charles SCHWAB CORPORATION

Basel III Standardized Approach Disclosures

September 30, 2015

Table of Contents

INTRODUCTION

The Charles Schwab Corporation (CSC), headquartered in San Francisco, California, was incorporated in 1986 and engages, through its subsidiaries (collectively referred to as the Company), in wealth management, securities brokerage, banking, money management, and financial advisory services. At September 30, 2015, the Company had $2.42 trillion in client assets, 9.7 million active brokerage accounts, 1.5 million corporate retirement plan participants, and 1.0 million banking accounts. CSC is a savings and loan holding company.

Significant business subsidiaries of CSC include:

- Charles Schwab & Co., Inc. (Schwab), which was incorporated in 1971, is a securities broker-dealer with over 325 domestic branch offices in 45 states, as well as a branch in each of the Commonwealth of Puerto Rico and London, England, and serves clients in Hong Kong through one of CSC's subsidiaries;
- Charles Schwab Bank (Schwab Bank), which commenced operations in 2003, is a federal savings bank located in Reno, Nevada; and
- Charles Schwab Investment Management, Inc., which is the investment advisor for Schwab's proprietary mutual funds, referred to as the Schwab Funds®, and Schwab's exchange-traded funds, referred to as the Schwab ETFs™.

The Company 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, retirement plan services, and corporate brokerage services. The Advisor Services segment provides custodial, trading, and support services to independent investment advisors (IAs), and retirement business services to independent retirement plan advisors and record keepers whose plan assets are held at Schwab Bank.

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.

BACKGROUND

In July 2013, the U.S. banking agencies issued regulatory capital rules that implemented Basel III and relevant provisions of the Dodd-Frank Act (Final Regulatory Capital Rules). The Final Regulatory Capital Rules, among other things, subject savings and loan holding companies to consolidated capital requirements, revise the required minimum risk-based and leverage capital requirements, add a requirement to maintain a minimum capital conservation buffer, and change the definition of capital categories for an insured depository to be considered well-capitalized. The new minimum regulatory capital ratios and changes to the calculation of risk-weighted assets were effective beginning on January 1, 2015. The required minimum capital conservation buffer will be phased in incrementally, starting on January 1, 2016 and increasing annually until fully implemented on January 1, 2019.

OVERVIEW

This document, and certain of CSC'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 Board-regulated institutions (the Rule). CSC's Annual Report on Form 10-K for the fiscal year ended December 31, 2014 (2014 Form 10-K) and its Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2015 (Form 10-Q) filed with the Securities and Exchange Commission (SEC) contain management's discussion of the overall corporate risk profile of CSC and related management strategies. These Basel III Standardized Approach Disclosures should be read in conjunction with the 2014 Form 10-K, the Form 10-Q, the Consolidated Financial Statements for Bank Holding Companies dated September 30, 2015 (FR Y-9C), and the Consolidated Reports of Condition and Income for a Bank with Domestic Offices Only for the quarter ended September 30, 2015 (FFIEC 041). CSC's Disclosure Matrix (see page 3) specifies where the disclosures required by the Rule are located.

Following are links to the referenced public filings:

Filing	Link to Filing
2014 Form 10-K	http://www.sec.gov/Archives/edgar/data/316709/000031670915000014/schw-20141231x10k.htm
September 30, 2015 Form 10-Q	http://www.sec.gov/Archives/edgar/data/316709/000031670915000056/schw-20150930x10q.htm
Consolidated Financial Statements for Bank Holding Companies - FR Y-9C dated September 30, 2015	https://www.ffiec.gov/nicpubweb/NICDataCache/FRY9C/FRY9C_1026632_20150930.PDF
Consolidated Reports of Condition and Income for a Bank with Domestic Offices Only – FFIEC 041 for the quarter ended September 30, 2015	https://cdr.ffiec.gov/public/ManageFacsimiles.aspx Note search terms below: Report = Call\TFR Report Date = 9/30/15 Institution Name = Charles Schwab Bank

The Rule applies only to the consolidated Company, with the exception that capital ratios for each depository subsidiary must be disclosed.

