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, 2024

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.
1,778,444,948 shares of $.01 par value Common Stock and 50,893,695 shares of $.01 par value Nonvoting Common Stock outstanding on July 31, 2024

THE CHARLES SCHWAB CORPORATION

Quarterly Report on Form 10-Q
For the Quarter Ended June 30, 2024

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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;
- 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™).

In May 2024, the Company completed the final client account conversions to CS&Co from the Ameritrade broker-dealers, TD Ameritrade, Inc. and TD Ameritrade Clearing, Inc. (TDAC). Accordingly, these entities are no longer principal business subsidiaries. See Overview – Integration of Ameritrade for additional information regarding the integration.

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 $70 trillion, which means the Company's $9.41 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, 2023 (2023 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 the Commission.

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," "prioritize," "will," "may," "estimate," "appear," "could," "would," "maintain," "continue," "seek," and other similar expressions. In addition, any statements that refer to expectations, strategy, objectives, 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; and 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);
- Integration of Ameritrade, expected levels of attrition, and expense and revenue synergies (see Overview in Part I – Item 2, and Exit and Other Related Liabilities in Part I – Item 1 – Financial Information – Notes to Condensed Consolidated Financial Statements (Item 1) – Note 10);
- Exit and related costs associated with our actions to streamline operations (see Overview and Results of Operations in Part I – Item 2, and Exit and Other Related Liabilities in Item 1 – Note 10);
- Capital expenditures and expense management (see Results of Operations in Part I – Item 2);
- Net interest revenue; the adjustment of rates paid on client-related liabilities (see Results of Operations in Part I – Item 2);
- Supplemental funding and expectations for repayment of outstanding balances (see Results of Operations in Part I – Item 2, and Liquidity Risk in Part I – Item 2);
- 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 in Part I – Item 2);
- Sources and uses of liquidity (see Liquidity Risk in Part I – Item 2);
- Capital management; potential migration of insured deposit account balances (IDA balances) to our balance sheet; capital accretion; expectations about capital requirements, including accumulated other comprehensive income (AOCI); long-term operating objective; and uses of capital and return of excess capital to stockholders (see Capital Management in Part I – Item 2 and Commitments and Contingencies in Item 1 – Note 9);
- The expected impact of proposed and final rules (see Current Regulatory and Other Developments in Part I – Item 2);
- 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 outcome and 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 the level of interest rates, equity market valuations and volatility;
- 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;
- Client cash allocations and sensitivity to deposit rates;

- Competitive pressure on pricing, including deposit rates;
- The level and mix of client trading activity, including daily average trades, margin balances, and balance sheet cash;
- 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;
- Our ability to successfully implement integration plans relating to Ameritrade;
- The risk that client transitions may result in a negative client experience, expected expense and revenue synergies and other benefits from the Ameritrade acquisition may not be fully realized or may take longer to realize, and integration expense may be higher than expected;
- Increased compensation and other costs;
- Real estate and workforce decisions;
- The timing and scope of technology projects;
- Capital and liquidity needs and management;
- 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;
- Migrations of bank deposit account balances (BDA balances);
- Regulatory and legislative developments;
- 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 2023 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 2024 and 2023 are as follows:

	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023	Percent Change	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023	Percent Change
Client Metrics						
Net new client assets (in billions) [1]	$ 74.2	$ 72.0	3%	$ 162.4	$ 222.7	(27)%
Core net new client assets (in billions)	$ 61.2	$ 52.2	17%	$ 156.8	$ 183.9	(15)%
Client assets (in billions, at quarter end)	$ 9,407.5	$ 8,015.8	17%			
Average client assets (in billions)	$ 9,134.1	$ 7,698.3	19%	$ 8,946.1	$ 7,541.8	19%
New brokerage accounts (in thousands)	985	960	3%	2,079	2,002	4%
Active brokerage accounts (in thousands, at quarter end)	35,612	34,382	4%			
Assets receiving ongoing advisory services (in billions, at quarter end)	$ 4,722.9	$ 4,075.3	16%			
Client cash as a percentage of client assets (at quarter end) [2]	9.7%	10.5%				
Company Financial Information and Metrics						
Total net revenues	$ 4,690	$ 4,656	1%	$ 9,430	$ 9,772	(3)%
Total expenses excluding interest	2,943	2,965	(1)%	5,885	5,971	(1)%
Income before taxes on income	1,747	1,691	3%	3,545	3,801	(7)%
Taxes on income	415	397	5%	851	904	(6)%
Net income	1,332	1,294	3%	2,694	2,897	(7)%
Preferred stock dividends and other	121	121	—	232	191	21%
Net income available to common stockholders	$ 1,211	$ 1,173	3%	$ 2,462	$ 2,706	(9)%
Earnings per common share — diluted	$ .66	$ .64	3%	$ 1.34	$ 1.48	(9)%
Net revenue change from prior year	1%	(9)%		(3)%	—	
Pre-tax profit margin	37.2%	36.3%		37.6%	38.9%	
Return on average common stockholders' equity (annualized)	14%	17%		15%	20%	
Expenses excluding interest as a percentage of average client assets (annualized)	0.13%	0.15%		0.13%	0.16%	
Consolidated Tier 1 Leverage Ratio (at quarter end)	9.4%	7.5%				
Non-GAAP Financial Measures [3]						
Adjusted total expenses [4]	$ 2,768	$ 2,701		$ 5,570	$ 5,474	
Adjusted diluted EPS	$ .73	$ .75		$ 1.47	$ 1.68	
Return on tangible common equity	34%	62%		36%	71%	

(1) The second quarter and first six months of 2024 include net inflows of $2.7 billion and net outflows of $4.7 billion, respectively, from off-platform brokered certificates of deposit (CDs) issued by CSB. Also in the second quarter and first six months of 2024, this includes an inflow of $10.3 billion from a mutual fund clearing services client. The second quarter and first six months of 2023 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, this includes an inflow of $12.0 billion from a mutual fund clearing services client.

(2) Client cash as a percentage of client assets excludes brokered CDs issued by CSB.

(3) Beginning in July 2023, adjustments made to GAAP financial measures also include restructuring costs. 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.

During the second quarter and first six months of 2024, the macroeconomic environment reflected generally positive investor sentiment and engagement, as equity markets, primarily led by technology stocks, continued to advance. The S&P 500® rose 4% in the second quarter and 14% in the first half of the year, while the NASDAQ Composite® moved higher by 8% in the second quarter and 18% year-to-date. While inflation remained above the Federal Reserve's target of 2%, readings late in the second quarter showed progress, increasing expectations for the Federal Reserve to cut rates later this year.

Sustained equity market strength and organic asset gathering pushed total client assets to $9.41 trillion as of June 30, 2024. Core net new assets gathered in the second quarter were $61.2 billion, up 17% year-over-year, which brought the year-to-date total to $156.8 billion. Our second quarter and first half of 2024 net new assets reflected expected asset attrition from the Ameritrade integration, though the amount of attrition continued to be below amounts anticipated when we announced the acquisition in late 2019. Our clients were engaged in the markets throughout the first six months of the year, with clients' daily average trades (DATs) at 5.5 million and 5.7 million during the second quarter and first six months of 2024, respectively, up 4% and 2% from the prior-year periods. Clients opened 985 thousand new brokerage accounts in the second quarter of 2024 to bring the total for the first half of the year to 2.1 million, helping active brokerage accounts rise 4% year-over-year to reach 35.6 million at quarter-end.

The Company's financial performance in the second quarter and first six months of 2024 reflected the benefits of equity market strength, increased client engagement, and solid organic growth. Net income totaled $1.3 billion and $2.7 billion in the second quarter and first six months of 2024, respectively, up 3% and down 7% from the same periods in 2023. The Company produced diluted earnings per share (EPS) of $.66 and $1.34 in the second quarter and first six months of 2024, respectively, up 3% and down 9% from the comparable periods in the prior year. Adjusted diluted EPS (1) was $.73 and $1.47 in the second quarter and first six months of 2024, respectively, down 3% and 13% from the comparable 2023 periods.

Total net revenues increased 1% year-over-year to $4.7 billion in the second quarter, bringing the year-to-date total to $9.4 billion, down 3% from the first half of 2023. Net interest revenue was $2.2 billion and $4.4 billion in the second quarter and first six months of 2024, respectively, down 6% and 13% from the comparable periods in 2023, due primarily to lower balances of interest-earning assets and higher interest rates paid on funding sources, partially offset by higher yields on interest-earning assets and increased margin and bank lending. Asset management and administration fees totaled $1.4 billion and $2.7 billion in the second quarter and first six months of 2024, respectively, rising 18% and 19% from the comparable 2023 periods primarily as a result of growth in money market funds, equity market gains, and growth in advice solutions. Trading revenue was $777 million and $1.6 billion in the second quarter and first six months of 2024, respectively, down 3% and 6% from the same periods in 2023, due to lower commissions and order flow revenue as a result of changes in mix. Bank deposit account fee revenue was $153 million in the second quarter of 2024, down 13% year-over-year primarily due to lower average BDA balances. For the first six months of 2024, bank deposit account fee revenue was up 3% from the prior-year period due primarily to $97 million of one-time breakage fees incurred in 2023. BDA balances totaled $84.5 billion at June 30, 2024, down 13% from year-end 2023, reflecting client cash allocation decisions.

Total expenses excluding interest were $2.9 billion and $5.9 billion in the second quarter and first six months of 2024, respectively, lower by 1% from both comparable periods in the prior year, reflecting lower acquisition and integration-related costs, as well as the benefits of our cost reduction restructuring efforts undertaken in late 2023, which helped drive year-over-year decreases in compensation and benefits and occupancy and equipment. Partially offsetting these reductions were growth in depreciation and amortization driven by capital expenditures to support the Ameritrade integration and growth of the business, higher other expenses inclusive of $43 million in regulatory accruals (see Results of Operations – Expenses Excluding Interest and Item 1 – Note 9) and higher exchange processing fees due primarily to the SEC's May 2024 fee rate increase, and higher regulatory fees and assessments, reflecting incremental Federal Deposit Insurance Corporation (FDIC) special assessments of $5 million and $30 million in the second quarter and first six months of 2024, respectively (see Current Regulatory and Other Developments). Adjusted total expenses (1) were $2.8 billion and $5.6 billion in the second quarter and first six months of 2024, respectively, up 2% from both comparable prior-year periods. Acquisition and integration-related costs, amortization of acquired intangible assets, and restructuring costs totaled $175 million and $315 million in the second quarter and first six months of 2024, respectively, down 34% and 37% from the comparable periods in 2023.

Return on average common stockholders' equity was 14% and 15% for the second quarter and first six months of 2024, respectively, down from 17% and 20% from the same prior-year periods. Return on tangible common equity (1) (ROTCE) was 34% and 36% in the second quarter and first six months of 2024, respectively, down from 62% and 71% in the same periods in 2023. These decreases were due primarily to higher average stockholders' equity for both the second quarter and year-to-date periods, and for the year-to-date period, lower net income. Average stockholders' equity was higher in the second quarter and first six months of 2024 due to higher average retained earnings driven by net income for full-year 2023 and the second quarter and first half of 2024, as well as higher average AOCI. The increase in average AOCI was driven by lower unrealized losses on our available for sale (AFS) investment securities portfolio and securities transferred in 2022 from AFS to held to maturity (HTM) (see Item 1 – Note 15).

The Company continued its diligent approach to balance sheet management, seeking to prioritize flexibility. Total balance sheet assets decreased 4% during the second quarter, and decreased 9% from year-end 2023 to June 30, 2024. These decreases were driven primarily by lower bank deposits, which reflected client cash reallocation into higher-yielding investment cash alternatives, strong client engagement in the equity markets, and seasonal tax payments in the second quarter. Total outstanding balances of supplemental funding, which included brokered CDs of $40.3 billion, Federal Home Loan Bank (FHLB) borrowings of $24.4 billion, and borrowings under repurchase agreements of $9.0 billion, increased in aggregate by $2.9 billion, or 4%, during the second quarter of 2024 due primarily to margin loan growth, though the outstanding balance of supplemental funding of $73.7 billion as of June 30, 2024 was lower by $5.9 billion, or 7%, from year-end 2023. Supported by net income and a smaller balance sheet, our consolidated Tier 1 Leverage Ratio increased to 9.4% as of June 30, 2024. Our consolidated adjusted Tier 1 Leverage Ratio (1), which includes AOCI in the ratio, was 5.9% as of the end of the second quarter. In addition, the Company updated its long-term operating objective to be its consolidated adjusted Tier 1 Leverage Ratio (1) of 6.75% - 7.00% (see Capital Management for additional information).

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

Integration of Ameritrade

During the second quarter of 2024, the Company completed the conversion of the final client transition group from Ameritrade to the Schwab platform. Over the course of five client transition groups, we converted approximately $1.9 trillion in client assets across more than 17 million client accounts, including 7,000 RIAs, from Ameritrade to Schwab, and conversion of this final client group is a significant milestone in our integration. In connection with these transitions, we have experienced some related attrition of client assets from retail accounts and RIAs that continues to be below our initial estimates when we announced the acquisition. We continue to expect total acquisition and integration-related costs and capital expenditures will be between $2.4 billion and $2.5 billion.

Acquisition and integration-related costs, which are inclusive of related exit costs, totaled $36 million and $74 million for the second quarter and first six months of 2024, respectively, and $130 million and $228 million for the second quarter and first six months of 2023, 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, 2024, we have achieved approximately 90% of this amount on an annualized run-rate basis. The Company expects to realize the remaining estimated cost synergies by the end of 2024, with anticipated full year synergy realization beginning in 2025. Estimated timing and amounts of costs incurred and synergy realization are subject to change as we work to complete the integration. Refer to Part II – Item 7 – Management's Discussion and Analysis of Financial Condition and Results of Operations (Item 7) – Overview in our 2023 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 Ameritrade.

Other

In addition to cost synergies directly related to the integration of Ameritrade, the Company took incremental actions in 2023 to streamline its operations to prepare for post-integration, including through position eliminations and decreasing its real estate footprint. Through these actions, the Company has realized approximately $500 million of incremental run-rate cost savings in addition to integration synergies. In order to achieve these cost savings, the Company expects to incur total exit and related costs, primarily related to employee compensation and benefits and facility exit costs, of approximately $500 million, substantially all of which have been recognized as of June 30, 2024. Refer to Results of Operations – Total Expenses Excluding Interest and Item 1 – Note 10 for additional information.

Current Regulatory and Other Developments

In April 2024, the U.S. Department of Labor adopted a final rule to significantly broaden the definition of "fiduciary" under the Employee Retirement Income Security Act of 1974. Among other requirements, the rule, in conjunction with associated prohibited transaction exemptions (PTEs), subjects broker-dealers who provide non-discretionary investment advice to retirement plans and accounts to a "best interest" standard. The rule was scheduled to take effect September 23, 2024, with a one-year transition period for certain PTE provisions. On July 25 and 26, 2024, federal district court judges in two separate industry lawsuits seeking to vacate the rule stayed effectiveness of the rule pending resolution of litigation.

In March 2024, the SEC adopted amendments to Rule 605 of Regulation National Market System (NMS) requiring enhanced disclosures of order execution quality for large broker-dealers that handle retail orders. We do not expect the new rule to have a material impact on the Company's business, financial condition, or results of operations. Three related equity market structure rule proposals released in December 2022 by the SEC remain pending.

In November 2023, the FDIC approved a final special assessment to recover losses incurred by the Deposit Insurance Fund (DIF) to protect uninsured depositors due to the March 2023 closures of two banks, which was subject to potential extension and a potential one-time final special assessment for any shortfall in the DIF. The pre-tax impact of the final rule's initial assessment to the Company was $172 million, which was tax deductible and was recognized in earnings in the fourth quarter of 2023. In late February 2024, the FDIC notified banks, including the Company's banking subsidiaries, that the estimated assessed losses to the DIF increased. Accordingly, during the first quarter of 2024, Schwab recognized a pre-tax charge of $25 million for its estimate of this incremental special assessment, which is tax deductible. During the second quarter of 2024, the Company recognized an additional pre-tax charge of $5 million based on the FDIC's June 2024 invoices, resulting in a year-to-date total of $30 million. The Company paid its first amount on the special assessment in the second quarter of 2024 and expects the remaining collection period to be the next two years. The FDIC has indicated that its special assessments and related collection period remain subject to further refinement.

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

See Part II – Item 7 – Current Regulatory and Other Developments in our 2023 Form 10-K for additional information regarding these and other pending regulatory matters including:

- The U.S. federal banking agencies' August 2023 proposed rulemaking on long-term debt requirements for certain large banking organizations;
- The U.S. federal banking agencies' July 2023 notice of proposed rulemaking with amendments to the regulatory capital rules, which, among other things, 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; and
- The SEC's November 2022 proposed rule that would require substantial changes to the liquidity risk management programs for open-end mutual funds other than money market funds and require them to implement "swing pricing" and impose a "hard close" on the acceptance of purchase and redemption orders.

