The Charles Schwab Corporation Liquidity Coverage Ratio Disclosure Report

For the quarter ended September 30, 2024

charles SCHWAB

Own your tomorrow

Table of Contents

I. About The Charles Schwab Corporation

The Charles Schwab Corporation (CSC) is a savings and loan holding company, headquartered in Westlake, Texas. CSC engages, through its subsidiaries (collectively referred to as Schwab or the Company), in wealth management, securities brokerage, banking, asset management, custody, and financial advisory services. CSC is regulated, supervised, and examined by the Board of Governors of the Federal Reserve System (Federal Reserve).

II. Liquidity Coverage Ratio

The U.S. Liquidity Coverage Ratio (LCR) rule is designed to promote resiliency of the banking sector by requiring that certain large U.S. banking organizations (Covered Companies) maintain a liquidity risk profile which ensures that they have sufficient High Quality Liquid Assets (HQLA), such as central bank reserves, certain government securities, and eligible corporate debt that can be converted easily and quickly to cash, to survive a significant stress event lasting 30 days.

The LCR rule requires Covered Companies, including Schwab, to maintain an amount of HQLA that are unencumbered and controlled by the Covered Company's liquidity management function sufficient to meet a designated percentage of their total stressed net cash outflows over a prospective 30 calendar-day period, as calculated in accordance with the LCR rule.

Schwab is subject to the LCR and public disclosure requirement on a consolidated basis. On a quarterly basis the Company is required to disclose the average daily LCR over the quarter, and the Company also discloses quantitative and qualitative information over certain portions of the Company's LCR components.

Under the LCR rule, Schwab is required to maintain HQLA to cover 100% of the total stressed net cash outflows on a daily basis. In addition, HQLA that are held at the Company's bank subsidiaries in excess of the subsidiaries' total net cash outflows, and are not transferable to non-bank affiliates, are excluded by rule from the Company's eligible HQLA.

Average Weighted Amount (In Millions)	**Quarter Ended September 30, 2024**	**Quarter Ended June 30, 2024**
HQLA[1]	56,288	53,815
Net Cash Outflows	43,356	45,086
LCR	130.26%	119.78%

(1) Excludes non-transferable liquidity at subsidiaries.

Schwab's LCR fluctuates period over period as a result of its liquidity profile, market conditions, client behavior, legal or regulatory developments, liquidity risk management limits, or other factors in the markets in which it operates. The Company's average LCR increased between the second quarter of 2024 and the third quarter of 2024, from 119.78% to 130.26% primarily due to an increase in secured funding at the broker-dealer subsidiary.

Although not subject to a separate public disclosure requirement, Schwab's bank subsidiaries are subject to LCR requirements and were in compliance with their respective LCR requirements during the periods presented.

III. Liquidity Management at Schwab

The Company seeks to maintain client confidence in its balance sheet and the safety of client assets by maintaining high levels of liquidity and diversity of funding sources in both expected and stressed market conditions.

Liquidity Management (First Line of Defense) resides within the Company's Corporate Treasury function and is tasked with developing and implementing a liquidity and funding management strategy and managing liquidity in accordance with the Company's Board-approved risk appetite.

The Financial Risk Management (Second Line of Defense) function is responsible for independently assessing the effectiveness and adequacy of the Company's liquidity risk management processes in accordance with the Board-approved Liquidity Risk Policy.

These functions together with Internal Audit (Third Line of Defense), operate under a comprehensive liquidity risk management framework. This framework includes but is not limited to:

- **Early Warning Indicators** - to measure, monitor and anticipate potential liquidity risk that may be developing.
- **Cash Flow Projections** - to ensure adequate levels of liquidity and identify any potential mismatches that may arise from assets, liabilities, and contractual obligations.
- **Liquidity Stress Testing** - to ensure that the Company has sufficient liquidity and funding under a variety of adverse scenarios.
- **High-Quality Liquid Assets and Highly Liquid Assets Monetization** – to demonstrate the capability to monetize a sample of HQLA and HLA buffers to meet operational requirements.
- **Contingency Funding Plans** - to identify and document a range of events, their severity, available sources of funding, as well as the responsible crisis management team that would execute on the plan.
- **Regulatory Compliance** - to adhere to regulations like Regulation LL – Enhanced Prudential Standards and Regulation WW – Liquidity Risk Measurement, Standards and Reporting, among other applicable laws and regulations.

The Company's Liquidity Risk Management Framework and execution is driven by a Global Risk Committee, which is comprised of senior executives from each major business and control function. Senior management takes an active role in the liquidity risk management process. The Financial Risk Oversight Committee is responsible for approving Policy Limits, as well as Liquidity Risk Metrics. The Asset Liability Management Committee is responsible for reviewing these approvals. The risk metrics, with risk limits and tolerance levels, are established for key risk categories by the Global Risk Committee and its functional risk sub-committees. Additional details of the Company's liquidity risk management framework are provided in the "Risk Management" section of Company's 10-K annual form.

IV. LCR Quantitative Disclosure

In the following table, the figures reported in the "Average Weighted Amount" column reflect the prescribed, industry-wide assumptions and haircuts defined by the LCR rule to determine a Covered Company's eligible HQLA, cash outflow amounts and cash inflow amounts. The figures reported in the "Average Unweighted Amount" column reflect gross values that are not included in the calculation used to determine the Company's compliance with LCR requirements.

