

The Charles Schwab Corporation Net Stable Funding Ratio Disclosure Report

For the quarters ended September 30, 2023 and December 31,
2023

The logo consists of a blue square containing the text "charles" in a white, lowercase, serif font, and "SCHWAB" in a white, uppercase, sans-serif font below it.

charles
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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. Net Stable Funding Ratio

The Net Stable Funding Ratio (NSFR) rule is a quantitative liquidity metric and requirement that measures the long-term funding stability of a covered institution. The rule intends to limit overreliance on short-term wholesale funding, encourage better assessment of funding risk across all on- and off-balance-sheet items, and promotes funding stability. The NSFR requirements in the rule are consistent with the requirements established by the Basel Committee on Banking Supervision.

The rule requires that a covered institution's Available Stable Funding (ASF) must be greater than or equal to the Required Stable Funding (RSF) amount. ASF is calculated by evaluating the stability of an organization's funding sources, and RSF is calculated by evaluating the characteristics of an organization's assets, derivatives, and off-balance-sheet exposures as prescribed in the rule.

The Company's average NSFR was 125.74% during the third quarter of 2023 and 125.51% in the fourth quarter of 2023. Schwab's NSFR 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.

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

Average Weighted Amount (In Millions)	Quarter Ended September 30, 2023	Quarter Ended December 31, 2023
ASF ¹	202,775	197,756
RSF	161,270	157,560
NSFR	125.74%	125.51%

⁽¹⁾ Excludes excess ASF at bank subsidiaries that are not transferable to non-bank affiliates.

III. NSFR Quantitative Disclosures

In the following tables, the figures reported in the "Average Weighted Amount" column reflect the prescribed, industry-wide assumptions and factors defined by the NSFR rule to determine a Covered Company's ASF and RSF. The figures reported in the "Average Unweighted Amount" column reflect gross values prior to the application of prescribed factors and are not included in the calculation used to determine the Company's compliance with NSFR requirements.

A. Q3 2023

Quarter ended 09/30/2023 In millions of U.S. dollars.		Average Unweighted Amount				Average Weighted Amount	
		Open Maturity	< 6 months	6 months to < 1 year	≥ 1 year		Perpetual
ASF ITEM							
1	Capital and securities:	-	632	3,039	19,740	37,417	58,677
2	NSFR regulatory capital elements	-	-	-	-	37,417	37,417
3	Other capital elements and securities	-	632	3,039	19,740	-	21,259
4	Retail funding:	257,488	15,379	22,264	7,399	-	223,720
5	Stable deposits	7,387	-	-	-	-	7,018
6	Less stable deposits	4,713	-	-	-	-	4,242
7	Sweep deposits, brokered reciprocal deposits, and brokered deposits	184,421	14,614	21,480	7,207	-	181,106
8	Other retail funding	60,967	764	783	192	-	31,353
9	Wholesale funding	74,067	28,449	14,303	5,441	-	56,647
10	Operational deposits	-	-	-	-	-	-
11	Other wholesale funding	74,067	28,449	14,303	5,441	-	56,647
Other liabilities:							
12	NSFR derivatives liability amount	-	-	-	-	-	-
13	Total derivatives liability amount	-	-	-	-	-	-
14	All other liabilities not included in the above categories	-	657	-	-	-	-
		1,479					
15	TOTAL ASF¹						202,775
RSF ITEM							
16	Total high-quality liquid assets (HQLA)	19,572	19,749	4,970	228,814	-	27,875
17	Level 1 liquid assets	19,572	19,167	4,430	44,100	-	-
18	Level 2A liquid assets	-	582	541	184,714	-	27,875
19	Level 2B liquid assets	-	-	-	-	-	-
20	Zero percent RSF assets that are not level 1 liquid assets or loans to financial sector entities or their consolidated subsidiaries	-	-	-	-	-	-
21	Operational deposits placed at financial sector entities or their consolidated subsidiaries	846	-	-	-	-	423
22	Loans and securities:	80,761	19,590	1,778	49,125	-	85,527
23	Loans to financial sector entities secured by level 1 liquid assets	-	4,397	1	-	-	-
24	Loans to financial sector entities secured by assets other than level 1 liquid assets and unsecured loans to financial sector entities	2,318	13,076	-	415	-	2,724
25	Loans to wholesale customers or counterparties that are not financial sector entities and loans to retail customers or counterparties	77,781	237	244	150	-	39,258
26	Of which: With a risk weight no greater than 20 percent under Regulation Q (12 CFR part 217)	-	-	-	4	-	2
27	Retail mortgages	-	-	-	26,267	-	22,327
28	Of which: With a risk weight of no greater than 50 percent under Regulation Q (12 CFR part 217)	-	-	-	-	-	-
29	Securities that do not qualify as HQLA	662	1,880	1,534	22,293	-	21,219
Other assets:							
30	Commodities	-	-	-	-	-	-
31	Assets provided as initial margin for derivative transactions and contributions to CCPs' mutualized loss-sharing arrangements	-	-	-	-	192	163
32	NSFR derivatives asset amount	-	-	-	-	196	196
33	Total derivatives asset amount	-	-	-	-	196	-
34	RSF for potential derivatives portfolio valuation changes	-	-	-	-	197	44
35	All other assets not included in the above categories, including nonperforming assets	36,620	498	201	16,549	-	46,826
36	Undrawn commitments	-	-	-	-	4,305	215
37	TOTAL RSF prior to application of required stable funding adjustment percentage						161,270
38	Required stable funding adjustment percentage						1
39	TOTAL adjusted RSF						161,270
40	NET STABLE FUNDING RATIO						125.74%