RESULTS OF OPERATIONS

Total Net Revenues

The following tables present a comparison of revenue by category:

Three Months Ended June 30,	Percent Change	2024 Amount	2024 % of Total Net Revenues	2023 Amount	2023 % of Total Net Revenues
Net interest revenue					
Interest revenue	(7)%	$ 3,817	81%	$ 4,104	88%
Interest expense	(9)%	(1,659)	(35)%	(1,814)	(39)%
Net interest revenue	(6)%	2,158	46%	2,290	49%
Asset management and administration fees					
Mutual funds, exchange-traded funds (ETFs), and collective trust funds (CTFs)	25%	785	17%	630	13%
Advice solutions	10%	510	11%	464	10%
Other	11%	88	2%	79	2%
Asset management and administration fees	18%	1,383	30%	1,173	25%
Trading revenue					
Commissions	(3)%	383	8%	394	8%
Order flow revenue	(2)%	357	8%	365	8%
Principal transactions	(16)%	37	1%	44	1%
Trading revenue	(3)%	777	17%	803	17%
Bank deposit account fees	(13)%	153	3%	175	4%
Other	2%	219	4%	215	5%
Total net revenues	1%	$ 4,690	100%	$ 4,656	100%

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

		2024		2023	
Six Months Ended June 30,	Percent Change	Amount	% of Total Net Revenues	Amount	% of Total Net Revenues
Net interest revenue					
Interest revenue	(4)%	$ 7,758	82%	$ 8,120	83%
Interest expense	10%	(3,367)	(36)%	(3,060)	(31)%
Net interest revenue	(13)%	4,391	46%	5,060	52%
Asset management and administration fees					
Mutual funds, ETFs, and CTFs	27%	1,543	16%	1,215	13%
Advice solutions	10%	1,013	11%	917	9%
Other	10%	175	2%	159	2%
Asset management and administration fees	19%	2,731	29%	2,291	24%
Trading revenue					
Commissions	(2)%	796	8%	816	8%
Order flow revenue	(9)%	709	8%	779	8%
Principal transactions	(11)%	89	1%	100	1%
Trading revenue	(6)%	1,594	17%	1,695	17%
Bank deposit account fees	3%	336	4%	326	3%
Other	(6)%	378	4%	400	4%
Total net revenues	(3)%	$ 9,430	100%	$ 9,772	100%

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 cash and cash equivalents, 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, 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.

In response to inflation, the Federal Reserve raised the federal funds target overnight rate four times in the first three quarters of 2023 for a total of 100 basis points before holding rates unchanged since July 2023. Short-term rates remained consistent through the first six months of 2024, as the Federal Reserve maintained the upper bound of the target overnight rate at 5.50%.

Schwab’s average interest-earning assets in the second quarter and first six months of 2024 were lower compared with the same periods in 2023, reflecting clients’ reallocation of cash from sweep products to higher-yielding investment solutions particularly throughout 2023, which resulted from the higher interest rate environment. In the first six months of 2024, the Company saw additional reduction of sweep cash, which also reflected strong client engagement in the equity markets and seasonal tax payments in the second quarter. These changes in client cash reduced average balances of bank deposits during the second quarter and first six months of 2024, and payables to brokerage clients during the first six months of 2024. To support client cash allocation activity that resulted from the higher interest rate environment, the Company has been utilizing supplemental funding, including drawing upon FHLB secured lending facilities, engaging with external financial institutions in repurchase agreements, and issuing brokered CDs. The average pace of client cash allocation out of sweep products into higher-yielding investment solutions decreased significantly beginning in the second half of 2023, and continued to decrease in the first half of 2024 from peak levels seen in mid-2023.

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

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

	2024			2023		
Three 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	$ 28,839	$ 382	5.24%	$ 44,683	$ 547	4.84%
Cash and investments segregated	21,493	281	5.17%	27,399	324	4.68%
Receivables from brokerage clients	68,715	1,351	7.78%	60,709	1,167	7.60%
Available for sale securities (1)	104,045	555	2.13%	145,032	791	2.18%
Held to maturity securities (1)	154,314	658	1.70%	167,499	720	1.72%
Bank loans	41,562	460	4.44%	40,124	410	4.09%
Total interest-earning assets	418,968	3,687	3.50%	485,446	3,959	3.24%
Securities lending revenue		95			124	
Other interest revenue		35			21	
Total interest-earning assets	$ 418,968	$ 3,817	3.62%	$ 485,446	$ 4,104	3.36%
Funding sources						
Bank deposits	$ 258,119	$ 840	1.31%	$ 312,543	$ 863	1.11%
Payables to brokerage clients	67,680	77	0.45%	64,892	64	0.40%
Other short-term borrowings	9,268	129	5.59%	7,622	97	5.08%
Federal Home Loan Bank borrowings	25,582	348	5.42%	46,813	606	5.13%
Long-term debt	22,460	208	3.70%	21,237	157	2.95%
Total interest-bearing liabilities	383,109	1,602	1.68%	453,107	1,787	1.57%
Non-interest-bearing funding sources	35,859			32,339		
Securities lending expense		57			28	
Other interest expense		—			(1)	
Total funding sources	$ 418,968	$ 1,659	1.59%	$ 485,446	$ 1,814	1.49%
Net interest revenue		$ 2,158	2.03%		$ 2,290	1.87%

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

Six Months Ended June 30,	2024 Average Balance	2024 Interest Revenue/ Expense	2024 Average Yield/Rate	2023 Average Balance	2023 Interest Revenue/ Expense	2023 Average Yield/Rate
Interest-earning assets						
Cash and cash equivalents	$ 31,394	$ 836	5.26%	$ 40,891	$ 960	4.67%
Cash and investments segregated	25,503	669	5.19%	33,699	756	4.46%
Receivables from brokerage clients	66,259	2,611	7.80%	60,626	2,251	7.39%
Available for sale securities (1)	107,956	1,149	2.12%	150,382	1,616	2.15%
Held to maturity securities (1)	155,862	1,348	1.73%	169,184	1,466	1.73%
Bank loans	41,046	900	4.40%	40,185	801	4.00%
Total interest-earning assets	428,020	7,513	3.49%	494,967	7,850	3.16%
Securities lending revenue		171			236	
Other interest revenue		74			34	
Total interest-earning assets	$ 428,020	$ 7,758	3.60%	$ 494,967	$ 8,120	3.27%
Funding sources						
Bank deposits	$ 266,243	$ 1,761	1.33%	$ 327,739	$ 1,481	0.91%
Payables to brokerage clients	68,011	150	0.44%	70,997	139	0.40%
Other short-term borrowings	8,327	232	5.60%	7,272	183	5.06%
Federal Home Loan Bank borrowings	25,220	678	5.35%	35,697	910	5.07%
Long-term debt	23,730	432	3.64%	20,766	296	2.85%
Total interest-bearing liabilities	391,531	3,253	1.66%	462,471	3,009	1.31%
Non-interest-bearing funding sources	36,489			32,496		
Securities lending expense		112			50	
Other interest expense		2			1	
Total funding sources	$ 428,020	$ 3,367	1.57%	$ 494,967	$ 3,060	1.24%
Net interest revenue		$ 4,391	2.03%		$ 5,060	2.03%

(1) Amounts have been calculated based on amortized cost. Interest revenue on investment securities is presented net of related premium amortization.

Net interest revenue decreased $132 million, or 6%, and $669 million, or 13%, in the second quarter and first six months of 2024, respectively, compared to the same periods in 2023. These decreases were primarily due to lower average interest-earning assets and, for the year-to-date period, utilization of higher cost supplemental funding sources to support client cash allocations in the elevated rate environment. Average interest-earning assets for both the second quarter and first six months of 2024 were lower by 14% compared to the same periods in 2023. These decreases were due primarily to lower bank sweep deposits as a result of client cash reallocation into higher-yielding investment cash alternatives and fixed income investments. Maturities and paydowns on the AFS and HTM investment securities portfolio supported reductions in bank sweep deposits, and, for the second quarter, lower year-over-year balances of supplemental funding sources.

Net interest margin increased to 2.03% during the second quarter of 2024 from 1.87% compared to the same period in 2023 as improved yields on interest-earning assets offset higher rates paid across interest-bearing funding sources. Net interest margin during the first six months of 2024 was 2.03%, remaining unchanged from the same period in 2023 as the benefit of improved yields on interest-earning assets was offset by higher rates paid on interest-bearing funding sources.

The Company's average balances of FHLB borrowings and brokered CDs were lower in the second quarter of 2024 compared to the same period in 2023, which helped support a 16-basis-point improvement in net interest margin for the second quarter of 2024 compared with the same period in 2023. The Company continues to prioritize repayment of the outstanding balances of its supplemental funding sources. The total outstanding balance of supplemental funding sources increased by $2.9 billion during the second quarter of 2024 as client cash was retained on the Company's broker-dealer to support higher levels of margin lending activity, though the outstanding balance of supplemental funding of $73.7 billion as of June 30, 2024 was lower by $5.9 billion, or 7%, from year-end 2023. Our use and the financial impacts of such supplemental funding is dependent on several factors, including the volume and pace of clients' cash allocation activity, which is driven primarily by changes in market interest rates, clients' margin lending activity, as well as asset gathering and the level of maturities and paydowns on our investment securities portfolios. While client cash realignment activity has continued to decline from peak levels, uncertainty remains, including in regard to the path of market interest rates and client behavior, which will significantly impact our utilization of supplemental funding sources. The impacts to net interest revenue of using supplemental funding sources also depend on the type of funding source used, levels of interest rates, and the use of proceeds. The Company currently expects its outstanding balances of supplemental funding sources to decrease over time. Certain amounts outstanding at June 30, 2024 will require rollover into new borrowings, the amount and costs of which will depend on the above noted factors. 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:

	2024			2023		
Three Months Ended June 30,	Average Client Assets	Revenue	Average Fee	Average Client Assets	Revenue	Average Fee
Schwab money market funds	$ 523,665	$ 357	0.27%	$ 375,898	$ 252	0.27%
Schwab equity and bond funds, ETFs, and CTFs	565,848	112	0.08%	465,079	94	0.08%
Mutual Fund OneSource® and other no-transaction-fee (NTF) funds	338,198	214	0.25%	229,207	151	0.26%
Other third-party mutual funds and ETFs	600,902	102	0.07%	681,486	133	0.08%
Total mutual funds, ETFs, and CTFs [1]	$ 2,028,613	$ 785	0.16%	$ 1,751,670	$ 630	0.14%
Advice solutions [1]						
Fee-based	$ 525,689	$ 510	0.39%	$ 455,859	$ 464	0.41%
Non-fee-based	110,234	—	—	95,427	—	—
Total advice solutions	$ 635,923	$ 510	0.32%	$ 551,286	$ 464	0.34%
Other balance-based fees [2]	763,750	69	0.04%	594,528	63	0.04%
Other [3]		19			16	
Total asset management and administration fees		$ 1,383			$ 1,173	
Six Months Ended June 30,						
Schwab money market funds	$ 511,776	$ 693	0.27%	$ 346,145	$ 465	0.27%
Schwab equity and bond funds, ETFs, and CTFs	552,755	219	0.08%	457,830	185	0.08%
Mutual Fund OneSource and other NTF funds	326,387	423	0.26%	225,822	299	0.27%
Other third-party mutual funds and ETFs	603,263	208	0.07%	678,915	266	0.08%
Total mutual funds, ETFs, and CTFs [1]	$ 1,994,181	$ 1,543	0.16%	$ 1,708,712	$ 1,215	0.14%
Advice solutions [1]						
Fee-based	$ 515,911	$ 1,013	0.39%	$ 449,443	$ 917	0.41%
Non-fee-based	108,133	—	—	94,948	—	—
Total advice solutions	$ 624,044	$ 1,013	0.33%	$ 544,391	$ 917	0.34%
Other balance-based fees [2]	741,599	138	0.04%	578,158	125	0.04%
Other [3]		37			34	
Total asset management and administration fees		$ 2,731			$ 2,291	

[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.

Asset management and administration fees increased by $210 million, or 18%, and $440 million, or 19%, in the second quarter and first six months of 2024, respectively, compared to the same periods in 2023. These increases were primarily a result of higher balances in Schwab money market funds as clients shifted their cash allocations to higher-yielding investment solutions. These increases were also due to growth in balances in Mutual Fund OneSource® and fee-based advice solutions, as a result of strong equity markets and, for advice solutions, net inflows of client assets.

The following tables present 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 49% of the asset management and administration fees earned in both the second quarter and first six months of 2024, compared with 42% and 41% in the second quarter and first six months of 2023, 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,	2024	2023	2024	2023	2024	2023
Balance at beginning of period	$ 515,678	$ 357,822	$ 548,890	$ 443,719	$ 329,176	$ 244,262
Net inflows (outflows)	11,295	30,807	8,794	2,315	(6,863)	(6,650)
Net market gains (losses) and other	6,613	4,258	6,318	19,813	22,500	17,024
Balance at end of period	$ 533,586	$ 392,887	$ 564,002	$ 465,847	$ 344,813	$ 254,636
Six Months Ended June 30,						
Balance at beginning of period	$ 476,409	$ 278,926	$ 506,149	$ 412,942	$ 306,222	$ 235,738
Net inflows (outflows)	42,235	105,843	16,513	12,659	(11,024)	(11,279)
Net market gains (losses) and other	14,942	8,118	41,340	40,246	49,615	30,177
Balance at end of period	$ 533,586	$ 392,887	$ 564,002	$ 465,847	$ 344,813	$ 254,636

Trading Revenue

The following tables present trading revenue, client trading activity, and related information:

	Three Months Ended June 30,		Percent Change	Six Months Ended June 30,		Percent Change
	2024	2023		2024	2023	
Commissions	$ 383	$ 394	(3)%	$ 796	$ 816	(2)%
Order flow revenue						
Options	248	251	(1)%	490	532	(8)%
Equities	109	114	(4)%	219	247	(11)%
Total order flow revenue	357	365	(2)%	709	779	(9)%
Principal transactions	37	44	(16)%	89	100	(11)%
Total trading revenue	$ 777	$ 803	(3)%	$ 1,594	$ 1,695	(6)%

	Three Months Ended June 30,		Percent Change	Six Months Ended June 30,		Percent Change
	2024	2023		2024	2023	
DATs (in thousands)	5,486	5,272	4%	5,718	5,584	2%
Product as a percentage of DATs						
Equities	52%	51%		52%	50%	
Derivatives	22%	24%		22%	23%	
ETFs	18%	19%		18%	20%	
Mutual funds	6%	5%		6%	5%	
Fixed income	2%	1%		2%	2%	
Number of trading days	63.0	62.0	2%	124.0	124.0	—
Revenue per trade [(1)]	$ 2.25	$ 2.46	(9)%	$ 2.25	$ 2.45	(8)%

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

Trading revenue decreased $26 million and $101 million in the second quarter and first six months of 2024, respectively, compared to the same periods in 2023. These decreases were primarily due to lower commissions and order flow revenue, reflecting changes in the mix of client trading activity.

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

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.

In accordance with the Second Amended and Restated Insured Deposit Account Agreement (2023 IDA agreement) executed on May 4, 2023, cash held in 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. Under the 2023 IDA agreement, the service fee on client cash deposits held at the TD Depository Institutions is 15 basis points. 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,		Percent	Six Months Ended June 30,		Percent
	2024	2023	Change	2024	2023	Change
Bank deposit account fees	$ 153	$ 175	(13)%	$ 336	$ 326	3%
Average BDA balances	$ 87,016	$ 103,622	(16)%	$ 89,938	$ 109,716	(18)%
Average net yield	0.70%	0.67%		0.74%	0.59%	
Percentage of average BDA balances designated as:						
Fixed-rate balances	88%	97%		88%	94%	
Floating-rate balances	12%	3%		12%	6%	

Bank deposit account fees decreased $22 million, or 13%, and increased $10 million, or 3%, in the second quarter and first six months of 2024, respectively, compared to the same periods in 2023. The decrease in the second quarter of 2024 compared to 2023 was primarily due to lower average BDA balances. The increase in the first six months of 2024 compared to 2023 was primarily due to $97 million of breakage fees incurred that resulted in lower bank deposit account fee revenue in the first six months of 2023.

In addition, the average amount of floating-rate BDA balances increased in the second quarter and first six months of 2024 compared to the same periods in 2023, which contributed to an increase in average net yield. These factors were partially offset by a decrease in average BDA balances in the second quarter and first six months of 2024 compared to the same periods in 2023, primarily due to client cash allocation decisions in response to higher short-term market interest rates. The percentages of BDA balances designated as fixed-rate and floating-rate obligation amounts as of June 30, 2024 were 89% and 11%, 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 increased $4 million, or 2%, and decreased $22 million, or 6%, in the second quarter and first six months of 2024, respectively, compared to the same periods in 2023. The increase in the second quarter of 2024 was primarily due to higher exchange processing fees and lower provision for credit losses on bank loans, partially offset by certain lower service and other fees. The decrease in the first six months of 2024 was primarily due to certain lower service and other fees, partially offset by lower provision for credit losses on bank loans. Exchange processing fees increased in the second quarter of 2024 due to higher SEC fee rates compared to the second quarter of 2023. Effective May 22, 2024, the SEC increased its fee rates applicable to most securities transactions from the rate in effect since late February 2023. This change will result in higher exchange processing fees per security transaction in other revenue and a corresponding increase in other expense, resulting in no impact to net income. The provision for credit losses on bank loans was lower in the second quarter and the first six months of 2024 compared to the same periods in 2023, due to lower loan loss factors while the total balance of first lien residential real estate mortgage loans (First Mortgages) remained largely consistent with year-end 2023.