DISCLOSURE MATRIX

Table	Disclosure Requirement	Disclosure Location	Disclosure Page	Source Reference – if applicable
Scope of Application (Table 1)				
Qualitative: (a)	The name of the top corporate entity in the group to which subpart D of this part applies.	***Basel III Standardized Approach Disclosures:*** 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).	***Basel III Standardized Approach Disclosures:*** Introduction	Pg. 1	
(c)	Any restrictions, or other major impediments, on transfer of funds or total capital within the group.	***Basel III Standardized Approach Disclosures:*** Capital Adequacy ***Form 10-Q*** MD&A - Liquidity and Capital Resources Note 12 - Regulatory Requirements	Pg. 10	***Form 10-Q*** Pg. 19-24 Pg. 53-55
(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.		
Capital Structure (Table 2)				
Qualitative: (a)	Summary information on the terms and conditions of the main features of all regulatory capital instruments.	***2014 Form 10-K*** Note 17 – Stockholders' Equity ***Form 10-Q*** Note 9 - Stockholders' Equity		***2014 10K*** Pg. 81-82 ***Form 10-Q*** Pg. 51-52
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.	***FR Y-9C*** Schedule HC-R – Regulatory Capital		***FR Y-9C*** Pg. 46-47
(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.	***FR Y-9C*** Schedule HC-R – Regulatory Capital		***FR Y-9C*** Pg. 46-47
(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.	***FR Y-9C*** Schedule HC-R – Regulatory Capital		***FR Y-9C*** Pg. 46-47

Table	Disclosure Requirement	Disclosure Location	Disclosure Page	Source Reference – if applicable
Capital Adequacy (Table 3)				
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.	***Basel III Standardized Approach Disclosures:*** Capital Adequacy ***Form 10-Q*** MD&A – Liquidity and Capital Resources	Pg. 10-11	***Form 10-Q*** Pg. 19-24
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.	***Basel III Standardized Approach Disclosures:*** Capital Adequacy	Pg. 10-11	
(c)	Standardized market risk-weighted assets as calculated under subpart F of this part.	Not applicable. CSC is not subject to the Market Risk Capital Rule.		
(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.	***Basel III Standardized Approach Disclosures:*** Capital Adequacy ***FR Y-9C*** Schedule HC-R – Regulatory Capital ***FFIEC 041*** Schedule RC-R Part I – Regulatory Capital	Pg. 10-11	***FR Y-9C*** Pg. 48 ***FFIEC 041*** Pg. 65
(e)	Total standardized risk-weighted assets.	***Basel III Standardized Approach Disclosures:*** Capital Adequacy ***FR Y-9C*** Schedule HC-R – Regulatory Capital	Pg. 10-11	***FR Y-9C*** Pg. 49-58
Capital Conservation Buffer (Table 4)				
Qualitative: (a)	At least quarterly, the Board-regulated institution must calculate and publicly disclose the capital conservation buffer as described under § 217.11.	***Basel III Standardized Approach Disclosures:*** Capital Buffer	Pg. 11	
(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.	***Basel III Standardized Approach Disclosures:*** Capital Buffer	Pg. 11	
(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.	***Basel III Standardized Approach Disclosures:*** Capital Buffer	Pg. 11	

Table	Disclosure Requirement	Disclosure Location	Disclosure Page	Source Reference – if applicable
Credit Risk: General Disclosures (Table 5)				
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.	***2014 Form 10-K*** MD&A – Risk Management MD&A – Critical Accounting Estimates Note 1 – Significant Accounting Policies Note 3 – Receivables from Brokerage Clients Note 6 – Loans to Banking Clients & Related Allowance for Loan Losses ***Form 10-Q*** Note 4 – Bank Loans and Related Allowance for Loan Losses		***2014 Form 10-K*** Pg. 37-45 Pg. 45-47 Pg. 56-62 Pg. 62 Pg. 66 – 69 ***Form 10-Q*** Pg. 39-42
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.	***2014 Form 10-K*** MD&A – Risk Management Note 6 – Loans to Banking Clients & Related Allowance for Loan Losses Note 15 – Financial Instruments Subject to Off-Balance Sheet Credit Risk or Concentration Risk ***Form 10-Q*** MD&A – Risk Management Note 4 – Bank Loans and Related Allowance for Loan Losses Note 7 – Offsetting Assets and Liabilities		***2014 Form 10-K*** Pg. 37-45 Pg. 66 – 69 Pg. 75 - 77 ***Form 10-Q*** Pg. 24-27 Pg. 39-42 Pg. 44-46
(c)	Geographic distribution of exposures, categorized in significant areas by major types of credit exposure.	***Basel III Standardized Approach Disclosures:*** Credit Risk ***Form 10-Q*** MD&A – Risk Management Note 4 – Bank Loans and Related Allowance for Loan Losses	Pg. 11	***Form 10-Q*** Pg. 24-27 Pg. 39-42
(d)	Industry or counterparty type distribution of exposures, categorized by major types of credit exposure	***Basel III Standardized Approach Disclosures:*** Credit Risk	Pg. 11	
(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.	***Form 10-Q*** Note 4 – Bank Loans and Related Allowance for Loan Losses		***Form 10-Q*** Pg. 39-42
(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.	***FR Y-9C*** Schedule HC-N – Past Due and Nonaccrual Loans, Leases, and Other Assets		***FR Y-9C*** Pg. 38-39

