

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 September 30, 2019

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

(State or other jurisdiction of incorporation or organization)

94-3025021

(I.R.S. Employer Identification No.)

211 Main Street, San Francisco, CA 94105
(Address of principal executive offices and zip code)

Registrant's telephone number, including area code: (415) 667-7000

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

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock – \$.01 par value per share	SCHW	New York Stock Exchange
Depository Shares, each representing a 1/40th ownership interest in a share of 6.00% Non-Cumulative Preferred Stock, Series C	SCHW PrC	New York Stock Exchange
Depository 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

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.
1,282,287,840 shares of \$.01 par value Common Stock outstanding on October 31, 2019

THE CHARLES SCHWAB CORPORATION

Quarterly Report on Form 10-Q
For the Quarter Ended September 30, 2019

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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 and engages, through its subsidiaries, in wealth management, securities brokerage, banking, asset management, custody, and financial advisory services.

Significant business subsidiaries of CSC include the following:

- Charles Schwab & Co., Inc. (CS&Co), a securities broker-dealer;
- Charles Schwab Bank (CSB), a federal savings bank; and
- Charles Schwab Investment Management, Inc. (CSIM), the investment advisor for Schwab's proprietary mutual funds (Schwab Funds[®]) and for Schwab's exchange-traded funds (Schwab ETFs[™]).

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

Schwab provides financial services to individuals and institutional clients through two segments – Investor Services and Advisor Services. The Investor Services segment provides retail brokerage and banking 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 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 \$45 trillion, which means the Company's \$3.77 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, 2018 (2018 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): annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements, 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, the website also includes the Dodd-Frank stress test results, our regulatory capital disclosures based on Basel III, and our quarterly average liquidity coverage ratio (LCR). The SEC maintains a website at <https://www.sec.gov> that contains reports, proxy statements, and other information that we file electronically with them.

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

FORWARD-LOOKING STATEMENTS

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

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

- Maximizing our market valuation and stockholder returns over time; our belief that developing trusted relationships will translate into more client assets which drives revenue and, along with expense discipline and thoughtful capital management, generates earnings growth and builds stockholder value (see Introduction in Part I, Item 2);
- Investments to drive efficiency and scale to support our expanding client base (see Overview);
- Delivery of business growth and meaningful capital returns (see Overview);
- The acquisition of assets of USAA's Investment Management Company (USAA-IMCO) and entering into a referral agreement (see Overview, Risk Management – Liquidity Risk, Capital Management, and Commitments and Contingencies in Part I, Item 1, Financial Information – Notes to Condensed Consolidated Financial Statements (Item 1) – Note 10);
- The impact of the recent pricing reductions on the Company's value proposition, competitive positioning, long-term growth in total client assets and client accounts, trading revenue, and total net revenues (see Overview);
- 2019 capital expenditures (see Results of Operations);
- The phase-out of the use of LIBOR (see Risk Management);
- 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 (see Commitments and Contingencies in Item 1 – Note 10); and
- The impact of legal proceedings and regulatory matters (see Commitments and Contingencies in Item 1 – Note 10 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 valuations, and trading activity;
- Our ability to attract and retain clients, develop trusted relationships, and grow client assets;
- Client use of our advisory solutions and other products and services;
- The level of client assets, including cash balances;
- Competitive pressure on pricing, including deposit rates;
- Client sensitivity to interest rates;
- Regulatory guidance;
- Capital and liquidity needs and management;
- Our ability to manage expenses;
- Our ability to develop and launch new and enhanced products, services, and capabilities, as well as implement infrastructure, in a timely and successful manner;
- The effect of pricing reductions on client acquisition, retention and asset levels, including cash balances;
- The Company's ability to monetize client assets;
- The timing and the ability of us and USAA-IMCO to satisfy the closing conditions in the purchase agreement, including regulatory approvals and the implementation of conversion plans;
- The timing of campus expansion work and technology projects;
- 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 2018 Form 10-K.

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)

OVERVIEW

Management focuses on several client activity and financial metrics in evaluating Schwab's financial position and operating performance. Results for the third quarters and first nine months of 2019 and 2018 are:

	Three Months Ended September 30,		Percent Change	Nine Months Ended September 30,		Percent Change
	2019	2018		2019	2018	
Client Metrics						
Net new client assets (in billions) ⁽¹⁾	\$ 56.6	\$ 53.5	6%	\$ 145.5	\$ 78.6	85%
Core net new client assets (in billions)	\$ 56.6	\$ 53.5	6%	\$ 145.5	\$ 172.5	(16)%
Client assets (in billions, at quarter end)	\$ 3,768.4	\$ 3,563.7	6%			
Average client assets (in billions)	\$ 3,736.1	\$ 3,508.1	6%	\$ 3,611.0	\$ 3,420.2	6%
New brokerage accounts (in thousands)	363	369	(2)%	1,135	1,196	(5)%
Active brokerage accounts (in thousands, at quarter end)	12,118	11,423	6%			
Assets receiving ongoing advisory services (in billions, at quarter end)	\$ 1,977.9	\$ 1,851.9	7%			
Client cash as a percentage of client assets (at quarter end)	11.4%	10.3%				
Company Financial Metrics						
Total net revenues	\$ 2,711	\$ 2,579	5%	\$ 8,115	\$ 7,463	9%
Total expenses excluding interest	1,475	1,360	8%	4,379	4,111	7%
Income before taxes on income	1,236	1,219	1%	3,736	3,352	11%
Taxes on income	285	296	(4)%	884	780	13%
Net income	951	923	3%	2,852	2,572	11%
Preferred stock dividends and other	38	38	—	127	128	(1)%
Net income available to common stockholders	\$ 913	\$ 885	3%	\$ 2,725	\$ 2,444	11%
Earnings per common share — diluted	\$.70	\$.65	8%	\$ 2.05	\$ 1.79	15%
Net revenue growth from prior year	5%	19%		9%	17%	
Pre-tax profit margin	45.6%	47.3%		46.0%	44.9%	
Return on average common stockholders' equity	20%	20%		20%	19%	
Expenses excluding interest as a percentage of average client assets (annualized)	0.16%	0.15%		0.16%	0.16%	
Consolidated Tier 1 Leverage Ratio (at quarter end)	7.3%	7.5%				

⁽¹⁾ The first nine months of 2018 includes outflows of \$93.9 billion from certain mutual fund clearing services clients.

During the first nine months of 2019, the equity markets showed noteworthy durability, as the S&P 500 remained up nearly 20% for the year through September 30th. Concerns persisted, however, regarding global trade and a generally softening economic outlook. The Federal Reserve moved forward with mid-cycle easing, cutting short-term interest rates 25 bps in both July and September, and long-term rates also declined significantly. Through this environment, Schwab's net income grew to \$951 million and \$2.9 billion in the third quarter and first nine months of 2019, respectively, while diluted earnings per share reached \$.70 and \$2.05 in the third quarter and first nine months of 2019, representing increases of 8% and 15% from the comparable periods in 2018. Our continued success with clients and our full-service model enabled us to deliver total net revenues of \$2.7 billion in the third quarter and \$8.1 billion in the first nine months of 2019, up 5% and 9%, respectively, from the comparable periods in 2018.

Largely as a result of generally higher investment yields and higher client cash balances, net interest revenue rose 7% in the third quarter of 2019 to \$1.6 billion, which brought our 2019 year-to-date net interest revenue to \$4.9 billion, a 17% increase from the first nine months of 2018. Growing client balances in purchased money market funds, advice solutions, and other third-party mutual funds and ETFs helped push asset management and administration fees to \$825 million in the third quarter of 2019, up 2% from the third quarter of 2018. Asset management and administration fees totaled \$2.4 billion for the first nine months of 2019, down 4% from the same period in 2018, primarily as a result of lower sweep money market fund revenue due to the transfer of sweep money market funds to bank and broker-dealer sweep, as well as declines in Mutual Fund OneSource[®]

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balances. Trading revenue decreased 2% and 5% during the third quarter and first nine months of 2019, respectively, compared with the same periods in 2018, due primarily to lower average revenue per revenue trade.

Total expenses excluding interest increased 8% and 7% during the third quarter and first nine months of 2019, respectively. Year-to-date 2019 expenses reflect growth in headcount relative to 2018 and our investments to drive efficiency and scale as we support our expanding client base. The third quarter also included \$62 million of severance charges associated with our decision to eliminate positions spanning approximately 3% of our workforce, as we work to ensure we remain properly positioned to serve clients through what has become a more challenging environment. These charges contributed roughly half of our 8% expense growth in the third quarter.

Clients opened 363,000 new brokerage accounts during the third quarter, bringing our 2019 year-to-date total to 1.1 million, and helping raise active brokerage accounts to 12.1 million at quarter-end, up 6% from September 30, 2018. Core net new assets of \$56.6 billion during the third quarter brought our total to \$145.5 billion for the first nine months of 2019, representing an annualized organic growth rate of 6%. Client demand for help and guidance continued to grow, as client assets receiving ongoing advisory services reached \$1.98 trillion at quarter-end, up 7% from September 30, 2018. Total client assets rose to \$3.77 trillion as of September 30, 2019, representing an increase of \$204.7 billion, or 6% from September 30, 2018.

Consistent with our approach to deliver both business growth and meaningful capital returns, we completed \$771 million and \$2.0 billion of share repurchases during the third quarter and first nine months of 2019, respectively, under our current \$4.0 billion authorization. Our expanding client base and related increases in their cash balances drove modest organic growth in our balance sheet during the third quarter, as consolidated total assets increased \$2.7 billion during the third quarter to \$279.0 billion. We ended the third quarter of 2019 with a Tier 1 Leverage Ratio of 7.3%, and produced a return on equity of 20% for both the third quarter and first nine months of 2019.

On July 25, 2019, the Company announced a definitive agreement to acquire assets of USAA-IMCO, including over one million brokerage and managed portfolio accounts with approximately \$90 billion in client assets, for \$1.8 billion in cash. The companies have also agreed to enter into a long-term referral agreement, effective at closing of the acquisition, that would make Schwab the exclusive wealth management and brokerage provider for USAA members. The transaction is expected to close in mid-2020, subject to satisfaction of closing conditions, including regulatory approvals and the implementation of conversion plans.

Effective October 7, 2019, CS&Co eliminated online trading commissions for U.S. and Canadian-listed stocks and ETFs, as well as the base charge on options. These pricing reductions are consistent with Founder and Chairman Charles Schwab's vision of making investing accessible to all. Management believes they enhance both our value proposition and our competitive positioning, and will contribute to long-term growth in total client assets and client accounts at Schwab. Based on trading volumes in the third quarter of 2019, we estimate that these pricing reductions were equivalent to approximately \$90-100 million of third quarter trading revenue and 3-4% of total net revenues.

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Current Regulatory Environment and Other Developments

In October 2019, the Board of Governors of the Federal Reserve System (Federal Reserve) issued a final enhanced prudential standards rule, and the Federal Reserve, the Office of the Comptroller of the Currency (OCC), and the Federal Deposit Insurance Corporation (FDIC) jointly issued a final capital and liquidity rule. Together, the two rules establish a revised framework for applying enhanced prudential standards and capital and liquidity requirements to large U.S. banking organizations with more than \$100 billion in total assets, with four categories of standards that reflect the risks of banking organizations in each group. CSC will be in Category III based on having \$250-700 billion in total assets and less than \$75 billion in cross-jurisdictional activity.

The Federal Reserve final rule, largely unchanged from its October 2018 proposal, for the first time makes large savings and loan holding companies such as CSC subject to enhanced prudential standards, tailoring those regulatory requirements relating to capital stress testing, risk management, liquidity risk management, and single-counterparty credit limits based on an institution's asset size and four other risk factors. The rule provides that Category III banking organizations will be subject to annual supervisory stress testing and biennial company-run stress testing. The interagency rule similarly tailors requirements under the agencies' regulatory capital, LCR, and proposed net stable funding ratio rules for banking organizations in each of the four categories. Under the rule, banking organizations in Category III are no longer required to calculate their risk-weighted assets using the "advanced approaches" framework or to include accumulated other comprehensive income (AOCI) in calculating their regulatory capital; however, they will continue to be subject to the supplementary leverage ratio and any future countercyclical capital buffer imposed by the banking agencies. As a Category III banking organization which has less than \$75 billion in weighted short-term wholesale funding, as defined in the rule, Schwab will be subject to a reduced LCR requirement calibrated at 85% of the full LCR requirement.

Although the Federal Reserve announced in its final rule that additional capital planning proposals would be issued at a later date, the agency did indicate that all Category III firms, including savings and loan holding companies, will be required to submit annual capital plans that will be subject to qualitative and quantitative assessments evaluated as part of the Comprehensive Capital Analysis and Review (CCAR) process.

In a separate rulemaking, the Federal Reserve and the FDIC excluded savings and loan holding companies such as CSC from any resolution planning requirement.

Schwab is currently assessing the overall impact of the final rules on its capital and liquidity requirements, as well as the stress testing, risk management, and other operational areas that will be affected by the rules.

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RESULTS OF OPERATIONS

Total Net Revenues

The following tables present a comparison of revenue by category:

Three Months Ended September 30,	Percent Change	2019		2018	
		Amount	% of Total Net Revenues	Amount	% of Total Net Revenues
Net interest revenue					
Interest revenue	8%	\$ 1,892	70%	\$ 1,755	68%
Interest expense	14%	(261)	(10)%	(228)	(9)%
Net interest revenue	7%	1,631	60%	1,527	59%
Asset management and administration fees					
Mutual funds, ETFs, and collective trust funds (CTFs) ⁽¹⁾	—	445	16%	446	17%
Advice solutions	4%	305	11%	294	11%
Other ⁽¹⁾	9%	75	3%	69	3%
Asset management and administration fees	2%	825	30%	809	31%
Trading revenue					
Commissions	3%	159	6%	155	6%
Principal transactions	(38)%	13	—	21	1%
Trading revenue	(2)%	172	6%	176	7%
Other	24%	83	4%	67	3%
Total net revenues	5%	\$ 2,711	100%	\$ 2,579	100%

Nine Months Ended September 30,	Percent Change	2019		2018	
		Amount	% of Total Net Revenues	Amount	% of Total Net Revenues
Net interest revenue					
Interest revenue	22%	\$ 5,817	72%	\$ 4,766	64%
Interest expense	57%	(896)	(11)%	(569)	(8)%
Net interest revenue	17%	4,921	61%	4,197	56%
Asset management and administration fees					
Mutual funds, ETFs, and collective trust funds (CTFs) ⁽¹⁾	(9)%	1,287	16%	1,419	19%
Advice solutions	2%	878	11%	859	11%
Other ⁽¹⁾	3%	201	2%	196	3%
Asset management and administration fees	(4)%	2,366	29%	2,474	33%
Trading revenue					
Commissions	(5)%	477	6%	501	7%
Principal transactions	(4)%	54	1%	56	1%
Trading revenue	(5)%	531	7%	557	8%
Other	26%	297	3%	235	3%
Total net revenues	9%	\$ 8,115	100%	\$ 7,463	100%

⁽¹⁾ Beginning in the first quarter of 2019, a change was made to move CTFs from other asset management and administration fees. Prior periods have been recast to reflect this change.

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Net Interest Revenue

Revenue on interest-earning assets is affected by various factors, such as the composition of assets, prevailing interest rates at the time of origination or purchase, changes in interest rates on floating rate securities and loans, and changes in prepayment levels for mortgage-related securities and loans. Interest rates across maturities declined during the first nine months of 2019 relative to the end of 2018. During the second and third quarters, to maintain our overall targeted interest rate risk profile, we began positioning the securities in our banking entities' investment portfolios to include a higher percentage of fixed-rate, longer duration investments to lower our interest rate sensitivities to further declines in market interest rates.