Total Expenses Excluding Interest

The following table presents a comparison of expenses excluding interest:

	Three Months Ended June 30,		Percent	Six Months Ended June 30,		Percent
	2024	2023	Change	2024	2023	Change
Compensation and benefits						
Salaries and wages	$ 886	$ 961	(8)%	$ 1,740	$ 1,933	(10)%
Incentive compensation	329	287	15%	716	651	10%
Employee benefits and other	235	250	(6)%	532	552	(4)%
Total compensation and benefits	$ 1,450	$ 1,498	(3)%	$ 2,988	$ 3,136	(5)%
Professional services	259	272	(5)%	500	530	(6)%
Occupancy and equipment	248	319	(22)%	513	618	(17)%
Advertising and market development	107	103	4%	195	191	2%
Communications	172	188	(9)%	313	334	(6)%
Depreciation and amortization	233	191	22%	461	368	25%
Amortization of acquired intangible assets	129	134	(4)%	259	269	(4)%
Regulatory fees and assessments	96	80	20%	221	163	36%
Other	249	180	38%	435	362	20%
Total expenses excluding interest	$ 2,943	$ 2,965	(1)%	$ 5,885	$ 5,971	(1)%
Expenses as a percentage of total net revenues						
Compensation and benefits	31%	32%		32%	32%	
Advertising and market development	2%	2%		2%	2%	
Full-time equivalent employees (in thousands)						
At quarter end	32.3	36.6	(12)%			
Average	32.3	36.2	(11)%	32.5	35.9	(9)%

Expenses excluding interest decreased by $22 million, or 1%, and $86 million, or 1%, in the second quarter and first six months of 2024, respectively, compared to the same periods in 2023. Adjusted total expenses, which excludes acquisition and integration-related costs, amortization of acquired intangible assets, and, beginning in the third quarter of 2023, restructuring costs, increased 2% in the second quarter and first six months of 2024, compared to the same periods in 2023. See Non-GAAP Financial Measures for further details and a reconciliation of such measures to GAAP reported results. The Company began incurring restructuring costs in the third quarter of 2023 in connection with actions to streamline its operations to prepare for post-integration of Ameritrade (see below and Overview – Other for additional information).

Total compensation and benefits expense decreased in the second quarter and first six months of 2024 compared to the same periods in 2023, primarily due to lower headcount as a result of position eliminations completed in the second half of 2023 as part of restructuring, partially offset by higher incentive compensation and annual merit increases. Compensation and benefits included acquisition and integration-related costs of $18 million and $48 million in the second quarter of 2024 and 2023, respectively, and $35 million and $106 million in the first six months of 2024 and 2023, respectively. Compensation and benefits also included a $3 million and $34 million benefit in the second quarter and first six months of 2024, respectively, due to a change in estimated restructuring costs.

Professional services expense decreased in the second quarter and first six months of 2024 compared to the same periods in 2023, primarily due to lower utilization of professional services as we completed Ameritrade client account transitions in the second quarter of 2024, and approach the completion of the overall Ameritrade integration. Professional services included acquisition and integration-related costs of $12 million and $41 million in the second quarter of 2024 and 2023, respectively, and $29 million and $74 million in the first six months of 2024 and 2023, respectively.

Occupancy and equipment expense decreased in the second quarter and first six months of 2024 compared to the same periods in 2023, primarily due to lower technology equipment and software costs, lower property tax expense, and lower occupancy costs as a result of facility closures in 2023 related to restructuring and the Ameritrade integration. Occupancy and equipment included restructuring costs of $1 million and $3 million in the second quarter and first six months of 2024, respectively.

Occupancy and equipment included acquisition and integration-related costs of $10 million and $14 million in the second quarter and first six months of 2023, respectively.

Advertising and market development expense increased in the second quarter and first six months of 2024 compared to the same periods in 2023, primarily due to higher client promotional spending.

Communications expense decreased in the second quarter and first six months of 2024, compared to the same periods in 2023, primarily as a result of lower exchange quotation services expenses.

Depreciation and amortization expense increased in the second quarter and first six months of 2024 compared to the same periods in 2023, primarily as a result of higher amortization of purchased and internally developed software, driven by capital expenditures in 2023 and the first six months of 2024 to support the Ameritrade integration and enhance our technological infrastructure to support growth of the business. Depreciation and amortization expense included acquisition and integration-related costs of $5 million in the second quarter and first six months of 2024.

Amortization of acquired intangible assets decreased in the second quarter and first six months of 2024 compared to the same periods in 2023, as certain assets from the Ameritrade acquisition were fully amortized during 2023.

Regulatory fees and assessments increased in the second quarter and first six months of 2024 compared to the same periods in 2023, primarily as a result of incremental FDIC special assessments and higher FDIC deposit insurance assessments, reflecting greater use of brokered CDs, partially offset by a lower assessment base. The incremental FDIC special assessments totaled $5 million and $30 million in the second quarter and first six months of 2024, respectively. See Current Regulatory and Other Developments for further discussion of these special assessments.

Other expense increased in the second quarter and first six months of 2024 compared to the same periods in 2023, primarily due to a $43 million accrual in the second quarter of 2024 related to an industry-wide regulatory review of off-channel communications, and higher exchange processing fees, partially offset by lower other clearing costs. Exchange processing fees increased due largely to higher SEC fee rates in effect during the second quarter of 2024 compared to the second quarter of 2023. Effective May 22, 2024, the SEC increased its fee rates applicable to most securities transactions from the rate in effect since late February 2023. This change will result in higher exchange processing fees per security transaction in other expense and a corresponding increase in other revenue, resulting in no impact to net income. Other expense included restructuring costs of $12 million and $13 million in the second quarter and first six months of 2024, respectively. 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 $92 million and $168 million in the second quarter of 2024 and 2023, respectively, and $214 million and $355 million in the first six months of 2024 and 2023, respectively. Capital expenditures decreased for the second quarter and first six months of 2024 compared to the same periods in 2023, primarily due to lower purchased and internally developed software as we completed Ameritrade client account transitions in the second quarter and approach the completion of the overall Ameritrade integration. As a result of higher year-to-date total net revenues and lower spending, we now estimate capital expenditures for full-year 2024 will be on the lower end of our previously disclosed expected range of approximately 3-5% of total net revenues.

Taxes on Income

Taxes on income were $415 million and $397 million for the second quarter of 2024 and 2023, respectively, resulting in effective tax rates of 23.8% and 23.5%, respectively. Taxes on income were $851 million and $904 million for the first six months of 2024 and 2023, respectively, resulting in effective tax rates of 24.0% and 23.8%, respectively. The increase in the effective tax rates in the second quarter and first six months of 2024 compared to the same periods in 2023 was primarily related to the release of tax reserves in the first six months of 2023 due to the resolution of certain state tax matters. This increase was partially offset by a decrease in state tax expense and the recognition of certain tax credits.

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	2024	2023	Percent Change	2024	2023	Percent Change	2024	2023
Net Revenues									
Net interest revenue	1%	$ 1,715	$ 1,705	(24)%	$ 443	$ 585	(6)%	$ 2,158	$ 2,290
Asset management and administration fees	16%	973	841	23%	410	332	18%	1,383	1,173
Trading revenue	(2)%	685	701	(10)%	92	102	(3)%	777	803
Bank deposit account fees	(19)%	113	140	14%	40	35	(13)%	153	175
Other	8%	168	156	(14)%	51	59	2%	219	215
Total net revenues	3%	3,654	3,543	(7)%	1,036	1,113	1%	4,690	4,656
Expenses Excluding Interest	2%	2,231	2,191	(8)%	712	774	(1)%	2,943	2,965
Income before taxes on income	5%	$ 1,423	$ 1,352	(4)%	$ 324	$ 339	3%	$ 1,747	$ 1,691
Net new client assets (in billions) [(1)]	11%	$ 39.9	$ 36.0	(5)%	$ 34.3	$ 36.0	3%	$ 74.2	$ 72.0
Six Months Ended June 30,									
Net Revenues									
Net interest revenue	(8)%	$ 3,457	$ 3,738	(29)%	$ 934	$ 1,322	(13)%	$ 4,391	$ 5,060
Asset management and administration fees	17%	1,920	1,646	26%	811	645	19%	2,731	2,291
Trading revenue	(5)%	1,398	1,476	(11)%	196	219	(6)%	1,594	1,695
Bank deposit account fees	4%	248	239	1%	88	87	3%	336	326
Other	(1)%	303	307	(19)%	75	93	(6)%	378	400
Total net revenues	(1)%	7,326	7,406	(11)%	2,104	2,366	(3)%	9,430	9,772
Expenses Excluding Interest	2%	4,496	4,424	(10)%	1,389	1,547	(1)%	5,885	5,971
Income before taxes on income	(5)%	$ 2,830	$ 2,982	(13)%	$ 715	$ 819	(7)%	$ 3,545	$ 3,801
Net new client assets (in billions) [(1)]	(35)%	$ 74.8	$ 115.4	(18)%	$ 87.6	$ 107.3	(27)%	$ 162.4	$ 222.7

[(1)] In the second quarter and first six months of 2024, Investor Services includes net inflows of $2.7 billion and net outflows of $4.7 billion, respectively, from off-platform brokered CDs issued by CSB. Also in the second quarter and first six months of 2024, Investor Services includes an inflow of $10.3 billion from a mutual fund clearing services client. 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.

Segment Net Revenues

Investor Services total net revenues increased by 3% in the second quarter of 2024 compared to the same period in 2023. This increase was primarily due to higher asset management and administration fees as a result of higher balances in money market funds, fee-based advice solutions, and Mutual Fund OneSource®. This increase was partially offset by lower bank deposit account fees primarily due to lower average BDA balances. Net interest revenue was relatively flat as lower average interest-earning asset balances and higher cost funding sources were offset by higher margin loan balances. Advisor Services total net revenues decreased by 7% in the second quarter of 2024 compared to the same period in 2023. This decrease was primarily due to lower net interest revenue as a result of lower average interest-earning asset balances and higher rates paid on funding sources. This decrease was partially offset by higher asset management and administration fees, primarily as a result of higher balances in money market funds and Mutual Fund OneSource.

Investor Services and Advisor Services total net revenues decreased by 1% and 11%, respectively, in the first six months of 2024 compared to the same period in 2023. The decreases for both segments were primarily due to lower net interest revenue as a result of lower average interest-earning asset balances and higher cost funding sources, with the Investor Services decrease being partially offset by higher margin loan balances. Trading revenue decreased in both segments, primarily due to lower payment for order flow and, for Investor Services, lower commissions, as described above. These decreases were partially offset by higher asset management and administration fees for both segments, primarily as a result of higher balances in money market funds and Mutual Fund OneSource, and, additionally for Investor Services, fee-based advice solutions.

Segment Expenses Excluding Interest

Investor Services total expenses excluding interest increased by 2% in the second quarter and first six months of 2024, compared to the same periods in 2023, while Advisor Services total expenses excluding interest decreased by 8% and 10% in the second quarter and first six months of 2024, respectively, compared to the same periods in 2023. Compensation and benefits expense decreased in both segments, primarily due to lower headcount as a result of position eliminations in 2023, partially offset by higher incentive compensation and annual merit increases. Occupancy and equipment expense decreased in both segments, primarily due to lower technology equipment and software costs, lower property tax expense, and facility closures in 2023 related to restructuring and the Ameritrade integration. Regulatory fees and assessments increased in both segments, primarily due to higher FDIC assessments, as described above. For Investor Services, depreciation and amortization expense increased, primarily due to higher amortization of purchased and internally developed software, driven by capital expenditures in 2023 and the first six months of 2024 to enhance our technological infrastructure to support growth of the business. In Investor Services, other expense increased primarily due to accruals related to an industry-wide regulatory review of off-channel communications and higher exchange processing fees.

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 – Risk Management in the 2023 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. The Company began in 2023 to utilize interest rate swap derivative instruments to assist with managing interest rate risk, the effects of which are incorporated into the Company's net interest revenue and EVE analyses. For further information on our interest rate risk management strategies utilizing interest rate swaps, see Item 1 – Note 11.

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, and include derivative instruments. 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. We use independent third-party models to simulate net interest revenue sensitivity and related analyses. Fixed income analytical vendors provide term structure models, prepayment speed models for mortgage-backed securities and mortgage loans, and cash flow projections based on interest income, contractual maturities, and prepayments. Consistent with our policies related to the management of interest rate risk, the Company's net interest revenue sensitivity analysis primarily involves gradual parallel increases/decreases in interest rates over a twelve-month period, though we also regularly simulate the effects of non-parallel shifts and instantaneous shifts of interest rates on net interest revenue.

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)

Higher prevailing short-term interest rates generally improve yields on shorter duration interest-earning assets. During periods of rapidly rising interest rates, clients tend to reallocate cash out of sweep products into higher-yielding, off-balance sheet, fixed income investments and money market funds within Schwab's product offerings. This can result in lower interest-earning assets and/or may require supplemental funding with higher funding costs, which therefore tend to constrain net interest revenue when interest rates are moving rapidly higher. 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.

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.

The following table presents simulated changes to net interest revenue over the next 12 months beginning June 30, 2024 and December 31, 2023 of a gradual increase or decrease in market interest rates relative to prevailing market rates at the end of each reporting period:

	June 30, 2024	December 31, 2023
Increase of 200 basis points	9.8%	10.8%
Increase of 100 basis points	5.2%	5.8%
Increase of 50 basis points	2.8%	3.1%
Decrease of 50 basis points	0.6%	0.4%
Decrease of 100 basis points	0.2%	(0.2)%
Decrease of 200 basis points	(3.2)%	(4.2)%

The Company's simulated incremental increases and decreases in market interest rates had a smaller impact on net interest revenue as of June 30, 2024 compared to December 31, 2023. This is primarily due to lower cash balances held at June 30, 2024, partially offset by lower interest-bearing deposits, which reduces interest expense in a higher rate environment and reduces interest expense savings in a lower rate environment.

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.

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

The following table presents the Company's estimated effective durations, which reflects anticipated future payments, by category:

	June 30, 2024	June 30, 2023
	In years	
Estimated effective duration, exclusive of derivatives:		
Consolidated total assets	2.4	2.6
AFS investment securities portfolio	2.3	2.4
AFS and HTM investment securities portfolio	3.9	4.0
Estimated effective duration, inclusive of derivatives [1]:		
Consolidated total assets	2.4	2.5
AFS investment securities portfolio	2.1	2.2
AFS and HTM investment securities portfolio	3.8	3.9

[1] See Note 11 for additional discussion on the Company's derivatives.

AFS and HTM securities comprised approximately 55% and 57% of the Company's consolidated total assets as of June 30, 2024 and 2023, respectively. The estimated effective duration of the remaining balance sheet assets in aggregate was less than one year as of both June 30, 2024 and 2023.

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, and includes the impact of derivative instruments. While EVE does not have a direct accounting relationship, the measure aims to capture a theoretical value of assets and liabilities under a variety of interest rate environments. 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. 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. We use both proprietary and independent third-party models to simulate EVE sensitivity and related analyses. We develop and maintain client credits and deposits run-off models internally based on historical experience and prevailing client cash realignment behaviors. We rely on third-party models for term structure modeling and prepayment speed modeling for mortgage-backed securities and mortgage loans.

As interest rates have risen in the Federal Reserve's tightening cycle, EVE sensitivity has generally trended higher due to a shortening of liability duration. While the Company's asset duration remained largely stable during the period of rising interest rates, liability duration shortened significantly and is now shorter than asset duration.

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, 2024 and December 31, 2023, 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. Our net interest revenue, EVE, and bank deposit account fee revenue simulations reflect the assumption of non-negative investment yields.

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, our principal broker-dealer subsidiary; 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 subsidiary 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, borrowings under repurchase agreements with external financial institutions, issuance of CDs, cash provided by securities issuances by CSC in the capital markets, and other facilities described below.

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 35.6 million active brokerage accounts. More than 80% of our bank deposits qualified for FDIC insurance as of June 30, 2024. 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.

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

The following table describes external debt facilities available at June 30, 2024:

Description	Borrower	Outstanding	Available		Maturity of Amounts Outstanding	Weighted-Average Interest Rate on Amounts Outstanding
FHLB secured credit facilities	Banking subsidiaries	$ 24,400	$ 54,426	(1)	July 2024 - February 2025	5.38%
Federal Reserve discount window	Banking subsidiaries	—	35,870	(1)	N/A	—
Repurchase agreements	Banking subsidiaries, CSC	8,996	—	(2)	July 2024 - February 2025	5.47%
Unsecured uncommitted lines of credit with various external banks	CSC, CS&Co	—	1,617		N/A	—
Unsecured commercial paper	CSC	—	5,000		N/A	—
Secured uncommitted lines of credit with various external banks	CS&Co	1,000	—	(3)	August 2024 - September 2024	5.70%
Secured uncommitted lines of credit with various external banks	TDAC	—	—	(3)	N/A	—
Unsecured committed revolving line of credit with various external banks	CSC	—	2,100	(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, 2024. Incremental borrowing capacity may be made available by pledging additional assets, subject to applicable facility terms. See below and Item 1 – Note 8 for additional information.
(2) Secured borrowing capacity is made available based on the banking subsidiaries' or CSC's ability to provide collateral deemed acceptable by each respective counterparty. See below and Item 1 – Note 12 for additional information.
(3) Secured borrowing capacity is made available based on CS&Co's or TDAC's ability to provide acceptable collateral to the lenders as determined by the credit agreements.
(4) During the first quarter of 2024, CSC entered into an unsecured committed revolving line of credit with various external banks.
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, 2024, the Company had additional investment securities with a par value of approximately $130 billion or a fair value of approximately $119 billion available to be pledged to obtain additional capacity. 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 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 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 2024 and there were no amounts outstanding at June 30, 2024. CSC maintains a standing bilateral repurchase agreement with an external bank. Other than de minimis tests, this facility was not used during the first six months of 2024 and there were no amounts outstanding under this facility at June 30, 2024.