B. Q4 2023

Quarter ended 12/31/2023 In millions of U.S. dollars.		Average Unweighted Amount				Average Weighted Amount	
		Open Maturity	< 6 months	6 months to < 1 year	≥ 1 year	Perpetual	
ASF ITEM							
1	Capital and securities:	-	3,699	20	21,710	38,186	59,905
2	NSFR regulatory capital elements	-	-	-	-	38,186	38,186
3	Other capital elements and securities	-	3,699	20	21,710	-	21,179
4	Retail funding:	244,439	25,633	22,267	2,500	-	208,452
5	Stable deposits	7,103	-	-	-	-	6,748
6	Less stable deposits	4,513	-	-	-	-	4,062
7	Sweep deposits, brokered reciprocal deposits, and brokered deposits	173,271	24,464	21,239	2,427	-	166,731
8	Other retail funding	59,552	1,169	1,028	73	-	30,911
9	Wholesale funding	69,690	21,046	19,905	3,582	-	52,299
10	Operational deposits	-	-	-	-	-	-
11	Other wholesale funding	69,690	21,046	19,905	3,582	-	52,299
Other liabilities:							
12	NSFR derivatives liability amount	-	-	-	-	-	-
13	Total derivatives liability amount	-	-	-	-	-	-
14	All other liabilities not included in the above categories	1,455	1,525	-	-	-	-
15	TOTAL ASF¹						197,756
RSF ITEM							
16	Total high-quality liquid assets (HQLA)	17,684	19,360	4,429	218,801	-	26,769
17	Level 1 liquid assets	17,684	19,192	3,411	41,529	-	-
18	Level 2A liquid assets	-	168	1,018	177,272	-	26,769
19	Level 2B liquid assets	-	-	-	-	-	-
20	Zero percent RSF assets that are not level 1 liquid assets or loans to financial sector entities or their consolidated subsidiaries	-	-	-	-	-	-
21	Operational deposits placed at financial sector entities or their consolidated subsidiaries	680	-	-	-	-	340
22	Loans and securities:	79,070	25,194	1,438	49,538	-	85,436
23	Loans to financial sector entities secured by level 1 liquid assets	-	7,019	1	-	-	-
24	Loans to financial sector entities secured by assets other than level 1 liquid assets and unsecured loans to financial sector entities	2,243	15,772	-	460	-	3,162
25	Loans to wholesale customers or counterparties that are not financial sector entities and loans to retail customers or counterparties	76,187	172	151	68	-	38,312
26	Of which: With a risk weight no greater than 20 percent under Regulation Q (12 CFR part 217)	-	-	-	4	-	2
27	Retail mortgages	-	-	-	26,483	-	22,511
28	Of which: With a risk weight of no greater than 50 percent under Regulation Q (12 CFR part 217)	-	-	-	-	-	-
29	Securities that do not qualify as HQLA	640	2,231	1,286	22,527	-	21,450
Other assets:							
30	Commodities	-	-	-	-	-	-
31	Assets provided as initial margin for derivative transactions and contributions to CCPs' mutualized loss-sharing arrangements	-	-	-	-	207	176
32	NSFR derivatives asset amount	-	-	-	-	254	254
33	Total derivatives asset amount	-	-	-	-	254	-
34	RSF for potential derivatives portfolio valuation changes	-	-	-	-	259	13
35	All other assets not included in the above categories, including nonperforming assets	36,783	2	155	13,346	-	44,400
36	Undrawn commitments	-	-	-	-	3,458	173
37	TOTAL RSF prior to application of required stable funding adjustment percentage						157,560
38	Required stable funding adjustment percentage						1
39	TOTAL adjusted RSF						157,560
40	NET STABLE FUNDING RATIO						125.51%