Table	Disclosure Requirement	Disclosure Location	Disclosure Page	Source Reference – if applicable
Credit Risk: General Disclosures (Table 5) - continued				
(g)	Reconciliation of changes in ALLL.	***Form 10-Q*** Note 4 – Bank Loans and Related Allowance for Loan Losses ***FR Y-9C*** Schedule HI-B – Charge-Offs and Recoveries on Loans and Leases and Changes in Allowance for Loan and Lease Losses		***Form 10-Q*** Pg. 39-42 ***FR Y-9C*** Pg. 8
(h)	Remaining contractual maturity delineation (for example, one year or less) of the whole portfolio, categorized by credit exposure.	***Form 10-Q*** Note 4 – Bank Loans and Related Allowance for Loan Losses		***Form 10-Q*** Pg. 39-42
General Disclosure for Counterparty Credit Risk-Related Exposures (Table 6)				
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.	***2014 Form 10-K*** MD&A – Risk Management Note 15 – Financial Instruments Subject to Off-Balance Sheet Credit Risk or Concentration Risk (4) Not applicable. CSC does not have any contingent payment obligations that would result from a ratings downgrade.		***2014 Form 10-K*** Pg. 37-45 Pg. 75 – 77
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.	***2014 Form 10-K*** Note 15 – Financial Instruments Subject to Off-Balance Sheet Credit Risk or Concentration Risk Not applicable. CSC does not hold credit derivatives.		***2014 Form 10-K*** Pg. 75 - 77
(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.		
Credit Risk Mitigation (Table 7)				
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.	***2014 Form 10-K*** MD&A – Risk Management MD&A – Critical Accounting Estimates Note 2 – Significant Accounting Policies Note 5 – Securities Available for Sale and Securities Held to Maturity Note 6 – Loans to Banking Clients and Related Allowance for Loan Losses Note 15 – Financial Instruments Subject to Off-Balance Sheet Credit Risk or Risk Concentration Note 16 – Fair Value of Assets and Liabilities		***2014 Form 10-K*** Pg. 37-45 Pg. 45-47 Pg. 56-62 Pg. 63-66 Pg. 66-69 Pg. 75-77 Pg. 77-81
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.	***2014 Form 10-K*** Note 15 – Financial Instruments Subject to Off-Balance Sheet Credit Risk or Concentration Risk		***2014 Form 10-K*** Pg. 75-77
(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
Securitization (Table 8)				
Qualitative: (a)	The general qualitative disclosure requirement with respect to a securitization (including synthetic securitizations), including a discussion of: (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; (2) The nature of the risks (e.g. liquidity risk) inherent in the securitized assets; (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; (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; (5) The Board-regulated institution's policy for mitigating the credit risk retained through securitization and resecuritization exposures; and (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.	Not applicable. CSC does not securitize assets.		
(b)	A list of: (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 (2) Affiliated entities: (i) That the Board-regulated institution manages or advises; and (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.	Not applicable. CSC does not securitize assets.		
(c)	Summary of the Board-regulated institution's accounting policies for securitization activities, including: (1) Whether the transactions are treated as sales or financings; (2) Recognition of gain-on-sale; (3) Methods and key assumptions applied in valuing retained or purchased interests; (4) Changes in methods and key assumptions from the previous period for valuing retained interests and impact of the changes; (5) Treatment of synthetic securitizations; (6) How exposures intended to be securitized are valued and whether they are recorded under subpart D of this part; and (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.	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.		