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, 2024.

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

Beginning in 2024, CSC has access to an unsecured, committed revolving line of credit with various external banks. This line will expire in January 2025. Other than an overnight borrowing to test the availability, the facility was not used during the first six months of 2024.

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

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. CS&Co also maintains secured, uncommitted lines of credit, under which CS&Co may borrow on a short-term basis and pledge either client margin securities or firm securities as collateral, based on the terms of the agreements.

CSB issues brokered CDs as a supplemental funding source. The following table provides information about brokered CDs issued by CSB and outstanding as of June 30, 2024:

	Amount Outstanding	Maturity	Weighted-Average Interest Rate
Brokered CDs	$ 40,308	August 2024 - June 2025	5.26%

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 at Schwab. 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. The average pace of client cash allocations out of sweep products into higher-yielding investment solutions decreased significantly beginning in the second half of 2023, and continued to decrease in the first half of 2024.

During the second quarter of 2024, bank deposits decreased $17.0 billion, which resulted primarily from a decrease of $16.7 billion in deposits swept from brokerage accounts, partially offset by a net increase in brokered CDs of $1.2 billion. The decrease in deposits swept from brokerage accounts reflected client cash reallocations, strong client engagement in equity markets, seasonal tax payments, and retention of amounts on our broker-dealer to support margin loan demand. As a result of these factors, FHLB borrowings and other short-term borrowings increased by $1.7 billion during the quarter.

During the first six months of 2024, the Company's cash and cash equivalents decreased $18.0 billion from year-end 2023 to $25.4 billion at June 30, 2024; cash and cash equivalents, including amounts restricted, decreased $27.4 billion to $47.1 billion at June 30, 2024. These decreases reflected net repayments of supplemental funding balances of $5.9 billion and maturities of long-term debt of $3.7 billion. Bank deposits decreased during the first six months of 2024 by $37.5 billion, resulting from a decrease of $28.1 billion in deposits swept from brokerage accounts due to client cash allocations and a decrease in brokered CDs of $8.0 billion. Partially offsetting the decrease in bank deposits and repayment of borrowings, net investing cash flows from our AFS and HTM securities totaled $21.3 billion in the first six months of 2024.

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 2023 Form 10-K for additional information. The Company was in compliance with the LCR rule at June 30, 2024, and the table below presents information about our average daily LCR:

	Average for the Three Months Ended	
	June 30, 2024	March 31, 2024
Total eligible HQLA	$ 53,815	$ 58,841
Net cash outflows	45,086	45,195
LCR	120%	130%

To support growth in margin loan balances at our broker-dealer subsidiary while meeting our LCR requirements, the Company may issue commercial paper or draw on secured lines of credit, in addition to capital markets issuances. In managing compliance with our LCR requirements, the broker-dealer subsidiary may also retain client cash balances rather than sweeping such balances to our banking subsidiaries.

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

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. 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, 2024, and the table below presents information about our average NSFR:

	Average for the Three Months Ended	
	June 30, 2024	March 31, 2024
ASF	$ 193,668	$ 197,076
RSF	151,514	150,708
NSFR	128%	131%

Long-Term Borrowings

The Company's long-term debt is primarily comprised of Senior Notes and totaled $22.4 billion and $26.1 billion at June 30, 2024 and December 31, 2023, respectively.

The following table provides information about our Senior Notes outstanding at June 30, 2024:

June 30, 2024	Par Outstanding	Maturity	Weighted Average Interest Rate	Moody's	Standard & Poor's	Fitch
CSC Senior Notes	$ 22,262	2025 - 2034	3.71%	A2	A-	A
Ameritrade Holding LLC Senior Notes	163	2025 - 2029	3.38%	A2	A-	—

New Debt Issuances

There were no new debt issuances of senior unsecured obligations in the first six months of 2024.

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 – Risk Management – Liquidity Risk in our 2023 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 the Company's 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, inclusive of balance sheet growth over time, management of the 2023 IDA agreement, financial support to our subsidiaries, sustained access to the capital markets, and regulatory capital requirements. 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 – Capital Management of the 2023 Form 10-K and in Item 1 – Note 17. As of June 30, 2024, 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, 2024		December 31, 2023	
	CSC	CSB	CSC	CSB
Total stockholders' equity	$ 43,953	$ 17,384	$ 40,958	$ 16,079
Less:				
Preferred stock	9,191	—	9,191	—
Common Equity Tier 1 Capital before regulatory adjustments	$ 34,762	$ 17,384	$ 31,767	$ 16,079
Less:				
Goodwill, net of associated deferred tax liabilities	$ 11,764	$ 13	$ 11,782	$ 13
Other intangible assets, net of associated deferred tax liabilities	6,450	—	6,664	—
Deferred tax assets, net of valuation allowances and deferred tax liabilities	41	35	41	35
AOCI adjustment (1)	(16,926)	(14,755)	(18,131)	(15,746)
Common Equity Tier 1 Capital	$ 33,433	$ 32,091	$ 31,411	$ 31,777
Tier 1 Capital	$ 42,624	$ 32,091	$ 40,602	$ 31,777
Total Capital	42,650	32,111	40,645	31,816
Risk-Weighted Assets	115,334	80,450	128,230	83,809
Average Assets with regulatory adjustments	451,304	294,465	476,069	315,851
Total Leverage Exposure	454,433	296,450	479,302	318,007
Common Equity Tier 1 Capital/Risk-Weighted Assets	29.0%	39.9%	24.5%	37.9%
Tier 1 Capital/Risk-Weighted Assets	37.0%	39.9%	31.7%	37.9%
Total Capital/Risk-Weighted Assets	37.0%	39.9%	31.7%	38.0%
Tier 1 Leverage Ratio	9.4%	10.9%	8.5%	10.1%
Supplementary Leverage Ratio	9.4%	10.8%	8.5%	10.0%

(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 9.4% at June 30, 2024 from 8.8% at March 31, 2024 and 8.5% at year-end 2023. This increase during the second quarter was primarily due to lower total Company assets and also the benefit of net income earned during the quarter. Total balance sheet assets decreased $19.1 billion, or 4%, during the second quarter of 2024 due primarily to a decrease of $17.0 billion, or 6%, in total bank deposits. CSB's Tier 1 Leverage Ratio increased from 10.4% at March 31, 2024 and 10.1% at year-end 2023, ending the second quarter of 2024 at 10.9% primarily as a result of lower total assets as well as net income during the quarter.

In light of the Federal Reserve's 2023 regulatory capital rule proposal, which among other things, would require the Company to include AOCI in regulatory capital (See Part II – Item 7 – Current Regulatory and Other Developments in the 2023 Form 10-K), the Company has developed an adjusted Tier 1 Leverage Ratio, which is a non-GAAP financial measure that includes AOCI in the ratio. The primary component of AOCI for Schwab is unrealized gains and losses on our AFS investment securities portfolio and on securities transferred from AFS to the HTM category.

During the second quarter of 2024, Schwab updated its long-term operating objective to be its consolidated adjusted Tier 1 Leverage Ratio of 6.75% - 7.00%. As of June 30, 2024, our adjusted Tier 1 Leverage Ratio, which includes AOCI in the ratio, was 5.9% for CSC consolidated and 6.2% for CSB (see Non-GAAP Financial Measures for further details and a reconciliation of such measures to GAAP reported results). In working toward our long-term operating objective, the Company is continuing to retain and accrete capital organically. The Company will continue to manage its capital as described above. In evaluating returns of excess capital to stockholders, we may consider the amount of supplemental funding outstanding, and Schwab may choose to utilize the liquidity we would otherwise use for capital returns to repay outstanding supplemental balances.

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 2024, 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.

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

Dividends

Cash dividends paid and per share amounts, exclusive of amounts related to preferred stock repurchases, for the first six months of 2024 and 2023 are as follows:

	2024		2023	
Six Months Ended June 30,	Cash Paid	Per Share Amount	Cash Paid	Per Share Amount
Common and Nonvoting Common Stock	$ 919	$ .50	$ 921	$ .50
Preferred Stock:				
Series D [1]	22	29.76	22	29.76
Series F [2]	12	2,500.00	12	2,500.00
Series G [1]	66	2,687.50	67	2,687.50
Series H [1]	45	2,000.00	46	2,000.00
Series I [1]	41	2,000.00	42	2,000.00
Series J [1]	13	22.26	13	22.26
Series K [1]	19	2,500.00	19	2,500.00

[1] Dividends paid quarterly.
[2] Dividends paid semi-annually until December 1, 2027 and quarterly thereafter.

Share Repurchases

On July 27, 2022, CSC publicly announced that its Board of Directors approved a 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 share repurchase authorization does not have an expiration date. There were no repurchases of CSC's common stock during the three and six months ended June 30, 2024, and for 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, 2024, approximately $8.7 billion remained on the authorization.

There were no repurchases of CSC's preferred stock during the three and six months ended June 30, 2024, and for the three months ended June 30, 2023. During the six months ended June 30, 2023, the Company repurchased on the open market 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. The repurchase prices are inclusive of $3 million of dividends accrued by the stockholders as of the repurchase date.

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, 2024, Schwab had exposure to non-sovereign financial and non-financial institutions in foreign countries, as well as agencies of foreign governments. At June 30, 2024, the fair value of these holdings totaled $13.3 billion, with the top three exposures being to issuers and counterparties domiciled in France at $4.9 billion, the United Kingdom at $4.1 billion, and Canada at $895 million. At December 31, 2023, the fair value of these holdings totaled $12.8 billion, with the top three exposures being to issuers and counterparties domiciled in the United Kingdom at $5.0 billion, France at $3.2 billion, and Canada at $1.5 billion. In addition, Schwab had outstanding margin loans to foreign residents of $3.2 billion and $2.5 billion at June 30, 2024 and December 31, 2023, 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 – Critical Accounting Estimates in the 2023 Form 10-K. There have been no changes to critical accounting estimates during the first six months of 2024.

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. Beginning in the third quarter of 2023, these adjustments also include restructuring costs, which the Company began incurring in connection with its previously announced plans to streamline its operations to prepare for post-integration of Ameritrade. See Part I – Item 1 – Note 10 for additional information.

Non-GAAP Adjustment or Measure	Definition	Usefulness to Investors and Uses by Management
Acquisition and integration-related costs, amortization of acquired intangible assets, and restructuring costs	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, restructuring costs, 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, amortization of acquired intangible assets, and restructuring costs 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. Costs related to acquisition and integration or restructuring fluctuate based on the timing of acquisitions, integration and restructuring 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. Additionally, the Company uses adjusted Tier 1 Leverage Ratio in managing capital, including its use of the measure as its long-term operating objective.

(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,		Six Months Ended June 30,	
	2024	2023	2024	2023
Total expenses excluding interest (GAAP)	$ 2,943	$ 2,965	$ 5,885	$ 5,971
Acquisition and integration-related costs [(1)]	(36)	(130)	(74)	(228)
Amortization of acquired intangible assets	(129)	(134)	(259)	(269)
Restructuring costs [(2)]	(10)	—	18	—
Adjusted total expenses (non-GAAP)	$ 2,768	$ 2,701	$ 5,570	$ 5,474

(1) Acquisition and integration-related costs for the three and six months ended June 30, 2024 primarily consist of $18 million and $35 million of compensation and benefits, $12 million and $29 million of professional services, and $5 million of depreciation and amortization. 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, and $10 million and $14 million of occupancy and equipment, and $20 million and $22 million of other.

(2) Restructuring costs for the three and six months ended June 30, 2024 reflect a change in estimate of $3 million and $34 million in compensation and benefits, offset by $1 million and $3 million of occupancy and equipment and $12 million and $13 million of other expense for the periods. There were no restructuring costs for the three and six months ended June 30, 2023.

	Three Months Ended June 30,				Six Months Ended June 30,			
	2024		2023		2024		2023	
	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)	$ 1,211	$ .66	$ 1,173	$ .64	$ 2,462	$ 1.34	$ 2,706	$ 1.48
Acquisition and integration-related costs	36	.02	130	.07	74	.04	228	.12
Amortization of acquired intangible assets	129	.07	134	.07	259	.14	269	.15
Restructuring costs	10	.01	—	—	(18)	(.01)	—	—
Income tax effects [(1)]	(42)	(.03)	(64)	(.03)	(75)	(.04)	(120)	(.07)
Adjusted net income available to common stockholders (non-GAAP), Adjusted diluted EPS (non-GAAP)	$ 1,344	$ .73	$ 1,373	$ .75	$ 2,702	$ 1.47	$ 3,083	$ 1.68

(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, amortization of acquired intangible assets, and restructuring costs on an after-tax basis.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Return on average common stockholders' equity (GAAP)	14%	17%	15%	20%
Average common stockholders' equity	$ 33,991	$ 27,556	$ 33,264	$ 27,429
Less: Average goodwill	(11,951)	(11,951)	(11,951)	(11,951)
Less: Average acquired intangible assets — net	(8,067)	(8,591)	(8,132)	(8,657)
Plus: Average deferred tax liabilities related to goodwill and acquired intangible assets — net	1,747	1,834	1,753	1,837
Average tangible common equity	$ 15,720	$ 8,848	$ 14,934	$ 8,658
Adjusted net income available to common stockholders [(1)]	$ 1,344	$ 1,373	$ 2,702	$ 3,083
Return on tangible common equity (non-GAAP)	34%	62%	36%	71%

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

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

	June 30, 2024		December 31, 2023	
	CSC	CSB	CSC	CSB
Tier 1 Leverage Ratio (GAAP)	9.4%	10.9%	8.5%	10.1%
Tier 1 Capital	$ 42,624	$ 32,091	$ 40,602	$ 31,777
Plus: AOCI adjustment	(16,926)	(14,755)	(18,131)	(15,746)
Adjusted Tier 1 Capital	25,698	17,336	22,471	16,031
Average assets with regulatory adjustments	451,304	294,465	476,069	315,851
Plus: AOCI adjustment	(17,301)	(15,251)	(19,514)	(17,194)
Adjusted average assets with regulatory adjustments	$ 434,003	$ 279,214	$ 456,555	$ 298,657
Adjusted Tier 1 Leverage Ratio (non-GAAP)	5.9%	6.2%	4.9%	5.4%

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,	
	2024	2023	2024	2023
Net Revenues				
Interest revenue	$ 3,817	$ 4,104	$ 7,758	$ 8,120
Interest expense	(1,659)	(1,814)	(3,367)	(3,060)
Net interest revenue	2,158	2,290	4,391	5,060
Asset management and administration fees	1,383	1,173	2,731	2,291
Trading revenue	777	803	1,594	1,695
Bank deposit account fees	153	175	336	326
Other	219	215	378	400
Total net revenues	4,690	4,656	9,430	9,772
Expenses Excluding Interest				
Compensation and benefits	1,450	1,498	2,988	3,136
Professional services	259	272	500	530
Occupancy and equipment	248	319	513	618
Advertising and market development	107	103	195	191
Communications	172	188	313	334
Depreciation and amortization	233	191	461	368
Amortization of acquired intangible assets	129	134	259	269
Regulatory fees and assessments	96	80	221	163
Other	249	180	435	362
Total expenses excluding interest	2,943	2,965	5,885	5,971
Income before taxes on income	1,747	1,691	3,545	3,801
Taxes on income	415	397	851	904
Net Income	1,332	1,294	2,694	2,897
Preferred stock dividends and other	121	121	232	191
Net Income Available to Common Stockholders	$ 1,211	$ 1,173	$ 2,462	$ 2,706
Weighted-Average Common Shares Outstanding:				
Basic	1,828	1,820	1,827	1,827
Diluted	1,834	1,825	1,832	1,834
Earnings Per Common Shares Outstanding [1]**:**				
Basic	$ .66	$ .64	$ 1.35	$ 1.48
Diluted	$ .66	$ .64	$ 1.34	$ 1.48

[1] 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,	
	2024	2023	2024	2023
Net income	$ 1,332	$ 1,294	$ 2,694	$ 2,897
Other comprehensive income (loss), before tax:				
Change in net unrealized gain (loss) on available for sale securities:				
Net unrealized gain (loss)	234	(683)	373	1,166
Other reclassifications included in other revenue	10	11	20	20
Change in net unrealized gain (loss) on held to maturity securities:				
Amortization of amounts previously recorded upon transfer to held to maturity from available for sale	583	642	1,147	1,251
Other	(2)	(1)	(10)	(9)
Other comprehensive income (loss), before tax	825	(31)	1,530	2,428
Income tax effect	(185)	(9)	(335)	(537)
Other comprehensive income (loss), net of tax	640	(40)	1,195	1,891
Comprehensive Income (Loss)	$ 1,972	$ 1,254	$ 3,889	$ 4,788

See Notes to Condensed Consolidated Financial Statements.