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

Three Months Ended September 30,	2019			2018		
	Average Balance	Interest Revenue/Expense	Average Yield/Rate	Average Balance	Interest Revenue/Expense	Average Yield/Rate
Interest-earning assets						
Cash and cash equivalents	\$ 22,288	\$ 123	2.16%	\$ 18,623	\$ 94	1.98%
Cash and investments segregated	16,140	92	2.25%	10,253	51	1.94%
Broker-related receivables	216	2	2.34%	307	1	1.94%
Receivables from brokerage clients	19,438	205	4.13%	20,224	217	4.19%
Available for sale securities ⁽¹⁾	53,487	366	2.71%	55,283	328	2.34%
Held to maturity securities	136,880	906	2.63%	137,065	887	2.57%
Bank loans	16,724	146	3.49%	16,579	142	3.43%
Total interest-earning assets	265,173	1,840	2.75%	258,334	1,720	2.63%
Other interest revenue		52			35	
Total interest-earning assets	\$ 265,173	\$ 1,892	2.82%	\$ 258,334	\$ 1,755	2.69%
Funding sources						
Bank deposits	\$ 208,592	\$ 166	0.32%	\$ 208,666	\$ 158	0.30%
Payables to brokerage clients	25,080	21	0.33%	20,595	16	0.31%
Short-term borrowings ⁽²⁾	21	—	2.48%	—	—	—
Long-term debt	7,425	67	3.58%	5,790	51	3.52%
Total interest-bearing liabilities	241,118	254	0.42%	235,051	225	0.38%
Non-interest-bearing funding sources	24,055			23,283		
Other interest expense		7			3	
Total funding sources	\$ 265,173	\$ 261	0.39%	\$ 258,334	\$ 228	0.36%
Net interest revenue		\$ 1,631	2.43%		\$ 1,527	2.33%

⁽¹⁾ Amounts have been calculated based on amortized cost.

⁽²⁾ Interest revenue or expense was less than \$500,000 in the period or periods presented.

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Nine Months Ended September 30,	2019			2018		
	Average Balance	Interest Revenue/ Expense	Average Yield/Rate	Average Balance	Interest Revenue/ Expense	Average Yield/Rate
Interest-earning assets						
Cash and cash equivalents	\$ 24,506	\$ 432	2.33%	\$ 16,164	\$ 217	1.78%
Cash and investments segregated	14,771	264	2.36%	12,002	149	1.64%
Broker-related receivables	225	4	2.21%	324	4	1.62%
Receivables from brokerage clients	19,279	636	4.35%	19,629	600	4.03%
Available for sale securities ⁽¹⁾	58,738	1,203	2.72%	52,797	859	2.16%
Held to maturity securities	134,031	2,721	2.70%	129,490	2,420	2.48%
Bank loans	16,621	443	3.56%	16,522	410	3.31%
Total interest-earning assets	268,171	5,703	2.82%	246,928	4,659	2.50%
Other interest revenue		114			107	
Total interest-earning assets	\$ 268,171	\$ 5,817	2.88%	\$ 246,928	\$ 4,766	2.56%
Funding sources						
Bank deposits	\$ 213,089	\$ 616	0.39%	\$ 193,010	\$ 339	0.23%
Payables to brokerage clients	23,443	68	0.39%	21,591	37	0.23%
Short-term borrowings ⁽²⁾	18	—	2.49%	4,488	54	1.59%
Long-term debt	7,122	192	3.59%	5,053	131	3.46%
Total interest-bearing liabilities	243,672	876	0.48%	224,142	561	0.33%
Non-interest-bearing funding sources	24,499			22,786		
Other interest expense		20			8	
Total funding sources	\$ 268,171	\$ 896	0.45%	\$ 246,928	\$ 569	0.31%
Net interest revenue		\$ 4,921	2.43%		\$ 4,197	2.25%

⁽¹⁾ Amounts have been calculated based on amortized cost.

⁽²⁾ Interest revenue or expense was less than \$500,000 in the period or periods presented.

Net interest revenue increased \$104 million, or 7%, and \$724 million, or 17% in the third quarter and first nine months of 2019, respectively, compared to the same periods in 2018, due to generally higher investment yields and growth in interest-earning assets.

Our net interest margin was 2.43% during both the third quarter and first nine months of 2019, up from 2.33% and 2.25% during the third quarter and first nine months of 2018. These increases were driven primarily by higher yields received on interest-earning assets due in part to the Federal Reserve's 2018 interest rate increases, partially offset by higher interest rates paid on bank deposits and other interest-bearing liabilities.

Average interest-earning assets for the third quarter and first nine months of 2019 were higher by 3% and 9%, respectively, compared to the same periods in 2018. The increase in average interest-earning assets for the third quarter of 2019 primarily reflects higher client cash balances; the increase for the first nine months of 2019 primarily reflects higher bank deposits due to transfers from sweep money market funds to bank sweep, as well as higher client cash balances. Short-term borrowings in 2018 were primarily the result of Federal Home Loan Bank (FHLB) advances, which were used to provide temporary funding for investments ahead of deposit growth during the first half of 2018. There were no FHLB borrowings in the first nine months of 2019.

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Asset Management and Administration Fees

The following tables present asset management and administration fees, average client assets, and average fee yields:

Three Months Ended September 30,	2019			2018		
	Average Client Assets	Revenue	Average Fee	Average Client Assets	Revenue	Average Fee
Schwab money market funds	\$ 177,892	\$ 133	0.30%	\$ 130,202	\$ 122	0.37%
Schwab equity and bond funds, ETFs, and CTFs ⁽¹⁾	274,005	75	0.11%	235,148	78	0.13%
Mutual Fund OneSource [®] and other non-transaction fee funds	192,409	153	0.32%	209,560	171	0.32%
Other third-party mutual funds and ETFs ⁽²⁾	486,285	84	0.07%	342,316	75	0.09%
Total mutual funds, ETFs and CTFs ^(1,3)	\$ 1,130,591	445	0.16%	\$ 917,226	446	0.19%
Advice solutions ⁽³⁾						
Fee-based	\$ 251,591	305	0.48%	\$ 234,338	294	0.50%
Non-fee-based	71,195	—	—	65,146	—	—
Total advice solutions	\$ 322,786	305	0.37%	\$ 299,484	294	0.39%
Other balance-based fees ^(1,4)	421,241	56	0.05%	384,038	52	0.05%
Other ⁽⁵⁾		19			17	
Total asset management and administration fees		\$ 825			\$ 809	

Nine Months Ended September 30,	2019			2018		
	Average Client Assets	Revenue	Average Fee	Average Client Assets	Revenue	Average Fee
Schwab money market funds	\$ 166,053	\$ 378	0.30%	\$ 142,177	\$ 451	0.42%
Schwab equity and bond funds, ETFs, and CTFs ⁽¹⁾	260,034	219	0.11%	221,818	228	0.14%
Mutual Fund OneSource [®] and other non-transaction fee funds	190,847	452	0.32%	216,699	524	0.32%
Other third-party mutual funds and ETFs ⁽²⁾	469,901	238	0.07%	329,033	216	0.09%
Total mutual funds, ETFs and CTFs ^(1,3)	\$ 1,086,835	1,287	0.16%	\$ 909,727	1,419	0.21%
Advice solutions ⁽³⁾						
Fee-based	\$ 241,678	878	0.49%	\$ 228,326	859	0.50%
Non-fee-based	69,136	—	—	62,377	—	—
Total advice solutions	\$ 310,814	878	0.38%	\$ 290,703	859	0.40%
Other balance-based fees ^(1,4)	407,762	162	0.05%	388,836	158	0.05%
Other ⁽⁵⁾		39			38	
Total asset management and administration fees		\$ 2,366			\$ 2,474	

⁽¹⁾ Beginning in the first quarter of 2019, a change was made to move CTFs from other balance-based fees. Prior periods have been recast to reflect this change.

⁽²⁾ Includes Schwab ETF OneSource[™].

⁽³⁾ Average client assets for advice solutions may also include the asset balances contained in the mutual fund and/or ETF categories listed above.

⁽⁴⁾ Includes various asset-related fees, such as trust fees, 401(k) recordkeeping fees, and mutual fund clearing fees and other service fees.

⁽⁵⁾ Includes miscellaneous service and transaction fees relating to mutual funds and ETFs that are not balance-based.

Asset management and administration fees increased by \$16 million, or 2%, in the third quarter of 2019 and decreased by \$108 million, or 4%, in the first nine months of 2019, compared to the same periods in 2018. The increase in asset management and administration fees for the third quarter of 2019 was due to higher revenue from growing asset balances in purchased money market funds, other third-party mutual funds and ETFs, and increased enrollment in advice solutions, compared to the same period in 2018. The decrease in asset management and administration fees for the first nine months of 2019 was due to lower sweep money market fund revenue as a result of transfers to bank and broker-dealer sweep, as well as client asset allocation choices including continued reduced usage of Mutual Fund OneSource[®]. Part of the year-to-date decline was offset by revenue from growing asset balances in purchased money market funds, other third-party mutual funds and ETFs, and increased enrollment in advice solutions.

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 non-transaction fee (NTF) funds. These funds generated 44% of the

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asset management and administration fees earned during both the third quarter and first nine months of 2019, compared to 46% and 49% for the same periods in 2018:

	Schwab Money Market Funds		Schwab Equity and Bond Funds, ETFs, and CTFs ⁽¹⁾		Mutual Fund OneSource [®] and Other NTF funds	
	2019	2018	2019	2018	2019	2018
Three Months Ended September 30,						
Balance at beginning of period	\$ 168,064	\$ 134,166	\$ 254,460	\$ 216,883	\$ 197,777	\$ 212,513
Net inflows (outflows)	18,044	(6,204)	7,408	6,290	(5,586)	(7,126)
Net market gains (losses) and other	843	522	1,296	9,349	2,482	7,228
Balance at end of period	\$ 186,951	\$ 128,484	\$ 263,164	\$ 232,522	\$ 194,673	\$ 212,615

	Schwab Money Market Funds		Schwab Equity and Bond Funds, ETFs, and CTFs ⁽¹⁾		Mutual Fund OneSource [®] and Other NTF funds	
	2019	2018	2019	2018	2019	2018
Nine Months Ended September 30,						
Balance at beginning of period	\$ 153,472	\$ 163,650	\$ 209,471	\$ 196,784	\$ 180,532	\$ 225,202
Net inflows (outflows)	30,735	(36,645)	20,789	24,746	(16,729)	(25,403)
Net market gains (losses) and other	2,744	1,479	32,904	10,992	30,870	12,816
Balance at end of period	\$ 186,951	\$ 128,484	\$ 263,164	\$ 232,522	\$ 194,673	\$ 212,615

⁽¹⁾ Beginning in the first quarter of 2019, CTFs are included in these balances. Prior periods have been recast to reflect this change.

Trading Revenue

The following table presents trading revenue and the related drivers:

	Three Months Ended September 30,		Percent Change	Nine Months Ended September 30,		Percent Change
	2019	2018		2019	2018	
Daily average revenue trades (DARTs) (in thousands)	395	382	3%	401	406	(1)%
Clients' daily average trades (in thousands)	718	683	5%	737	732	1%
Number of trading days	63.5	62.5	2%	187.5	187.5	—
Daily average revenue per revenue trade	\$ 6.94	\$ 7.27	(5)%	\$ 7.03	\$ 7.27	(3)%
Trading revenue	\$ 172	\$ 176	(2)%	\$ 531	\$ 557	(5)%

During the third quarter and first nine months of 2019, trading revenue decreased \$4 million, or 2%, and \$26 million, or 5%, compared to the same periods in 2018. These declines were due primarily to decreases in daily average revenue per revenue trade, which decreased 5% and 3% in the third quarter and first nine months of 2019, respectively, compared to the same periods in 2018.

Effective October 7, 2019, CS&Co eliminated online trade commissions for U.S. and Canadian-listed stocks and ETFs, as well as the base charge on options. For additional information on the pricing reduction, see Overview.

Other Revenue

Other revenue includes order flow revenue, other service fees, software fees from our portfolio management solutions, exchange processing fees, and non-recurring gains. Other revenue increased \$16 million, or 24%, and \$62 million, or 26%, in the third quarter and first nine months of 2019, respectively, compared to the same periods in 2018. The increase in other revenue for the first nine months of 2019 was primarily due to a gain from the sale of a portfolio management and reporting software solution for advisors to Tamarac Inc. in the second quarter of 2019, and a gain from the assignment of leased office space in the first quarter of 2019. Order flow revenue was \$34 million and \$33 million during the third quarters of 2019 and 2018, respectively, and \$99 million and \$104 million during the first nine months of 2019 and 2018, respectively. The decrease in order flow revenue for the first nine months of 2019 was primarily due to lower volume of trades during the first quarter of 2019 compared to the same period in 2018.

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Total Expenses Excluding Interest

The following table shows a comparison of expenses excluding interest:

	Three Months Ended September 30,		Percent Change	Nine Months Ended September 30,		Percent Change
	2019	2018		2019	2018	
Compensation and benefits						
Salaries and wages	\$ 546	\$ 423	29%	\$ 1,498	\$ 1,253	20%
Incentive compensation	183	193	(5)%	597	615	(3)%
Employee benefits and other	128	121	6%	419	384	9%
Total compensation and benefits	\$ 857	\$ 737	16%	\$ 2,514	\$ 2,252	12%
Professional services	168	164	2%	516	476	8%
Occupancy and equipment	144	124	16%	408	368	11%
Advertising and market development	71	70	1%	217	220	(1)%
Communications	63	59	7%	187	179	4%
Depreciation and amortization	88	78	13%	255	226	13%
Regulatory fees and assessments	30	57	(47)%	92	158	(42)%
Other	54	71	(24)%	190	232	(18)%
Total expenses excluding interest	\$ 1,475	\$ 1,360	8%	\$ 4,379	\$ 4,111	7%
Expenses as a percentage of total net revenues						
Compensation and benefits	32%	29%		31%	30%	
Advertising and market development	3%	3%		3%	3%	
Full-time equivalent employees (in thousands)						
At quarter end	19.8	19.1	4%			
Average	20.2	19.0	6%	20.1	18.4	9%

Total compensation and benefits increased in the third quarter and first nine months of 2019 compared to the same periods in 2018, primarily due to an increase in employee headcount in 2019 to support our expanding client base as well as \$62 million of severance charges in the third quarter of 2019.

Professional services expense increased in the third quarter and first nine months of 2019 compared to the same periods in 2018, primarily due to overall growth in the business and investments in projects to further drive efficiency and scale.

Occupancy and equipment expense increased in the third quarter and first nine months of 2019 compared to the same periods in 2018, primarily due to an increase in software maintenance expenses and additional licenses to support growth in the business.

Depreciation and amortization expenses grew in the third quarter and first nine months of 2019 compared to the same periods in 2018, primarily due to higher amortization of internally developed software associated with continued investments in software and technology enhancements.

Regulatory fees and assessments decreased in the third quarter and first nine months of 2019 compared to the same periods in 2018, primarily due to a decrease in FDIC insurance assessments resulting from the elimination of the FDIC surcharge in the fourth quarter of 2018.

Other expenses decreased in the third quarter and the first nine months of 2019 compared to the same periods in 2018, primarily due to lower bad debt expense and travel and entertainment expense.

Capital expenditures were \$190 million and \$544 million in the third quarter and first nine months of 2019, respectively, compared with \$156 million and \$417 million in the third quarter and first nine months of 2018, respectively. The increase in capital expenditures from the prior year was primarily due to the expansion of our campuses in the U.S. We currently anticipate capital expenditures for full-year 2019 will reach approximately 7-8% of total net revenues.