Table	Disclosure Requirement	Disclosure Location	Disclosure Page	Source Reference – if applicable
Securitization (Table 8) - continued				
(f)	For exposures securitized by Board-regulated institution in securitizations that meet the operational criteria in § 217.41: (1) Amount of securitized assets that are impaired/past due categorized by exposure type; and (2) Losses recognized by Board-regulated institution during the current period categorized by exposure type.	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.		
(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.	***Basel III Standardized Approach Disclosures:*** Securitizations	Pg. 12	
(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) Exposures that have been deducted entirely from tier 1 capital, CEIOs deducted from total capital (as described in § 217.42(a)(1), and other exposures deducted from total capital should be disclosed separately by exposure type.	***Basel III Standardized Approach Disclosures:*** Securitizations	Pg. 12	
(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.		
Equities Not Subject to Subpart F of This Part (Table 9)				
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.	***Basel III Standardized Approach Disclosures:*** Equity Securities Not Subject to the Market Risk Capital Rule	Pg. 13	
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.	***Basel III Standardized Approach Disclosures:*** Equity Securities Not Subject to the Market Risk Capital Rule	Pg. 13	
(c)	The types and nature of investments, including the amount that is: (1) Publicly traded; and (2) Non publicly traded.	***Basel III Standardized Approach Disclosures:*** Equity Securities Not Subject to the Market Risk Capital Rule	Pg. 13	
(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.		

Table	Disclosure Requirement	Disclosure Location	Disclosure Page	Source Reference – if applicable
Equities Not Subject to Subpart F of This Part (Table 9) - continued				
(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.	***Basel III Standardized Approach Disclosures:*** Equity Securities Not Subject to the Market Risk Capital Rule	Pg. 13	
Interest Rate Risk for Non-Trading Activities (Table 10)				
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.	***2014 Form 10-K*** MD&A – Risk Management MD&A – Critical Accounting Estimates Quantitative & Qualitative Disclosures About Market Risk Note 6 – Loans to Banking Clients and Related Allowance for Loan Losses		***2014 Form 10-K*** Pg. 37-45 Pg. 45 – 47 Pg. 48-49 Pg. 66--69
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).	***Form 10-Q*** Quantitative & Qualitative Disclosures About Market Risk		***Form 10-Q*** Pg. 28-29

COMPONENTS OF CAPITAL

A reconciliation of total stockholders' equity to Common Equity Tier 1 (CET1) capital, additional Tier 1 capital, Tier 2 capital, and Total capital is as follows:

(Dollars in Millions, Unaudited)		September 30, 2015
Total stockholders' equity	$	**13,196**
Less:		
Preferred Stock		1,457
CET1 capital before regulatory adjustments		**11,739**
Less:		
Goodwill, net of associated deferred tax liabilities		1,185
Other intangible assets, net of associated deferred tax liabilities		45
AOCI adjustment[1]		19
CET1 Capital		**10,490**
Additional Tier 1 Capital Preferred stock		1,457
Tier 1 capital		**11,947**
Allowance for loan losses		32
Tier 2 capital		**32**
Total capital	$	**11,979**

(1) CSC made a one-time election to opt-out of the requirement to include most components of AOCI in common equity tier 1 capital.

Refer to the Condensed Consolidated Balance Sheet on page 32 of the September 30, 2015 Form 10-Q for the components of stockholder's equity.

CAPITAL ADEQUACY

CSC is committed to maintaining adequate capital to support execution of the Company's strategy including anticipated growth, meeting regulatory requirements, maintaining well-capitalized risk based levels even in stressed scenarios, serving as a source of strength to subsidiaries, and enabling sustained access to the capital markets.

To ensure CSC maintains sufficient capital, the Company leverages its existing system of capital planning. Clearly defined thresholds serve as triggers for management actions as applicable. These are reported monthly to the Company's Asset-Liability Management and Pricing Committee.