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

		June 30, 2024		December 31, 2023
Assets				
Cash and cash equivalents	$	25,350	$	43,337
Cash and investments segregated and on deposit for regulatory purposes (including resale agreements of $9,290 and $8,844 at June 30, 2024 and December 31, 2023, respectively)		21,737		31,836
Receivables from brokerage clients — net		72,836		68,667
Available for sale securities (amortized cost of $101,859 at June 30, 2024 and $116,336 at December 31, 2023; including assets pledged of $1,612 and $1,733, respectively)		93,562		107,646
Held to maturity securities (including assets pledged of $8,211 at June 30, 2024 and $3,703 at December 31, 2023)		153,179		159,452
Bank loans — net		42,182		40,439
Equipment, office facilities, and property — net		3,436		3,690
Goodwill		11,951		11,951
Acquired intangible assets — net		8,003		8,260
Other assets		17,439		17,900
Total assets	$	449,675	$	493,178
Liabilities and Stockholders' Equity				
Bank deposits	$	252,420	$	289,953
Payables to brokerage clients		79,966		84,786
Accrued expenses and other liabilities		16,491		18,400
Other short-term borrowings		9,996		6,553
Federal Home Loan Bank borrowings		24,400		26,400
Long-term debt		22,449		26,128
Total liabilities		405,722		452,220
Stockholders' equity:				
Preferred stock — $.01 par value per share; aggregate liquidation preference of $9,329 at June 30, 2024 and December 31, 2023		9,191		9,191
Common stock — 3 billion shares authorized; $.01 par value per share; 2,023,295,180 shares issued at June 30, 2024 and December 31, 2023		20		20
Nonvoting common stock — 300 million shares authorized; $.01 par value per share; 50,893,695 shares issued at June 30, 2024 and December 31, 2023		1		1
Additional paid-in capital		27,470		27,330
Retained earnings		35,458		33,901
Treasury stock, at cost — 245,678,570 and 250,678,452 shares at June 30, 2024 and December 31, 2023, respectively		(11,251)		(11,354)
Accumulated other comprehensive income (loss)		(16,936)		(18,131)
Total stockholders' equity		43,953		40,958
Total liabilities and stockholders' equity	$	449,675	$	493,178

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, 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
Balance at March 31, 2024	$ 9,191	2,023	$ 20	51	$ 1	$ 27,358	$ 34,701	$ (11,283)	$ (17,576)	$ 42,412
Net income	—	—	—	—	—	—	1,332	—	—	1,332
Other comprehensive income (loss), net of tax	—	—	—	—	—	—	—	—	640	640
Dividends declared on preferred stock	—	—	—	—	—	—	(115)	—	—	(115)
Dividends declared on common stock — $.25 per share	—	—	—	—	—	—	(460)	—	—	(460)
Stock option exercises and other	—	—	—	—	—	4	—	17	—	21
Share-based compensation	—	—	—	—	—	65	—	—	—	65
Other	—	—	—	—	—	43	—	15	—	58
Balance at June 30, 2024	$ 9,191	2,023	$ 20	51	$ 1	$ 27,470	$ 35,458	$ (11,251)	$ (16,936)	$ 43,953

	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, 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
Balance at December 31, 2023	$ 9,191	2,023	$ 20	51	$ 1	$ 27,330	$ 33,901	$ (11,354)	$ (18,131)	$ 40,958
Net income	—	—	—	—	—	—	2,694	—	—	2,694
Other comprehensive income (loss), net of tax	—	—	—	—	—	—	—	—	1,195	1,195
Dividends declared on preferred stock	—	—	—	—	—	—	(218)	—	—	(218)
Dividends declared on common stock — $.50 per share	—	—	—	—	—	—	(919)	—	—	(919)
Stock option exercises and other	—	—	—	—	—	(116)	—	159	—	43
Share-based compensation	—	—	—	—	—	190	—	—	—	190
Other	—	—	—	—	—	66	—	(56)	—	10
Balance at June 30, 2024	$ 9,191	2,023	$ 20	51	$ 1	$ 27,470	$ 35,458	$ (11,251)	$ (16,936)	$ 43,953

See Notes to Condensed Consolidated Financial Statements.

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

	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
Cash Flows from Operating Activities		
Net income	$ 2,694	$ 2,897
Adjustments to reconcile net income to net cash provided by (used for) operating activities:		
Share-based compensation	202	194
Depreciation and amortization	461	368
Amortization of acquired intangible assets	259	269
Provision (benefit) for deferred income taxes	(109)	4
Premium amortization, net, on available for sale and held to maturity securities	416	392
Other	238	278
Net change in:		
Investments segregated and on deposit for regulatory purposes	728	10,832
Receivables from brokerage clients	(4,188)	1,409
Other assets	691	(27)
Payables to brokerage clients	(4,820)	(12,643)
Accrued expenses and other liabilities	(2,173)	588
Net cash provided by (used for) operating activities	(5,601)	4,561
Cash Flows from Investing Activities		
Purchases of available for sale securities	(1,258)	—
Proceeds from sales of available for sale securities	2,043	2,900
Principal payments on available for sale securities	13,344	20,181
Principal payments on held to maturity securities	7,135	7,672
Net change in bank loans	(1,755)	413
Purchases of equipment, office facilities, and property	(238)	(398)
Purchases of FHLB stock	(474)	(1,562)
Proceeds from sales of FHLB stock	620	82
Purchases of Federal Reserve stock	(107)	(82)
Proceeds from sales of Federal Reserve stock	—	98
Other investing activities	(129)	(108)
Net cash provided by (used for) investing activities	19,181	29,196
Cash Flows from Financing Activities		
Net change in bank deposits	(37,533)	(62,310)
Proceeds from FHLB borrowings	12,201	39,200
Repayments of FHLB borrowings	(14,201)	(10,600)
Proceeds from other short-term borrowings	10,866	8,114
Repayments of other short-term borrowings	(7,423)	(4,939)
Issuances of long-term debt	—	2,478
Repayments of long-term debt	(3,670)	(815)
Redemption and repurchase of preferred stock	—	(467)
Dividends paid	(1,137)	(1,142)
Proceeds from stock options exercised	43	24
Repurchases of common stock and nonvoting common stock	—	(2,842)
Other financing activities	(84)	(71)
Net cash provided by (used for) financing activities	(40,938)	(33,370)
Increase (Decrease) in Cash and Cash Equivalents, including Amounts Restricted	(27,358)	387
Cash and Cash Equivalents, including Amounts Restricted at Beginning of Year	74,473	58,720
Cash and Cash Equivalents, including Amounts Restricted at End of Period	$ 47,115	$ 59,107

Continued on following page.

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

Continued from previous page.

	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
Supplemental Cash Flow Information		
Non-cash investing activity:		
Changes in accrued equipment, office facilities, and property purchases	$ (24)	$ (43)
Other Supplemental Cash Flow Information:		
Cash paid during the period for:		
Interest	$ 3,568	$ 2,135
Income taxes	$ 1,067	$ 876
Amounts included in the measurement of lease liabilities	$ 125	$ 128
Leased assets obtained in exchange for new operating lease liabilities	$ 110	$ 40

	June 30, 2024	June 30, 2023
Reconciliation of cash, cash equivalents and amounts reported within the balance sheet [1]		
Cash and cash equivalents	$ 25,350	$ 47,651
Restricted cash and cash equivalents amounts included in cash and investments segregated and on deposit for regulatory purposes	21,765	11,456
Total cash and cash equivalents, including amounts restricted shown in the statement of cash flows	$ 47,115	$ 59,107

[1] For more information on the nature of restrictions on restricted cash and cash equivalents, see Note 17.

See Notes to Condensed Consolidated Financial Statements.

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

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;
- 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™).

In May 2024, the Company completed the final client account conversions to CS&Co from the Ameritrade broker-dealers, TD Ameritrade, Inc. and TD Ameritrade Clearing, Inc. (TDAC). Accordingly, these entities are no longer principal business subsidiaries. See Note 10 for additional information regarding the Company's integration of Ameritrade.

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 2023 Form 10-K.

The significant accounting policies are included in Item 8 – Note 2 in the 2023 Form 10-K. There have been no significant changes to these accounting policies during the first six months of 2024.

2. New Accounting Standards

Adoption of New Accounting Standards

Standard	Description	Date of Adoption	Effects on the Financial Statements or Other Significant Matters
Accounting Standards Update (ASU) 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures"	Requires annual and interim disclosure of significant segment expenses that are provided to the chief operating decision maker (CODM) and included in segment profit or loss. Also requires disclosure of the CODM's title and position and how the CODM uses reported segment profit or loss information in assessing segment performance and allocating resources. All required segment disclosures will be presented both on an interim and annual basis. Adoption requires retrospective application as of the earliest comparative period presented in the financial statements.	January 1, 2024 (applies to the annual financial statements for 2024 and interim periods thereafter)	The Company does not expect this guidance will have a material impact on its financial statements or disclosures.

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

New Accounting Standards Not Yet Adopted

Standard	Description	Required Date of Adoption	Effects on the Financial Statements or Other Significant Matters
ASU 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures"	Expands income tax disclosures, primarily by enhancing the rate reconciliation table and requiring additional disaggregated information about income taxes paid. Adoption allows retrospective or prospective application, with early adoption permitted.	January 1, 2025	The Company does not expect this guidance will have a material impact on its financial statements or disclosures.

3. Revenue Recognition

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net interest revenue				
Cash and cash equivalents	$ 382	$ 547	$ 836	$ 960
Cash and investments segregated	281	324	669	756
Receivables from brokerage clients	1,351	1,167	2,611	2,251
Available for sale securities	555	791	1,149	1,616
Held to maturity securities	658	720	1,348	1,466
Bank loans	460	410	900	801
Securities lending revenue	95	124	171	236
Other interest revenue	35	21	74	34
Interest revenue	3,817	4,104	7,758	8,120
Bank deposits	(840)	(863)	(1,761)	(1,481)
Payables to brokerage clients	(77)	(64)	(150)	(139)
Other short-term borrowings	(129)	(97)	(232)	(183)
Federal Home Loan Bank borrowings	(348)	(606)	(678)	(910)
Long-term debt	(208)	(157)	(432)	(296)
Securities lending expense	(57)	(28)	(112)	(50)
Other interest expense	—	1	(2)	(1)
Interest expense	(1,659)	(1,814)	(3,367)	(3,060)
Net interest revenue	2,158	2,290	4,391	5,060
Asset management and administration fees				
Mutual funds, ETFs, and CTFs	785	630	1,543	1,215
Advice solutions	510	464	1,013	917
Other	88	79	175	159
Asset management and administration fees	1,383	1,173	2,731	2,291
Trading revenue				
Commissions	383	394	796	816
Order flow revenue	357	365	709	779
Principal transactions	37	44	89	100
Trading revenue	777	803	1,594	1,695
Bank deposit account fees	153	175	336	326
Other	219	215	378	400
Total net revenues	$ 4,690	$ 4,656	$ 9,430	$ 9,772

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.

Contract balances: 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 $684 million and $599 million at June 30, 2024 and December 31, 2023, respectively.

The Company had net contract assets of $227 million and $239 million at June 30, 2024 and December 31, 2023, respectively, related to the buy down of fixed-rate obligation amounts pursuant to the 2023 IDA agreement. These amounts are included in other assets on the condensed consolidated balance sheets and are amortized on a straight-line basis over the remaining contractual term as a reduction to bank deposit account fee revenue. For additional discussion of the 2023 IDA agreement, see Note 9.

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, 2024	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for sale securities				
U.S. agency mortgage-backed securities	$ 63,478	$ —	$ 6,377	$ 57,101
U.S. Treasury securities	17,792	—	783	17,009
Corporate debt securities (1)	11,534	—	820	10,714
Asset-backed securities (2)	7,503	—	273	7,230
Foreign government agency securities	831	—	20	811
U.S. state and municipal securities	629	—	60	569
Non-agency commercial mortgage-backed securities	124	—	14	110
Other	21	—	3	18
Unallocated portfolio layer method fair value basis adjustments (3)	(53)	—	(53)	—
Total available for sale securities	$ 101,859	$ —	$ 8,297	$ 93,562
Held to maturity securities				
U.S. agency mortgage-backed securities	$ 153,179	$ 201	$ 14,610	$ 138,770
Total held to maturity securities	$ 153,179	$ 201	$ 14,610	$ 138,770

December 31, 2023	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for sale securities				
U.S. agency mortgage-backed securities	$ 69,173	$ —	$ 6,378	$ 62,795
U.S. Treasury securities	22,459	1	989	21,471
Corporate debt securities (1)	13,344	—	860	12,484
Asset-backed securities (2)	9,465	—	378	9,087
Foreign government agency securities	1,035	—	33	1,002
U.S. state and municipal securities	634	—	55	579
Non-agency commercial mortgage-backed securities	123	—	14	109
Certificates of deposit	100	—	—	100
Other	22	—	3	19
Unallocated portfolio layer method fair value basis adjustments (3)	(19)	—	(19)	—
Total available for sale securities	$ 116,336	$ 1	$ 8,691	$ 107,646
Held to maturity securities				
U.S. agency mortgage-backed securities	$ 159,452	$ 1,435	$ 13,796	$ 147,091
Total held to maturity securities	$ 159,452	$ 1,435	$ 13,796	$ 147,091

(1) As of June 30, 2024 and December 31, 2023, approximately 34% and 36%, respectively, of the total AFS in corporate debt securities were issued by institutions in the financial services industry.
(2) Approximately 57% and 61% of asset-backed securities held as of June 30, 2024 and December 31, 2023, respectively, were Federal Family Education Loan Program Asset-Backed Securities. Asset-backed securities collateralized by credit card receivables represented approximately 30% and 24% of the asset-backed securities held as of June 30, 2024 and December 31, 2023, respectively.
(3) This represents the amount of portfolio layer method (PLM) fair value hedge basis adjustments related to AFS securities hedged in a closed portfolio. See Note 11 for more information on PLM hedge accounting.

At June 30, 2024, our banking subsidiaries had pledged investment securities with a value of $60.7 billion as collateral to secure borrowing capacity on secured credit facilities with the FHLB (see Note 8). Our banking subsidiaries also pledge investment securities as collateral to secure borrowing capacity at the Federal Reserve discount window, and had pledged securities with a value of $35.9 billion as collateral for this facility at June 30, 2024. The Company also pledges investment securities issued by federal agencies to secure certain trust deposits. The value of these pledged securities was $1.6 billion at June 30, 2024.

At June 30, 2024, 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 $8.2 billion, and AFS securities pledged were U.S. agency mortgage-backed securities with an aggregate fair value of $1.4 billion. 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.

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

At June 30, 2024, our banking subsidiaries had pledged AFS securities consisting of U.S. Treasury securities with an aggregate fair value of $188 million as initial margin on interest rate swaps (see Notes 11 and 12). 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. Initial margin is posted through futures commission merchants (FCM) which serve as the intermediary between the CCPs and Schwab. The FCM agreements governing our swaps allow for securities pledged as initial margin to be sold, repledged, or otherwise used by the FCM.

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, 2024	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available for sale securities						
U.S. agency mortgage-backed securities [(1)]	$ 3	$ —	$ 57,098	$ 6,377	$ 57,101	$ 6,377
U.S. Treasury securities	1,500	1	15,264	782	16,764	783
Corporate debt securities	—	—	10,714	820	10,714	820
Asset-backed securities [(1)]	150	—	7,047	273	7,197	273
Foreign government agency securities	—	—	811	20	811	20
U.S. state and municipal securities	—	—	569	60	569	60
Non-agency commercial mortgage-backed securities	—	—	110	14	110	14
Other	—	—	18	3	18	3
Total [(2)]	$ 1,653	$ 1	$ 91,631	$ 8,349	$ 93,284	$ 8,350
December 31, 2023						
Available for sale securities						
U.S. agency mortgage-backed securities [(1)]	$ 1	$ —	$ 62,794	$ 6,378	$ 62,795	$ 6,378
U.S. Treasury securities	—	—	19,450	989	19,450	989
Corporate debt securities	—	—	12,484	860	12,484	860
Asset-backed securities [(1)]	29	—	9,058	378	9,087	378
Foreign government agency securities	—	—	1,002	33	1,002	33
U.S. state and municipal securities	—	—	579	55	579	55
Non-agency commercial mortgage-backed securities	—	—	109	14	109	14
Other	—	—	19	3	19	3
Total [(2)]	$ 30	$ —	$ 105,495	$ 8,710	$ 105,525	$ 8,710

(1) Unrealized losses less than 12 months amounts were less than $500 thousand.
(2) For purposes of this table, unrealized losses on AFS securities excludes the unallocated PLM fair value hedge basis adjustments of $53 million and $19 million at June 30, 2024 and December 31, 2023, respectively.

At June 30, 2024, 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 2023 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, 2024 and the year ended December 31, 2023. None of the Company's AFS securities held as of June 30, 2024 and December 31, 2023 had an allowance for credit losses. All HTM securities as of June 30, 2024 and December 31, 2023 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.