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Taxes on Income

Taxes on income were \$285 million and \$296 million for the third quarters of 2019 and 2018, respectively, resulting in effective income tax rates on income before taxes of 23.1% and 24.3%, respectively. Taxes on income were \$884 million and \$780 million for the first nine months of 2019 and 2018, respectively, resulting in effective income tax rates on income before taxes of 23.7% and 23.3%, respectively. The decrease in the effective tax rate in the third quarter of 2019 compared to the same period in the prior year was primarily due to federal tax benefits recognized during the current period. The increase in the effective tax rate in the first nine months of 2019 compared to the same period in the prior year was primarily due to a decrease in equity compensation tax deduction benefits.

Segment Information

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

Three Months Ended September 30,	Investor Services			Advisor Services			Total		
	Percent Change	2019	2018	Percent Change	2019	2018	Percent Change	2019	2018
Net Revenues									
Net interest revenue	4%	\$ 1,182	\$ 1,138	15%	\$ 449	\$ 389	7%	\$ 1,631	\$ 1,527
Asset management and administration fees	4%	586	565	(2)%	239	244	2%	825	809
Trading revenue	(4)%	108	112	—	64	64	(2)%	172	176
Other	28%	68	53	7%	15	14	24%	83	67
Total net revenues	4%	1,944	1,868	8%	767	711	5%	2,711	2,579
Expenses Excluding Interest	5%	1,070	1,015	17%	405	345	8%	1,475	1,360
Income before taxes on income	2%	\$ 874	\$ 853	(1)%	\$ 362	\$ 366	1%	\$ 1,236	\$ 1,219

Nine Months Ended September 30,	Investor Services			Advisor Services			Total		
	Percent Change	2019	2018	Percent Change	2019	2018	Percent Change	2019	2018
Net Revenues									
Net interest revenue	12%	\$ 3,531	\$ 3,158	34%	\$ 1,390	\$ 1,039	17%	\$ 4,921	\$ 4,197
Asset management and administration fees	(3)%	1,679	1,727	(8)%	687	747	(4)%	2,366	2,474
Trading revenue	(7)%	329	354	—	202	203	(5)%	531	557
Other	14%	207	182	70%	90	53	26%	297	235
Total net revenues	6%	5,746	5,421	16%	2,369	2,042	9%	8,115	7,463
Expenses Excluding Interest	4%	3,189	3,069	14%	1,190	1,042	7%	4,379	4,111
Income before taxes on income	9%	\$ 2,557	\$ 2,352	18%	\$ 1,179	\$ 1,000	11%	\$ 3,736	\$ 3,352

Investor Services

Total net revenues grew by 4% in the third quarter of 2019 compared to the same period in 2018, primarily due to an increase in net interest revenue and asset management and administration fees. During the first nine months of 2019, total net revenues grew by 6% compared to 2018, primarily due to an increase in net interest revenue, partially offset by lower asset management and administration fees. Net interest revenue increased for both the third quarter and first nine months of 2019, primarily due to higher net interest margin and higher interest-earning assets. During the third quarter of 2019, asset management and administration fees increased primarily due to growing asset balances in purchased money market funds, other third-party mutual funds and ETFs, and advice solutions. Asset management and administration fees decreased during the first nine months of 2019 as a result of lower sweep money market fund revenue due to transfers to bank and broker-dealer sweep, as well as client asset allocation choices including reduced usage of Mutual Fund OneSource[®]. Part of the year-to-date decline was offset by growing asset balances in purchased money market funds, other third-party mutual funds and ETFs, and increased enrollment in advice solutions.

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Expenses excluding interest increased by 5% and 4% in the third quarter and first nine months of 2019, respectively, compared to the same periods in 2018, primarily as a result of higher compensation and benefits due to increased headcount in 2019 and severance charges in the third quarter of 2019, higher professional services due to overall growth in the business and investments in projects to further drive efficiency and scale, higher occupancy and equipment expenses due to an increase in software maintenance expenses and additional licenses to support growth in the business, and higher amortization of internally developed software associated with continued investments in software and technology enhancements. These increases were partially offset by a decrease in FDIC insurance assessments due to the elimination of the FDIC surcharge in the fourth quarter of 2018 and lower travel and entertainment expenses.

Advisor Services

Total net revenues grew by 8% and 16% in the third quarter and first nine months of 2019, respectively, compared to the same periods in 2018, primarily due to increases in net interest revenue and other revenue, partially offset by lower asset management and administration fees. Net interest revenue increased primarily due to higher net interest margin and higher interest-earning assets. Other revenue increased primarily due to a gain from the sale of a portfolio management and reporting software solution for advisors to Tamarac Inc. in the second quarter of 2019. Asset management and administration fees decreased primarily due to lower money market fund revenue as a result of transfers to bank and broker-dealer sweep, as well as client asset allocation choices including reduced usage of Mutual Fund OneSource[®].

Expenses excluding interest increased by 17% and 14% in the third quarter and first nine months of 2019, respectively, compared to the same periods in 2018, primarily due to higher compensation and benefits due to increased headcount in 2019 and severance charges in the third quarter of 2019, higher professional services expense due to overall growth in the business and investments in projects to further drive efficiency and scale, and higher occupancy and equipment expense due to an increase in software maintenance expenses and additional licenses to support growth in the business. These increases were partially offset by a decrease in FDIC insurance assessments due to the elimination of the FDIC surcharge in the fourth quarter of 2018, lower bad debt expenses, and lower travel and entertainment expenses.

RISK MANAGEMENT

Schwab's business activities expose us to a variety of risks, including operational, credit, market, liquidity, and compliance 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 Item 7 – Risk Management in the 2018 Form 10-K.

Expected Phase-out of LIBOR

The Company has established a firm-wide team to address the likely discontinuation of LIBOR. As part of our efforts, we have inventoried our LIBOR exposures, the largest of which are certain investment securities and loans. In purchasing new investment securities, we ensure that appropriate fall-back language is in the security's prospectus in the event that LIBOR is unavailable or deemed unreliable. We have also started to update loan agreements to ensure new LIBOR-based loans adequately provide for an alternative to LIBOR. Furthermore, we plan to phase-out the use of LIBOR as a reference rate in our new lending products before December 2021. Consistent with our "Through Clients' Eyes" strategy, our focus throughout the LIBOR transition process is to ensure clients are treated fairly and consistently as this major change is occurring in the financial markets. The market transition process has not yet progressed to a point at which the impact to the Company's consolidated financial statements of LIBOR's discontinuation can be estimated.

Net Interest Revenue Simulation

Schwab's investment strategy is structured to produce an increase in net interest revenue when interest rates rise and, conversely, a decrease in net interest revenue when interest rates fall. 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 simulation includes all interest-sensitive assets and liabilities. Key variables in the simulation include the repricing of financial instruments, prepayment, reinvestment, and product pricing assumptions. The simulations involve assumptions that are inherently uncertain and, as a result, cannot precisely estimate the impact of changes in interest rates on net interest revenue.

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Actual results may differ from simulated results due to balance growth or decline and the timing, magnitude, and frequency of interest rate changes, as well as changes in market conditions and management strategies, including changes in asset and liability mix.

The simulations in the following table assume that the asset and liability structure of the consolidated balance sheets would not be changed as a result of the simulated changes in interest rates. As we actively manage the consolidated balance sheets and interest rate exposure, in all likelihood we would take steps to manage additional interest rate exposure that could result from changes in the interest rate environment. The following table shows the simulated net interest revenue change over the next 12 months beginning September 30, 2019 and December 31, 2018 of a gradual 100 basis point increase or decrease in market interest rates relative to prevailing market rates at the end of each reporting period:

	September 30, 2019	December 31, 2018
Increase of 100 basis points	3.8%	4.4%
Decrease of 100 basis points	(6.0)%	(4.9)%

Liquidity Risk

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, repurchase agreements, and cash provided by external financing.

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

In addition to internal sources of liquidity, Schwab has access to external funding. The following table describes external debt facilities available at September 30, 2019:

Description	Borrower	Outstanding	Available
Federal Home Loan Bank secured credit facility ⁽¹⁾	Banking subsidiaries	\$ —	\$ 35,200
Uncommitted, unsecured lines of credit with various external banks	CSC, CS&Co	—	1,472
Unsecured commercial paper ⁽²⁾	CSC	—	750
Committed, unsecured credit facility with various external banks	CSC	—	750
Federal Reserve Bank discount window ⁽³⁾	Banking subsidiaries	—	8,254

⁽¹⁾ Amounts available are dependent on the amount of First Mortgages, HELOCs, and the fair value of certain investment securities that are pledged as collateral.

⁽²⁾ CSC has authorization from its Board of Directors to issue Commercial Paper Notes to not exceed \$1.5 billion. Management has set a current limit not to exceed the amount of the committed, unsecured credit facility.

⁽³⁾ Amounts available are dependent on the fair value of certain investment securities that are pledged as collateral.

CSC's ratings for Commercial Paper Notes are P1 by Moody's Investor Service (Moody's), A1 by Standard & Poor's Rating Group (Standard & Poor's), and F1 by Fitch Ratings, Ltd (Fitch).

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As Schwab's consolidated balance sheet assets were above \$250 billion at December 31, 2018, Schwab became subject to the non-modified LCR rule on April 1, 2019. The Company was in compliance with the LCR rule at September 30, 2019. See Current Regulatory Environment and Other Developments for information on recently issued rules that will impact Schwab's LCR requirements. The table below presents information about our average LCR:

	Average for the Three Months Ended September 30, 2019
Total eligible high quality liquid assets	\$ 53,865
Net cash outflows	\$ 48,109
LCR	112%

Borrowings

The following are details of the Senior Notes:

September 30, 2019	Par Outstanding	Maturity	Weighted Average Interest Rate	Moody's	Standard & Poor's	Fitch
Senior Notes	\$ 7,481	2020 - 2029	3.36%	A2	A	A

New Debt Issuance

The new debt issuance in 2019 is a senior unsecured obligation with interest payable semi-annually. Additional details are as follows:

Issuance Date	Issuance Amount	Maturity Date	Interest Rate
May 22, 2019	\$ 600	5/22/2029	3.250%

Acquisition of USAA-IMCO

We expect to utilize cash generated from operations to fund the \$1.8 billion purchase of assets from USAA-IMCO. The transaction is expected to close in mid-2020, subject to satisfaction of closing conditions, including regulatory approvals and the implementation of conversion plans.

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CAPITAL MANAGEMENT

Schwab seeks to manage capital to a level and composition sufficient to support execution of our business strategy, including anticipated balance sheet growth, providing financial support to our subsidiaries, and sustained access to the capital markets, while at the same time meeting our regulatory capital requirements and serving as a source of financial strength to our banking subsidiaries. Schwab'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. Our capital management in coming quarters will incorporate preparations for closing the USAA-IMCO transaction, including the allocation of capital to support client cash that will be added to our balance sheet.

Regulatory Capital Requirements

CSC and CSB are subject to various capital requirements set by regulatory agencies as discussed in further detail in the 2018 Form 10-K and in Item 1 – Note 15. As of September 30, 2019, CSC and CSB are considered well capitalized.

The following table details CSC's consolidated and CSB's capital ratios as of September 30, 2019 and December 31, 2018:

	September 30, 2019 ⁽¹⁾		December 31, 2018	
	CSC	CSB	CSC	CSB
Total stockholders' equity	\$ 21,354	\$ 15,591	\$ 20,670	\$ 15,615
Less:				
Preferred stock	2,793	—	2,793	—
Common Equity Tier 1 Capital before regulatory adjustments	\$ 18,561	\$ 15,591	\$ 17,877	\$ 15,615
Less:				
Goodwill, net of associated deferred tax liabilities	\$ 1,188	\$ 13	\$ 1,188	\$ 13
Other intangible assets, net of associated deferred tax liabilities	106	—	125	—
Deferred tax assets, net of valuation allowances and deferred tax liabilities	3	1	3	1
AOCI adjustment ⁽¹⁾	—	—	(252)	(231)
Common Equity Tier 1 Capital	\$ 17,264	\$ 15,577	\$ 16,813	\$ 15,832
Tier 1 Capital	\$ 20,057	\$ 15,577	\$ 19,606	\$ 15,832
Total Capital	20,075	15,594	19,628	15,853
Risk-Weighted Assets	86,161	68,154	95,441	80,513
Total Leverage Exposure ⁽¹⁾	280,591	217,468	N/A	N/A
Common Equity Tier 1 Capital/Risk-Weighted Assets	20.0%	22.9%	17.6%	19.7%
Tier 1 Capital/Risk-Weighted Assets	23.3%	22.9%	20.5%	19.7%
Total Capital/Risk-Weighted Assets	23.3%	22.9%	20.6%	19.7%
Tier 1 Leverage Ratio	7.3%	7.4%	7.1%	7.2%
Supplementary Leverage Ratio ⁽¹⁾	7.1%	7.2%	N/A	N/A

⁽¹⁾ Beginning in 2019, CSC and CSB are subject to the "advanced approaches" framework under the Basel III capital rule. As a result, we are now required to include all components of AOCI in regulatory capital and report our supplementary leverage ratio, which is calculated as Tier 1 capital divided by total leverage exposure. Total leverage exposure includes all on-balance sheet assets and certain off-balance sheet exposures, including unused commitments. Prior to 2019, CSC and CSB elected to opt-out of the requirement to include most components of AOCI in Common Equity Tier 1 Capital; the amounts and ratios for December 31, 2018 are presented on this basis. See Current Regulatory Environment and Other Developments for information on recently issued rules that will impact Schwab's regulatory capital requirements.

N/A Not applicable.

CSB is also subject to regulatory requirements that restrict and govern the terms of affiliate transactions. In addition, CSB is required to provide notice to, and may be required to obtain approval from, the OCC and the Federal Reserve to declare dividends to CSC.

Schwab's primary broker-dealer subsidiary, CS&Co, is subject to regulatory requirements of the Uniform Net Capital Rule. At September 30, 2019, CS&Co was in compliance with its net capital requirements.

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In addition to the capital requirements above, Schwab's subsidiaries are subject to other regulatory requirements intended to ensure financial soundness and liquidity. See Item 1 – Note 15 for additional information on the components of stockholders' equity and information on the capital requirements of significant subsidiaries.

Dividends

On January 30, 2019, the Board of Directors of the Company declared a four cent, or 31%, increase in the quarterly cash dividend to \$.17 per common share.

Cash dividends paid and per share amounts for the first nine months of 2019 and 2018 are as follows:

Nine Months Ended September 30,	2019		2018	
	Cash Paid	Per Share Amount	Cash Paid	Per Share Amount
Common Stock	\$ 679	\$.51	\$ 448	\$.33
Series A Preferred Stock ⁽¹⁾	28	70.00	28	70.00
Series C Preferred Stock ⁽²⁾	27	45.00	27	45.00
Series D Preferred Stock ⁽²⁾	33	44.64	33	44.64
Series E Preferred Stock ⁽³⁾	28	4,625.00	28	4,625.00
Series F Preferred Stock ⁽⁴⁾	13	2,500.00	15	2,930.56

⁽¹⁾ Dividends paid semi-annually until February 1, 2022 and quarterly thereafter.

⁽²⁾ Dividends paid quarterly.

⁽³⁾ Dividends paid semi-annually until March 1, 2022 and quarterly thereafter.

⁽⁴⁾ Dividends paid semi-annually beginning on June 1, 2018 until December 1, 2027, and quarterly thereafter.

Share Repurchases

On January 30, 2019, CSC publicly announced that its Board of Directors authorized the repurchase of up to \$4.0 billion of common stock. The authorization does not have an expiration date. During the third quarter and first nine months of 2019, CSC repurchased 20 million and 49 million shares of its common stock for \$771 million and \$2.0 billion, respectively, leaving \$2.0 billion remaining on our existing authorization as of September 30, 2019.