¹ Amounts reported may not equal the calculation of those amounts reported in rows 1-14 as it excludes excess ASF at bank subsidiaries that are not transferable to non-bank affiliates subject to § 249.109 Rules for consolidation.

IV. Components and Drivers of the Net Stable Funding Ratio

A. Available Stable Funding

The Company's total ASF was concentrated in retail funding which includes sweep deposits and brokered deposits from retail customers and counterparties. These accounted for 53% and 52% of the Company's weighted ASF² for the third and fourth quarters of 2023, respectively. The Company's ASF also includes other unsecured funding from retail customers at Schwab's broker-dealer business and banking subsidiaries such as free credits, long term senior notes, Federal Home Loan Bank (FHLB) borrowings and regulatory capital. Together these accounted for 34% and 35% of the Company's weighted ASF² in the third and fourth quarters of 2023, respectively.

ASF that is held at the banking subsidiaries in excess of the subsidiaries' total RSF, and are not transferable to non-bank affiliates, are excluded by rule from the Company's ASF.

B. Required Stable Funding

The Company's total RSF includes loans to retail customers or counterparties, which is concentrated in Schwab's broker-dealer business representing customer margin loans. These accounted for 24% of the Company's weighted RSF for both the third and fourth quarters of 2023.

In addition, Company's RSF included loans to retail customers or counterparties at banking subsidiaries, level 2A assets, non HQLA and other assets. Together these account for 73% of the Company's RSF for both the third and fourth quarters of 2023.

V. Funding Sources

A. Primary Sources

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

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

B. Supplemental Sources

In addition, Schwab has access to external funding. Schwab's need for borrowings from external debt facilities arises primarily from timing differences between cash flow requirements, including the event the outflow of client cash from the balance sheet is greater than cash flows from operations and investment securities and bank loans; payment on interest-earning investments; movements of cash to meet regulatory brokerage client cash segregation requirements; and general corporate purposes. We maintain policies and procedures necessary to access funding and test borrowing procedures on a periodic basis.

²Weighted ASF is prior to the exclusion of the non-transferable subsidiary excess stable funding.

The Company has a commercial paper program as well as a universal automatic shelf registration statement on file with the SEC which enables it to issue debt, equity, and other securities.

The Company's banking subsidiaries have access to external financial institutions through repurchase agreements collateralized by investment securities and secured borrowing facilities with the FHLB. Amounts available under secured credit facilities with the FHLB are dependent on the value of our First Mortgages, home equity lines of credit (HELOCs), and the fair value of certain of our investment securities that are pledged as collateral.

The banking subsidiaries also have access to short-term secured funding through the Federal Reserve Discount Window and are counterparties to the Standing Repo Facility with the Federal Reserve Bank of New York. These facilities were not utilized by the Company in the third and fourth quarters of 2023 outside of de-minimis test borrowings to establish operational readiness.

The Company's banking subsidiaries are also eligible to obtain advances under the Bank Term Funding Program (BTFP). This facility was not used by the Company in the third and fourth quarters of 2023.

In the third and fourth quarters of 2023, Retail Brokered Certificates of Deposit were used as a supplemental funding source.

The broker dealer entities maintain uncommitted, unsecured, and secured bank credit lines with a group of banks as a source of short-term liquidity.