The Company had $507 million and $565 million of accrued interest for AFS and HTM securities as of June 30, 2024 and December 31, 2023, 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, 2024, or for the year ended December 31, 2023.

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

The following table presents the Company's estimated effective duration, which reflects anticipated future payments, by category at June 30, 2024:

	In years
Estimated effective duration, exclusive of derivatives:	
AFS investment securities portfolio	2.3
AFS and HTM investment securities portfolio	3.9
Estimated effective duration, inclusive of derivatives (1):	
AFS investment securities portfolio	2.1
AFS and HTM investment securities portfolio	3.8

(1) See Note 11 for additional discussion on the Company's derivatives.

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.

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

June 30, 2024	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	$ 2,451	$ 8,937	$ 9,846	$ 35,867	$ 57,101
U.S. Treasury securities	8,348	8,661	—	—	17,009
Corporate debt securities	4,613	4,656	1,445	—	10,714
Asset-backed securities	12	2,284	1,243	3,691	7,230
Foreign government agency securities	497	314	—	—	811
U.S. state and municipal securities	—	96	385	88	569
Non-agency commercial mortgage-backed securities	—	—	—	110	110
Other	—	—	—	18	18
Total fair value	$ 15,921	$ 24,948	$ 12,919	$ 39,774	$ 93,562
Total amortized cost (1)	$ 16,208	$ 26,651	$ 14,438	$ 44,615	$ 101,912
Held to maturity securities					
U.S. agency mortgage-backed securities	$ 1,892	$ 7,686	$ 35,765	$ 93,427	$ 138,770
Total fair value	$ 1,892	$ 7,686	$ 35,765	$ 93,427	$ 138,770
Total amortized cost	$ 1,937	$ 8,237	$ 38,690	$104,315	$ 153,179

(1) For purposes of this table, the amortized cost of AFS securities excludes the unallocated PLM fair value hedge basis adjustments of $53 million at June 30, 2024.

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,	
	2024	2023	2024	2023
Proceeds	$ 854	$ 1,849	$ 2,043	$ 2,900
Gross realized gains	—	—	—	—
Gross realized losses	10	11	20	20

(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, 2024	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]	$ 26,386	$ 30	$ 5	$ 14	$ 49	$ 26,435	$ 14	$ 26,421
HELOCs [1,2]	439	1	—	4	5	444	1	443
Total residential real estate	26,825	31	5	18	54	26,879	15	26,864
Pledged asset lines	14,953	11	—	—	11	14,964	—	14,964
Other	359	—	—	—	—	359	5	354
Total bank loans	$ 42,137	$ 42	$ 5	$ 18	$ 65	$ 42,202	$ 20	$ 42,182
December 31, 2023								
Residential real estate:								
First Mortgages [1,2]	$ 26,111	$ 33	$ 2	$ 7	$ 42	$ 26,153	$ 32	$ 26,121
HELOCs [1,2]	473	1	1	4	6	479	2	477
Total residential real estate	26,584	34	3	11	48	26,632	34	26,598
Pledged asset lines	13,533	11	—	4	15	13,548	—	13,548
Other	297	—	—	—	—	297	4	293
Total bank loans	$ 40,414	$ 45	$ 3	$ 15	$ 63	$ 40,477	$ 38	$ 40,439

(1) First Mortgages and HELOCs include unamortized premiums and discounts and direct origination costs of $104 million and $100 million at June 30, 2024 and December 31, 2023, respectively.
(2) At June 30, 2024 and December 31, 2023, 42% and 43%, respectively, 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, 2024 or December 31, 2023.

At June 30, 2024, 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).

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

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

Three Months Ended	First Mortgages	HELOCs	Total residential real estate	Pledged asset lines	Other	Total
June 30, 2024						
Balance at beginning of period	$ 27	$ 1	$ 28	$ —	$ 4	$ 32
Charge-offs	—	—	—	—	—	—
Recoveries	—	—	—	—	—	—
Provision for credit losses	(13)	—	(13)	—	1	(12)
Balance at end of period	$ 14	$ 1	$ 15	$ —	$ 5	$ 20
June 30, 2023						
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
Six Months Ended						
June 30, 2024						
Balance at beginning of period	$ 32	$ 2	$ 34	$ —	$ 4	$ 38
Charge-offs	—	—	—	—	—	—
Recoveries	—	—	—	—	—	—
Provision for credit losses	(18)	(1)	(19)	—	1	(18)
Balance at end of period	$ 14	$ 1	$ 15	$ —	$ 5	$ 20
June 30, 2023						
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

Consistent with Schwab's loan charge-off policy for pledged asset lines (PALs) as disclosed in Item 8 – Note 2 of the 2023 Form 10-K, the Company charges off any unsecured balances no later than 90 days past due. As of June 30, 2024, substantially all 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, 2024 and December 31, 2023, and no allowance for credit losses for PALs as of those dates was required.

The U.S. economy continued to be challenged by elevated inflation, tight monetary policy, and geopolitical unrest. However, amid sustained economic growth, supply and demand moved to a more balanced state. While the Federal Reserve held the policy rate steady during the first half of the year, management's macroeconomic outlook reflects a near-term continuation of elevated interest rates, with only a slight increase in unemployment and modest home price appreciation. Though higher mortgage rates are softening demand and reducing borrower affordability, we expect constrained housing supply will keep home prices relatively stable. Furthermore, credit quality metrics in the Company's bank loans portfolio remain very strong and have improved in recent quarters. As a result of these factors, we decreased projected loss rates at June 30, 2024, as compared to December 31, 2023.

Bank loan-related nonperforming assets consisted of nonaccrual loans of $18 million and $15 million at June 30, 2024 and December 31, 2023, respectively. Nonaccrual loans include nonaccrual troubled debt restructurings recorded prior to the adoption of ASU 2022-02, "*Financial Instruments — Credit Losses*: *Troubled Debt Restructurings and Vintage Disclosures"* on January 1, 2023.

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

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 Fair Isaac Corporation (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.

The credit quality indicators of the Company's First Mortgages and HELOCs are detailed below:

	First Mortgages Amortized Cost Basis by Origination Year									
June 30, 2024	2024	2023	2022	2021	2020	pre-2020	Total First Mortgages	Revolving HELOCs amortized cost basis	HELOCs converted to term loans	Total HELOCs
Origination FICO										
<620	$ —	$ —	$ 3	$ —	$ 1	$ 1	$ 5	$ —	$ —	$ —
620 – 679	11	6	26	29	18	14	104	—	1	1
680 – 739	142	274	753	1,130	381	252	2,932	50	33	83
≥740	1,287	2,119	5,101	10,123	3,438	1,326	23,394	247	113	360
Total	$ 1,440	$ 2,399	$ 5,883	$ 11,282	$ 3,838	$ 1,593	$ 26,435	$ 297	$ 147	$ 444
Origination LTV										
≤70%	$ 1,023	$ 1,611	$ 4,364	$ 9,787	$ 3,196	$ 1,238	$ 21,219	$ 271	$ 102	$ 373
>70% – ≤90%	417	788	1,519	1,495	642	353	5,214	26	44	70
>90% – ≤100%	—	—	—	—	—	2	2	—	1	1
Total	$ 1,440	$ 2,399	$ 5,883	$ 11,282	$ 3,838	$ 1,593	$ 26,435	$ 297	$ 147	$ 444
Updated FICO										
<620	$ —	$ 6	$ 22	$ 25	$ 11	$ 18	$ 82	$ 3	$ 5	$ 8
620 – 679	12	39	75	109	44	32	311	8	9	17
680 – 739	134	207	533	865	296	167	2,202	45	21	66
≥740	1,294	2,147	5,253	10,283	3,487	1,376	23,840	241	112	353
Total	$ 1,440	$ 2,399	$ 5,883	$ 11,282	$ 3,838	$ 1,593	$ 26,435	$ 297	$ 147	$ 444
Estimated Current LTV (1)										
≤70%	$ 1,040	$ 1,823	$ 5,089	$ 11,127	$ 3,821	$ 1,588	$ 24,488	$ 295	$ 147	$ 442
>70% – ≤90%	400	575	779	154	15	5	1,928	2	—	2
>90% – ≤100%	—	1	15	1	2	—	19	—	—	—
>100%	—	—	—	—	—	—	—	—	—	—
Total	$ 1,440	$ 2,399	$ 5,883	$ 11,282	$ 3,838	$ 1,593	$ 26,435	$ 297	$ 147	$ 444
Gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Percent of Loans on Nonaccrual Status	0.01%	0.02%	0.03%	0.01%	0.06%	0.49%	0.05%	0.13%	2.32%	0.90%

(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, 2023	2023	2022	2021	2020	pre-2020	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	4	27	30	20	15	96	—	1	1
680 – 739	299	782	1,160	395	294	2,930	50	38	88
≥740	2,391	5,258	10,439	3,558	1,476	23,122	261	129	390
Total	$ 2,694	$ 6,069	$ 11,630	$ 3,974	$ 1,786	$ 26,153	$ 311	$ 168	$ 479
Origination LTV									
≤70%	$ 1,818	$ 4,492	$ 10,078	$ 3,306	$ 1,382	$ 21,076	$ 279	$ 117	$ 396
>70% – ≤90%	876	1,577	1,552	668	402	5,075	32	50	82
>90% – ≤100%	—	—	—	—	2	2	—	1	1
Total	$ 2,694	$ 6,069	$ 11,630	$ 3,974	$ 1,786	$ 26,153	$ 311	$ 168	$ 479
Updated FICO									
<620	$ 4	$ 15	$ 19	$ 8	$ 17	$ 63	$ 2	$ 5	$ 7
620 – 679	46	77	87	38	50	298	6	10	16
680 – 739	265	575	984	316	169	2,309	48	26	74
≥740	2,379	5,402	10,540	3,612	1,550	23,483	255	127	382
Total	$ 2,694	$ 6,069	$ 11,630	$ 3,974	$ 1,786	$ 26,153	$ 311	$ 168	$ 479
Estimated Current LTV [(1)]									
≤70%	$ 1,853	$ 4,855	$ 11,341	$ 3,960	$ 1,781	$ 23,790	$ 308	$ 167	$ 475
>70% – ≤90%	841	1,185	289	14	5	2,334	3	1	4
>90% – ≤100%	—	28	—	—	—	28	—	—	—
>100%	—	1	—	—	—	1	—	—	—
Total	$ 2,694	$ 6,069	$ 11,630	$ 3,974	$ 1,786	$ 26,153	$ 311	$ 168	$ 479
Gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Percent of Loans on Nonaccrual Status	0.01%	0.02%	0.01%	0.01%	0.19%	0.03%	0.07%	2.40%	0.84%

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

At June 30, 2024, First Mortgage loans of $21.9 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 82% 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, 2024 and December 31, 2023, Schwab had $167 million and $157 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, 2024	Balance
Converted to an amortizing loan by period end [1]	$ 147
Within 1 year	16
> 1 year – 3 years	39
> 3 years – 5 years	39
> 5 years	203
Total	$ 444

[1] Includes $3 million and $6 million of HELOCs converted to amortizing loans during the three and six months ended June 30, 2024, respectively.

At June 30, 2024, $352 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, 2024, the borrowers on approximately 60% of HELOC loan balances outstanding only paid the minimum amount due.

6. Variable Interest Entities

As of June 30, 2024 and December 31, 2023, substantially all of Schwab's involvement with variable interest entities (VIEs) was through CSB's Community Reinvestment Act (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. During the three months ended June 30, 2024 and 2023, CSB recorded amortization of $38 million and $25 million, respectively, and recognized tax credits and other tax benefits of $49 million and $35 million, respectively, associated with these investments. During the six months ended June 30, 2024 and 2023, CSB recorded amortization of $80 million and $66 million, respectively, and recognized tax credits and other tax benefits of $102 million and $89 million, respectively, associated with these investments. The amortization, as well as the tax credits and other tax benefits, are included in taxes on income on the condensed consolidated statements of income. Tax credits and other tax benefits are reflected as cash flows from operating activities on the condensed consolidated statements of cash flows.

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, 2024			December 31, 2023		
	Aggregate assets	Aggregate liabilities	Maximum exposure to loss	Aggregate assets	Aggregate liabilities	Maximum exposure to loss
LIHTC investments [1]	$ 1,626	$ 942	$ 1,626	$ 1,407	$ 759	$ 1,407
Other investments [2]	191	—	240	179	—	231
Total	$ 1,817	$ 942	$ 1,866	$ 1,586	$ 759	$ 1,638

[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 2024 and 2027. During the six months ended June 30, 2024 and year ended December 31, 2023, 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, 2024	December 31, 2023
Interest-bearing deposits:		
Deposits swept from brokerage accounts	$ 192,194	$ 220,274
Time certificates of deposit [1]	40,308	48,297
Checking	14,584	15,691
Savings and other	4,080	4,461
Total interest-bearing deposits	251,166	288,723
Non-interest-bearing deposits	1,254	1,230
Total bank deposits	$ 252,420	$ 289,953

[1] Time certificates of deposit consist of brokered CDs. The weighted-average interest rates on outstanding time certificates of deposit at June 30, 2024 and December 31, 2023 were 5.26% and 5.15%, respectively. As of June 30, 2024 and December 31, 2023, 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, 2024 are as follows:

	Balance
2024	$ 21,757
2025	18,551
Total	$ 40,308

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.

Ameritrade Holding LLC Senior Notes

Ameritrade Holding LLC's (Ameritrade Holding) Senior Notes are unsecured obligations. Ameritrade 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, 2024 and December 31, 2023:

	Date of Issuance	Principal Amount Outstanding June 30, 2024	Principal Amount Outstanding December 31, 2023
CSC Fixed-rate Senior Notes:			
3.550% due February 1, 2024	10/31/18	$ —	$ 500
0.750% due March 18, 2024	03/18/21	—	1,500
3.750% due April 1, 2024	09/24/21	—	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
5.875% due August 24, 2026	08/24/23	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
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	1,200
6.196% due November 17, 2029 (2)	11/17/23	1,300	1,300
5.853% due May 19, 2034 (3)	05/19/23	1,300	1,300
6.136% due August 24, 2034 (4)	08/24/23	1,350	1,350
Total CSC Senior Notes		22,262	25,862
Ameritrade Holding Fixed-rate Senior Notes:			
3.750% due April 1, 2024	11/01/18	—	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 Ameritrade Holding Senior Notes		163	213
Finance lease liabilities		61	85
Unamortized premium — net		69	87
Debt issuance costs		(106)	(119)
Total long-term debt		$ 22,449	$ 26,128

(1) The May 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 November 2029 fixed-to-floating rate Senior Notes bear interest at a fixed rate of 6.196%, payable semi-annually, until the interest reset date on November 17, 2028. On and after this date, these notes will bear interest at an annual floating rate of SOFR plus 1.878%, payable quarterly.

(3) The May 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.

(4) The August 2034 fixed-to-floating rate Senior Notes bear interest at a fixed rate of 6.136%, payable semi-annually, until the interest reset date on August 24, 2033. On and after this date, these notes will bear interest at an annual floating rate of SOFR plus 2.010%, payable quarterly.

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Annual maturities on all long-term debt outstanding at June 30, 2024 are as follows:

	Maturities
2024	$ 12
2025	2,249
2026	4,112
2027	3,463
2028	1,950
Thereafter	10,700
Total maturities	22,486
Unamortized premium — net	69
Debt issuance costs	(106)
Total long-term debt	$ 22,449

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 value of certain investment securities that are pledged as collateral. There was $24.4 billion and $26.4 billion outstanding under these facilities as of June 30, 2024 and December 31, 2023, respectively, and these borrowings had a weighted-average interest rate of 5.38% and 5.34%, respectively. As of June 30, 2024 and December 31, 2023, the collateral pledged provided additional borrowing capacity of $54.4 billion and $63.1 billion, respectively.

Other short-term borrowings: Total other short-term borrowings outstanding at June 30, 2024 and December 31, 2023 were $10.0 billion and $6.6 billion, respectively, and had a weighted-average interest rate of 5.49% and 5.57%, respectively. Additional information regarding our other short-term borrowings facilities is described below.

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 $9.0 billion and $4.9 billion outstanding pursuant to such repurchase agreements at June 30, 2024 and December 31, 2023, respectively. Repurchase agreements outstanding at June 30, 2024 mature between July 2024 and February 2025.

Our banking subsidiaries have access to funding through the Federal Reserve discount window. Amounts available are dependent upon the value of certain investment securities that are pledged as collateral. As of June 30, 2024 and December 31, 2023, our collateral pledged provided total borrowing capacity of $35.9 billion and $6.2 billion, respectively, of which no amounts were outstanding at the end of either period. During the first quarter of 2024 and the year ended December 31, 2023, our banking subsidiaries had access to funding through the Federal Reserve Bank Term Funding Program (BTFP). This program offered loans through March 11, 2024 of up to one year in length, and amounts available were dependent upon the par value of certain investment securities pledged as collateral. As of June 30, 2024, there was no collateral pledged or borrowings outstanding under the BTFP. As of December 31, 2023, our collateral pledged provided total borrowing capacity of $39.2 billion. There were no borrowings outstanding at December 31, 2023.