	Quarter ended September 30, 2024 $ in millions	Average Unweighted Amount [1]	Average Weighted Amount [1]
HIGH-QUALITY LIQUID ASSETS (HQLA)			
1	Total eligible HQLA of which:[2]	58,632	56,288
2	Eligible level 1 liquid assets	43,008	43,008
3	Eligible level 2A liquid assets	15,624	13,280
4	Eligible level 2B liquid assets	-	-
CASH OUTFLOW AMOUNTS			
5	Deposit outflow from retail customers and counterparties, of which:	273,744	63,440
6	Stable retail deposit outflow	6,962	209
7	Other retail funding	69,932	27,353
8	Brokered deposit outflow	196,850	35,878
9	Unsecured wholesale funding outflow, of which:	57,892	24,472
10	Operational deposit outflow	-	-
11	Non-operational funding outflow	57,892	24,472
12	Unsecured debt outflow	-	-
13	Secured wholesale funding and asset exchange outflow	11,274	7,914
14	Additional outflow requirements, of which:	2,958	471
15	Outflow related to derivative exposures and other collateral requirements	238	238
16	Outflow related to credit and liquidity facilities including unconsolidated structured transactions	2,720	233
17	Other contractual funding obligation outflow	2,331	2,331
18	Other contingent funding obligations outflow	-	-
19	TOTAL CASH OUTFLOW	348,199	98,628
CASH INFLOW AMOUNTS			
20	Secured lending and asset exchange cash inflow	36,078	18,643
21	Retail cash inflow	139	69
22	Unsecured wholesale cash inflow	10,862	10,862
23	Other cash inflows, of which:	25,698	25,698
24	Net derivative cash inflow	16	16
25	Securities cash inflow	358	358
26	Broker-dealer segregated account inflow	25,324	25,324
27	Other cash inflow	-	-
28	TOTAL CASH INFLOW	72,777	55,272
AVERAGE AMOUNT [3]			
29	HQLA AMOUNT		56,288
30	TOTAL NET CASH OUTFLOW AMOUNT EXCLUDING THE MATURITY MISMATCH ADD-ON		43,356
31	MATURITY MISMATCH ADD-ON		
32	TOTAL NET CASH OUTFLOW AMOUNT		43,356
33	LIQUIDITY COVERAGE RATIO (%)		130.26%

[1] Figures may not sum due to rounding.
[2] Excludes non-transferable liquidity at subsidiaries.

[3] The amounts reported in this column may not equal the calculation of those amounts using component amounts reported in rows 1–28 due to technical factors such as the application of the level 2 liquid asset caps and the total inflow cap.

V. Components and Drivers of the Liquidity Coverage Ratio

A. The Composition of Eligible HQLA

As shown in the below chart, approximately 76% of the Company's total eligible consolidated HQLA was concentrated in Level 1 HQLA and approximately 24% of eligible consolidated HQLA was Level 2A, on an average weighted basis, in the third quarter of 2024. The Company also has Level 2A in excess of 40% of the total eligible HQLA amount that are excluded by the rule from eligible HQLA. In addition, HQLA that are held at the Company's bank subsidiaries in excess of the subsidiaries' total net cash outflows, that are not transferable to non-bank affiliates, are also excluded by rule from the Company's eligible HQLA.

Quarter Ended September 30, 2024		**Average Weighted Amount (In Millions)**
Level 1	Cash on deposit at Federal Reserve Banks, U.S. Treasuries, U.S Government Agency Mortgage-Backed Securities (MBS)	43,008
Level 2A	U.S. Government-Sponsored Enterprise (GSE) Agency MBS and Collateralized Mortgage Obligations (CMO)	13,280
Total HQLA		56,288

B. Net Cash Outflows

The Company's cash outflow amounts for the quarter were predominantly driven by two categories: first, deposit outflows from retail customers and counterparties, primarily from affiliated brokered sweep deposit outflow; and second, from non-operational funding outflow, which represents deposit outflows associated with counterparties, that due to deposit size, are categorized under the LCR rule as wholesale counterparties. These two categories accounted for 89% of weighted cash outflows.

Offsetting a portion of cash outflows are cash inflows, which were predominantly driven by three categories: first, secured lending and asset exchange cash inflow, which is concentrated in Schwab's broker-dealer business representing customer margin loan repayments; second, broker-dealer segregated account inflow, which is the fair value of the broker-dealer's actual segregated assets held under the customer protection rule (SEC Rule 15c3-3) as of the calculation date, less the fair value of the required balance of the customer reserve account in a period of prescribed stress; and third, unsecured wholesale cash inflow which represents short term investments of broker-dealer working capital. Together these categories accounted for substantially all of the calculated cash inflows.

C. Funding Sources

Schwab has a comprehensive liquidity risk management program in place to ensure funding is available to meet obligations to clients and other ongoing commitments. Schwab's primary source of funds is cash generated by client activity which includes bank deposits and cash balances in client brokerage accounts. Other sources of funds include cashflows from operations, maturities and sales of investment securities, repayments on loans, securities lending of assets held in client brokerage accounts, and Federal Home Loan Bank borrowings. Our broker-dealer subsidiary also maintains secured, uncommitted lines of credit, to borrow on a short-term basis and pledge either client margin securities or firm securities as collateral, based on the terms of the agreements. Our banking subsidiaries have access to short-term secured funding through the Federal Reserve discount window. However, the firm does not view this as a primary source of liquidity. The banking subsidiaries also have access to funding from external financial institutions in repurchase agreements collateralized by investment securities and the ability to issue Certificates of Deposits as a source of short-term liquidity. Long-term needs are also met by funding provided by long term debt issuances by CSC in the capital markets.

D. Derivative Exposures and Potential Collateral Calls

Schwab uses cleared interest rate swaps primarily to manage interest rate risk exposures that arise from business activities. The Company's net derivative outflows consist of variation margin, initial margin and historical potential derivative valuation changes as specified by the LCR rule. The Company's derivative exposure did not constitute a material portion of net cash outflows in the third quarter of 2024.

E. Currency Mismatch in the Liquidity Coverage Ratio

Schwab does not have material exposure to a currency mismatch.