



CORPORATION

# **Basel III Regulatory Capital Disclosures**

**September 30, 2023**

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## INTRODUCTION

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

Principal business subsidiaries of CSC include the following:

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

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

The basis of consolidation that CSC uses for regulatory reporting is consistent with the basis used for reporting under generally accepted accounting principles in the U.S. (U.S. GAAP) as established by the Financial Accounting Standards Board.

## OVERVIEW

This document, and certain of Schwab's public filings, present the regulatory capital disclosures in compliance with Basel III as set forth in 12 C.F.R. §217.63 - Disclosures by institutions regulated by the Federal Reserve Board ("Federal Reserve") and 12 C.F.R. §217.173 (c) (collectively referred to as the Rules). Schwab's Annual Report on Form 10-K for the fiscal year ended December 31, 2022 (Form 10-K) filed with the Securities and Exchange Commission (SEC) and its Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2023 (Form 10-Q) filed with the SEC contains management's discussion of the overall corporate risk profile of Schwab and related management strategies. These Basel III Regulatory Capital Disclosures should be read in conjunction with the Form 10-K, the Form 10-Q, the Consolidated Financial Statements for Bank Holding Companies dated September 30, 2023 (FR Y-9C), the Regulatory Capital Reporting for Institutions Subject to the Advanced Capital Adequacy Framework dated September 30, 2023 (FFIEC 101), the Market Risk Regulatory Report for Institutions Subject to the Market Risk Capital Rule dated September 30, 2023 (FFIEC 102), and the Consolidated Reports of Condition and Income for a Bank with Domestic and Foreign Offices for the period ended September 30, 2023 (FFIEC 031). Schwab's Disclosure Matrix (see pages 3-9) specifies where the disclosures required by the Rules are located.

## CURRENT REGULATORY AND OTHER DEVELOPMENTS

In October 2019, the Federal Reserve, Office of the Comptroller of the Currency, and Federal Deposit Insurance Corporation jointly adopted a final rule which became effective on December 31, 2019 (interagency regulatory capital and liquidity rules) that revised the regulatory capital and liquidity requirements for large U.S. banking organizations with \$100 billion or more in total consolidated assets. The rules established four risk-based categories for determining the regulatory capital and liquidity requirements applicable to these institutions based on their total assets, cross-jurisdictional activity, weighted short-term wholesale funding, nonbank assets, and off-balance sheet exposure. CSC is subject to the requirements under Category III based on its total consolidated assets of between \$250 billion and less than \$700 billion and having less than \$75 billion in cross-jurisdictional activity.

Capital requirements for Category III banking organizations include the generally applicable risk-based capital and Tier 1 leverage ratio requirements (the "standardized approach" framework), the minimum 3.0% supplementary leverage ratio, the countercyclical capital buffer, which is currently 0%, and for large bank holding companies, the stress capital buffer requirement which applies to risk-based capital ratios (CET1, Tier 1 Capital, and Total Capital). Under the revised capital requirements, Category III organizations are not subject to the "advanced approaches" regulatory capital framework and are permitted to opt out of including most components of accumulated other comprehensive income (AOCI) in their regulatory capital calculations. CSC made this opt out election commencing with the first quarter of 2020 to exclude most components of AOCI from its regulatory capital.

On March 16, 2021, CSC’s declaration electing to be treated as a Financial Holding Company (FHC) was deemed effective by the Federal Reserve. In addition to the activities that savings and loan holding companies that have not elected to be treated as an FHC are permitted to conduct, the Company may now also engage in activities that are financial in nature or incidental to a financial activity (FHC Activities), including securities underwriting, dealing and making markets in securities, various insurance underwriting activities, and making merchant banking investments in non-financial companies.

In June 2023, CSC completed the Federal Reserve’s 2023 Comprehensive Capital Analysis and Review (CCAR) stress test process. This resulted in a stress capital buffer of 2.5%, which is the minimum requirement. As a result, CSC’s minimum Common Equity Tier 1 Risk-Based Capital ratio requirement, inclusive of the stress capital buffer, will be 7.0%, unchanged from 2022.

Certain banking organizations with trading assets and trading liabilities above certain thresholds are subject to the Market Risk Rule and must adjust their risk-based capital ratios to reflect a measure of market risk of their trading activities, perform certain calculations to calculate a measure of market risk and make regular quantitative and qualitative public disclosures. CSC is subject to the Market Risk Rule and related required disclosures. Pursuant to the Market Risk Rule, CSC incorporates adjustments to its risk-weighted assets related to de minimis positions, which did not significantly impact our risk-based capital ratios nor have a current impact on CSC’s activities.

In July 2023, the Board of Governors of the Federal Reserve System, in collaboration with the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation (FDIC), issued a notice of proposed rulemaking for amendments to the regulatory capital rule. Among other things, the proposed rule would require us to include AOCI in regulatory capital and to calculate our risk-weighted assets using a revised risk-based approach, a component of which is based on operational risk, phased in over a three-year transition period beginning July 1, 2025 and ending July 1, 2028. The comment period for the proposed rules was extended and will end on January 16, 2024.

Following are links to the referenced public filings:

<b>Filing</b>	<b>Link to Filing</b>
2022 Form 10-K	<a href="https://www.sec.gov/ix?doc=/Archives/edgar/data/0000316709/000031670923000009/schw-20221231.htm">https://www.sec.gov/ix?doc=/Archives/edgar/data/0000316709/000031670923000009/schw-20221231.htm</a>
September 30, 2023 Form 10-Q	<a href="https://www.sec.gov/ix?doc=/Archives/edgar/data/0000316709/000031670923000062/schw-20230930.htm">https://www.sec.gov/ix?doc=/Archives/edgar/data/0000316709/000031670923000062/schw-20230930.htm</a>
Consolidated Financial Statements for Bank Holding Companies – FR Y-9C dated September 30, 2023	<a href="https://www.ffiec.gov/npw/Institution/Profile/1026632?dt=20210316">https://www.ffiec.gov/npw/Institution/Profile/1026632?dt=20210316</a> Note search terms below: Report = Consolidated Financial Statements for BHCs (FR Y-9C) Report Date = 09/30/2023
Regulatory Capital Reporting for Institutions Subject to the Advanced Capital Adequacy Framework – FFIEC 101 dated September 30, 2023	<a href="https://www.ffiec.gov/npw/Institution/Profile/1026632?dt=20210316">https://www.ffiec.gov/npw/Institution/Profile/1026632?dt=20210316</a> Note search terms below: Report = Regulatory Capital Reporting for Institutions Subject to the Advanced Capital Adequacy Framework (FFIEC 101) Report Date = 09/30/2023
Market Risk Regulatory Report for Institutions Subject to the Market Risk Capital Rule – FFIEC 102 dated September 30, 2023	<a href="https://www.ffiec.gov/npw/Institution/Profile/1026632?dt=20210316">https://www.ffiec.gov/npw/Institution/Profile/1026632?dt=20210316</a> Note search terms below: Report = Market Risk Regulatory Report for Institutions Subject to the Market Risk Capital Rule (FFIEC 102) Report Date = 09/30/2023
Consolidated Reports of Condition and Income for a Bank with Domestic and Foreign Offices – FFIEC 031 for the quarter ended September 30, 2023	<a href="https://cdr.ffiec.gov/public/ManageFacsimiles.aspx">https://cdr.ffiec.gov/public/ManageFacsimiles.aspx</a> Note search terms below: Report = Call Report Date = 09/30/2023 Institution Name = Charles Schwab Bank, SSB

