Common Equity Tier 1 Risk-Based Capital	$ 29,999	22.6%	N/A		$ 5,976	4.5%
Tier 1 Risk-Based Capital	39,190	29.5%	N/A		7,967	6.0%
Total Risk-Based Capital	39,272	29.6%	N/A		10,623	8.0%
Tier 1 Leverage	39,190	7.5%	N/A		20,824	4.0%
Supplementary Leverage Ratio	39,190	7.5%	N/A		15,737	3.0%
CSB						
Common Equity Tier 1 Risk-Based Capital	$ 31,556	33.5%	$ 6,128	6.5%	$ 4,243	4.5%
Tier 1 Risk-Based Capital	31,556	33.5%	7,542	8.0%	5,657	6.0%
Total Risk-Based Capital	31,632	33.6%	9,428	10.0%	7,542	8.0%
Tier 1 Leverage	31,556	8.9%	17,820	5.0%	14,256	4.0%
Supplementary Leverage Ratio	31,556	8.8%	N/A		10,778	3.0%
December 31, 2022						
CSC						
Common Equity Tier 1 Risk-Based Capital	$ 30,590	21.9%	N/A		$ 6,285	4.5%
Tier 1 Risk-Based Capital	40,296	28.9%	N/A		8,379	6.0%
Total Risk-Based Capital	40,376	28.9%	N/A		11,173	8.0%
Tier 1 Leverage	40,296	7.2%	N/A		22,512	4.0%
Supplementary Leverage Ratio	40,296	7.1%	N/A		17,004	3.0%
CSB						
Common Equity Tier 1 Risk-Based Capital	$ 27,296	27.4%	$ 6,476	6.5%	$ 4,483	4.5%
Tier 1 Risk-Based Capital	27,296	27.4%	7,970	8.0%	5,978	6.0%
Total Risk-Based Capital	27,370	27.5%	9,963	10.0%	7,970	8.0%
Tier 1 Leverage	27,296	7.3%	18,640	5.0%	14,912	4.0%
Supplementary Leverage Ratio	27,296	7.3%	N/A		11,275	3.0%

(1) Under risk-based capital rules, CSC and CSB are also required to maintain additional capital buffers above the regulatory minimum risk-based capital ratios. As of June 30, 2023, CSC was subject to a stress capital buffer of 2.5%. In addition, CSB is required to maintain a capital conservation buffer of 2.5%. CSC and CSB are also required to maintain a countercyclical capital buffer above the regulatory minimum risk-based capital ratios, which was zero for both periods presented. If a buffer falls below the minimum requirement, CSC and CSB would be subject to increasingly strict limits on capital distributions and discretionary bonus payments to executive officers. At June 30, 2023, the minimum capital ratio requirements for both CSC and CSB, inclusive of their respective buffers, were 7.0%, 8.5%, and 10.5% for Common Equity Tier 1 Risk-Based Capital, Tier 1 Risk-Based Capital, and Total Risk-Based Capital, respectively.

N/A Not applicable.

Based on its regulatory capital ratios at June 30, 2023, CSB is considered well capitalized (the highest category) under its respective regulatory capital rules. There are no conditions or events since June 30, 2023 that management believes have changed CSB's capital category.

At June 30, 2023, the balance sheets of Charles Schwab Premier Bank, SSB (CSPB) and Charles Schwab Trust Bank (Trust Bank) consisted primarily of investment securities, and the entities held total assets of $29.9 billion and $11.8 billion, respectively. Based on their regulatory capital ratios, at June 30, 2023, CSPB and Trust Bank are considered well capitalized under their respective regulatory capital rules.