OTHER

Foreign Exposure

At September 30, 2019, Schwab had exposure to non-sovereign financial and non-financial institutions in foreign countries, as well as agencies of foreign governments. At September 30, 2019, the fair value of these holdings totaled \$5.4 billion, with the top three exposures being to issuers and counterparties domiciled in France at \$2.7 billion, Japan at \$603 million, and Canada at \$572 million.

In addition to the direct holdings in foreign companies and securities issued by foreign government agencies, Schwab generates indirect exposure to foreign countries through its investments in CSIM money market funds (collectively, the Funds) resulting from brokerage clearing activities. Certain of the Funds' positions include certificates of deposit, time deposits, commercial paper, and corporate debt securities issued by counterparties in foreign countries. Schwab had outstanding margin loans to foreign residents of \$667 million at September 30, 2019.

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)

Off-Balance Sheet Arrangements

Schwab enters into various off-balance sheet arrangements in the ordinary course of business, primarily to meet the needs of our clients. These arrangements include firm commitments to extend credit. Additionally, Schwab enters into guarantees and other similar arrangements in the ordinary course of business. For information on each of these arrangements, see Item 1 – Note 5, Note 6, Note 8, Note 10, and Note 11, and Item 8 – Note 14 in the 2018 Form 10-K.

CRITICAL ACCOUNTING ESTIMATES

Certain of our accounting policies that involve a higher degree of judgment and complexity are discussed in Part II – Item 7 – Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Estimates in the 2018 Form 10-K. There have been no changes to critical accounting estimates during the nine months of 2019.

THE CHARLES SCHWAB CORPORATION

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.

Part I - FINANCIAL INFORMATION
Item 1. Condensed Consolidated Financial Statements

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Net Revenues				
Interest revenue	\$ 1,892	\$ 1,755	\$ 5,817	\$ 4,766
Interest expense	(261)	(228)	(896)	(569)
Net interest revenue	1,631	1,527	4,921	4,197
Asset management and administration fees	825	809	2,366	2,474
Trading revenue	172	176	531	557
Other	83	67	297	235
Total net revenues	2,711	2,579	8,115	7,463
Expenses Excluding Interest				
Compensation and benefits	857	737	2,514	2,252
Professional services	168	164	516	476
Occupancy and equipment	144	124	408	368
Advertising and market development	71	70	217	220
Communications	63	59	187	179
Depreciation and amortization	88	78	255	226
Regulatory fees and assessments	30	57	92	158
Other	54	71	190	232
Total expenses excluding interest	1,475	1,360	4,379	4,111
Income before taxes on income	1,236	1,219	3,736	3,352
Taxes on income	285	296	884	780
Net Income	951	923	2,852	2,572
Preferred stock dividends and other ⁽¹⁾	38	38	127	128
Net Income Available to Common Stockholders	\$ 913	\$ 885	\$ 2,725	\$ 2,444
Weighted-Average Common Shares Outstanding:				
Basic	1,300	1,351	1,320	1,349
Diluted ⁽²⁾	1,308	1,364	1,329	1,363
Earnings Per Common Shares Outstanding:				
Basic	\$.70	\$.66	\$ 2.06	\$ 1.81
Diluted ⁽²⁾	\$.70	\$.65	\$ 2.05	\$ 1.79

⁽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 17 million and 11 million shares for the third quarters of 2019 and 2018, respectively, and 18 million and 12 million shares for the first nine months of 2019 and 2018, respectively.

See Notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2019	2018	2019	2018
Net income	\$ 951	\$ 923	\$ 2,852	\$ 2,572
Other comprehensive income (loss), before tax:				
Change in net unrealized gain (loss) on available for sale securities:				
Net unrealized gain (loss)	51	(43)	496	(184)
Other reclassifications included in other revenue	(1)	—	(5)	—
Amortization of amounts previously recorded upon transfer to held to maturity from available for sale	10	8	30	26
Other comprehensive income (loss), before tax	60	(35)	521	(158)
Income tax effect	(15)	9	(125)	39
Other comprehensive income (loss), net of tax	45	(26)	396	(119)
Comprehensive Income	\$ 996	\$ 897	\$ 3,248	\$ 2,453

See Notes to Condensed Consolidated Financial Statements.

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

	September 30, 2019	December 31, 2018
Assets		
Cash and cash equivalents	\$ 20,252	\$ 27,938
Cash and investments segregated and on deposit for regulatory purposes (including resale agreements of \$9,707 at September 30, 2019 and \$7,195 at December 31, 2018)	16,164	13,563
Receivables from brokers, dealers, and clearing organizations	1,317	553
Receivables from brokerage clients — net	21,069	21,651
Other securities owned — at fair value	497	539
Available for sale securities	56,483	66,578
Held to maturity securities	140,194	144,009
Bank loans — net	16,895	16,609
Equipment, office facilities, and property — net	2,017	1,769
Goodwill	1,227	1,227
Other assets	2,872	2,046
Total assets	\$ 278,987	\$ 296,482
Liabilities and Stockholders' Equity		
Bank deposits	\$ 209,327	\$ 231,423
Payables to brokers, dealers, and clearing organizations	1,736	1,831
Payables to brokerage clients	35,622	32,726
Accrued expenses and other liabilities	3,521	2,954
Long-term debt	7,427	6,878
Total liabilities	257,633	275,812
Stockholders' equity:		
Preferred stock — \$.01 par value per share; aggregate liquidation preference of \$2,850	2,793	2,793
Common stock — 3 billion shares authorized; \$.01 par value per share; 1,487,543,446 shares issued	15	15
Additional paid-in capital	4,640	4,499
Retained earnings	19,374	17,329
Treasury stock, at cost — 198,611,926 shares at September 30, 2019 and 155,116,695 shares at December 31, 2018	(5,612)	(3,714)
Accumulated other comprehensive income (loss)	144	(252)
Total stockholders' equity	21,354	20,670
Total liabilities and stockholders' equity	\$ 278,987	\$ 296,482

See Notes to Condensed Consolidated Financial Statements.

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

	Preferred Stock	Common stock		Additional Paid-in Capital	Retained Earnings	Treasury Stock, at cost	Accumulated Other Comprehensive Income (Loss)	Total
		Shares	Amount					
Balance at June 30, 2018	\$ 2,793	1,488	\$ 15	\$ 4,447	\$ 15,903	\$ (2,783)	\$ (278)	\$ 20,097
Net income	—	—	—	—	923	—	—	923
Other comprehensive income (loss), net of tax	—	—	—	—	—	—	(26)	(26)
Dividends declared on preferred stock	—	—	—	—	(34)	—	—	(34)
Dividends declared on common stock — \$.13 per share	—	—	—	—	(177)	—	—	(177)
Stock option exercises and other	—	—	—	—	—	9	—	9
Share-based compensation	—	—	—	28	—	—	—	28
Other	—	—	—	9	—	5	—	14
Balance at September 30, 2018	\$ 2,793	1,488	\$ 15	\$ 4,484	\$ 16,615	\$ (2,769)	\$ (304)	\$ 20,834
Balance at June 30, 2019	\$ 2,793	1,488	\$ 15	\$ 4,599	\$ 18,680	\$ (4,866)	\$ 99	\$ 21,320
Net income	—	—	—	—	951	—	—	951
Other comprehensive income (loss), net of tax	—	—	—	—	—	—	45	45
Dividends declared on preferred stock	—	—	—	—	(34)	—	—	(34)
Dividends declared on common stock — \$.17 per share	—	—	—	—	(223)	—	—	(223)
Repurchase of common stock	—	—	—	—	—	(771)	—	(771)
Stock option exercises and other	—	—	—	(2)	—	19	—	17
Share-based compensation	—	—	—	33	—	—	—	33
Other	—	—	—	10	—	6	—	16
Balance at September 30, 2019	\$ 2,793	1,488	\$ 15	\$ 4,640	\$ 19,374	\$ (5,612)	\$ 144	\$ 21,354
Balance at December 31, 2017	\$ 2,793	1,488	\$ 15	\$ 4,353	\$ 14,408	\$ (2,892)	\$ (152)	\$ 18,525
Adoption of accounting standards	—	—	—	—	200	—	(33)	167
Net income	—	—	—	—	2,572	—	—	2,572
Other comprehensive income (loss), net of tax	—	—	—	—	—	—	(119)	(119)
Dividends declared on preferred stock	—	—	—	—	(117)	—	—	(117)
Dividends declared on common stock — \$.33 per share	—	—	—	—	(448)	—	—	(448)
Stock option exercises and other	—	—	—	(8)	—	116	—	108
Share-based compensation	—	—	—	106	—	—	—	106
Other	—	—	—	33	—	7	—	40
Balance at September 30, 2018	\$ 2,793	1,488	\$ 15	\$ 4,484	\$ 16,615	\$ (2,769)	\$ (304)	\$ 20,834
Balance at December 31, 2018	\$ 2,793	1,488	\$ 15	\$ 4,499	\$ 17,329	\$ (3,714)	\$ (252)	\$ 20,670
Net income	—	—	—	—	2,852	—	—	2,852
Other comprehensive income (loss), net of tax	—	—	—	—	—	—	396	396
Dividends declared on preferred stock	—	—	—	—	(115)	—	—	(115)
Dividends declared on common stock — \$.51 per share	—	—	—	—	(679)	—	—	(679)
Repurchase of common stock	—	—	—	—	—	(1,991)	—	(1,991)
Stock option exercises and other	—	—	—	(15)	—	80	—	65
Share-based compensation	—	—	—	121	—	—	—	121
Other	—	—	—	35	(13)	13	—	35
Balance at September 30, 2019	\$ 2,793	1,488	\$ 15	\$ 4,640	\$ 19,374	\$ (5,612)	\$ 144	\$ 21,354

See Notes to Condensed Consolidated Financial Statements.

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

**Nine Months Ended
September 30,**

2019 2018

Cash Flows from Operating Activities				
Net income	\$	2,852	\$	2,572
Adjustments to reconcile net income to net cash provided by (used for) operating activities:				
Share-based compensation		131		113
Depreciation and amortization		255		226
Premium amortization, net, on available for sale and held to maturity securities		282		276
Other		127		108
Net change in:				
Investments segregated and on deposit for regulatory purposes		(858)		6,973
Receivables from brokers, dealers, and clearing organizations		(756)		(147)
Receivables from brokerage clients		576		(1,858)
Other securities owned		42		39
Other assets		(28)		(143)
Payables to brokers, dealers, and clearing organizations		(95)		43
Payables to brokerage clients		2,896		(3,392)
Accrued expenses and other liabilities		(403)		(155)
Net cash provided by (used for) operating activities		5,021		4,655
Cash Flows from Investing Activities				
Purchases of available for sale securities		(20,744)		(19,781)
Proceeds from sales of available for sale securities		21,710		115
Principal payments on available for sale securities		18,374		12,091
Purchases of held to maturity securities		(18,861)		(30,639)
Principal payments on held to maturity securities		13,653		12,382
Net change in bank loans		(338)		(86)
Purchases of equipment, office facilities, and property		(515)		(400)
Purchases of Federal Home Loan Bank stock		(2)		(156)
Proceeds from sales of Federal Home Loan Bank stock		—		528
Other investing activities		(18)		(74)
Net cash provided by (used for) investing activities		13,259		(26,020)
Cash Flows from Financing Activities				
Net change in bank deposits ⁽¹⁾		(22,096)		43,752
Net change in short-term borrowings		—		(15,000)
Issuance of long-term debt		593		1,936
Repayment of long-term debt		—		(906)
Dividends paid		(808)		(579)
Proceeds from stock options exercised		65		108
Repurchases of common stock		(1,964)		—
Other financing activities		(13)		(12)
Net cash provided by (used for) financing activities		(24,223)		29,299
Increase (Decrease) in Cash and Cash Equivalents, including Amounts Restricted		(5,943)		7,934
Cash and Cash Equivalents, including Amounts Restricted at Beginning of Year		38,227		19,160
Cash and Cash Equivalents, including Amounts Restricted at End of Period	\$	32,284	\$	27,094

Continued on following page.

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

Continued from previous page.

	Nine Months Ended September 30,	
	2019	2018
Supplemental Cash Flow Information		
Non-cash investing activity:		
Securities purchased during the period but settled after period end	\$ —	\$ 221
Non-cash financing activity:		
Extinguishment of finance lease obligation through an assignment agreement	\$ 52	\$ —
Common stock repurchased during the period but settled after period end	\$ 27	\$ —
Other Supplemental Cash Flow Information		
Cash paid during the period for:		
Interest	\$ 922	\$ 550
Income taxes	\$ 907	\$ 649
Amounts included in the measurement of lease liabilities ⁽²⁾	\$ 99	N/A
Leased assets obtained in exchange for new operating lease liabilities ⁽²⁾	\$ 87	N/A
	September 30,	September 30,
	2019	2018
Reconciliation of cash, cash equivalents and amounts reported within the balance sheet ⁽³⁾		
Cash and cash equivalents	\$ 20,252	\$ 21,830
Restricted cash and cash equivalents amounts included in cash and investments segregated and on deposit for regulatory purposes	12,032	5,264
Total cash and cash equivalents, including amounts restricted shown in the statement of cash flows	\$ 32,284	\$ 27,094

⁽¹⁾ Includes transfers from other sweep features to bank sweep of \$10.3 billion and \$67.8 billion for the nine months ended September 30, 2019 and 2018, respectively.

⁽²⁾ These amounts are presented beginning in 2019 as part of the adoption of ASU 2016-02. See Notes 2 and 9 for additional information related to this adoption.

⁽³⁾ For more information on the nature of restrictions on restricted cash and cash equivalents, see Note 15.

N/A Not applicable.

See Notes to Condensed Consolidated Financial Statements.

THE CHARLES SCHWAB CORPORATION
Notes to Condensed Consolidated Financial Statements
(Tabular Amounts in Millions, Except Per Share Data, Ratios, or as Noted)
(Unaudited)

1. Introduction and Basis of Presentation

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

Significant business subsidiaries of CSC include the following:

- Charles Schwab & Co., Inc. (CS&Co), a securities broker-dealer;
- Charles Schwab Bank (CSB), a federal savings bank; and
- Charles Schwab Investment Management, Inc. (CSIM), the investment advisor for Schwab's proprietary mutual funds (Schwab Funds[®]) and for Schwab's exchange-traded funds (Schwab ETFs[™]).

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

These unaudited condensed consolidated financial statements have been prepared in conformity with generally accepted accounting principles in the U.S. (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 2018 Form 10-K.

The significant accounting policies are included in Note 2 in the 2018 Form 10-K. There have been no significant changes to these accounting policies during the first nine months of 2019, except as described in Note 2 below.