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 amounts outstanding at June 30, 2024 or December 31, 2023. Beginning in 2024, CSC has access to an unsecured, committed revolving line of credit with various external banks with a total borrowing capacity of $2.1 billion. There were no amounts outstanding as of June 30, 2024. CSC and CS&Co also have access to unsecured, uncommitted lines of credit with external banks with total borrowing capacity of $1.6 billion; no amounts were outstanding as of June 30, 2024 or December 31, 2023.

CS&Co maintains secured, uncommitted lines of credit, under which CS&Co may borrow on a short-term basis and pledge either client margin securities or firm securities as collateral, based on the terms of the agreements, under which there was $1.0 billion outstanding at June 30, 2024 and $950 million outstanding as of December 31, 2023. TDAC also maintains secured uncommitted lines of credit, under which TDAC may borrow on either a demand or short-term basis and pledge client margin securities as collateral. There were no amounts outstanding at June 30, 2024 and there was $700 million outstanding at December 31, 2023.

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

Annual maturities on FHLB borrowings and other short-term borrowings outstanding at June 30, 2024 are as follows:

	2024	2025	Total
FHLB borrowings	$ 16,400	$ 8,000	$ 24,400
Other short-term borrowings	7,491	2,505	9,996
Total	$ 23,891	$ 10,505	$ 34,396

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 $851 million and $854 million during the second quarters of 2024 and 2023, respectively, and $1.5 billion and $1.6 billion during the first six months of 2024 and 2023, respectively. CSB purchased HELOCs with commitments of $47 million and $52 million during the second quarters of 2024 and 2023, respectively, and $83 million and $95 million during the first six months of 2024 and 2023, respectively.

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

	June 30, 2024	December 31, 2023
Commitments to extend credit related to unused HELOCs, PALs, and other lines of credit	$ 2,151	$ 2,996
Commitments to purchase First Mortgage loans	573	351
Total	$ 2,724	$ 3,347

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 pledging 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: 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 2023 IDA agreement 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. During the first six months of 2024, 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.

Designation of deposit balances for investment in fixed- or floating-rate instruments under the 2023 IDA agreement is at Schwab's sole discretion with certain limitations on the amount of fixed-rate obligation amounts. 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.

Pursuant to the 2023 IDA agreement, in 2023, Schwab opted to buy down $5.0 billion of fixed-rate obligation amounts, incurring market-based fees of $249 million, which were capitalized as contract assets and included in other assets on the condensed consolidated balance sheet. For additional information on these contract assets, see Note 3.

As of June 30, 2024, the total ending IDA balance was $84.5 billion, of which $74.8 billion was fixed-rate obligation amounts and $9.7 billion was floating-rate obligation amounts. As of December 31, 2023, the total ending IDA balance was $97.5 billion, of which $83.7 billion was fixed-rate obligation amounts and $13.8 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 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.

Ford Order Routing Litigation: On September 15, 2014, Ameritrade 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. Plaintiff seeks unspecified damages and injunctive and other relief. On September 14, 2018, the District Court granted plaintiff's 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.

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

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.

Other Matters: Certain of the Company's registered subsidiaries have been responding to inquiries from the SEC and Commodity Futures Trading Commission in relation to a publicly reported, industry-wide sweep related to record retention and the use of unauthorized messaging channels. The Company has accrued amounts in anticipation of resolving these matters and expects that any final resolution would not be material to the financial condition, operating results, or cash flows of the Company.

10. Exit and Other Related Liabilities

Integration of Ameritrade

The Company's integration work continued during the first six months of 2024, including completion of the final client transition group from the Ameritrade broker-dealers to CS&Co in May 2024. The Company expects to continue to incur acquisition and integration-related costs throughout the remainder of 2024 to decommission duplicative platforms and complete integration work. 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.

Inclusive of costs recognized through June 30, 2024, Schwab currently expects to incur total exit and other related costs for the integration of Ameritrade ranging from $500 million to $550 million, consisting of employee compensation and benefits, facility exit costs, and certain other costs. Our estimates of the nature, amounts, and timing of recognition of acquisition and integration-related costs remain subject to change as we work to complete the integration. During the three months ended June 30, 2024 and 2023, the Company recognized $10 million and $30 million of acquisition-related exit costs, respectively. During the six months ended June 30, 2024 and 2023, the Company recognized $13 million and $40 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 6 months. In addition to ASC 420 *Exit or Disposal Cost Obligations* (ASC 420), certain of the costs associated with these activities are accounted for in accordance with ASC 360 *Property, Plant and Equipment* (ASC 360), ASC 712 *Compensation — Nonretirement Post Employment Benefits* (ASC 712), ASC 718 *Compensation — Stock Compensation* (ASC 718), and ASC 842 *Leases* (ASC 842).

The following is a summary of the Ameritrade integration activity in the Company's exit and other related liabilities as of June 30, 2024 and activity for the six months ended June 30, 2024:

	Investor Services Employee Compensation and Benefits	Advisor Services Employee Compensation and Benefits	Total
Balance at December 31, 2023 [1]	$ 42	$ 12	$ 54
Amounts recognized in expense [2]	4	1	5
Costs paid or otherwise settled	(43)	(11)	(54)
Balance at June 30, 2024 [1]	$ 3	$ 2	$ 5

[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.

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The following table summarizes the Ameritrade integration exit and other related costs recognized in expense for the three and six months ended June 30, 2024:

	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	$ 4	$ —	$ 4	$ 1	$ —	$ 1	$ 5
Depreciation and amortization	—	4	4	—	1	1	5
Total	$ 4	$ 4	$ 8	$ 1	$ 1	$ 2	$ 10
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	$ 4	$ —	$ 4	$ 1	$ —	$ 1	$ 5
Occupancy and equipment	—	1	1	—	—	—	1
Depreciation and amortization	—	4	4	—	1	1	5
Other	—	2	2	—	—	—	2
Total	$ 4	$ 7	$ 11	$ 1	$ 1	$ 2	$ 13

[1] Costs related to facility closures. These costs, which are primarily comprised of impairment and accelerated amortization of right-of-use (ROU) assets and accelerated depreciation of fixed assets, relate to the impact of abandoning leased and other properties. Impairment charges are included in other expense, while accelerated amortization of ROU assets are included in occupancy and equipment on the condensed consolidated statements of income.

The following table summarizes the Ameritrade integration 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 ROU assets, relate to the impact of abandoning leased properties. Impairment charges are included in other expense, while accelerated amortization of ROU assets are included in occupancy and equipment on the condensed consolidated statements of income.

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

The following table summarizes the Ameritrade integration exit and other related costs incurred from October 6, 2020 through June 30, 2024:

	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	$ 247	$ —	$ 247	$ 66	$ —	$ 66	$ 313
Occupancy and equipment	—	41	41	—	9	9	50
Depreciation and amortization	—	6	6	—	2	2	8
Professional services	—	1	1	—	—	—	1
Other	—	22	22	—	7	7	29
Total	$ 247	$ 70	$ 317	$ 66	$ 18	$ 84	$ 401

[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. Impairment charges are included in other expense, while accelerated amortization of ROU assets are included in occupancy and equipment on the condensed consolidated statements of income.

Other

With significant progress made in the integration of Ameritrade, the Company took incremental actions in 2023 to streamline its operations to prepare for post-integration, including through position eliminations and decreasing its real estate footprint. In order to achieve anticipated cost savings through these actions, the Company expects to incur exit and related costs, primarily related to employee compensation and benefits and facility exit costs, of approximately $500 million inclusive of costs recognized through June 30, 2024 as described below. The Company anticipates the remaining costs, primarily related to real estate, will be incurred during 2024. In addition to ASC 420, certain of the costs associated with these activities are accounted for in accordance with ASC 360, ASC 712, ASC 718, and ASC 842.

The following is a summary of the restructuring activity in the Company's exit and other related liabilities as of June 30, 2024 and activity for the six months ended June 30, 2024:

	Investor Services Employee Compensation and Benefits	Advisor Services Employee Compensation and Benefits	Total
Balance at December 31, 2023 [1]	$ 171	$ 63	$ 234
Amounts recognized in expense [2]	(25)	(9)	(34)
Costs paid or otherwise settled	(146)	(54)	(200)
Balance at June 30, 2024 [1]	$ —	$ —	$ —

[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 are included in compensation and benefits on the condensed consolidated statements of income. The six months ended June 30, 2024 includes a reduction of the liability resulting from changes in estimates of $27 million and $9 million in Investor Services and Advisor Services, respectively.

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

The following table summarizes the restructuring exit and other related costs (benefits) recognized in expense for the three and six months ended June 30, 2024:

	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	$ (2)	$ —	$ (2)	$ (1)	$ —	$ (1)	$ (3)
Occupancy and equipment	—	1	1	—	—	—	1
Other	—	9	9	—	3	3	12
Total	$ (2)	$ 10	$ 8	$ (1)	$ 3	$ 2	$ 10

	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	$ (25)	$ —	$ (25)	$ (9)	$ —	$ (9)	$ (34)
Occupancy and equipment	—	2	2	—	1	1	3
Other	—	10	10	—	3	3	13
Total	$ (25)	$ 12	$ (13)	$ (9)	$ 4	$ (5)	$ (18)

(1) Costs related to facility closures. These costs, which are primarily comprised of impairment and accelerated amortization of ROU assets and impairment of fixed assets, relate to the impact of abandoning leased and other properties. Impairment charges are included in other expense, while accelerated amortization of ROU assets are included in occupancy and equipment on the condensed consolidated statements of income.

The following table summarizes the restructuring exit and other related costs incurred from July 1, 2023 through June 30, 2024:

	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	$ 189	$ —	$ 189	$ 69	$ —	$ 69	$ 258
Occupancy and equipment	—	15	15	—	5	5	20
Professional services	—	4	4	—	1	1	5
Other	—	144	144	—	50	50	194
Total	$ 189	$ 163	$ 352	$ 69	$ 56	$ 125	$ 477

(1) Costs related to facility closures. These costs, which are primarily comprised of impairment and accelerated amortization of ROU assets and impairment of fixed assets, relate to the impact of abandoning leased and other properties. Impairment charges are included in other expense, while accelerated amortization of ROU assets are included in occupancy and equipment on the condensed consolidated statements of income.

11. Derivative Instruments and Hedging Activities

Risk Management Objective of Using Derivatives

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 Item 8 – Note 2 in the 2023 Form 10-K. 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. Cash flows associated with derivative instruments are reflected as cash flows from operating activities in the condensed consolidated statements of cash flows consistent with the treatment and nature of the items being hedged.

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

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 $8.8 billion and $8.9 billion at June 30, 2024 and December 31, 2023, respectively, that were designated as fair value hedges of interest rate risk.

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 sheets:

	June 30, 2024		December 31, 2023	
	Assets	Liabilities	Assets	Liabilities
Interest rate swaps [1,2]	$ 2	$ —	$ —	$ —

[1] 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 liabilities as of June 30, 2024 and derivative assets and liabilities as of December 31, 2023 were less than $500 thousand.
[2] Includes reductions related to variation margin settlements. Settlements on derivative positions cleared through CCPs are reflected as reductions to the associated derivative asset and liability balances. As of June 30, 2024, there was a $278 million reduction of derivative assets related to variation margin settlements. As of December 31, 2023, there was an $87 million reduction of derivative assets and a $2 million reduction of derivative liabilities related to variation margin settlements.

Effects of Fair Value Hedge Accounting

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

	June 30, 2024	December 31, 2023
Amortized cost of hedged AFS securities [1,2]	$ 8,681	$ 8,765
Cumulative fair value hedging adjustment included in the amortized cost of hedged AFS securities [1,2]	(282)	(85)

[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. At June 30, 2024 and December 31, 2023, the amortized cost basis of the closed portfolios used in these hedging relationships was $2.0 billion and $2.1 billion, respectively, of which $1.6 billion was designated in a portfolio layer hedging relationship. The cumulative basis adjustments associated with these hedging relationships were a reduction of the amortized cost basis of the closed portfolios of $53 million and $19 million, respectively, at June 30, 2024 and December 31, 2023.
[2] Excludes the amortized cost 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 was a reduction of the amortized cost basis of $2 million at June 30, 2024, which is recorded in AFS securities on the condensed consolidated balance sheets and amortized to interest revenue as a yield adjustment over the lives of the securities. At December 31, 2023, the cumulative amount of fair value hedging adjustments remaining for these securities was a reduction of less than $500 thousand.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Gain (loss) on fair value hedging relationships recognized in interest revenue:				
Hedged items	$ (40)	$ (126)	$ (197)	$ (122)
Derivatives designated as hedging instruments [1]	38	126	195	122

[1] Excludes net income from periodic interest accruals and receipts of $13 million and $16 million, respectively, for the three and six months ended June 30, 2024.

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

Interest rate swaps: 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 FCMs 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, 2024 and December 31, 2023 were not subject to master netting arrangements.

Securities lending: Schwab loans brokerage client securities temporarily to other broker-dealers 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 a 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 $1.4 billion and $1.5 billion at June 30, 2024 and December 31, 2023, 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, repurchase agreements, and other activity depicting the potential effect of rights of setoff between these recognized assets and liabilities.

				Gross Amounts Not Offset in the Condensed Consolidated Balance Sheets		
	Gross Assets/ Liabilities	Gross Amounts Offset in the Condensed Consolidated Balance Sheets	Net Amounts Presented in the Condensed Consolidated Balance Sheets	Counterparty Offsetting	Collateral	Net Amount
June 30, 2024						
Assets						
Resale agreements [1]	$ 9,290	$ —	$ 9,290	$ —	$ (9,290) [2]	$ —
Securities borrowed [3]	1,409	—	1,409	(1,369)	(40)	—
Interest rate swaps [4]	2	—	2	—	— [5]	2
Total	$ 10,701	$ —	$ 10,701	$ (1,369)	$ (9,330)	$ 2
Liabilities						
Repurchase agreements [6]	$ 8,996	$ —	$ 8,996	$ —	$ (8,996)	$ —
Securities loaned [7]	5,375	—	5,375	(1,369)	(3,491)	515
Secured short-term borrowings [8]	1,000	—	1,000	—	(1,000)	—
Interest rate swaps [4]	—	—	—	—	— [5]	—
Total	$ 15,371	$ —	$ 15,371	$ (1,369)	$ (13,487)	$ 515
December 31, 2023						
Assets						
Resale agreements [1]	$ 8,844	$ —	$ 8,844	$ —	$ (8,844) [2]	$ —
Securities borrowed [3]	1,563	—	1,563	(1,307)	(253)	3
Interest rate swaps [4]	—	—	—	—	— [5]	—
Total	$ 10,407	$ —	$ 10,407	$ (1,307)	$ (9,097)	$ 3
Liabilities						
Repurchase agreements [6]	$ 4,903	$ —	$ 4,903	$ —	$ (4,903)	$ —
Securities loaned [7]	5,397	—	5,397	(1,307)	(3,619)	471
Secured short-term borrowings [8]	1,650	—	1,650	—	(1,650)	—
Interest rate swaps [4]	—	—	—	—	— [5]	—
Total	$ 11,950	$ —	$ 11,950	$ (1,307)	$ (10,172)	$ 471

(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, 2024 and December 31, 2023, the fair value of collateral received in connection with resale agreements that are available to be repledged or sold was $9.4 billion and $9.0 billion, respectively.
(3) Included in other assets in the condensed consolidated balance sheets.
(4) 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 liabilities as of June 30, 2024 and derivative assets and liabilities as of December 31, 2023 were less than $500 thousand.
(5) At June 30, 2024 and December 31, 2023, the fair value of initial margin pledged as collateral related to interest rate swaps was $188 million and $195 million, respectively. See Notes 4 and 11 for additional information.
(6) Included in other short-term borrowings in the condensed consolidated balance sheets. Actual collateral value was greater than or equal to the value of the related liabilities. At June 30, 2024 and December 31, 2023, the fair value of collateral pledged in connection with repurchase agreements was $9.6 billion and $5.3 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, 2024 and December 31, 2023.
(8) Included in other short-term borrowings in the condensed consolidated balance sheets. See below for collateral pledged and Note 8 for additional information.

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

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, 2024	December 31, 2023
Fair value of client securities available to be pledged	$ 99,543	$ 86,911
Fair value of securities pledged for:		
Fulfillment of requirements with the Options Clearing Corporation [1]	$ 18,970	$ 13,355
Fulfillment of client short sales	5,588	7,009
Securities lending to other broker-dealers	4,610	4,688
Collateral for secured short-term borrowings	1,191	1,991
Total collateral pledged to third parties	$ 30,359	$ 27,043

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 $202 million and $179 million at June 30, 2024 and December 31, 2023, 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, securities sold but not yet purchased, 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 fair values of securities sold but not yet purchased are based on quoted market prices or other observable market data. 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.

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

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 2023 Form 10-K. The Company did not adjust prices received from the primary independent third-party pricing service at June 30, 2024 or December 31, 2023.