In addition, CSC monitors subsidiary capital levels and requirements and moves excess capital from subsidiaries to CSC and holds it there in reserve. If subsidiaries develop additional capital needs, funds would be down-streamed from CSC as equity investments or long-term subordinated debt (when approved as regulatory capital by regulators). The details and method used for each cash infusion are based on an analysis of the particular entity's needs and financing alternatives. The amounts and structure of infusions must take into consideration maintenance of regulatory capital guidelines, debt/equity ratios, and equity double leverage ratios.

STANDARDIZED RISK-WEIGHTED ASSETS (RWA)

The Basel III standardized approach RWA is calculated based on the Rule. The following table provides CSC's distribution of RWA by exposure categories prescribed by the applicable regulations. For a distribution of CSC's RWA by balance sheet categories, see Schedule HC-R of the FR Y-9C for the period ended September 30, 2015.

The following details the Company's RWA under the standardized approach at September 30, 2015.

(Dollars in Millions, Unaudited)		September 30, 2015
RWA by applicable Basel exposure category:		
Exposures to sovereign entities	$	7,389
Exposures to depository institutions, foreign banks, and credit unions		2,071
Exposures to public sector entities		87
Corporate exposures		10,225
Residential mortgage exposures		7,407
Past due loans		28
Other assets [(1)]		7,210
Securitization exposures		19,313
Equity exposures		265
RWA for balance sheet asset categories		**53,995**
Off-balance sheet items		3,442
Total RWA under standardized approach	**$**	**57,437**

(1) The assets above reflect the impact, as of September 30, 2015, of a change in approach related to the risk-weighting of the majority of the Company's margin loan portfolio in accordance with the Basel III rules which became effective in the first quarter of this year.

CAPITAL RATIOS

The following details the Company's capital ratios at September 30, 2015.

(Dollars in Millions, Unaudited)

	Actual			Minimum Required			Well Capitalized		
		Amount	Ratio		Amount	Ratio		Amount	Ratio
CSC [(1)]									
Common Equity Tier 1 Risk-Based Capital	$	10,490	18.3%	$	2,585	4.5%		N/A	
Tier 1 Risk-Based Capital		11,947	20.8%		3,446	6.0%		N/A	
Total Risk-Based Capital		11,979	20.9%		4,595	8.0%		N/A	
Schwab Bank									
Common Equity Tier 1 Risk-Based Capital	$	8,830	17.7%	$	2,243	4.5%	$	3,240	6.5%
Tier 1 Risk-Based Capital		8,830	17.7%		2,991	6.0%		3,988	8.0%
Total Risk-Based Capital		8,861	17.8%		3,988	8.0%		4,985	10.0%

(1) The ratios above reflect the impact, as of September 30, 2015, of a change in approach related to the risk-weighting of the majority of the Company's margin loan portfolio in accordance with the Basel III rules which became effective in the first quarter of this year.

N/A Not applicable

CAPITAL BUFFER

The Final Basel III Capital Rule requires banking organizations to maintain a capital conservation buffer of CET1 capital above the regulatory minimum ratio in an amount greater than 2.5 percent of RWA. The buffer is required to be phased-in over a transition period of four years commencing on January 1, 2016. A CET1 ratio below the minimum capital ratios and the capital conservation buffer will restrict a bank's ability to distribute capital and make discretionary bonus payments.

CREDIT RISK

CSC'S direct exposure to credit risk mainly results from margin lending and client option and futures activities, securities lending activities, mortgage lending activities, its role as a counterparty in financial contracts and other investing activities. To manage the risks of such losses, the Company has established policies and procedures which include: establishing and reviewing credit limits, monitoring of credit limits and quality of counterparties, and adjusting margin, option, and futures requirements for certain securities. Collateral arrangements relating to margin loans, option positions, securities lending agreements, and resale agreements include provisions that require additional collateral in the event market fluctuations result in declines in the value of collateral received. Additionally, for margin loan and securities lending agreements, collateral arrangements require the fair value of such collateral exceeds the amounts loaned.