<p>Consolidated Reports of Condition and Income for a Bank with Domestic and Foreign Offices – FFIEC 031 for the quarter ended September 30, 2023</p>	<p><a href="https://cdr.ffiec.gov/public/ManageFacsimiles.aspx">https://cdr.ffiec.gov/public/ManageFacsimiles.aspx</a>  Note search terms below:  Report = Call  Report Date = 09/30/2023  Institution Name = Charles Schwab Premier Bank, SSB</p>
<p>Consolidated Reports of Condition and Income for a Bank with Domestic and Foreign Offices – FFIEC 031 for the quarter ended September 30, 2023</p>	<p><a href="https://cdr.ffiec.gov/public/ManageFacsimiles.aspx">https://cdr.ffiec.gov/public/ManageFacsimiles.aspx</a>  Note search terms below:  Report = Call  Report Date = 09/30/2023  Institution Name = Charles Schwab Trust Bank</p>

## DISCLOSURE MATRIX

Table	Disclosure Requirement	Disclosure Location	Disclosure Page	Source Reference - if applicable
<b>Scope of Application (Table 1)</b>				
Qualitative: (a)	The name of the top corporate entity in the group to which subpart D of this part applies.	<b><u>Basel III Regulatory Capital Disclosures:</u></b> Introduction	Pg. 1	
(b)	A brief description of the differences in the basis for consolidating entities for accounting and regulatory purposes, with a description of those entities: (1) That are fully consolidated; (2) That are deconsolidated and deducted from total capital; (3) For which the total capital requirement is deducted; and (4) That are neither consolidated nor deducted (for example, where the investment in the entity is assigned a risk weight in accordance with this subpart).	<b><u>Basel III Regulatory Capital Disclosures:</u></b> Introduction	Pg. 1	
(c)	Any restrictions, or other major impediments, on transfer of funds or total capital within the group.	<b><u>Form 10-Q</u></b> MD&A – Capital Management Note 17 – Regulatory Requirements		<b><u>Form 10-Q</u></b> Pg. 25-27 Pg. 67-68
(d)	The aggregate amount of surplus capital of insurance subsidiaries included in the total capital of the consolidated group.	Not applicable. The Company does not have any insurance subsidiaries.		
(e)	The aggregate amount by which actual total capital is less than the minimum total capital requirement in all subsidiaries, with total capital requirements and the name(s) of the subsidiaries with such deficiencies.	Not applicable. The Company does not have any subsidiaries with total capital requirements where total capital is less than the minimum requirement.		
<b>Capital Structure (Table 2)</b>				
Qualitative: (a)	Summary information on the terms and conditions of the main features of all regulatory capital instruments.	<b><u>Form 10-Q</u></b> MD&A – Capital Management Consolidated Balance Sheets Note 14 – Stockholders' Equity		<b><u>Form 10-Q</u></b> Pg. 25-27 Pg. 32 Pg. 63-64
Quantitative: (b)	The amount of common equity tier 1 capital, with separate disclosure of: (1) Common stock and related surplus; (2) Retained earnings; (3) Common equity minority interest; (4) Accumulated other comprehensive income (AOCI); and (5) Regulatory adjustments and deductions made to common equity tier 1 capital.	<b><u>FR Y-9C</u></b> Schedule HC-R – Regulatory Capital <b><u>FFIEC 031</u></b> Schedule RC-R – Regulatory Capital		<b><u>FR Y-9C</u></b> Pg. 52-53 <b><u>FFIEC 031</u></b> Pg. 58-59
(c)	The amount of tier 1 capital, with separate disclosure of: (1) Additional tier 1 capital elements, including additional tier 1 capital instruments and tier 1 minority interest not included in common equity tier 1 capital; and (2) Regulatory adjustments and deductions made to tier 1 capital.	<b><u>Basel III Regulatory Capital Disclosures:</u></b> Components of Capital <b><u>FR Y-9C</u></b> Schedule HC-R – Regulatory Capital <b><u>FFIEC 031</u></b> Schedule RC-R – Regulatory Capital	Pg. 11	<b><u>FR Y-9C</u></b> Pg. 52-54 <b><u>FFIEC 031</u></b> Pg. 58-59
(d)	The amount of total capital, with separate disclosure of: (1) Tier 2 capital elements, including tier 2 capital instruments and total capital minority interest not included in tier 1 capital; and (2) Regulatory adjustments and deductions made to total capital.	<b><u>Basel III Regulatory Capital Disclosures:</u></b> Components of Capital <b><u>FR Y-9C</u></b> Schedule HC-R – Regulatory Capital <b><u>FFIEC 031</u></b> Schedule RC-R – Regulatory Capital	Pg. 11	<b><u>FR Y-9C</u></b> Pg. 55-56 <b><u>FFIEC 031</u></b> Pg. 60

Table	Disclosure Requirement	Disclosure Location	Disclosure Page	Source Reference - if applicable
<b>Capital Adequacy (Table 3)</b>				
Qualitative: (a)	A summary discussion of the Board-regulated institution's approach to assessing the adequacy of its capital to support current and future activities.	<b>Form 10-Q</b> MD&A – Capital Management		<b>Form 10-Q</b> Pg. 25-27
Quantitative: (b)	Risk-weighted assets for: (1) Exposures to sovereign entities; (2) Exposures to certain supranational entities and MDBs; (3) Exposures to depository institutions, foreign banks, and credit unions; (4) Exposures to PSEs; (5) Corporate exposures; (6) Residential mortgage exposures; (7) Statutory multifamily mortgages and pre-sold construction loans; (8) HVCRE loans; (9) Past due loans; (10) Other assets; (11) Cleared transactions; (12) Default fund contributions; (13) Unsettled transactions; (14) Securitization exposures; and (15) Equity exposures.	<b>Basel III Regulatory Capital Disclosures:</b> Capital Adequacy	Pg. 11	
(c)	Standardized market risk-weighted assets as calculated under subpart F of this part.	<b>Basel III Regulatory Capital Disclosures:</b> Capital Adequacy	Pg. 11	
(d)	Common equity tier 1, tier 1 and total risk-based capital ratios: (1) For the top consolidated group; and (2) For each depository institution subsidiary.	<b>Basel III Regulatory Capital Disclosures:</b> Capital Adequacy <b>FR Y-9C</b> Schedule HC-R – Regulatory Capital <b>FFIEC 031*</b> Schedule RC-R Part I – Regulatory Capital	Pg. 12	<b>FR Y-9C</b> Pg. 56 <b>FFIEC 031*</b> Pg. 61
(e)	Total standardized risk-weighted assets.	<b>Basel III Regulatory Capital Disclosures:</b> Capital Adequacy <b>FR Y-9C</b> Schedule HC-R – Regulatory Capital <b>FFIEC 031</b> Schedule RC-R Part I & II– Regulatory Capital	Pg. 11	<b>FR Y-9C</b> Pg. 56, 68-69 <b>FFIEC 031</b> Pg. 60, 67, 70-71
<b>Capital Conservation Buffer (Table 4)</b>				
Quantitative: (a)	At least quarterly, the Board-regulated institution must calculate and publicly disclose the capital conservation buffer as described under § 217.11.	<b>FR Y-9C</b> Schedule HC-R – Regulatory Capital <b>FFIEC 031</b> Schedule RC-R Part I – Regulatory Capital		<b>FR Y-9C</b> Pg. 56 <b>FFIEC 031</b> Pg. 61
(b)	At least quarterly, the Board-regulated institution must calculate and publicly disclose the eligible retained income of the Board-regulated institution, as described under § 217.11.	<b>FR Y-9C</b> Schedule HC-R – Regulatory Capital <b>FFIEC 031</b> Schedule RC-R Part I – Regulatory Capital		<b>FR Y-9C</b> Pg. 56 <b>FFIEC 031</b> Pg. 61
(c)	At least quarterly, the Board-regulated institution must calculate and publicly disclose any limitations it has on distributions and discretionary bonus payments resulting from the capital conservation buffer framework described under § 217.11, including the maximum payout amount for the quarter.	<b>Basel III Regulatory Capital Disclosures:</b> Capital Adequacy <b>FFIEC 031</b> Schedule RC-R Part I – Regulatory Capital	Pg. 12	<b>FFIEC 031</b> Pg. 61