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, 2024	Level 1	Level 2	Level 3	Balance at Fair Value
Cash equivalents:				
Money market funds	$ 10,877	$ —	$ —	$ 10,877
Total cash equivalents	10,877	—	—	10,877
Investments segregated and on deposit for regulatory purposes:				
U.S. Government securities	—	9,928	—	9,928
Total investments segregated and on deposit for regulatory purposes	—	9,928	—	9,928
Available for sale securities:				
U.S. agency mortgage-backed securities	—	57,101	—	57,101
U.S. Treasury securities	—	17,009	—	17,009
Corporate debt securities	—	10,714	—	10,714
Asset-backed securities	—	7,230	—	7,230
Foreign government agency securities	—	811	—	811
U.S. state and municipal securities	—	569	—	569
Non-agency commercial mortgage-backed securities	—	110	—	110
Other	—	18	—	18
Total available for sale securities	—	93,562	—	93,562
Other assets:				
Other securities owned:				
Equity, corporate debt, and other securities	1,205	52	—	1,257
Mutual funds and ETFs	889	—	—	889
State and municipal debt obligations	—	42	—	42
U.S. Government securities	—	11	—	11
Total other securities owned	2,094	105	—	2,199
Interest rate swaps	—	2	—	2
Total other assets	2,094	107	—	2,201
Total assets	$ 12,971	$ 103,597	$ —	$ 116,568
Accrued expenses and other liabilities:				
Other	$ 1,920	$ 35	$ —	$ 1,955
Total accrued expenses and other liabilities	1,920	35	—	1,955
Total liabilities	$ 1,920	$ 35	$ —	$ 1,955

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

December 31, 2023	Level 1	Level 2	Level 3	Balance at Fair Value
Cash equivalents:				
Money market funds	$ 14,573	$ —	$ —	$ 14,573
Total cash equivalents	14,573	—	—	14,573
Investments segregated and on deposit for regulatory purposes:				
U.S. Government securities	—	20,358	—	20,358
Total investments segregated and on deposit for regulatory purposes	—	20,358	—	20,358
Available for sale securities:				
U.S. agency mortgage-backed securities	—	62,795	—	62,795
U.S. Treasury securities	—	21,471	—	21,471
Corporate debt securities	—	12,484	—	12,484
Asset-backed securities	—	9,087	—	9,087
Foreign government agency securities	—	1,002	—	1,002
U.S. state and municipal securities	—	579	—	579
Non-agency commercial mortgage-backed securities	—	109	—	109
Certificates of deposit	—	100	—	100
Other	—	19	—	19
Total available for sale securities	—	107,646	—	107,646
Other assets:				
Other securities owned:				
Equity, corporate debt, and other securities	992	73	—	1,065
Mutual funds and ETFs	795	—	—	795
State and municipal debt obligations	—	27	—	27
U.S. Government securities	—	26	—	26
Total other securities owned	1,787	126	—	1,913
Total other assets	1,787	126	—	1,913
Total assets	$ 16,360	$ 128,130	$ —	$ 144,490
Accrued expenses and other liabilities:				
Other	$ 1,644	$ 89	$ —	$ 1,733
Total accrued expenses and other liabilities	1,644	89	—	1,733
Total liabilities	$ 1,644	$ 89	$ —	$ 1,733

(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, 2024	Carrying Amount	Level 1	Level 2	Level 3	Balance at Fair Value
Assets					
Cash and cash equivalents	$ 14,473	$ 14,473	$ —	$ —	$ 14,473
Cash and investments segregated and on deposit for regulatory purposes	11,764	2,512	9,252	—	11,764
Receivables from brokerage clients — net	72,774	—	72,774	—	72,774
Held to maturity securities:					
U.S. agency mortgage-backed securities	153,179	—	138,770	—	138,770
Total held to maturity securities	153,179	—	138,770	—	138,770
Bank loans — net:					
First Mortgages	26,421	—	23,371	—	23,371
HELOCs	443	—	480	—	480
Pledged asset lines	14,964	—	14,964	—	14,964
Other	354	—	354	—	354
Total bank loans — net	42,182	—	39,169	—	39,169
Other assets	4,887	—	4,887	—	4,887
Liabilities					
Bank deposits	$ 252,420	$ —	$ 252,420	$ —	$ 252,420
Payables to brokerage clients	79,966	—	79,966	—	79,966
Accrued expenses and other liabilities	7,016	—	7,016	—	7,016
Other short-term borrowings	9,996	—	9,996	—	9,996
Federal Home Loan Bank borrowings	24,400	—	24,400	—	24,400
Long-term debt	22,388	—	21,318	—	21,318

December 31, 2023	Carrying Amount	Level 1	Level 2	Level 3	Balance at Fair Value
Assets					
Cash and cash equivalents	$ 28,764	$ 28,764	$ —	$ —	$ 28,764
Cash and investments segregated and on deposit for regulatory purposes	11,438	2,628	8,810	—	11,438
Receivables from brokerage clients — net	68,629	—	68,629	—	68,629
Held to maturity securities:					
U.S. agency mortgage-backed securities	159,452	—	147,091	—	147,091
Total held to maturity securities	159,452	—	147,091	—	147,091
Bank loans — net:					
First Mortgages	26,121	—	23,226	—	23,226
HELOCs	477	—	508	—	508
Pledged asset lines	13,548	—	13,548	—	13,548
Other	293	—	293	—	293
Total bank loans — net	40,439	—	37,575	—	37,575
Other assets	4,960	—	4,960	—	4,960
Liabilities					
Bank deposits	$ 289,953	$ —	$ 289,953	$ —	$ 289,953
Payables to brokerage clients	84,786	—	84,786	—	84,786
Accrued expenses and other liabilities	7,609	—	7,609	—	7,609
Other short-term borrowings	6,553	—	6,553	—	6,553
Federal Home Loan Bank borrowings	26,400	—	26,400	—	26,400
Long-term debt	26,043	—	25,000	—	25,000

(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 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 share repurchase authorization does not have an expiration date. There were no repurchases of CSC's common stock during the three and six months ended June 30, 2024, and for 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, 2024, approximately $8.7 billion remained on the authorization.

There were no repurchases of CSC's preferred stock during the three and six months ended June 30, 2024, and for 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.

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		Liquidation Preference Per Share	Carrying Value at		Issue Date	Dividend Rate in Effect at June 30, 2024	Earliest Redemption Date	Date at Which Dividend Rate Resets or Becomes Floating	Reset / Floating Rate	Margin Over Reset / Floating Rate
	June 30, 2024 [1]	December 31, 2023 [1]		June 30, 2024	December 31, 2023						
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	4,884	4,884	100,000	481	481	10/31/17	5.000%	12/01/27	12/01/27	3M LIBOR [4]	2.575%
Series G [2]	24,580	24,580	100,000	2,428	2,428	04/30/20	5.375%	06/01/25	06/01/25	5-Year Treasury	4.971%
Series H [3]	22,267	22,267	100,000	2,200	2,200	12/11/20	4.000%	12/01/30	12/01/30	10-Year Treasury	3.079%
Series I [2]	20,554	20,554	100,000	2,030	2,030	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	1,429,785	1,429,785		$ 9,191	$ 9,191						

(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,			
	2024		2023		2024		2023	
	Total Declared	Per Share Amount	Total Declared	Per Share Amount	Total Declared	Per Share Amount	Total Declared [1]	Per Share Amount
Series D [2]	$ 11.1	$ 14.88	$ 11.1	$ 14.88	$ 22.3	$ 29.76	$ 22.3	$ 29.76
Series F [3]	12.2	2,500.00	12.2	2,500.00	12.2	2,500.00	12.2	2,500.00
Series G [2]	33.0	1,343.75	33.1	1,343.75	66.0	2,687.50	66.3	2,687.50
Series H [2]	22.2	1,000.00	22.3	1,000.00	44.5	2,000.00	46.0	2,000.00
Series I [2]	20.6	1,000.00	20.6	1,000.00	41.2	2,000.00	41.9	2,000.00
Series J [2]	6.7	11.13	6.7	11.13	13.4	22.26	13.4	22.26
Series K [2]	9.5	1,250.00	9.5	1,250.00	18.8	2,500.00	18.8	2,500.00
Total	$ 115.3		$ 115.5		$ 218.4		$ 220.9	

[1] Excludes $3 million of dividends declared on Series G, H and I, and accrued by stockholders as of the repurchase date. Such dividends were part of the consideration paid upon repurchase of the depositary shares during the six months ended June 30, 2023.
[2] Dividends paid quarterly.
[3] Dividends paid semi-annually until December 1, 2027 and quarterly thereafter.

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

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, 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)
Balance at March 31, 2024	$ (17,576)
Available for sale securities:	
Net unrealized gain (loss), net of tax expense (benefit) of $51	183
Other reclassifications included in other revenue, net of tax expense (benefit) of $3	7
Held to maturity securities:	
Amortization of amounts previously recorded upon transfer from available for sale, net of tax expense (benefit) of $131	452
Other [1]	(2)
Balance at June 30, 2024	$ (16,936)
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)
Balance at December 31, 2023	$ (18,131)
Available for sale securities:	
Net unrealized gain (loss), net of tax expense (benefit) of $77	296
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 $253	894
Other [1]	(10)
Balance at June 30, 2024	$ (16,936)

[1] Tax expense (benefit) was less than $500 thousand.

In 2022, the Company transferred a portion of its AFS securities 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, 2024, the total remaining unamortized loss on these securities transferred to HTM included in AOCI was $10.6 billion net of tax effect ($13.9 billion pre-tax).

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

16. Earnings Per Common Share

The Company has voting and nonvoting common stock outstanding. As 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 2023 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,			
	2024		2023		2024		2023	
	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	$ 1,295	$ 37	$ 1,258	$ 36	$ 2,619	$ 75	$ 2,817	$ 80
Preferred stock dividends and other (1)	(118)	(3)	(118)	(3)	(226)	(6)	(186)	(5)
Net income available to common stockholders	$ 1,177	$ 34	$ 1,140	$ 33	$ 2,393	$ 69	$ 2,631	$ 75
Denominator								
Weighted-average common shares outstanding — basic	1,777	51	1,769	51	1,776	51	1,776	51
Basic earnings per share	$ .66	$ .66	$ .64	$ .64	$ 1.35	$ 1.35	$ 1.48	$ 1.48
Diluted earnings per share:								
Numerator								
Net income available to common stockholders	$ 1,177	$ 34	$ 1,140	$ 33	$ 2,393	$ 69	$ 2,631	$ 75
Reallocation of net income available to common stockholders as a result of conversion of nonvoting to voting shares	34	—	33	—	69	—	75	—
Allocation of net income available to common stockholders:	$ 1,211	$ 34	$ 1,173	$ 33	$ 2,462	$ 69	$ 2,706	$ 75
Denominator								
Weighted-average common shares outstanding — basic	1,777	51	1,769	51	1,776	51	1,776	51
Conversion of nonvoting shares to voting shares	51	—	51	—	51	—	51	—
Common stock equivalent shares related to stock incentive plans	6	—	5	—	5	—	7	—
Weighted-average common shares outstanding — diluted (2)	1,834	51	1,825	51	1,832	51	1,834	51
Diluted earnings per share	$ .66	$ .66	$ .64	$ .64	$ 1.34	$ 1.34	$ 1.48	$ 1.48

(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 13 million and 18 million for the three and six months ended June 30, 2024, respectively, and 15 million and 18 million for the three and six months ended June 30, 2023, respectively.

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

17. Regulatory Requirements

At June 30, 2024, 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, 2024	Amount	Ratio	Amount	Ratio	Amount	Ratio [1]
CSC						
Common Equity Tier 1 Risk-Based Capital	$ 33,433	29.0%	N/A		$ 5,190	4.5%
Tier 1 Risk-Based Capital	42,624	37.0%	N/A		6,920	6.0%
Total Risk-Based Capital	42,650	37.0%	N/A		9,227	8.0%
Tier 1 Leverage	42,624	9.4%	N/A		18,052	4.0%
Supplementary Leverage Ratio	42,624	9.4%	N/A		13,633	3.0%
CSB						
Common Equity Tier 1 Risk-Based Capital	$ 32,091	39.9%	$ 5,229	6.5%	$ 3,620	4.5%
Tier 1 Risk-Based Capital	32,091	39.9%	6,436	8.0%	4,827	6.0%
Total Risk-Based Capital	32,111	39.9%	8,045	10.0%	6,436	8.0%
Tier 1 Leverage	32,091	10.9%	14,723	5.0%	11,779	4.0%
Supplementary Leverage Ratio	32,091	10.8%	N/A		8,894	3.0%
December 31, 2023						
CSC						
Common Equity Tier 1 Risk-Based Capital	$ 31,411	24.5%	N/A		$ 5,770	4.5%
Tier 1 Risk-Based Capital	40,602	31.7%	N/A		7,694	6.0%
Total Risk-Based Capital	40,645	31.7%	N/A		10,258	8.0%
Tier 1 Leverage	40,602	8.5%	N/A		19,043	4.0%
Supplementary Leverage Ratio	40,602	8.5%	N/A		14,379	3.0%
CSB						
Common Equity Tier 1 Risk-Based Capital	$ 31,777	37.9%	$ 5,448	6.5%	$ 3,771	4.5%
Tier 1 Risk-Based Capital	31,777	37.9%	6,705	8.0%	5,029	6.0%
Total Risk-Based Capital	31,816	38.0%	8,381	10.0%	6,705	8.0%
Tier 1 Leverage	31,777	10.1%	15,793	5.0%	12,634	4.0%
Supplementary Leverage Ratio	31,777	10.0%	N/A		9,540	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, 2024, 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, 2024, 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, 2024, CSB is considered well capitalized (the highest category) under its respective regulatory capital rules. There are no conditions or events since June 30, 2024 that management believes have changed CSB's capital category.

CSC's other banking subsidiaries are Charles Schwab Premier Bank, SSB (CSPB) and Charles Schwab Trust Bank (Trust Bank). CSPB is a Texas-chartered state savings bank that provides banking and custody services, and Trust Bank is a Nevada-state chartered savings bank that provides trust and custody services. At June 30, 2024, the balance sheets of CSPB and Trust Bank consisted primarily of investment securities, and the entities held total assets of $25.5 billion and $9.5 billion, respectively. Based on their regulatory capital ratios, at June 30, 2024, 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, 2024	December 31, 2023
CS&Co		
Net capital	$ 8,798	$ 5,629
Minimum dollar requirement	0.250	0.250
2% of aggregate debit balances	1,742	1,069
Net capital in excess of required net capital	$ 7,056	$ 4,560
TDAC [1]		
Net capital	$ 221	$ 3,634
Minimum dollar requirement	1.500	1.500
2% of aggregate debit balances	—	440
Net capital in excess of required net capital	$ 220	$ 3,194
TD Ameritrade, Inc. [1]		
Net capital	$ 65	$ 444
Minimum dollar requirement	0.250	0.250
2% of aggregate debit balances	—	—
Net capital in excess of required net capital	$ 65	$ 444

[1] As part of Schwab's integration of Ameritrade, in May 2024, the Company completed the final client account conversions to CS&Co from TD Ameritrade, Inc. and TDAC. See Note 10 for additional information regarding the Company's integration of Ameritrade.

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, 2024. 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.

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

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

	Investor Services		Advisor Services		Total	
Three Months Ended June 30,	2024	2023	2024	2023	2024	2023
Net Revenues						
Net interest revenue	$ 1,715	$ 1,705	$ 443	$ 585	$ 2,158	$ 2,290
Asset management and administration fees	973	841	410	332	1,383	1,173
Trading revenue	685	701	92	102	777	803
Bank deposit account fees	113	140	40	35	153	175
Other	168	156	51	59	219	215
Total net revenues	3,654	3,543	1,036	1,113	4,690	4,656
Expenses Excluding Interest	2,231	2,191	712	774	2,943	2,965
Income before taxes on income	$ 1,423	$ 1,352	$ 324	$ 339	$ 1,747	$ 1,691
Six Months Ended June 30,						
Net Revenues						
Net interest revenue	$ 3,457	$ 3,738	$ 934	$ 1,322	$ 4,391	$ 5,060
Asset management and administration fees	1,920	1,646	811	645	2,731	2,291
Trading revenue	1,398	1,476	196	219	1,594	1,695
Bank deposit account fees	248	239	88	87	336	326
Other	303	307	75	93	378	400
Total net revenues	7,326	7,406	2,104	2,366	9,430	9,772
Expenses Excluding Interest	4,496	4,424	1,389	1,547	5,885	5,971
Income before taxes on income	$ 2,830	$ 2,982	$ 715	$ 819	$ 3,545	$ 3,801

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, 2024. 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, 2024.

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, 2024, 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 2024, there have been no material changes to the risk factors in Part I – Item 1A – Risk Factors in the 2023 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 an 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 2024 (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]	3	$ 71.78	N/A	N/A
May:				
Share repurchase program	—	$ —	—	$ 8,723
Employee transactions [1]	9	$ 75.85	N/A	N/A
June:				
Share repurchase program	—	$ —	—	$ 8,723
Employee transactions [1]	6	$ 72.31	N/A	N/A
Total:				
Share repurchase program	—	$ —	—	$ 8,723
Employee transactions [1]	18	$ 74.00	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, 2024, 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	
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, 2024 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.*	

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, 2024	/s/ Peter Crawford
		Peter Crawford
		Managing Director and Chief Financial Officer

THE CHARLES SCHWAB CORPORATION

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, 2024

/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, 2024	/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, 2024 (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, 2024
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, 2024 (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, 2024

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.