THE CHARLES SCHWAB CORPORATION
Notes to Condensed Consolidated Financial Statements
(Tabular Amounts in Millions, Except Per Share Data, Ratios, or as Noted)
(Unaudited)

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) 2016-02, "Leases (Topic 842)"	<p>Amends the accounting for leases by lessees and lessors. The primary change from the new guidance is the recognition of right-of-use (ROU) assets and lease liabilities by lessees for those leases classified as operating leases. Additional changes include accounting for lease origination and executory costs, required lessee reassessments during the lease term due to changes in circumstances, and expanded lease disclosures.</p> <p>Adoption provides for modified retrospective transition as of the beginning of the earliest comparative period presented in the financial statements in which the entity first applies the new standard or, optionally, through another transition method by which a cumulative-effect adjustment is recorded to retained earnings as of the beginning of the period of adoption. Certain transition relief is permitted if elected by the entity.</p>	January 1, 2019	The Company adopted the new lease accounting guidance as of January 1, 2019 under the optional transition method provided electing not to recast its comparative periods. In addition, the Company elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed the Company to carry forward the historical lease classification. The adoption resulted in a gross up of the consolidated balance sheet due to recognition of ROU assets and lease liabilities primarily related to the CS&Co leases of office space and branches. The amounts were based on the present value of our remaining operating lease payments. The Company's ROU assets and related lease liabilities upon adoption were \$596 million and \$662 million, respectively. Further details on the impact of adoption are included below in this Note as well as in Note 9.
ASU 2017-08, "Receivables – Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities"	<p>Shortens the amortization period for the premium on certain callable debt securities to the earliest call date. The amendments are applicable to any purchased individual debt security with an explicit and noncontingent call feature with a fixed price on a preset date. ASU 2017-08 does not impact the accounting for callable debt securities held at a discount.</p> <p>Adoption requires modified retrospective transition as of the beginning of the period of adoption through a cumulative-effect adjustment to retained earnings.</p>	January 1, 2019	The Company adopted this guidance as of January 1, 2019 using the modified retrospective method. Adoption resulted in an immaterial cumulative-effect adjustment to retained earnings as of the date of adoption.
ASU 2017-12, "Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities"	This ASU amends hedge accounting guidance to better align hedge accounting with risk management activities, while reducing the complexity of applying and reporting on hedge accounting. In addition, for a closed pool of prepayable financial assets, entities will be able to hedge an amount that is not expected to be affected by prepayments, defaults and other events under the "last-of-layer" method. The guidance also permits a one-time reclassification of debt securities eligible to be hedged under the "last-of-layer" method from held to maturity (HTM) to available for sale (AFS) upon adoption.	January 1, 2019	The Company adopted this ASU on January 1, 2019. As part of its adoption, the Company made a one-time election to reclassify a portion of its HTM securities eligible to be hedged under the "last-of-layer" method to AFS. As of January 1, 2019, the securities reclassified had a fair value of \$8.8 billion and resulted in a net of tax increase to AOCI of \$19 million. The adoption of this standard had no other impact on the Company's financial statements.

THE CHARLES SCHWAB CORPORATION
Notes to Condensed Consolidated Financial Statements
(Tabular Amounts in Millions, Except Per Share Data, Ratios, or as Noted)
(Unaudited)

New Accounting Standards Not Yet Adopted

Standard	Description	Required Date of Adoption	Effects on the Financial Statements or Other Significant Matters
<p>ASU 2016-13, “Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments”</p>	<p>Provides guidance for recognizing impairment of most debt instruments measured at amortized cost, including loans and HTM debt securities. Requires estimating current expected credit losses (CECL) over the remaining life of an instrument or a portfolio of instruments with similar risk characteristics based on relevant information about past events, current conditions, and reasonable forecasts. The initial estimate of, and the subsequent changes in, CECL will be recognized as credit loss expense through current earnings and will be reflected as an allowance for credit losses offsetting the carrying value of the financial instrument(s) on the balance sheet. Amends the other-than-temporary impairment (OTTI) model for AFS debt securities by requiring the use of an allowance, rather than directly reducing the carrying value of the security, and eliminating consideration of the length of time such security has been in an unrealized loss position as a factor in concluding whether a credit loss exists.</p> <p>Adoption requires a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the entity applies the new guidance except that a prospective transition is required for AFS debt securities for which an OTTI has been recognized prior to the effective date.</p>	<p>January 1, 2020 (early adoption permitted)</p>	<p>The Company expects that its allowance for credit losses will increase when CECL is adopted, primarily due to an incremental allowance that will be recorded on its HTM corporate debt securities. The incremental allowance at adoption is expected to be immaterial, but the impact of adoption will depend on, among other things, the economic environment, the proportion of securities classified as AFS versus HTM, and the size and type of loan and securities portfolios held by the Company on the date of adoption.</p> <p>A large portion of the securities in the Company’s portfolio will have zero expectation of credit losses based on industry views and regulatory guidance for U.S. Treasury and U.S. agency mortgage-backed securities. Further, we expect to apply the practical expedient based on continuous collateral replenishment to the Company’s pledged asset lines (PALs) and margin loans.</p> <p>The Company has completed the development of credit loss estimation methods for loans and the securities in its portfolio that do not have zero expectation of credit losses, including corporate debt securities and structured products. We are continuing the development of CECL policies and processes and testing and validation of credit loss estimation methods. We have also completed the first of the two planned quarterly CECL parallel runs.</p>

THE CHARLES SCHWAB CORPORATION
Notes to Condensed Consolidated Financial Statements
(Tabular Amounts in Millions, Except Per Share Data, Ratios, or as Noted)
(Unaudited)

Standard	Description	Required Date of Adoption	Effects on the Financial Statements or Other Significant Matters
ASU 2018-15, “Intangibles–Goodwill and Other–Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract (a consensus of the FASB Emerging Issues Task Force)”	<p>Aligns the criteria for capitalizing implementation costs for cloud computing arrangements (CCA) that are service contracts with internal-use software that is developed or purchased and CCAs that include an internal-use software license. This guidance requires that the capitalized implementation costs be recognized over the period of the CCA service contract, subject to impairment evaluation on an ongoing basis.</p> <p>The guidance prescribes the balance sheet, income statement, and statement of cash flow classification of the capitalized implementation costs and related amortization expense, and requires additional quantitative and qualitative disclosures.</p> <p>Adoption provides for retrospective or prospective application to all implementation costs incurred after the date of adoption.</p>	January 1, 2020 (early adoption permitted)	Historically, Schwab has expensed implementation costs as they are incurred for CCAs that are service contracts. Therefore, adopting this guidance will change the Company’s accounting treatment for these types of implementation costs. The Company plans to adopt this guidance on a prospective basis and continues to evaluate the impacts of this guidance on its financial statements, including EPS.

The cumulative effect of the changes made to our consolidated January 1, 2019 balance sheet for the adoption of ASU 2016-02, *Leases* (Topic 842) were as follows:

	Balance at December 31, 2018	Adjustments Due to ASU 2016-02	Balance at January 1, 2019
Assets			
Other assets ⁽¹⁾	\$ 2,046	\$ 588	\$ 2,634
Liabilities			
Accrued expenses and other liabilities ⁽²⁾	\$ 2,954	\$ 588	\$ 3,542

⁽¹⁾ The adoption adjustment is comprised of two parts: 1) an increase of \$596 million for the recognition of the January 1, 2019 ROU asset and 2) an \$8 million decrease related to prepaid rent and initial direct costs, which were reclassified to the ROU asset upon adoption of ASU 2016-02.

⁽²⁾ The adoption adjustment is comprised of two parts: 1) an increase of \$662 million for the recognition of the January 1, 2019 lease liability and 2) a \$74 million decrease related to deferred rent and lease incentives, which were reclassified to the ROU asset upon adoption of ASU 2016-02.

THE CHARLES SCHWAB CORPORATION
Notes to Condensed Consolidated Financial Statements
(Tabular Amounts in Millions, Except Per Share Data, Ratios, or as Noted)
(Unaudited)

3. Revenue Recognition

Disaggregated Revenue

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Net interest revenue				
Interest revenue	\$ 1,892	\$ 1,755	\$ 5,817	\$ 4,766
Interest expense	(261)	(228)	(896)	(569)
Net interest revenue	1,631	1,527	4,921	4,197
Asset management and administration fees				
Mutual funds, ETFs, and CTFs ⁽¹⁾	445	446	1,287	1,419
Advice solutions	305	294	878	859
Other ⁽¹⁾	75	69	201	196
Asset management and administration fees	825	809	2,366	2,474
Trading revenue				
Commissions	159	155	477	501
Principal transactions	13	21	54	56
Trading revenue	172	176	531	557
Other	83	67	297	235
Total net revenues	\$ 2,711	\$ 2,579	\$ 8,115	\$ 7,463

⁽¹⁾ Beginning in the first quarter of 2019, a change was made to move CTFs from other asset management and administration fees. Prior periods have been recast to reflect this change.

For a summary of revenue provided by our reportable segments, see Note 16. 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) were \$338 million at September 30, 2019 and \$307 million at December 31, 2018 and were recorded in other assets on the condensed consolidated balance sheets. Schwab does not have any other significant contract assets or contract liability balances as of September 30, 2019.

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.

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4. Investment Securities

The amortized cost, gross unrealized gains and losses, and fair value of AFS and HTM securities are as follows:

September 30, 2019	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for sale securities				
U.S. agency mortgage-backed securities	\$ 40,179	\$ 299	\$ 47	\$ 40,431
U.S. Treasury securities	5,034	3	10	5,027
Asset-backed securities ⁽¹⁾	4,773	35	7	4,801
Corporate debt securities ⁽²⁾	4,630	57	1	4,686
Certificates of deposit	1,000	4	—	1,004
Commercial paper ^(2,3)	520	1	—	521
Non-agency commercial mortgage-backed securities	13	—	—	13
Total available for sale securities	\$ 56,149	\$ 399	\$ 65	\$ 56,483
Held to maturity securities				
U.S. agency mortgage-backed securities	\$ 114,276	\$ 1,974	\$ 238	\$ 116,012
Asset-backed securities ⁽¹⁾	18,323	74	38	18,359
Corporate debt securities ⁽²⁾	4,659	58	2	4,715
U.S. state and municipal securities	1,306	107	—	1,413
Non-agency commercial mortgage-backed securities	1,136	28	—	1,164
U.S. Treasury securities	224	6	—	230
Certificates of deposit	200	—	—	200
Foreign government agency securities	50	—	—	50
Other	20	—	—	20
Total held to maturity securities	\$ 140,194	\$ 2,247	\$ 278	\$ 142,163
December 31, 2018				
Available for sale securities				
U.S. agency mortgage-backed securities	\$ 25,594	\$ 44	\$ 82	\$ 25,556
U.S. Treasury securities	18,410	—	108	18,302
Asset-backed securities ⁽¹⁾	10,086	14	15	10,085
Corporate debt securities ⁽²⁾	7,477	10	20	7,467
Certificates of deposit	3,682	4	1	3,685
U.S. agency notes	900	—	2	898
Commercial paper ^(2,3)	522	—	—	522
Foreign government agency securities	50	—	1	49
Non-agency commercial mortgage-backed securities	14	—	—	14
Total available for sale securities	\$ 66,735	\$ 72	\$ 229	\$ 66,578
Held to maturity securities				
U.S. agency mortgage-backed securities	\$ 118,064	\$ 217	\$ 2,188	\$ 116,093
Asset-backed securities ⁽¹⁾	18,502	83	39	18,546
Corporate debt securities ⁽²⁾	4,477	2	47	4,432
U.S. state and municipal securities	1,327	24	3	1,348
Non-agency commercial mortgage-backed securities	1,156	3	17	1,142
U.S. Treasury securities	223	—	6	217
Certificates of deposit	200	1	—	201
Foreign government agency securities	50	—	1	49
Other	10	—	—	10
Total held to maturity securities	\$ 144,009	\$ 330	\$ 2,301	\$ 142,038

⁽¹⁾ Approximately 43% and 36% of asset-backed securities held as of September 30, 2019 and December 31, 2018, respectively, were Federal Family Education Loan Program Asset-Backed Securities. Asset-backed securities collateralized by credit card receivables represented approximately 42% of the asset-backed securities held as of September 30, 2019 and December 31, 2018.

⁽²⁾ As of September 30, 2019 and December 31, 2018, approximately 35% and 26%, respectively, of the total AFS and HTM investments in corporate debt securities and commercial paper were issued by institutions in the financial services industry. Approximately 18% of the holdings of these securities were issued by institutions in the information technology industry as of September 30, 2019 and December 31, 2018.

⁽³⁾ Included in cash and cash equivalents on the condensed consolidated balance sheets, but excluded from this table is \$0.9 billion and \$4.9 billion of AFS commercial paper as of September 30, 2019 and December 31, 2018, respectively. These holdings have maturities of three months or less at the time of acquisition and an aggregate market value equal to amortized cost.

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On January 1, 2019 the Company transferred certain U.S. agency mortgage-backed securities with a fair value of \$8.8 billion from the HTM category to the AFS category as permitted by ASU 2017-12. For additional information on the transfer, see Notes 2 and 14.

At September 30, 2019, our banking subsidiaries had pledged securities with a fair value of \$26.8 billion as collateral to secure borrowing capacity on secured credit facilities with the FHLB (see Note 8). Certain banking subsidiaries also pledge investment securities as collateral to secure borrowing capacity at the Federal Reserve Bank discount window, and had pledged securities with a fair value of \$8.3 billion as collateral for this facility at September 30, 2019. CSB also pledges securities issued by federal agencies to secure certain trust deposits. The fair value of these pledged securities was \$918 million at September 30, 2019.

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

	Less than 12 months		12 months or longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
September 30, 2019						
Available for sale securities						
U.S. agency mortgage-backed securities	\$ 12,063	\$ 24	\$ 6,317	\$ 23	\$ 18,380	\$ 47
U.S. Treasury securities	377	—	3,161	10	3,538	10
Asset-backed securities	763	1	398	6	1,161	7
Corporate debt securities	149	1	499	—	648	1
Total	\$ 13,352	\$ 26	\$ 10,375	\$ 39	\$ 23,727	\$ 65
Held to maturity securities						
U.S. agency mortgage-backed securities	\$ 11,838	\$ 37	\$ 20,897	\$ 201	\$ 32,735	\$ 238
Asset-backed securities	7,638	34	556	4	8,194	38
Corporate debt securities	416	1	354	1	770	2
Total	\$ 19,892	\$ 72	\$ 21,807	\$ 206	\$ 41,699	\$ 278
Total securities with unrealized losses ⁽¹⁾	\$ 33,244	\$ 98	\$ 32,182	\$ 245	\$ 65,426	\$ 343

December 31, 2018

Available for sale securities						
U.S. agency mortgage-backed securities	\$ 9,529	\$ 32	\$ 4,257	\$ 50	\$ 13,786	\$ 82
U.S. Treasury securities	4,951	6	7,037	102	11,988	108
Asset-backed securities	4,050	9	837	6	4,887	15
Corporate debt securities	3,561	19	254	1	3,815	20
Certificates of deposit	1,217	1	150	—	1,367	1
U.S. agency notes	195	—	304	2	499	2
Foreign government agency securities	—	—	49	1	49	1
Total	\$ 23,503	\$ 67	\$ 12,888	\$ 162	\$ 36,391	\$ 229
Held to maturity securities						
U.S. agency mortgage-backed securities	\$ 29,263	\$ 222	\$ 56,435	\$ 1,966	\$ 85,698	\$ 2,188
Asset-backed securities	6,795	35	376	4	7,171	39
Corporate debt securities	2,909	29	1,066	18	3,975	47
U.S. state and municipal securities	77	2	18	1	95	3
Non-agency commercial mortgage-backed securities	283	2	632	15	915	17
U.S. Treasury securities	—	—	218	6	218	6
Foreign government agency securities	—	—	49	1	49	1
Total	\$ 39,327	\$ 290	\$ 58,794	\$ 2,011	\$ 98,121	\$ 2,301
Total securities with unrealized losses ⁽²⁾	\$ 62,830	\$ 357	\$ 71,682	\$ 2,173	\$ 134,512	\$ 2,530

⁽¹⁾ The number of investment positions with unrealized losses totaled 343 for AFS securities and 625 for HTM securities.

⁽²⁾ The number of investment positions with unrealized losses totaled 441 for AFS securities and 1,524 for HTM securities.

At September 30, 2019, 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.