\* The FFIEC 031 report for this disclosure requirement is applicable for all CSC-owned depository subsidiaries: Charles Schwab Bank, SSB, Charles Schwab Premier Bank, SSB and Charles Schwab Trust Bank.

Table	Disclosure Requirement	Disclosure Location	Disclosure Page	Source Reference - if applicable
<b>Credit Risk: General Disclosures (Table 5)</b>				
Qualitative: (a)	The general qualitative disclosure requirement with respect to credit risk (excluding counterparty credit risk disclosed in accordance with Table 6), including the: (1) Policy for determining past due or delinquency status; (2) Policy for placing loans on nonaccrual; (3) Policy for returning loans to accrual status; (4) Definition of and policy for identifying impaired loans (for financial accounting purposes); (5) Description of the methodology that the Board-regulated institution uses to estimate its allowance for loan and lease losses, including statistical methods used where applicable; (6) Policy for charging-off uncollectible amounts; and (7) Discussion of the Board-regulated institution's credit risk management policy.	<b><u>2022 Form 10-K</u></b> MD&A – Risk Management Note 2 – Summary of Significant Accounting Policies		<b><u>2022 Form 10-K</u></b> Pg. 46-56 Pg. 71-79
Quantitative: (b)	Total credit risk exposures and average credit risk exposures, after accounting offsets in accordance with GAAP, without taking into account the effects of credit risk mitigation techniques (for example, collateral and netting not permitted under GAAP), over the period categorized by major types of credit exposure. For example, Board-regulated institutions could use categories similar to that used for financial statement purposes. Such categories might include, for instance (1) Loans, off-balance sheet commitments, and other non-derivative off-balance sheet exposures; (2) Debt securities; and (3) OTC derivatives.	<b><u>Basel III Regulatory Capital Disclosures:</u></b> Credit Risk  <b><u>Form 10-Q</u></b> MD&A – Risk Management Note 4 – Investment Securities Note 5 – Bank Loans and Related Allowance for Credit Losses Note 9 – Commitments and Contingencies Note 11 – Derivative Instruments and Hedging Activities Note 12 – Financial Instruments Subject to Off-Balance Sheet Credit Risk	Pg. 12-13	<b><u>Form 10-Q</u></b> Pg. 18-25 Pg. 40-42 Pg. 43-47  Pg. 51-53 Pg. 56-57  Pg. 57-59
(c)	Geographic distribution of exposures, categorized in significant areas by major types of credit exposure.	<b><u>Basel III Regulatory Capital Disclosures:</u></b> Credit Risk, Credit Exposure By Geographic Concentrations	Pg. 12-14	
(d)	Industry or counterparty type distribution of exposures, categorized by major types of credit exposure	<b><u>Basel III Regulatory Capital Disclosures:</u></b> Credit Risk	Pg. 12-13	
(e)	By major industry or counterparty type: (1) Amount of impaired loans for which there was a related allowance under GAAP; (2) Amount of impaired loans for which there was no related allowance under GAAP; (3) Amount of loans past due 90 days and on nonaccrual; (4) Amount of loans past due 90 days and still accruing; (5) The balance in the allowance for loan and lease losses at the end of each period, disaggregated on the basis of the Board-regulated institution's impairment method. To disaggregate the information required on the basis of impairment methodology, an entity shall separately disclose the amounts based on the requirements in GAAP; and (6) Charge-offs during the period.	<b><u>Form 10-Q</u></b> Note 5 – Bank Loans and Related Allowance for Credit Losses		<b><u>Form 10-Q</u></b> Pg. 43-47
(f)	Amount of impaired loans and, if available, the amount of past due loans categorized by significant geographic areas including, if practical, the amounts of allowances related to each geographical area, further categorized as required by GAAP.	<b><u>Basel III Regulatory Capital Disclosures:</u></b> Credit Exposure By Geographic Concentrations  <b><u>Form 10-Q</u></b> Note 5 – Bank Loans and Related Allowance for Credit Losses <b><u>FR Y-9C</u></b> Schedule HC-N – Past Due and Nonaccrual Loans, Leases, and Other Assets	Pg. 13-14	<b><u>Form 10-Q</u></b> Pg. 43-47  <b><u>FR Y-9C</u></b> Pg. 43-47
(g)	Reconciliation of changes in ACL.	<b><u>Form 10-Q</u></b> Note 5 – Bank Loans and Related Allowance for Credit Losses <b><u>FR Y-9C</u></b> Schedule HI-B – Charge-Offs and Recoveries on Loans and Leases and Changes in Allowance for Loan and Lease Losses <b><u>FFIEC 031</u></b> Schedule RI-B Part II. Changes in Allowance for Loan and Lease Losses		<b><u>Form 10-Q</u></b> Pg. 43-47  <b><u>FR Y-9C</u></b> Pg. 11  <b><u>FFIEC 031</u></b> Pg. 13