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

Net capital and net capital requirements for CS&Co, TDAC, and TD Ameritrade, Inc., are as follows:

	June 30, 2023	December 31, 2022
CS&Co		
Net capital	$ 5,432	$ 5,386
Minimum dollar requirement	0.250	0.250
2% of aggregate debit balances	879	778
Net capital in excess of required net capital	$ 4,553	$ 4,608
TDAC		
Net capital	$ 4,213	$ 5,291
Minimum dollar requirement	1.500	1.500
2% of aggregate debit balances	622	626
Net capital in excess of required net capital	$ 3,591	$ 4,665
TD Ameritrade, Inc.		
Net capital	$ 689	$ 806
Minimum dollar requirement	0.250	0.250
2% of aggregate debit balances	—	—
Net capital in excess of required net capital	$ 689	$ 806

Pursuant to the SEC's Customer Protection Rule and other applicable regulations, Schwab had cash and investments segregated for the exclusive benefit of clients at June 30, 2023. The SEC's Customer Protection Rule requires broker-dealers to segregate client fully-paid securities and cash balances not collateralizing margin positions and not swept to money market funds or bank deposit accounts. Amounts included in cash and investments segregated and on deposit for regulatory purposes represent actual balances on deposit. Cash and cash equivalents included in cash and investments segregated and on deposit for regulatory purposes are presented as part of Schwab's cash balances in the condensed consolidated statements of cash flows.

18. Segment Information

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

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

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

	Investor Services		Advisor Services		Total	
Three Months Ended June 30,	2023	2022	2023	2022	2023	2022
Net Revenues						
Net interest revenue	$ 1,705	$ 1,834	$ 585	$ 710	$ 2,290	$ 2,544
Asset management and administration fees	841	763	332	289	1,173	1,052
Trading revenue	701	763	102	122	803	885
Bank deposit account fees	140	227	35	125	175	352
Other	156	187	59	73	215	260
Total net revenues	3,543	3,774	1,113	1,319	4,656	5,093
Expenses Excluding Interest	2,191	2,111	774	708	2,965	2,819
Income before taxes on income	$ 1,352	$ 1,663	$ 339	$ 611	$ 1,691	$ 2,274

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

	Investor Services		Advisor Services		Total	
Six Months Ended June 30,	2023	2022	2023	2022	2023	2022
Net Revenues						
Net interest revenue	$ 3,738	$ 3,408	$ 1,322	$ 1,319	$ 5,060	$ 4,727
Asset management and administration fees	1,646	1,544	645	576	2,291	2,120
Trading revenue	1,476	1,607	219	241	1,695	1,848
Bank deposit account fees	239	427	87	219	326	646
Other	307	314	93	110	400	424
Total net revenues	7,406	7,300	2,366	2,465	9,772	9,765
Expenses Excluding Interest	4,424	4,242	1,547	1,410	5,971	5,652
Income before taxes on income	$ 2,982	$ 3,058	$ 819	$ 1,055	$ 3,801	$ 4,113

Item 4. Controls and Procedures

Evaluation of disclosure controls and procedures: The management of the Company, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) as of June 30, 2023. Based on this evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures were effective as of June 30, 2023.

Changes in internal control over financial reporting: No change in the Company's internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934) was identified during the quarter ended June 30, 2023, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

During the first six months of 2023, there have been no material changes to the risk factors in Part I – Item 1A – Risk Factors in the 2022 Form 10-K.

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

Issuer Purchases of Equity Securities

On July 27, 2022, CSC publicly announced that its Board of Directors terminated its prior repurchase authorization and replaced it with a new authorization to repurchase up to $15.0 billion of common stock. The authorization does not have an expiration date. See also Part I – Item 1 – Note 14.

The following table summarizes purchases made by or on behalf of CSC of its common stock for each calendar month in the second quarter of 2023 (in millions, except number of shares, which are in thousands, and per share amounts):

Month	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Publicly Announced Program
April:				
Share repurchase program	—	$ —	—	$ 8,723
Employee transactions [1]	5	$ 52.44	N/A	N/A
May:				
Share repurchase program	—	$ —	—	$ 8,723
Employee transactions [1]	6	$ 50.85	N/A	N/A
June:				
Share repurchase program	—	$ —	—	$ 8,723
Employee transactions [1]	93	$ 52.93	N/A	N/A
Total:				
Share repurchase program	—	$ —	—	$ 8,723
Employee transactions [1]	104	$ 52.78	N/A	N/A

[1] Includes restricted shares withheld (under the terms of grants under employee stock incentive plans) to offset tax withholding obligations that occur upon vesting and release of restricted shares. CSC may receive shares delivered or attested to pay the exercise price and/or to satisfy tax withholding obligations by employees who exercise stock options granted under employee stock incentive plans, which are commonly referred to as stock swap exercises.
N/A Not applicable.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

During the three months ended June 30, 2023, no director or officer of the Company adopted or terminated a Rule 10b5-1 or non-Rule 10b5-1 trading arrangement as defined in Item 408 of Regulation S-K.