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Management evaluates whether investment securities are other-than-temporarily impaired on a quarterly basis as described in Note 2 in the 2018 Form 10-K. No amounts were recognized as OTTI in earnings or other comprehensive income during the nine months ended September 30, 2019 or the year ended December 31, 2018. As of September 30, 2019 and December 31, 2018, Schwab did not hold any securities on which OTTI was previously recognized.

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 securities are as follows:

September 30, 2019	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	\$ 51	\$ 1,909	\$ 11,061	\$ 27,410	\$ 40,431
U.S. Treasury securities	3,541	1,486	—	—	5,027
Asset-backed securities	35	3,752	794	220	4,801
Corporate debt securities	1,100	3,415	171	—	4,686
Certificates of deposit	501	503	—	—	1,004
Commercial paper	521	—	—	—	521
Non-agency commercial mortgage-backed securities	—	—	—	13	13
Total fair value	\$ 5,749	\$ 11,065	\$ 12,026	\$ 27,643	\$ 56,483
Total amortized cost	\$ 5,743	\$ 10,994	\$ 11,996	\$ 27,416	\$ 56,149
Held to maturity securities					
U.S. agency mortgage-backed securities	\$ 663	\$ 15,472	\$ 35,048	\$ 64,829	\$ 116,012
Asset-backed securities	—	3,227	7,940	7,192	18,359
Corporate debt securities	778	3,079	858	—	4,715
U.S. state and municipal securities	—	99	452	862	1,413
Non-agency commercial mortgage-backed securities	—	367	—	797	1,164
U.S. Treasury securities	—	—	230	—	230
Certificates of deposit	200	—	—	—	200
Foreign government agency securities	—	50	—	—	50
Other	—	—	—	20	20
Total fair value	\$ 1,641	\$ 22,294	\$ 44,528	\$ 73,700	\$ 142,163
Total amortized cost	\$ 1,637	\$ 21,989	\$ 43,368	\$ 73,200	\$ 140,194

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Proceeds	\$ 5,436	\$ —	\$ 21,710	\$ 115
Gross realized gains	5	—	15	—
Gross realized losses	4	—	10	—

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5. Bank Loans and Related Allowance for Loan Losses

The composition of bank loans and delinquency analysis by loan type is as follows:

September 30, 2019	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 loan losses	Total bank loans – net
First Mortgages ^(1,2)	\$ 10,607	\$ 20	\$ 2	\$ 11	\$ 33	\$ 10,640	\$ 10	\$ 10,630
HELOCs ^(1,2)	1,208	3	1	8	12	1,220	4	1,216
Pledged asset lines	4,876	2	—	—	2	4,878	—	4,878
Other	172	—	—	2	2	174	3	171
Total bank loans	\$ 16,863	\$ 25	\$ 3	\$ 21	\$ 49	\$ 16,912	\$ 17	\$ 16,895

December 31, 2018	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 loan losses	Total bank loans – net
First Mortgages ^(1,2)	\$ 10,349	\$ 21	\$ 2	\$ 12	\$ 35	\$ 10,384	\$ 14	\$ 10,370
HELOCs ^(1,2)	1,493	3	1	8	12	1,505	5	1,500
Pledged asset lines	4,558	3	—	—	3	4,561	—	4,561
Other	180	—	—	—	—	180	2	178
Total bank loans	\$ 16,580	\$ 27	\$ 3	\$ 20	\$ 50	\$ 16,630	\$ 21	\$ 16,609

⁽¹⁾ First Mortgages and HELOCs include unamortized premiums and discounts and direct origination costs of \$71 million and \$73 million at September 30, 2019 and December 31, 2018, respectively.

⁽²⁾ At September 30, 2019 and December 31, 2018, 46% and 47%, 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 September 30, 2019 or December 31, 2018.

At September 30, 2019, CSB had pledged \$10.8 billion of First Mortgages and HELOCs as collateral to secure borrowing capacity on a secured credit facility with the FHLB (see Note 8).

Substantially all of the bank loans were collectively evaluated for impairment at both September 30, 2019 and December 31, 2018.

Changes in the allowance for loan losses were as follows:

Three Months Ended	September 30, 2019				September 30, 2018			
	First Mortgages	HELOCs	Other	Total ⁽¹⁾	First Mortgages	HELOCs	Other	Total ⁽¹⁾
Balance at beginning of period	\$ 12	\$ 5	\$ 2	\$ 19	\$ 17	\$ 7	\$ 2	\$ 26
Charge-offs	—	—	—	—	—	—	—	—
Recoveries	—	—	—	—	—	1	—	1
Provision for loan losses	(2)	(1)	1	(2)	—	(1)	—	(1)
Balance at end of period	\$ 10	\$ 4	\$ 3	\$ 17	\$ 17	\$ 7	\$ 2	\$ 26

Nine Months Ended	September 30, 2019				September 30, 2018			
	First Mortgages	HELOCs	Other	Total ⁽¹⁾	First Mortgages	HELOCs	Other	Total ⁽¹⁾
Balance at beginning of period	\$ 14	\$ 5	\$ 2	\$ 21	\$ 16	\$ 8	\$ 2	\$ 26
Charge-offs	—	—	—	—	—	—	(1)	(1)
Recoveries	1	1	—	2	—	2	—	2
Provision for loan losses	(5)	(2)	1	(6)	1	(3)	1	(1)
Balance at end of period	\$ 10	\$ 4	\$ 3	\$ 17	\$ 17	\$ 7	\$ 2	\$ 26

⁽¹⁾ All PALs were fully collateralized by securities with fair values in excess of borrowings as of each period presented.

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

	September 30, 2019	December 31, 2018
Nonaccrual loans ⁽¹⁾	\$ 21	\$ 21
Other real estate owned ⁽²⁾	2	3
Total nonperforming assets	23	24
Troubled debt restructurings	2	4
Total impaired assets	\$ 25	\$ 28

⁽¹⁾ Nonaccrual loans include nonaccrual troubled debt restructurings.

⁽²⁾ Included in other assets on the condensed consolidated balance sheets.

Credit Quality

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

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

Borrowers' FICO scores are provided by an independent third-party credit reporting service and 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.

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

September 30, 2019	Balance	Weighted Average Updated FICO	Percent of Loans that are on Nonaccrual Status
First Mortgages			
Estimated Current LTV			
≤70%	\$ 9,574	776	0.03%
>70% – ≤90%	1,061	770	0.28%
>90% – ≤100%	4	756	—
>100%	1	768	—
Total	\$ 10,640	776	0.05%
HELOCs			
Estimated Current LTV ⁽¹⁾			
≤70%	\$ 1,157	769	0.25%
>70% – ≤90%	58	751	0.83%
>90% – ≤100%	3	716	5.06%
>100%	2	659	—
Total	\$ 1,220	768	0.29%
Pledged asset lines			
Weighted-Average LTV ⁽¹⁾			
=70%	\$ 4,878	767	—
December 31, 2018	Balance	Weighted Average Updated FICO	Percent of Loans that are on Nonaccrual Status
First Mortgages			
Estimated Current LTV			
≤70%	\$ 9,396	776	0.04%
>70% – ≤90%	985	769	0.41%
>90% – ≤100%	2	717	—
>100%	1	753	—
Total	\$ 10,384	775	0.07%
HELOCs			
Estimated Current LTV ⁽¹⁾			
≤70%	\$ 1,416	770	0.13%
>70% – ≤90%	80	752	0.60%
>90% – ≤100%	6	729	3.36%
>100%	3	702	—
Total	\$ 1,505	769	0.17%
Pledged asset lines			
Weighted-Average LTV ⁽¹⁾			
=70%	\$ 4,561	766	—

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

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September 30, 2019	First Mortgages	HELOCs
Year of origination		
Pre-2015	\$ 1,815	\$ 872
2015	889	85
2016	2,382	82
2017	2,137	90
2018	1,611	67
2019	1,806	24
Total	\$ 10,640	\$ 1,220
Origination FICO		
<620	\$ 4	\$ —
620 – 679	76	6
680 – 739	1,624	236
≥740	8,936	978
Total	\$ 10,640	\$ 1,220
Origination LTV		
≤70%	\$ 7,980	\$ 869
>70% – ≤90%	2,656	346
>90% – ≤100%	4	5
Total	\$ 10,640	\$ 1,220

December 31, 2018	First Mortgages	HELOCs
Year of origination		
Pre-2015	\$ 2,387	\$ 1,140
2015	1,050	106
2016	2,606	95
2017	2,366	99
2018	1,975	65
Total	\$ 10,384	\$ 1,505
Origination FICO		
<620	\$ 5	\$ —
620 – 679	83	8
680 – 739	1,626	282
≥740	8,670	1,215
Total	\$ 10,384	\$ 1,505
Origination LTV		
≤70%	\$ 7,815	\$ 1,064
>70% – ≤90%	2,564	434
>90% – ≤100%	5	7
Total	\$ 10,384	\$ 1,505

At September 30, 2019, First Mortgage loans of \$9.6 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 29% of the balance of these mortgages consisted of loans with interest-only payment terms. The interest rates on approximately 65% 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.

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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.

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

September 30, 2019	Balance
Converted to an amortizing loan by period end	\$ 551
Within 1 year	52
> 1 year – 3 years	84
> 3 years – 5 years	170
> 5 years	363
Total	\$ 1,220

At September 30, 2019, \$1.0 billion 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 September 30, 2019, the borrowers on approximately 54% of HELOC loan balances outstanding only paid the minimum amount due.

6. Variable Interest Entities

As of September 30, 2019 and December 31, 2018, all of Schwab's involvement with variable interest entities (VIEs) is through CSB's Community Reinvestment Act (CRA)-related investments and most of those 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. CSB receives tax credits and other tax benefits for these investments.

Aggregate assets, liabilities and maximum exposure to loss

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

	September 30, 2019			December 31, 2018		
	Aggregate assets	Aggregate liabilities	Maximum exposure to loss	Aggregate assets	Aggregate liabilities	Maximum exposure to loss
LIHTC investments ⁽¹⁾	\$ 498	\$ 298	\$ 498	\$ 338	\$ 188	\$ 338
Other CRA investments ⁽²⁾	91	—	125	70	—	124
Total	\$ 589	\$ 298	\$ 623	\$ 408	\$ 188	\$ 462

⁽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 CRA investments are recorded using either the adjusted cost method, equity method, or as HTM securities. Aggregate assets are included in HTM 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. CSB's funding of these remaining commitments is dependent upon the occurrence of certain conditions, and CSB expects to pay substantially all of these commitments between 2019 and 2022. During the nine months ended September 30, 2019 and year ended December 31, 2018, Schwab did not provide or intend to provide financial or other support to the VIEs that it was not contractually required to provide.

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7. Bank Deposits

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

	September 30, 2019	December 31, 2018
Interest-bearing deposits:		
Deposits swept from brokerage accounts	\$ 191,456	\$ 212,311
Checking	12,020	12,523
Savings and other	5,146	5,827
Total interest-bearing deposits	208,622	230,661
Non-interest-bearing deposits	705	762
Total bank deposits	\$ 209,327	\$ 231,423

8. Borrowings

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. The following table lists long-term debt by instrument outstanding as of September 30, 2019 and December 31, 2018:

	Date of Issuance	Principal Amount Outstanding	
		September 30, 2019	December 31, 2018
Fixed-rate Senior Notes:			
4.450% due July 22, 2020	07/22/10	\$ 700	\$ 700
3.250% due May 21, 2021	05/22/18	600	600
3.225% due September 1, 2022	08/29/12	256	256
2.650% due January 25, 2023	12/07/17	800	800
3.550% due February 1, 2024	10/31/18	500	500
3.000% due March 10, 2025	03/10/15	375	375
3.850% due May 21, 2025	05/22/18	750	750
3.450% due February 13, 2026	11/13/15	350	350
3.200% due March 2, 2027	03/02/17	650	650
3.200% due January 25, 2028	12/07/17	700	700
4.000% due February 1, 2029	10/31/18	600	600
3.250% due May 22, 2029	05/22/19	600	—
Floating-rate Senior Notes:			
Three-month LIBOR + 0.32% due May 21, 2021	05/22/18	600	600
Total Senior Notes		7,481	6,881
5.450% Finance lease obligation ⁽¹⁾	06/04/04	—	52
Unamortized discount — net		(14)	(15)
Debt issuance costs		(40)	(40)
Total long-term debt		\$ 7,427	\$ 6,878

⁽¹⁾ The finance lease obligation was extinguished through an assignment agreement during the first quarter of 2019.

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Annual maturities on long-term debt outstanding at September 30, 2019 are as follows:

	Maturities
2019	\$ —
2020	700
2021	1,200
2022	256
2023	800
Thereafter	4,525
Total maturities	7,481
Unamortized discount — net	(14)
Debt issuance costs	(40)
Total long-term debt	\$ 7,427

Short-term borrowings: Our banking subsidiaries maintain secured credit facilities with the FHLB. Amounts available under these facilities are dependent on the amount of our First Mortgages, HELOCs, and the fair value of certain of their investment securities that are pledged as collateral. As of September 30, 2019 and December 31, 2018, the collateral pledged provided a total borrowing capacity of \$35.2 billion and \$35.5 billion, respectively, of which no amounts were outstanding at the end of either period.

As a condition of the FHLB borrowings, we are required to hold FHLB stock, which was recorded in other assets on the condensed consolidated balance sheets. The investment in FHLB was \$34 million at September 30, 2019 and \$32 million at December 31, 2018.

9. Leases

The Company has operating leases for corporate offices, branch locations, and server equipment and determines if an arrangement is a lease at inception. Leases with an initial term of 12 months or less are not recorded on the balance sheet; we recognize lease expense for these leases on a straight-line basis over the lease term. ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease ROU assets and lease liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The lease liability may include payments that depend on a rate or index (such as the Consumer Price Index), measured using the rate or index at the commencement date. Payments that vary because of changes in facts or circumstances occurring after the commencement date are considered variable. These payments are not recognized as part of the lease liability and are expensed in the period incurred. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

We have lease agreements with lease and non-lease components. For the majority of our leases (real estate leases), the Company has elected the practical expedient to account for the lease and non-lease components as a single lease component. We have not elected the practical expedient for equipment leases and account for lease and non-lease components separately for those classes of leases.

As our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. Our lease terms may include periods covered by options to extend when it is reasonably certain that we will exercise those options. The lease terms may also include periods covered by options to terminate when it is reasonably certain that we will not exercise that option.

Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The Company does not have any finance leases and had an immaterial amount of sublease income for all periods presented.

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The following table details the amounts and locations of lease assets and liabilities on the condensed consolidated balance sheet:

Leases	Balance Sheet Classification	September 30, 2019
Assets		
Operating lease assets	Other assets	\$ 596
Liabilities		
Operating lease liabilities	Accrued expenses and other liabilities	\$ 665

The components of lease expense are as follows:

Lease Cost	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2019
Operating lease cost ⁽¹⁾	\$ 34	\$ 100
Variable lease cost ⁽²⁾	8	25

⁽¹⁾ Includes short-term leases, which are immaterial.

⁽²⁾ Includes payments that are entirely variable and amounts that represent the difference between payments based on an index or rate that would be reflected in the lease liability and what is actually incurred.

The following tables present supplemental lease information as of September 30, 2019:

Lease Term and Discount Rate	
Weighted-average remaining lease term (years)	7.18
Weighted-average discount rate	3.47%

Maturity of Lease Liabilities	Operating Leases ⁽¹⁾
2019	\$ 26
2020	136
2021	113
2022	92
2023	84
Thereafter	309
Total lease payments	760
Less: Interest	95
Present value of lease liabilities	\$ 665

⁽¹⁾ Operating lease payments exclude \$41 million of legally binding minimum lease payments for leases signed but not yet commenced. These leases will commence between 2019 and 2020 with lease terms of five years to 20 years.