Table	Disclosure Requirement	Disclosure Location	Disclosure Page	Source Reference - if applicable
<b>Credit Risk: General Disclosures (Table 5) – continued</b>				
(h)	Remaining contractual maturity delineation (for example, one year or less) of the whole portfolio, categorized by credit exposure.	<b><u>Basel III Regulatory Capital Disclosures:</u></b> Credit Risk <b><u>FFIEC 031</u></b> Schedule RC-C – Loans and Financing Receivables	Pg. 13	<b><u>FFIEC 031</u></b> Pg. 25
<b>General Disclosure for Counterparty Credit Risk-Related Exposures (Table 6)</b>				
Qualitative: (a)	The general qualitative disclosure requirement with respect to OTC derivatives, eligible margin loans, and repo-style transactions, including a discussion of: (1) The methodology used to assign credit limits for counterparty credit exposures; (2) Policies for securing collateral, valuing and managing collateral, and establishing credit reserves; (3) The primary types of collateral taken; and (4) The impact of the amount of collateral the Board-regulated institution would have to provide given a deterioration in the Board-regulated institution’s own creditworthiness.	<b><u>Form 10-Q</u></b> Note 11 – Derivative Instruments and Hedging Activities Note 12 – Financial Instruments Subject to Off-Balance Sheet Credit Risk  <b><u>2022 Form 10-K</u></b> MD&A – Risk Management Note 2 – Summary of Significant Accounting Policies Note 15 – Commitments and Contingencies Note 17 – Financial Instruments Subject to Off-Balance Sheet Credit Risk  (4) Not applicable. CSC does not have any contingent payment obligations that would result from a ratings downgrade		<b><u>Form 10-Q</u></b> Pg. 56-57  Pg. 57-59  <b><u>2022 Form 10-K</u></b> Pg. 46-56 Pg. 71-79  Pg. 98-101 Pg. 103-105
Quantitative: (b)	Gross positive fair value of contracts, collateral held (including type, for example, cash, government securities), and net unsecured credit exposure.  A Board-regulated institution must disclose the notional value of credit derivative hedges purchased for counterparty credit risk protection and the distribution of current credit exposure by exposure type.	<b><u>Form 10-Q</u></b> Note 11 – Derivative Instruments and Hedging Activities Note 12 – Financial Instruments Subject to Off-Balance Sheet Credit Risk  Not applicable. CSC does not hold credit derivatives		<b><u>Form 10-Q</u></b> Pg. 56-57  Pg. 57-59
(c)	Notional amount of purchased and sold credit derivatives, segregated between use for the Board-regulated institution’s own credit portfolio and in its intermediation activities, including the distribution of the credit derivative products used, categorized further by protection bought and sold within each product group.	Not applicable. The Company does not transact in credit derivatives		
<b>Credit Risk Mitigation (Table 7)</b>				
Qualitative: (a)	The general qualitative disclosure requirement with respect to credit risk mitigation, including: (1) Policies and processes for collateral valuation and management; (2) A description of the main types of collateral taken by the Board-regulated institution; (3) The main types of guarantors/credit derivative counterparties and their creditworthiness; and (4) Information about (market or credit) risk concentrations with respect to credit risk mitigation.	<b><u>Form 10-Q</u></b> MD&A – Risk Management Note 2 – Summary of Significant Accounting Policies and New Accounting Standards Note 4 – Investment Securities Note 5 – Bank Loans and Related Allowance for Credit Losses Note 11 – Derivative Instruments and Hedging Activities Note 12 – Financial Instruments Subject to Off-Balance Sheet Credit Risk Note 13 – Fair Values of Assets and Liabilities  <b><u>2022 Form 10-K</u></b> MD&A – Risk Management Note 2 – Summary of Significant Accounting Policies		<b><u>Form 10-Q</u></b> Pg. 18-25 Pg. 37-38  Pg. 40-42 Pg. 43-47  Pg. 56-57 Pg. 57-59  Pg. 59-62  <b><u>2022 Form 10-K</u></b> Pg. 46-56 Pg. 71-79
Quantitative: (b)	For each separately disclosed credit risk portfolio, the total exposure that is covered by eligible financial collateral, and after the application of haircuts.	<b><u>Form 10-Q</u></b> Note 11 – Derivative Instruments and Hedging Activities Note 12 – Financial Instruments Subject to Off-Balance Sheet Credit Risk		<b><u>Form 10-Q</u></b> Pg. 56-57  Pg. 57-59
(c)	For each separately disclosed portfolio, the total exposure that is covered by guarantees/credit derivatives and the risk-weighted asset amount associated with that exposure.	Not applicable. CSC does not hold credit derivatives		

Table	Disclosure Requirement	Disclosure Location	Disclosure Page	Source Reference - if applicable
<b>Securitization (Table 8)</b>				
Qualitative: (a)	The general qualitative disclosure requirement with respect to a securitization (including synthetic securitizations), including a discussion of: <ol style="list-style-type: none"> <li>(1) The Board-regulated institution's objectives for securitizing assets, including the extent to which these activities transfer credit risk of the underlying exposures away from Board-regulated institution to other entities and including the type of risks assumed and retained with resecuritization activity;</li> <li>(2) The nature of the risks (e.g. liquidity risk) inherent in the securitized assets;</li> <li>(3) The roles played by the Board-regulated institution in the securitization process and an indication of the extent of the Board-regulated institution's involvement in each of them;</li> <li>(4) The processes in place to monitor changes in the credit and market risk of securitization exposures including how those processes differ for resecuritization exposures;</li> <li>(5) The Board-regulated institution's policy for mitigating the credit risk retained through securitization and resecuritization exposures; and</li> <li>(6) The risk-based capital approaches that the Board-regulated institution follows for its securitization exposures including the type of securitization exposure to which each approach applies.</li> </ol>	<u><b>Basel III Regulatory Capital Disclosures:</b></u> Securitizations	Pg. 14-15	
(b)	A list of: <ol style="list-style-type: none"> <li>(1) The type of securitization SPEs that the Board-regulated institution, as sponsor, uses to securitize third-party exposures. The Board-regulated institution must indicate whether it has exposure to these SPEs, either on- or off-balance sheet; and</li> <li>(2) Affiliated entities <ol style="list-style-type: none"> <li>(i) That the Board-regulated institution manages or advises; and</li> <li>(ii) That invest either in the securitization exposures that the Board-regulated institution has securitized or in securitization SPEs that the Board-regulated institution sponsors.</li> </ol> </li> </ol>	Not applicable. CSC does not securitize assets.		
(c)	Summary of the Board-regulated institution's accounting policies for securitization activities, including: <ol style="list-style-type: none"> <li>(1) Whether the transactions are treated as sales or financings;</li> <li>(2) Recognition of gain-on-sale;</li> <li>(3) Methods and key assumptions applied in valuing retained or purchased interests;</li> <li>(4) Changes in methods and key assumptions from the previous period for valuing retained interests and impact of the changes;</li> <li>(5) Treatment of synthetic securitizations;</li> <li>(6) How exposures intended to be securitized are valued and whether they are recorded under subpart D of this part; and</li> <li>(7) Policies for recognizing liabilities on the balance sheet for arrangements that could require the Board-regulated institution to provide financial support for securitized assets.</li> </ol>	Not applicable. CSC does not securitize assets.		
(d)	An explanation of significant changes to any quantitative information since the last reporting period.	Not applicable. CSC does not securitize assets.		
Quantitative: (e)	The total outstanding exposures securitized by the Board-regulated institution in securitizations that meet the operational criteria provided in § 217.41 (categorized into traditional and synthetic securitizations), by exposure type, separately for securitizations of third-party exposures for which the bank acts only as sponsor.	Not applicable. CSC does not securitize assets.		
(f)	For exposures securitized by Board-regulated institution in securitizations that meet the operational criteria in § 217.41: <ol style="list-style-type: none"> <li>(1) Amount of securitized assets that are impaired/past due categorized by exposure type; and</li> <li>(2) Losses recognized by Board-regulated institution during the current period categorized by exposure type.</li> </ol>	Not applicable. CSC does not securitize assets.		
(g)	The total amount of outstanding exposures intended to be securitized categorized by exposure type.	Not applicable. CSC does not securitize assets.		