The Company's credit risk exposure related to bank loans is actively managed through individual and portfolio reviews performed by management. Management regularly reviews asset quality, including concentrations, delinquencies, nonaccrual loans, charge-offs, and recoveries. All are factors in the determination of an appropriate allowance for loan losses. The Company's loan portfolios primarily include first lien residential real estate mortgage loans (First Mortgages) of $8.3 billion, home equity lines of credit (HELOCs) of $2.8 billion, personal loans secured by securities of $3.2 billion and customer account margin loans of $15.7 billion at September 30, 2015.

The Company has exposure to credit risk associated with its securities available for sale and securities held to maturity portfolios, whose carrying values totaled $64.4 billion and $42.9 billion at September 30, 2015, respectively. These portfolios include U.S. agency and non-agency mortgage-backed securities (MBS), asset-backed securities (ABS), corporate debt securities, U.S. agency notes, U.S. Treasury securities, certificates of deposit, U.S. state and municipal securities and commercial paper. U.S. agency MBS 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-sponsored enterprises. As of September 30, 2015, CSC's investment portfolio was 97% concentrated in securities issued by U.S. agencies and entities. The remaining investment portfolio consisted of foreign issuers domiciled in Australia, Canada, France, Netherlands, Norway, Sweden, Switzerland, and United Kingdom, all of which are denominated in U.S. dollars.

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 Rule. Under the Rule, a securitization is a transaction in which credit risk of one or more underlying exposures has been transferred to one or more third parties, where the credit risk associated with the underlying exposures has been separated into at least two tranches reflecting different levels of seniority, where performance of the securitization exposures depends on the performance of the underlying exposures and substantially all of the underlying exposures are financial exposures. Securitizations therefore exclude CSC's investment in pass through securities issued by government agencies. A participant in the securitization market is typically an originator, investor, or sponsor. CSC's securitization-related activity is investing in products created by third parties. Securitization exposures held in the Company's investment portfolio include traditional agency and non-agency ABS and MBS securitizations. The Company does not have any synthetic securitization exposure and does not act as a sponsor; therefore, the following tables relate to the Company as an investor.

The Company utilizes the gross-up approach to determine RWA for its securitization exposures. This approach considers the Company's seniority in the securitization structure and risk factors inherent in the underlying assets.

Securitizations by exposure type are shown below:

(Dollars in Millions, Unaudited)	September 30, 2015 Carrying Value		September 30, 2015 Risk-weighted Asset Value	
Mortgage-backed securities:				
Agency – Commercial	$	19,788	$	3,942
Agency – Residential		8,313		1,650
Non-agency – Commercial		1,307		1,303
Non-agency – Residential		6		6
Asset-backed securities:				
Auto		370		370
Credit Card		6,405		6,407
Student loan		11,874		2,419
Dealer floorplan		3,206		3,216
Total securitizations	$	51,269	$	19,313

Securitizations by capital requirement and risk-weight bands are summarized below:

(Dollars in Millions, Unaudited)	September 30, 2015 Carrying Value		Risk-weighted Asset		Capital Impact of RWA [1]	
20%	$	39,966	$	8,010	$	641
100%		11,303		11,303		904
Total Securitizations	$	51,269	$	19,313	$	1,545

[1] The capital impact of RWA is calculated by multiplying risk-weighted assets by the minimum total risk-based capital ratio of 8%.

EQUITIES NOT SUBJECT TO THE MARKET RISK CAPITAL RULE

The Company has total equity exposures of approximately $265 million at September 30, 2015. The majority are classified as trading assets totaling $214 million held for operational customer accommodation purposes or as a partial hedge of the deferred compensation plan liability. These are recorded at fair value. Other individual investments are related to the Company's community reinvestment activities totaling $34 million and investment in FHLB stock totaling $17 million. The Company uses the Simple Risk-Weight Approach for its individual equity investments.

Non-marketable equity securities are generally recorded either at historical cost or using the equity method. Details of the Company's accounting policy for equity investments and the valuation of financial instruments are provided in Note 2 - Summary of Significant Accounting Policies in the 2014 Form 10-K, "Financial instruments included in other assets".

SUBSEQUENT EVENT

On November 13, 2015, CSC issued $350 million aggregate principal amount of Senior Notes that mature in 2026 under its universal shelf registration statement on file with the SEC. The Senior Notes have a fixed interest rate of 3.45% with interest payable semi-annually.