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In accordance with the disclosure requirements for our adoption of ASU 2016-02, the Company is presenting the operating leases commitment table as of December 31, 2018. The following table is unchanged from the disclosure in Note 14 in the 2018 Form 10-K:

	Operating Leases	Subleases	Net
2019	\$ 131	\$ 4	\$ 127
2020	125	4	121
2021	101	4	97
2022	79	2	77
2023	72	1	71
Thereafter	282	—	282
Total	\$ 790	\$ 15	\$ 775

10. Commitments and Contingencies

Loan Portfolio: CSB provides a co-branded loan origination program for CSB clients (the Program) with Quicken Loans, Inc. (Quicken Loans[®]). Pursuant to the Program, Quicken Loans originates and services First Mortgages and HELOCs for CSB clients. Under the Program, CSB purchases certain First Mortgages and HELOCs that are originated by Quicken Loans. CSB purchased First Mortgages of \$842 million and \$491 million during the third quarters of 2019 and 2018, respectively, and \$2.0 billion and \$1.6 billion during the first nine months of 2019 and 2018, respectively. CSB purchased HELOCs with commitments of \$52 million and \$104 million during the third quarters of 2019 and 2018, respectively, and \$180 million and \$311 million during the first nine months of 2019 and 2018, respectively.

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

	September 30, 2019	December 31, 2018
Commitments to extend credit related to unused HELOCs, PALs, and other lines of credit	\$ 11,234	\$ 11,046
Commitments to purchase First Mortgage loans	1,976	268
Total	\$ 13,210	\$ 11,314

In the third quarter of 2019, volume in new and refinanced First Mortgages increased as a result of lower interest rates and enhancements to customer incentives, leading to additional purchases during the third quarter and an increase in commitments to purchase First Mortgages as of September 30, 2019.

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 partially satisfy the margin requirements by arranging unsecured standby letter of credit agreements (LOCs), in favor of the Options Clearing Corporation, which are issued by several banks. At September 30, 2019, the aggregate face amount of these LOCs totaled \$225 million. There were no funds drawn under any of these LOCs at September 30, 2019. 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.

Schwab 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. Schwab's liability under these arrangements is not quantifiable and may exceed the cash and securities it has posted as collateral. The potential requirement for the Company to make payments under these arrangements is remote. Accordingly, no liability has been recognized for these guarantees.

Acquisition of USAA-IMCO: On July 25, 2019, the Company announced a definitive agreement to acquire assets of USAA-IMCO, including over one million brokerage and managed portfolio accounts with approximately \$90 billion in client assets,

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for \$1.8 billion in cash. The companies have also agreed to enter into a long-term referral agreement, effective at closing of the acquisition, that would make Schwab the exclusive wealth management and brokerage provider for USAA members. The transaction is expected to close in mid-2020, subject to satisfaction of closing conditions, including regulatory approvals and the implementation of conversion plans.

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 is a certain matter 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.

Crago Order Routing Litigation: On July 13, 2016, a securities class action lawsuit was filed in the U.S. District Court for the Northern District of California on behalf of a putative class of customers executing equity orders through CS&Co. The lawsuit names CS&Co and CSC as defendants and alleges that an agreement under which CS&Co routed orders to UBS Securities LLC between July 13, 2011 and December 31, 2014 violated CS&Co's duty to seek best execution. Plaintiffs seek unspecified damages, interest, injunctive and equitable relief, and attorneys' fees and costs. After a first amended complaint was dismissed with leave to amend, plaintiffs filed a second amended complaint on August 14, 2017. Defendants again moved to dismiss, and in a decision issued December 5, 2017, the court denied the motion. Defendants have answered the complaint to deny all allegations, and are vigorously contesting the lawsuit.

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

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 investment requirement. Schwab's resale agreements are not subject to master netting arrangements.

Securities lending: Schwab loans brokerage client securities temporarily to other brokers and clearing houses in connection with its securities lending activities and receives cash as collateral for the securities loaned. Increases in security prices may cause the fair value of the securities loaned to exceed the amount of cash received as collateral. In the event the counterparty to

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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. 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 \$860 million and \$99 million at September 30, 2019 and December 31, 2018, respectively. Substantially all of our securities lending transactions are through a program with a clearing organization, which guarantees the return of cash to us and is 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.

The following table presents information about our resale agreements and securities lending activity depicting the potential effect of rights of setoff between these recognized assets and recognized liabilities at September 30, 2019 and December 31, 2018:

	Gross Assets/ Liabilities	Gross Amounts Offset in the Condensed Consolidated Balance Sheets	Net Amounts Presented in the Condensed Consolidated Balance Sheets	Gross Amounts Not Offset in the Condensed Consolidated Balance Sheets		Net Amount
				Counterparty Offsetting	Collateral	
September 30, 2019						
Assets						
Resale agreements ⁽¹⁾	\$ 9,707	\$ —	\$ 9,707	\$ —	\$ (9,707) ⁽²⁾	\$ —
Securities borrowed ⁽³⁾	877	—	877	(871)	(6)	—
Total	\$ 10,584	\$ —	\$ 10,584	\$ (871)	\$ (9,713)	\$ —
Liabilities						
Securities loaned ^(4,5)	\$ 1,471	\$ —	\$ 1,471	\$ (871)	\$ (489)	\$ 111
Total	\$ 1,471	\$ —	\$ 1,471	\$ (871)	\$ (489)	\$ 111
December 31, 2018						
Assets						
Resale agreements ⁽¹⁾	\$ 7,195	\$ —	\$ 7,195	\$ —	\$ (7,195) ⁽²⁾	\$ —
Securities borrowed ⁽³⁾	101	—	101	(98)	(3)	—
Total	\$ 7,296	\$ —	\$ 7,296	\$ (98)	\$ (7,198)	\$ —
Liabilities						
Securities loaned ^(4,5)	\$ 1,184	\$ —	\$ 1,184	\$ (98)	\$ (975)	\$ 111
Total	\$ 1,184	\$ —	\$ 1,184	\$ (98)	\$ (975)	\$ 111

⁽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 102% of the related assets. At September 30, 2019 and December 31, 2018, the fair value of collateral received in connection with resale agreements that are available to be repledged or sold was \$9.9 billion and \$7.4 billion, respectively.

⁽³⁾ Included in receivables from brokers, dealers, and clearing organizations in the condensed consolidated balance sheets.

⁽⁴⁾ Included in payables to brokers, dealers, and clearing organizations in the condensed consolidated balance sheets. The cash collateral received from counterparties under securities lending transactions was equal to or greater than the market value of the securities loaned at September 30, 2019 and December 31, 2018.

⁽⁵⁾ Securities loaned are predominantly comprised of equity securities held in client brokerage accounts with overnight and continuous remaining contractual maturities.

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Margin lending: Clients with margin loans have agreed to allow Schwab to pledge 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, and the amounts that we had pledged:

	September 30, 2019	December 31, 2018
Fair value of client securities available to be pledged	\$ 26,614	\$ 26,628
Fair value of client securities pledged for:		
Fulfillment of requirements with the Options Clearing Corporation ⁽¹⁾	1,778	2,315
Fulfillment of client short sales	2,023	1,292
Securities lending to other broker-dealers	1,204	974
Total collateral pledged	\$ 5,005	\$ 4,581

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 \$139 million as of September 30, 2019 and \$97 million as of December 31, 2018.

⁽¹⁾ Client securities pledged to fulfill client margin requirements for open option contracts established with the Options Clearing Corporation.

12. 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, other securities owned, and AFS securities. 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. 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 do not exist, the Company uses prices obtained from independent third-party pricing services to measure the fair value of investment assets. We generally obtain prices from three independent third-party pricing sources for assets recorded at fair value.

Our primary independent pricing service provides prices based on observable trades 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.

For a description of the fair value hierarchy and Schwab's fair value methodologies, see Note 2 in the 2018 Form 10-K. We did not transfer any assets or liabilities between Level 1, Level 2, or Level 3 during the nine months ended September 30, 2019, or the year ended December 31, 2018. In addition, the Company did not adjust prices received from the primary independent third-party pricing service at September 30, 2019 or December 31, 2018.

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Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following tables present the fair value hierarchy for assets measured at fair value on a recurring basis. Liabilities recorded at fair value were not material, and therefore are not included in the following tables:

September 30, 2019	Level 1	Level 2	Level 3	Balance at Fair Value
Cash equivalents:				
Money market funds	\$ 4,193	\$ —	\$ —	\$ 4,193
Commercial paper	—	923	—	923
Total cash equivalents	4,193	923	—	5,116
Investments segregated and on deposit for regulatory purposes:				
Certificates of deposit	—	1,951	—	1,951
U.S. Government securities	—	1,605	—	1,605
Total investments segregated and on deposit for regulatory purposes	—	3,556	—	3,556
Other securities owned:				
Equity and bond mutual funds	378	—	—	378
State and municipal debt obligations	—	32	—	32
Equity, U.S. Government and corporate debt, and other securities	3	74	—	77
Schwab Funds [®] money market funds	10	—	—	10
Total other securities owned	391	106	—	497
Available for sale securities:				
U.S. agency mortgage-backed securities	—	40,431	—	40,431
U.S. Treasury securities	—	5,027	—	5,027
Asset-backed securities	—	4,801	—	4,801
Corporate debt securities	—	4,686	—	4,686
Certificates of deposit	—	1,004	—	1,004
Commercial paper	—	521	—	521
Non-agency commercial mortgage-backed securities	—	13	—	13
Total available for sale securities	—	56,483	—	56,483
Total	\$ 4,584	\$ 61,068	\$ —	\$ 65,652

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December 31, 2018	Level 1	Level 2	Level 3	Balance at Fair Value
Cash equivalents:				
Money market funds	\$ 3,429	\$ —	\$ —	\$ 3,429
Commercial paper	—	4,863	—	4,863
Total cash equivalents	3,429	4,863	—	8,292
Investments segregated and on deposit for regulatory purposes:				
Certificates of deposit	—	1,396	—	1,396
U.S. Government securities	—	3,275	—	3,275
Total investments segregated and on deposit for regulatory purposes	—	4,671	—	4,671
Other securities owned:				
Equity and bond mutual funds	441	—	—	441
State and municipal debt obligations	—	39	—	39
Equity, U.S. Government and corporate debt, and other securities	3	30	—	33
Schwab Funds [®] money market funds	26	—	—	26
Total other securities owned	470	69	—	539
Available for sale securities:				
U.S. agency mortgage-backed securities	—	25,556	—	25,556
U.S. Treasury securities	—	18,302	—	18,302
Asset-backed securities	—	10,085	—	10,085
Corporate debt securities	—	7,467	—	7,467
Certificates of deposit	—	3,685	—	3,685
U.S. agency notes	—	898	—	898
Commercial paper	—	522	—	522
Foreign government agency securities	—	49	—	49
Non-agency commercial mortgage-backed securities	—	14	—	14
Total available for sale securities	—	66,578	—	66,578
Total	\$ 3,899	\$ 76,181	\$ —	\$ 80,080

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Fair Value of Other Financial Instruments

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

September 30, 2019	Carrying Amount	Level 1	Level 2	Level 3	Balance at Fair Value
Assets					
Cash and cash equivalents	\$ 15,136	\$ —	\$ 15,136	\$ —	\$ 15,136
Cash and investments segregated and on deposit for regulatory purposes	12,595	—	12,595	—	12,595
Receivables from brokers, dealers, and clearing organizations	1,317	—	1,317	—	1,317
Receivables from brokerage clients — net	21,061	—	21,061	—	21,061
Held to maturity securities:					
U.S. agency mortgage-backed securities	114,276	—	116,012	—	116,012
Asset-backed securities	18,323	—	18,359	—	18,359
Corporate debt securities	4,659	—	4,715	—	4,715
U.S. state and municipal securities	1,306	—	1,413	—	1,413
Non-agency commercial mortgage-backed securities	1,136	—	1,164	—	1,164
U.S. Treasury securities	224	—	230	—	230
Certificates of deposit	200	—	200	—	200
Foreign government agency securities	50	—	50	—	50
Other	20	—	20	—	20
Total held to maturity securities	140,194	—	142,163	—	142,163
Bank loans — net:					
First Mortgages	10,630	—	10,682	—	10,682
HELOCs	1,216	—	1,255	—	1,255
Pledged asset lines	4,878	—	4,878	—	4,878
Other	171	—	171	—	171
Total bank loans — net	16,895	—	16,986	—	16,986
Other assets	617	—	617	—	617
Total	\$ 207,815	\$ —	\$ 209,875	\$ —	\$ 209,875
Liabilities					
Bank deposits	\$ 209,327	\$ —	\$ 209,327	\$ —	\$ 209,327
Payables to brokers, dealers, and clearing organizations	1,736	—	1,736	—	1,736
Payables to brokerage clients	35,622	—	35,622	—	35,622
Accrued expenses and other liabilities	1,252	—	1,252	—	1,252
Long-term debt	7,427	—	7,771	—	7,771
Total	\$ 255,364	\$ —	\$ 255,708	\$ —	\$ 255,708

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December 31, 2018	Carrying Amount	Level 1	Level 2	Level 3	Balance at Fair Value
Assets					
Cash and cash equivalents	\$ 19,646	\$ —	\$ 19,646	\$ —	\$ 19,646
Cash and investments segregated and on deposit for regulatory purposes	8,886	—	8,886	—	8,886
Receivables from brokers, dealers, and clearing organizations	553	—	553	—	553
Receivables from brokerage clients — net	21,641	—	21,641	—	21,641
Held to maturity securities:					
U.S. agency mortgage-backed securities	118,064	—	116,093	—	116,093
Asset-backed securities	18,502	—	18,546	—	18,546
Corporate debt securities	4,477	—	4,432	—	4,432
U.S. state and municipal securities	1,327	—	1,348	—	1,348
Non-agency commercial mortgage-backed securities	1,156	—	1,142	—	1,142
U.S. Treasury securities	223	—	217	—	217
Certificates of deposit	200	—	201	—	201
Foreign government agency securities	50	—	49	—	49
Other	10	—	10	—	10
Total held to maturity securities	144,009	—	142,038	—	142,038
Bank loans — net:					
First Mortgages	10,370	—	10,193	—	10,193
HELOCs	1,500	—	1,583	—	1,583
Pledged asset lines	4,561	—	4,561	—	4,561
Other	178	—	178	—	178
Total bank loans — net	16,609	—	16,515	—	16,515
Other assets	460	—	460	—	460
Total	\$ 211,804	\$ —	\$ 209,739	\$ —	\$ 209,739
Liabilities					
Bank deposits	\$ 231,423	\$ —	\$ 231,423	\$ —	\$ 231,423
Payables to brokers, dealers, and clearing organizations	1,831	—	1,831	—	1,831
Payables to brokerage clients	32,726	—	32,726	—	32,726
Accrued expenses and other liabilities	1,370	—	1,370	—	1,370
Long-term debt	6,878	—	6,827	—	6,827
Total	\$ 274,228	\$ —	\$ 274,177	\$ —	\$ 274,177

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13. Stockholders' Equity

On January 30, 2019, CSC publicly announced that its Board of Directors authorized a new Share Repurchase Program to repurchase up to \$4.0 billion of common stock. The share repurchase authorization does not have an expiration date. During the third quarter and first nine months of 2019, CSC repurchased 20 million and 49 million shares of its common stock under this authorization for \$771 million and \$2.0 billion, respectively.