Table	Disclosure Requirement	Disclosure Location	Disclosure Page	Source Reference - if applicable
<b>Securitization (Table 8) – continued</b>				
(h)	Aggregate amount of: (1) On-balance sheet securitization exposures retained or purchased categorized by exposure type; and (2) Off-balance sheet securitization exposures categorized by exposure type.	<b><u>Basel III Regulatory Capital Disclosures:</u></b> Securitizations  <b><u>FR Y-9C</u></b> Schedule HC-R – Regulatory Capital  <b><u>FFIEC 031</u></b> Schedule RC-R Part II – Regulatory Capital	Pg. 15	<b><u>FR Y-9C</u></b> Pg. 64  <b><u>FFIEC 031</u></b> Pg. 66
(i)	(1) Aggregate amount of securitization exposures retained or purchased and the associated capital requirements for these exposures, categorized between securitization and resecuritization exposures, further categorized into a meaningful number of risk weight bands and by risk-based capital approach (e.g., SSFA); and (2) Aggregate amount disclosed separately by type of underlying exposure in the pool of any: (i) After-tax gain-on-sale on a securitization that has been deducted from common equity tier 1 capital; and (ii) Credit-enhancing interest-only strip that is assigned a 1,250 percent risk weight.	<b><u>Basel III Regulatory Capital Disclosures:</u></b> Securitizations	Pg. 15	
(j)	Summary of current year’s securitization activity, including the amount of exposures securitized (by exposure type), and recognized gain or loss on sale by exposure type.	Not applicable. CSC does not securitize assets.		
(k)	Aggregate amount of resecuritization exposures retained or purchased categorized according to: (1) Exposures to which credit risk mitigation is applied and those not applied; and (2) Exposures to guarantors categorized according to guarantor creditworthiness categories or guarantor name.	Not applicable. CSC does not have any resecuritization exposures.		
<b>Equities Not Subject to Subpart F of This Part (Table 9)</b>				
Qualitative: (a)	The general qualitative disclosure requirement with respect to equity risk for equities not subject to subpart F of this part, including: (1) Differentiation between holdings on which capital gains are expected and those taken under other objectives including for relationship and strategic reasons; and (2) Discussion of important policies covering the valuation of and accounting for equity holdings not subject to subpart F of this part. This includes the accounting techniques and valuation methodologies used, including key assumptions and practices affecting valuation as well as significant changes in these practices.	<b><u>Basel III Regulatory Capital Disclosures:</u></b> Equity Securities Not Subject to the Market Risk Capital Rule	Pg. 16	
Quantitative: (b)	Value disclosed on the balance sheet of investments, as well as the fair value of those investments; for securities that are publicly traded, a comparison to publicly-quoted share values where the share price is materially different from fair value.	<b><u>Basel III Regulatory Capital Disclosures:</u></b> Equity Securities Not Subject to the Market Risk Capital Rule	Pg. 16	
(c)	The types and nature of investments, including the amount that is: (1) Publicly traded; and (2) Non-publicly traded.	<b><u>Basel III Regulatory Capital Disclosures:</u></b> Equity Securities Not Subject to the Market Risk Capital Rule	Pg. 16	
(d)	The cumulative realized gains (losses) arising from sales and liquidations in the reporting period.	Not applicable. There were not any sales or liquidations in the reporting period		
(e)	(1) Total unrealized gains (losses). (2) Total latent revaluation gains (losses). (3) Any amounts of the above included in tier 1 or tier 2 capital.	Not applicable. There are not any unrealized gains (losses) in the reporting period		
(f)	Capital requirements categorized by appropriate equity groupings, consistent with the Board-regulated institution’s methodology, as well as the aggregate amounts and the type of equity investments subject to any supervisory transition regarding regulatory capital requirements.	<b><u>Basel III Regulatory Capital Disclosures:</u></b> Equity Securities Not Subject to the Market Risk Capital Rule	Pg. 16	

Table	Disclosure Requirement	Disclosure Location	Disclosure Page	Source Reference - if applicable
<b>Interest Rate Risk for Non-Trading Activities (Table 10)</b>				
Qualitative: (a)	The general qualitative disclosure requirement, including the nature of interest rate risk for non-trading activities and key assumptions, including assumptions regarding loan prepayments and behavior of non-maturity deposits, and frequency of measurement of interest rate risk for non-trading activities.	<u><b>Form 10-Q</b></u> MD&A – Risk Management Note 5 – Bank Loans and Related Allowance for Credit Losses		<u><b>Form 10-Q</b></u> Pg. 18-25 Pg. 43-47
Quantitative: (b)	The increase (decline) in earnings or economic value (or relevant measure used by management) for upward and downward rate shocks according to management’s method for measuring interest rate risk for non-trading activities, categorized by currency (as appropriate).	<u><b>Form 10-Q</b></u> MD&A – Risk Management		<u><b>Form 10-Q</b></u> Pg. 18-25
<b>Supplementary Leverage Ratio (Table 13 to § 217.173)</b>				
Quantitative: (1)	Summary comparison of accounting assets and total leverage exposure.	<u><b>Basel III Regulatory Capital Disclosures:</b></u> Supplementary Leverage Ratio	Pg. 16	
Quantitative: (2)	Supplementary leverage ratio.	<u><b>Basel III Regulatory Capital Disclosures:</b></u> Supplementary Leverage Ratio	Pg. 16-17	

## COMPONENTS OF CAPITAL

A reconciliation of total stockholders' equity to CET1 capital, additional Tier 1 capital, Tier 2 capital, and Total capital is as follows <sup>(1)</sup>:

<i>(Dollars in Millions, Unaudited)</i>	<b>At September 30, 2023</b>
<b>Total stockholders' equity</b> <sup>(2)</sup>	<b>\$ 37,784</b>
Less:	
Preferred Stock	9,191
<b>CET1 capital before regulatory adjustments</b>	<b>28,593</b>
Less:	
Goodwill, net of associated deferred tax liabilities	11,788
Other intangible assets, net of associated deferred tax liabilities	6,739
Deferred tax assets, net of valuation allowances and deferred tax liabilities	37
Accumulated other comprehensive income (AOCI) adjustment	(20,752)
<b>CET1 capital</b>	<b>30,781</b>
Additional Tier 1 Capital preferred stock	9,191
<b>Tier 1 capital</b>	<b>39,972</b>
Allowance for credit losses	60
<b>Tier 2 capital</b>	<b>60</b>
<b>Total capital</b>	<b>\$ 40,032</b>

<sup>(1)</sup> Total capital was calculated using the standardized approach framework to exclude most of the components of AOCI. The only amounts of AOCI included in regulatory capital are foreign currency translation adjustments. See Current Regulatory and Other Developments for information on recently proposed rules that would impact Schwab's regulatory capital requirements.

<sup>(2)</sup> Refer to the Consolidated Balance Sheets of the September 30, 2023 Form 10-Q for the components of stockholders' equity.

## CAPITAL ADEQUACY

### STANDARDIZED RISK-WEIGHTED ASSETS (RWA)

The following table provides the Company's distribution of RWA by exposure categories prescribed by the applicable regulations. For a distribution of the Company's RWA by balance sheet categories, see Schedule HC-R of the FR Y-9C for the period ended September 30, 2023.

The following details the Company's RWA under the standardized approach.

<i>(Dollars in Millions, Unaudited)</i>	<b>At September 30, 2023</b>
<b>RWA by applicable Basel III exposure category:</b>	
Exposures to sovereign entities <sup>(1)</sup>	\$ 7
Exposures to depository institutions, foreign banks, and credit unions	1,142
Exposures to public sector entities	272
Corporate exposures <sup>(2)</sup>	68,810
Residential mortgage exposures	13,450
Past due loans	14
Other assets	33,562
Cleared transactions	1
Securitization exposures	5,465
Equity exposures	3,302
<b>RWA for balance sheet asset categories</b>	<b>126,025</b>
Off-balance sheet items <sup>(3)</sup>	3,042
Market risk RWA – de minimis exposures <sup>(4)</sup>	477
<b>Total risk-weighted assets under standardized approach</b>	<b>\$ 129,544</b>

<sup>(1)</sup> Portions of the exposures to sovereign entities are directly and unconditionally guaranteed by the U.S. Government, its agencies and the Federal Reserve, and thus receive 0% risk.