Item 6. Exhibits

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

Exhibit Number	Exhibit	
10.431	Second Amended and Restated Insured Deposit Account Agreement, dated May 4, 2023, by and among TD Bank USA, National Association and TD Bank, National Association, and The Charles Schwab Corporation, Charles Schwab & Co., Inc., Charles Schwab Trust Bank, TD Ameritrade, Inc., and TD Ameritrade Clearing, Inc. (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on May 5, 2023).**	
31.1	Certification Pursuant to Rule 13a-14(a)/15d-14(a), As Adopted Pursuant to Section 302 of The Sarbanes-Oxley Act of 2002.	
31.2	Certification Pursuant to Rule 13a-14(a)/15d-14(a), As Adopted 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.	(1)
32.2	Certification Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of The Sarbanes-Oxley Act of 2002.	(1)
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.	(2)
101.SCH	Inline XBRL Taxonomy Extension Schema	(2)
101.CAL	Inline XBRL Taxonomy Extension Calculation	(2)
101.DEF	Inline XBRL Extension Definition	(2)
101.LAB	Inline XBRL Taxonomy Extension Label	(2)
101.PRE	Inline XBRL Taxonomy Extension Presentation	(2)
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)	
(1)	*Furnished as an exhibit to this Quarterly Report on Form 10-Q.*	
(2)	*Attached as Exhibit 101 to this Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2023 are the following materials formatted in Inline XBRL (Extensible Business Reporting Language) (i) the Condensed Consolidated Statements of Income, (ii) the Condensed Consolidated Statements of Comprehensive Income, (iii) the Condensed Consolidated Balance Sheets, (iv) the Condensed Consolidated Statements of Stockholders' Equity, (v) the Condensed Consolidated Statements of Cash Flows, and (vi) Notes to Condensed Consolidated Financial Statements.*	

** Certain confidential information contained in this exhibit has been omitted because it is not material and would be competitively harmful if publicly disclosed.

SIGNATURE

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

THE CHARLES SCHWAB CORPORATION
(Registrant)

Date: August 8, 2023

/s/ Peter Crawford
Peter Crawford
Managing Director and Chief Financial Officer

EXHIBIT 31.1

CERTIFICATION PURSUANT TO RULE 13a-14(a)/15d-14(a), AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Walter W. Bettinger II, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of The Charles Schwab Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, 2023	/s/ Walter W. Bettinger II
	Walter W. Bettinger II
	Co-Chairman and Chief Executive Officer

THE CHARLES SCHWAB CORPORATION

EXHIBIT 31.2

CERTIFICATION PURSUANT TO RULE 13a-14(a)/15d-14(a), AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Peter Crawford, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of The Charles Schwab Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, 2023

/s/ Peter Crawford

Peter Crawford

Managing Director and Chief Financial Officer

EXHIBIT 32.1

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of The Charles Schwab Corporation (the Company) on Form 10-Q for the quarter ended June 30, 2023 (the Report), I, Walter W. Bettinger II, Co-Chairman and Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the periods presented therein.

/s/ Walter W. Bettinger II Date: August 8, 2023

Walter W. Bettinger II
Co-Chairman and Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to The Charles Schwab Corporation and will be retained by The Charles Schwab Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

THE CHARLES SCHWAB CORPORATION

EXHIBIT 32.2

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of The Charles Schwab Corporation (the Company) on Form 10-Q for the quarter ended June 30, 2023 (the Report), I, Peter Crawford, Managing Director and Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the periods presented therein.

/s/ Peter Crawford
Peter Crawford
Managing Director and Chief Financial Officer

Date: August 8, 2023

A signed original of this written statement required by Section 906 has been provided to The Charles Schwab Corporation and will be retained by The Charles Schwab Corporation and furnished to the Securities and Exchange Commission or its staff upon request.