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

	Shares Issued and Outstanding (in thousands) at			Carrying Value at			Dividend Rate in Effect at September 30, 2019	Earliest Redemption Date	Date at Which Dividend Rate Becomes Floating	Floating Annual Rate of Three-Month LIBOR plus:
	September 30, 2019 ⁽¹⁾	December 31, 2018 ⁽¹⁾	Liquidation Preference Per Share	September 30, 2019	December 31, 2018	Issue Date				
Fixed-rate:										
Series C	600	600	\$ 1,000	\$ 585	\$ 585	08/03/15	6.000%	12/01/20	N/A	N/A
Series D	750	750	1,000	728	728	03/07/16	5.950%	06/01/21	N/A	N/A
Fixed-to-floating-rate:										
Series A	400	400	1,000	397	397	01/26/12	7.000%	02/01/22	02/01/22	4.820%
Series E	6	6	100,000	591	591	10/31/16	4.625%	03/01/22	03/01/22	3.315%
Series F	5	5	100,000	492	492	10/31/17	5.000%	12/01/27	12/01/27	2.575%
Total preferred stock	1,761	1,761		\$ 2,793	\$ 2,793					

⁽¹⁾ Represented by depositary shares, except for Series A.

N/A Not applicable.

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

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2019		2018		2019		2018	
	Total Declared	Per Share Amount	Total Declared	Per Share Amount	Total Declared	Per Share Amount	Total Declared	Per Share Amount
Series A	\$ —	\$ —	\$ —	\$ —	\$ 14	\$ 35.00	\$ 14	\$ 35.00
Series C	9	15.00	9	15.00	27	45.00	27	45.00
Series D	11	14.88	11	14.88	33	44.64	33	44.64
Series E	14	2,312.50	14	2,312.50	28	4,625.00	28	4,625.00
Series F	—	—	—	—	13	2,500.00	15	2,930.56
Total	\$ 34		\$ 34		\$ 115		\$ 117	

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14. Accumulated Other Comprehensive Income

The components of other comprehensive income (loss) are as follows:

	2019			2018		
	Before Tax	Tax Effect	Net of Tax	Before Tax	Tax Effect	Net of Tax
Three Months Ended September 30,						
Change in net unrealized gain (loss) on available for sale securities:						
Net unrealized gain (loss)	\$ 51	\$ (12)	\$ 39	\$ (43)	\$ 11	\$ (32)
Other reclassifications included in other revenue	(1)	—	(1)	—	—	—
Amortization of amounts previously recorded upon transfer to held to maturity from available for sale	10	(3)	7	8	(2)	6
Other comprehensive income (loss)	\$ 60	\$ (15)	\$ 45	\$ (35)	\$ 9	\$ (26)

	2019			2018		
	Before Tax	Tax Effect	Net of Tax	Before Tax	Tax Effect	Net of Tax
Nine Months Ended September 30,						
Change in net unrealized gain (loss) on available for sale securities:						
Net unrealized gain (loss)	\$ 496	\$ (119)	\$ 377	\$ (184)	\$ 45	\$ (139)
Other reclassifications included in other revenue	(5)	1	(4)	—	—	—
Amortization of amounts previously recorded upon transfer to held to maturity from available for sale	30	(7)	23	26	(6)	20
Other comprehensive income (loss)	\$ 521	\$ (125)	\$ 396	\$ (158)	\$ 39	\$ (119)

AOCI balances are as follows:

	Total AOCI
Balance at June 30, 2018	\$ (278)
Available for sale securities:	
Net unrealized gain (loss)	(32)
Held to maturity securities:	
Amortization of amounts previously recorded upon transfer to held to maturity from available for sale	6
Balance at September 30, 2018	\$ (304)
Balance at June 30, 2019	\$ 99
Available for sale securities:	
Net unrealized gain (loss), excluding transfers to available for sale from held to maturity	39
Other reclassifications included in other revenue	(1)
Held to maturity securities:	
Amortization of amounts previously recorded upon transfer to held to maturity from available for sale	7
Balance at September 30, 2019	\$ 144

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	Total AOCI
Balance at December 31, 2017	\$ (152)
Adoption of accounting standards	(33)
Available for sale securities:	
Net unrealized gain (loss)	(139)
Held to maturity securities:	
Amortization of amounts previously recorded upon transfer to held to maturity from available for sale	20
Balance at September 30, 2018	\$ (304)
Balance at December 31, 2018	\$ (252)
Available for sale securities:	
Net unrealized gain (loss), excluding transfers to available for sale from held to maturity	358
Net unrealized gain on securities transferred to available for sale from held to maturity ⁽¹⁾	19
Other reclassifications included in other revenue	(4)
Held to maturity securities:	
Amortization of amounts previously recorded upon transfer to held to maturity from available for sale	23
Balance at September 30, 2019	\$ 144

⁽¹⁾ As part of the adoption of ASU 2017-12, in the first quarter of 2019, the Company made a one-time election to transfer a portion of its HTM securities to AFS. The transfer resulted in a net of tax increase to AOCI of \$19 million. See Notes 2 and 4 for additional discussion on the transfer of HTM securities to AFS.

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15. Regulatory Requirements

At September 30, 2019, CSC and CSB met all of their respective capital requirements. The regulatory capital and ratios for CSC (consolidated) and CSB are as follows:

September 30, 2019	Actual ⁽¹⁾		Minimum to be Well Capitalized		Minimum Capital Requirement	
	Amount	Ratio	Amount	Ratio	Amount	Ratio ⁽²⁾
CSC						
Common Equity Tier 1 Risk-Based Capital	\$ 17,264	20.0%	N/A		\$ 3,877	4.5%
Tier 1 Risk-Based Capital	20,057	23.3%	N/A		5,170	6.0%
Total Risk-Based Capital	20,075	23.3%	N/A		6,893	8.0%
Tier 1 Leverage	20,057	7.3%	N/A		10,945	4.0%
Supplementary Leverage Ratio ⁽¹⁾	20,057	7.1%	N/A		8,418	3.0%
CSB						
Common Equity Tier 1 Risk-Based Capital	\$ 15,577	22.9%	\$ 4,430	6.5%	\$ 3,067	4.5%
Tier 1 Risk-Based Capital	15,577	22.9%	5,452	8.0%	4,089	6.0%
Total Risk-Based Capital	15,594	22.9%	6,815	10.0%	5,452	8.0%
Tier 1 Leverage	15,577	7.4%	10,537	5.0%	8,429	4.0%
Supplementary Leverage Ratio ⁽¹⁾	15,577	7.2%	N/A	N/A	6,524	3.0%

December 31, 2018

CSC						
Common Equity Tier 1 Risk-Based Capital	\$ 16,813	17.6%	N/A		\$ 4,295	4.5%
Tier 1 Risk-Based Capital	19,606	20.5%	N/A		5,726	6.0%
Total Risk-Based Capital	19,628	20.6%	N/A		7,635	8.0%
Tier 1 Leverage	19,606	7.1%	N/A		11,058	4.0%
CSB						
Common Equity Tier 1 Risk-Based Capital	\$ 15,832	19.7%	\$ 5,233	6.5%	\$ 3,623	4.5%
Tier 1 Risk-Based Capital	15,832	19.7%	6,441	8.0%	4,831	6.0%
Total Risk-Based Capital	15,853	19.7%	8,051	10.0%	6,441	8.0%
Tier 1 Leverage	15,832	7.2%	11,044	5.0%	8,836	4.0%

⁽¹⁾ Beginning in 2019, CSC and CSB are subject to the “advanced approaches” framework under the Basel III capital rule. As a result, we are now required to include all components of AOCI in regulatory capital and report our supplementary leverage ratio, which is calculated as Tier 1 capital divided by total leverage exposure. Total leverage exposure includes all on-balance sheet assets and certain off-balance sheet exposures, including unused commitments. Prior to 2019, CSC and CSB elected to opt-out of the requirement to include most components of AOCI in Common Equity Tier 1 Capital; the amounts and ratios for December 31, 2018 are presented on this basis.

⁽²⁾ Under the Basel III capital rule, CSC and CSB are also required to maintain a capital conservation buffer and, beginning in 2019, a countercyclical capital buffer above the regulatory minimum risk-based capital ratios. The capital conservation buffer became 2.5% on January 1, 2019 (1.875% at December 31, 2018). At September 30, 2019, the countercyclical capital buffer was zero percent. If either buffer falls below the minimum requirement, the Company would be subject to limits on capital distributions and discretionary bonus payments to executive officers. At September 30, 2019 the minimum capital requirement plus capital conservation buffer and countercyclical capital buffer for Common Equity Tier 1 Risk-Based Capital, Tier 1 Risk-Based Capital, and Total Risk-Based Capital ratios were 7.0%, 8.5%, and 10.5%, respectively.

N/A Not applicable.

Based on its regulatory capital ratios at September 30, 2019, CSB is considered well capitalized (the highest category) under its respective regulatory capital rules. There are no conditions or events since September 30, 2019 that management believes have changed CSB’s capital category.

In late 2017, Schwab acquired a federal savings bank charter which is now called Charles Schwab Premier Bank. At September 30, 2019, the balance sheet of Charles Schwab Premier Bank consisted primarily of investment securities, and held total assets of \$13.5 billion. Charles Schwab Premier Bank is subject to similar regulatory guidelines and requirements, and seeks to maintain a Tier 1 Leverage Ratio similar to CSB.

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Net capital and net capital requirements for CS&Co are as follows:

	September 30, 2019	December 31, 2018
Net Capital	\$ 2,235	\$ 2,304
Minimum net capital required	0.250	0.250
2% of aggregate debit balances	440	436
Net Capital in excess of required net capital	\$ 1,795	\$ 1,868

In accordance with the SEC Customer Protection Rule, CS&Co had portions of its cash and investments segregated for the exclusive benefit of clients at September 30, 2019. The SEC 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 consolidated statements of cash flows.

16. 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 and banking 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 support services, as well as retirement business services, to independent RIAs, independent retirement advisors, and recordkeepers. Revenues and expenses are allocated 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.

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

Three Months Ended September 30,	Investor Services		Advisor Services		Total	
	2019	2018	2019	2018	2019	2018
Net Revenues						
Net interest revenue	\$ 1,182	\$ 1,138	\$ 449	\$ 389	\$ 1,631	\$ 1,527
Asset management and administration fees	586	565	239	244	825	809
Trading revenue	108	112	64	64	172	176
Other	68	53	15	14	83	67
Total net revenues	1,944	1,868	767	711	2,711	2,579
Expenses Excluding Interest	1,070	1,015	405	345	1,475	1,360
Income before taxes on income	\$ 874	\$ 853	\$ 362	\$ 366	\$ 1,236	\$ 1,219

Nine Months Ended September 30,	Investor Services		Advisor Services		Total	
	2019	2018	2019	2018	2019	2018
Net Revenues						
Net interest revenue	\$ 3,531	\$ 3,158	\$ 1,390	\$ 1,039	\$ 4,921	\$ 4,197
Asset management and administration fees	1,679	1,727	687	747	2,366	2,474
Trading revenue	329	354	202	203	531	557
Other	207	182	90	53	297	235
Total net revenues	5,746	5,421	2,369	2,042	8,115	7,463
Expenses Excluding Interest	3,189	3,069	1,190	1,042	4,379	4,111
Income before taxes on income	\$ 2,557	\$ 2,352	\$ 1,179	\$ 1,000	\$ 3,736	\$ 3,352

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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 September 30, 2019. 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 September 30, 2019.

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 September 30, 2019, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

THE CHARLES SCHWAB CORPORATION

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

For a discussion of legal proceedings, see Item 1 – Note 10.

Item 1A. Risk Factors

During the first nine months of 2019, there have been no material changes to the risk factors in Part I – Item 1A – Risk Factors in the 2018 Form 10-K.

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

Issuer Purchases of Equity Securities

On January 30, 2019, CSC publicly announced that its Board of Directors authorized the repurchase of up to \$4.0 billion of common stock. The authorization does not have an expiration date.

The following table summarizes purchases made by or on behalf of CSC of its common stock for each calendar month in the third quarter of 2019 (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
July:				
Share repurchase program	—	\$ —	—	\$ 2,780
Employee transactions ⁽¹⁾	20	\$ 40.95	N/A	N/A
August:				
Share repurchase program	12,793	\$ 37.39	12,793	\$ 2,301
Employee transactions ⁽¹⁾	3	\$ 40.05	N/A	N/A
September:				
Share repurchase program	7,141	\$ 40.94	7,141	\$ 2,009
Employee transactions ⁽¹⁾	6	\$ 38.33	N/A	N/A
Total:				
Share repurchase program	19,934	\$ 38.69	19,934	\$ 2,009
Employee transactions ⁽¹⁾	29	\$ 40.35	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. The Company 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.

THE CHARLES SCHWAB CORPORATION

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

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Item 6. Exhibits

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

Exhibit Number	Exhibit	
10.397	<u>Form of Notice and Retainer Stock Option Agreement for Non-Employee Directors under The Charles Schwab Corporation 2013 Stock Incentive Plan and successor plans (supersedes Exhibit 10.381).</u>	(1),(2)
10.398	<u>Form of Notice and Retainer Restricted Stock Unit Agreement for Non-Employee Directors under The Charles Schwab Corporation 2013 Stock Incentive Plan and successor plans (supersedes Exhibit 10.382).</u>	(1),(2)
10.399	<u>Form of Notice and Stock Option Agreement for Non-Employee Directors under The Charles Schwab Corporation Directors' Deferred Compensation Plan II and successor plans (supersedes Exhibit 10.383).</u>	(1),(2)
10.401	<u>Form of Notice and Restricted Stock Unit Agreement for Non-Employee Directors under The Charles Schwab Corporation Directors' Deferred Compensation Plan II and successor plans (supersedes Exhibit 10.384).</u>	(1),(2)
10.402	<u>Form of Notice and Nonqualified Stock Option Agreement under The Charles Schwab Corporation 2013 Stock Incentive Plan and successor plans (supersedes Exhibit 10.393).</u>	(1),(2)
10.403	<u>Form of Notice and Restricted Stock Unit Agreement under The Charles Schwab Corporation 2013 Stock Incentive Plan and successor plans (supersedes Exhibit 10.394).</u>	(1),(2)
10.404	<u>Form of Notice and Restricted Stock Unit Agreement (no accelerating vesting for retirement) under The Charles Schwab Corporation 2013 Stock Incentive Plan and successor plans (supersedes Exhibit 10.396).</u>	(1),(2)
31.1	<u>Certification Pursuant to Rule 13a-14(a)/15d-14(a), As Adopted Pursuant to Section 302 of The Sarbanes-Oxley Act of 2002.</u>	
31.2	<u>Certification Pursuant to Rule 13a-14(a)/15d-14(a), As Adopted Pursuant to Section 302 of The Sarbanes-Oxley Act of 2002.</u>	
32.1	<u>Certification Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of The Sarbanes-Oxley Act of 2002.</u>	(1)
32.2	<u>Certification Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of The Sarbanes-Oxley Act of 2002.</u>	(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.	(3)
101.SCH	Inline XBRL Taxonomy Extension Schema	(3)
101.CAL	Inline XBRL Taxonomy Extension Calculation	(3)
101.DEF	Inline XBRL Extension Definition	(3)

THE CHARLES SCHWAB CORPORATION

Exhibit Number	Exhibit	
101.LAB	Inline XBRL Taxonomy Extension Label	(3)
101.PRE	Inline XBRL Taxonomy Extension Presentation	(3)
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)	
(1)	<i>Furnished as an exhibit to this Quarterly Report on Form 10-Q.</i>	
(2)	<i>Management contract or compensatory plan.</i>	
(3)	<i>Attached as Exhibit 101 to this Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2019 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.</i>	

THE CHARLES SCHWAB CORPORATION

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: November 7, 2019

/s/ Peter Crawford
Peter Crawford
Executive Vice President and Chief Financial Officer