<sup>(2)</sup> Portions of the exposures to corporations include government-sponsored entities.

<sup>(3)</sup> Includes off-balance sheet commitments related to unused commitments on our loan products and CRA investments, purchase commitments and OTC and centrally cleared derivative exposures.

<sup>(4)</sup> CSC only has de minimis exposures subject to the Market Risk Rule, consisting primarily of fixed income positions.

## CAPITAL RATIOS

The following details CSC's and CSB's capital ratios <sup>(1)</sup>.

<i>(Dollars in Millions, Unaudited)</i>	At September 30, 2023					
	Actual		Minimum to be Well Capitalized		Minimum Required	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
<b>CSC</b>						
Common Equity Tier 1 Risk-Based Capital	\$ 30,781	23.8%	N/A		\$ 5,829	4.5%
Tier 1 Risk-Based Capital	39,972	30.9%	N/A		7,773	6.0%
Total Risk-Based Capital	40,032	30.9%	N/A		10,364	8.0%
<b>CSB</b>						
Common Equity Tier 1 Risk-Based Capital	\$ 31,765	34.7%	5,946	6.5%	\$ 4,117	4.5%
Tier 1 Risk-Based Capital	31,765	34.7%	7,318	8.0%	5,489	6.0%
Total Risk-Based Capital	31,820	34.8%	9,148	10.0%	7,318	8.0%

N/A - Not applicable

<sup>(1)</sup> In the interagency regulatory capital and liquidity rules adopted in October 2019, Category III banking organizations such as CSC were given the ability to opt-out of the inclusion of most components of AOCI in regulatory capital, and CSC made this opt-out election as of January 1, 2020. See Current Regulatory and Other Developments for information on recently proposed rules that will impact Schwab's regulatory capital requirements.

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

## CREDIT RISK

Credit risk refers to the potential for loss due to a borrower, counterparty, or issuer failing to perform its contractual obligations. A foreign country is defined as any country other than the United States.

The following tables present certain of the Company's on- and off-balance sheet positions for which the Company is subject to credit risk exposure. These amounts do not include the effects of certain credit risk mitigation techniques (i.e., collateral and netting not permitted under U.S. GAAP), and amounts related to items that are deducted from regulatory capital.

The following tables are presented on a U.S. GAAP basis and reflect amounts by product type, region (as determined by the legal domicile of the counterparty), remaining contractual maturity and counterparty type.

## MAJOR CREDIT RISK EXPOSURES BY GEOGRAPHIC REGION

<i>(Dollars in millions, Unaudited)</i>	At September 30, 2023			
	Americas	Europe, Middle East and Africa	Asia and Oceania	Total
<b>Product Type</b>				
Cash and investments segregated <sup>(1)</sup>	\$ 46,645	\$ 1,347	\$ 825	\$ 48,817
Investment securities <sup>(2)</sup>	269,972	2,096	656	272,724
Repo-style transactions <sup>(3)</sup>	1,894	2,008	—	3,902
Derivative contracts <sup>(4)</sup>	3	—	—	3
Loans <sup>(5)</sup>	103,198	326	1,940	105,464
Equity Exposures <sup>(6)</sup>	4,365	16	3	4,384
<b>Total on-balance sheet</b>	<b>\$ 426,077</b>	<b>\$ 5,793</b>	<b>\$ 3,424</b>	<b>\$ 435,294</b>
Commitments <sup>(7)</sup>	\$ 3,647	\$ —	\$ —	\$ 3,647
<b>Total off-balance sheet</b>	<b>\$ 3,647</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 3,647</b>

## MAJOR CREDIT EXPOSURES BY REMAINING CONTRACTUAL MATURITY

<i>(Dollars in millions, Unaudited)</i>	At September 30, 2023			
	Years to Maturity			Total
	Less than 1	1-5	Over 5	
<b>Product Type</b>				
Cash and investments segregated <sup>(1)</sup>	\$ 48,817	\$ —	\$ —	\$ 48,817
Investment securities <sup>(2)</sup>	12,639	44,914	215,171	272,724
Repo-style transactions <sup>(3)</sup>	3,899	—	3	3,902
Derivative contracts <sup>(4)</sup>	—	3	—	3
Loans <sup>(5)</sup>	78,362	552	26,550	105,464
Equity Exposures <sup>(6)</sup>	3,030	65	1,289	4,384
<b>Total on-balance sheet</b>	<b>\$ 146,747</b>	<b>\$ 45,534</b>	<b>\$ 243,013</b>	<b>\$ 435,294</b>
Commitments <sup>(7)</sup>	\$ 1,792	\$ 807	\$ 1,048	\$ 3,647
<b>Total off-balance sheet</b>	<b>\$ 1,792</b>	<b>\$ 807</b>	<b>\$ 1,048</b>	<b>\$ 3,647</b>

## MAJOR CREDIT EXPOSURES BY COUNTERPARTY TYPE

<i>\$ in millions</i>	At September 30, 2023				
	Bank	Public	Corporate and Other	Household	Total
<b>Product Type</b>					
Cash and investments segregated <sup>(1)</sup>	\$ 6,580	\$ 29,778	\$ 12,459	\$ —	\$ 48,817
Investment securities <sup>(2)</sup>	1,913	23,339	247,472	—	272,724
Repo-style transactions <sup>(3)</sup>	2,030	68	1,804	—	3,902
Derivative contracts <sup>(4)</sup>	—	—	3	—	3
Loans <sup>(5)</sup>	—	—	28,364	77,100	105,464
Equity Exposures <sup>(6)</sup>	—	1,353	3,031	—	4,384
<b>Total on-balance sheet</b>	<b>\$ 10,523</b>	<b>\$ 54,538</b>	<b>\$ 293,133</b>	<b>\$ 77,100</b>	<b>\$ 435,294</b>
Commitments <sup>(7)</sup>	\$ —	\$ —	\$ 559	\$ 3,088	\$ 3,647
<b>Total off-balance sheet</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 559</b>	<b>\$ 3,088</b>	<b>\$ 3,647</b>

<sup>(1)</sup> Amounts include cash and cash equivalents, cash and investments segregated for regulatory purposes. This amount does not include the amounts related to resale agreements.

<sup>(2)</sup> Amounts include available for sale securities, including long term CDs, and held to maturity securities.

<sup>(3)</sup> Amounts include securities purchased under agreements to resell and securities borrowed.

<sup>(4)</sup> Amounts reflect the gross positive fair value. For further discussion on fair value determination, master netting agreements and risk management objectives, see Note 11 (Derivative Instruments and Hedging Activities) and Note 12 (Financial Instruments Subject to Off-Balance Sheet Credit Risk) to the consolidated financial statements in the Form 10-Q.

<sup>(5)</sup> Amounts include bank loans and margin loans, and includes unamortized premiums and discounts as well as direct origination costs.

<sup>(6)</sup> Amounts include the equities not subject to the market risk capital rule included in the table on page 15.

<sup>(7)</sup> Amounts represent commitments to extend credit to banking clients, purchase mortgage loans, and commitments to fund Community Reinvestment Act (CRA) investments.

## CREDIT EXPOSURE BY GEOGRAPHIC CONCENTRATIONS

The Company reports its loans into two different Loans Held for Investment (LHFI) portfolios: 1) the Mortgage Lending Portfolio and 2) the Securities-Based Lending Portfolio.

### *Mortgage Lending Portfolio*

The bank loan portfolio includes First Mortgages, HELOCs, and other loans. The credit risk exposure related to loans is actively managed through individual loan and portfolio reviews. The Company records an allowance for credit losses through a charge to earnings based on our estimate of current expected credit losses for the existing portfolio. We review the allowance for credit losses quarterly, taking into consideration current economic conditions, reasonable and supportable forecasts, the composition of the existing loan portfolio, past loss experience, and any other risks inherent in the portfolio to ensure that the allowance for credit losses is maintained at an appropriate level.

The Company's residential loan underwriting guidelines include maximum LTV ratios, cash out limits, and minimum Fair Isaac Corporation (FICO) credit scores. The specific guidelines are dependent on the individual characteristics of a loan (for example,

whether the property is a primary or secondary residence, whether the loan is for investment property, whether the loan is for an initial purchase of a home or refinance of an existing home, and whether the loan size is conforming or jumbo).

The Company does not originate or purchase residential loans that allow for negative amortization and does not originate or purchase subprime loans (generally defined as extensions of credit to borrowers with a FICO score of less than 620 at origination), unless the borrower has compensating credit factors.

The loans are placed on nonaccrual status upon becoming 90 days past due as to interest or principal (unless the loans are well-secured and in the process of collection), or when the full timely collection of interest or principal becomes uncertain, including loans to borrowers who have filed for bankruptcy. When a loan is placed on nonaccrual status, the accrued interest receivable is written off by reversing interest income and the loan is accounted for on the cash or cost recovery method until qualifying for return to accrual status. Generally, a nonaccrual loan may be returned to accrual status when all delinquent interest and principal is repaid and the borrower demonstrates a sustained period of performance, or when the loan is both well-secured and in the process of collection and collectability is no longer doubtful. Loans on nonaccrual status are considered nonperforming assets.

### Securities-Based Lending Portfolio

Collateral arrangements relating to margin loans and Pledged Asset Lines (PALs) include provisions that require additional collateral in the event of market fluctuations. Additionally, for margin loans and PALs, collateral arrangements require that the fair value of such collateral sufficiently exceeds the credit exposure in order to maintain a fully secured position. Collateral market value is monitored on a daily basis and a borrower's credit line may be reduced or collateral may be liquidated if the collateral is in danger of falling below specified levels.

The following table provides additional information on the geographic concentration of the combined mortgage and securities lending portfolio held for investment (LHFI) at September 30, 2023.

	At September 30, 2023				
	Mortgage and Securities-Based Lending Portfolio				
	LHFI <sup>(1)</sup>	Nonaccrual		Total	Unfunded Commitments
Current or 30-89 Days		Past Due 90+			
(Dollars in millions, Unaudited)					
Americas	\$ 103,198	\$ 5	\$ 8	\$ 13	\$ 3,615
Europe, Middle East and Africa	326	—	—	—	—
Asia and Oceania	1,940	—	—	—	—
<b>Grand Total</b>	<b>\$ 105,464</b>	<b>\$ 5</b>	<b>\$ 8</b>	<b>\$ 13</b>	<b>\$ 3,615</b>

<sup>(1)</sup> LHFI consists of the unpaid principal balance and includes unamortized premiums and discounts as well as direct origination costs. The portfolio does not currently have any loans 90 days past due that are still accruing interest.

## SECURITIZATIONS

The disclosures in this section refer to securitizations held in the Company's investment portfolio, and the regulatory capital related to these exposures calculated according to the Capital Rule. The Capital Rule defines securitization exposures as on-balance sheet and off-balance sheet credit exposures that result from traditional securitizations, synthetic securitizations, or resecuritizations. Traditional and synthetic securitizations arise when:

1. The credit risk of one or more underlying exposures is transferred to one or more third parties, and the underlying exposures is separated into at least two tranches reflecting different levels of seniority,
2. Performance of the exposure depends upon the performance of the underlying assets, and
3. Substantially all of the underlying assets are considered financial.

The difference between traditional and synthetic securitizations is that unlike traditional securitizations, synthetic securitizations transfer credit risk through the use of credit derivatives or guarantees. Resecuritizations are exposures that directly or indirectly reference a securitization exposure. Participants in securitization markets are typically originators, investors, or sponsors. The Company's securitization-related activity includes investing in products created by third parties, and the Company does not sponsor or originate securitizations. Securitization exposures held in the Company's investment portfolio include traditional agency and non-agency asset-backed securities and mortgage-backed securities. Residential mortgage-backed securities (MBS) issued by the Federal National Mortgage Association (FNMA) and the Federal Home Loan Mortgage Corporation (FHLMC), or guaranteed by the Government National Mortgage Association (GNMA), usually do not include credit tranching. Since the existence of credit tranches is a factor in determining whether an exposure qualifies for securitization treatment, agency pass-through residential MBS usually do not meet the Capital Rule's definition of securitization exposures. The Company utilizes the gross-up approach to determine risk-



weighted assets for its securitization exposures. This approach considers the Company's seniority in the securitization structure and risk factors inherent in the underlying assets. The Company has a relatively low overall risk appetite, and generally invests in senior tranches, which do not require grossing-up.

The Company does not have any synthetic securitization exposure and does not act as a sponsor or guarantor; therefore, the following tables relate to the Company as an investor, and represent on balance sheet exposures.

**Securizations by exposure type:**

<i>(Dollars in Millions, Unaudited)</i>	At September 30, 2023	
	Carrying Value	Risk-weighted Asset Value
Mortgage-backed securities:		
Non-agency – Commercial	\$ 209	\$ 209
Asset-backed securities:		
Auto	1,056	1,056
Credit Card	2,286	2,286
Student loan	6,077	1,214
Dealer floorplan	76	76
Mobile	505	505
Equipment	119	119
Total securitizations – amortized cost and accrued interest	10,328	5,465
Net unrealized loss	(507)	—
Total securitizations – fair value and accrued interest	\$ 9,821	\$ 5,465

**Securizations by capital requirement and risk-weight bands:**

<i>(Dollars in Millions, Unaudited)</i>	At September 30, 2023		
	Carrying Value	Risk-Weighted Asset	Capital Impact of RWA <sup>(1)</sup>
Not subject to risk-weighting <sup>(2)</sup>	\$ (507)	\$ —	\$ —
20%	6,077	1,214	97
100%	4,251	4,251	340
Total Securizations	\$ 9,821	\$ 5,465	\$ 437

<sup>(1)</sup> The capital impact of RWA is calculated by multiplying risk-weighted assets by the minimum total risk-based capital ratio of 8%.

<sup>(2)</sup> Comprised of unrealized gain (loss) on securitizations. As a result of CSC making the AOCI opt-out election as of January 1, 2020, unrealized gain (loss) on securities is not risk weighted.

## MARKET RISK

Market risk is the potential for changes in earnings or the value of financial instruments held by Schwab as a result of fluctuations in interest rates, equity prices, or market conditions. Schwab is exposed to market risk primarily from changes in interest rates within our interest-earning assets relative to changes in the costs of funding sources that finance these assets. Market risk related to financial instruments held for trading is not material. For a further discussion of the Firm's market risk and market risk management framework, see "Quantitative and Qualitative Disclosures about Market Risk" in Part II, Item 7A of the 2022 Form 10-K and Risk Management in Part II, Item 7.

The following table presents the Company's measure for market risk related to its trading book and respective market risk RWA.

<i>(Dollars in Millions, Unaudited)</i>	At September 30, 2023	
	Measure for Market Risk	Risk-weighted Asset Value
De minimis exposures <sup>(1)</sup>	\$ 38	\$ 477
Total Market Risk	\$ 38	\$ 477

<sup>(1)</sup> CSC only has de minimis exposures subject to the Market Risk Rule, consisting primarily of fixed income positions.

## EQUITIES NOT SUBJECT TO THE MARKET RISK CAPITAL RULE

The Company has total equity exposures of approximately \$4.4 billion at September 30, 2023. This includes marketable equity securities of \$1.4 billion and trading assets totaling \$131 million that are held for operational customer accommodation purposes and investments made relating to the Company's deferred compensation plan. These are recorded at fair value. Other individual investments are related to the Company's low-income housing tax credit (LIHTC) investments of \$1.3 billion, investment in Federal Home Loan Bank (FHLB) stock totaling \$1.4 billion, and community reinvestment activities totaling \$73 million. The LIHTC investments are accounted for using the proportional amortization method.

### Equity exposures by type and risk weight:

	At September 30, 2023			
(Dollars in Millions, Unaudited)	Non-Publicly Traded Exposures <sup>(1)</sup>	Publicly Traded Exposures <sup>(1)</sup>	Risk-Weighted Asset Amount	Capital Requirements <sup>(2)</sup>
<b>Simple Risk Weight Approach: <sup>(3)</sup></b>				
20% risk weight:				
Federal Home Loan Bank (FHLB) stock	\$ 1,353	\$ —	\$ 271	\$ 22
100% risk weight:				
Low-income housing tax credit (LIHTC) investments	1,306	—	1,306	104
Community Reinvestment Activities (CRA)	73	—	73	6
Marketable equity securities <sup>(4)</sup>	—	1,441	1,441	115
Other investments	80	—	80	6
<b>Other Risk-Weighting Approaches: <sup>(5)</sup></b>				
100% risk weight:				
Mutual funds	—	131	131	10
<b>Total</b>	<b>\$ 2,812</b>	<b>\$ 1,572</b>	<b>\$ 3,302</b>	<b>\$ 263</b>

<sup>(1)</sup> For non-publicly traded exposures, with the exception of LIHTC investments, the amount is valued using either the adjusted cost method or the equity method. The LIHTC Investments are valued using the proportional amortization method. For publicly traded exposures, the amount represents fair value measured using the market approach.

<sup>(2)</sup> Calculated by multiplying the risk-weighted asset by the total risk-based capital ratio of 8%, which represents the minimum to be adequately capitalized.

<sup>(3)</sup> The Company applies the simple risk-weight approach to equity exposures that are not mutual funds.

<sup>(4)</sup> Includes fractional shares held in client brokerage accounts.

<sup>(5)</sup> The Company applies the simple modified look-through approach to equity exposures that are mutual funds.

## SUPPLEMENTARY LEVERAGE RATIO

In the interagency regulatory capital and liquidity rules adopted in October 2019, Category III banking organizations such as CSC were given the ability to opt-out of the inclusion of AOCI in regulatory capital, and CSC made this opt-out election as of January 1, 2020. Additionally, CSC is subject to the supplementary leverage ratio (SLR), which is calculated as Tier 1 capital divided by the total leverage exposure (see update in *Current Regulatory and Other Developments* section). The total leverage exposure includes all on-balance sheet assets and certain off-balance sheet exposures, including unused commitments. The Company is required to maintain a supplementary leverage ratio of 3.0%. At September 30, 2023 the Company's SLR of 8.1% exceeded the minimum requirement.

The following table presents the Company's consolidated total assets under GAAP and the supplementary leverage exposure.

### Summary comparison of accounting assets and total leverage exposure:

(Dollars in Millions, Unaudited)	At September 30, 2023
<b>Total Leverage Exposure:</b>	
Total consolidated assets as reported in published financial statements	\$ 475,204
Adjustment for derivative transactions	1,132
Adjustment for repo-style transactions	368
Adjustment for off-balance sheet exposures	2,157
Other adjustments	
Adjustments for deductions from tier 1 capital	(18,564)
Adjustment for frequency calculations	31,987
<b>Total Leverage Exposure</b>	<b>\$ 492,284</b>

The following table presents the detailed components of the Company's SLR computation, under U.S. Basel III fully phased-in rules.

**Supplementary leverage ratio:**  
(Dollars in Millions, Unaudited)

At September 30, 2023

<b>On-balance sheet exposures</b>			
1	On-balance sheet exposures (excluding on-balance sheet assets for repo-style transactions and derivative exposures, but including cash collateral received in derivative transactions)	\$	500,475
2	LESS: Asset amounts deducted in determining Tier 1 capital		18,564
3	<b>Total on-balance sheet exposures (excluding on-balance sheet assets for repo-style transactions and derivative exposures, but including cash collateral received in derivative transactions) (sum of row 1 and 2)</b>	\$	481,911
<b>Derivative exposures</b>			
4	Replacement cost for derivative exposures (that is, net of cash variation margin).	\$	712
5	Add-on amounts for potential future exposure (PFE) associated with all derivatives transactions		1,132
6	Gross-up for cash collateral posted if deducted from the on-balance sheet assets, except for cash variation margin		—
7	LESS: Deductions of receivable assets for cash variation margin posted in derivative transactions, if included in on-balance sheet assets.		—
8	LESS: Exempted CCP leg of client-cleared trade exposures		—
9	Adjusted effective notional amount of written credit derivatives		—
10	LESS: Effective notional principal offsets and PFE adjustments for sold credit protection		—
11	<b>Total derivative exposures (sum of rows 4 to 10)</b>	\$	1,844
<b>Repo-style transactions</b>			
12	On-balance sheet assets for repo-style transactions, except include the gross value of receivables for reverse repurchase transactions. Exclude from this item the value of securities received in a security-for-security repo-style transaction where the securities lender has not sold or re-hypothecated the securities received. Include in this item the value of securities that qualified for sales treatment that must be reversed.	\$	6,004
13	LESS: Reduction of the gross value of receivables in reverse repurchase transactions by cash payables in repurchase transactions under netting agreements		—
14	Counterparty credit risk for all repo-style transactions		368
15	Exposure for repo-style transactions where a banking organization acts as an agent		—
16	<b>Total repo-style transaction exposures (sum of rows 12 to 15)</b>	\$	6,372
<b>Other off-balance sheet exposures</b>			
17	Off-balance sheet exposure at gross notional amount	\$	3,869
18	LESS: Adjustments for conversion to credit equivalent amounts		1,712
19	<b>Off-balance sheet items (row 17 minus row 18)</b>	\$	2,157
<b>Capital and total exposures</b>			
20	<b>Tier 1 capital</b>	\$	39,972
21	<b>Total exposures (sum of rows 3, 11, 16 and 19)</b>	\$	492,284
<b>Supplementary leverage ratio</b>			
22	<b>Supplementary Leverage Ratio (item 20 divided by item 21)</b>		<b>8.1%</b>