charles SCHWAB CORPORATION

Basel III Standardized Approach Disclosures

December 31, 2018

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INTRODUCTION

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

Significant business subsidiaries of CSC include the following:

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

Schwab provides financial services to individuals and institutional clients through two segments – Investor Services and Advisor Services.

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 Board-regulated institutions (the Rule). Schwab's Annual Report on Form 10-K for the fiscal year ended December 31, 2018 (2018 Form 10-K) filed with the Securities and Exchange Commission (SEC) contains management's discussion of the overall corporate risk profile of Schwab and related management strategies. These Basel III Standardized Approach Disclosures should be read in conjunction with the 2018 Form 10-K, the Consolidated Financial Statements for Bank Holding Companies dated December 31, 2018 (FR Y-9C), and the Consolidated Reports of Condition and Income for a Bank with Domestic and Foreign Offices for the period ended December 31, 2018 (FFIEC 031). Schwab's Disclosure Matrix (see pages 3-9) specifies where the disclosures required by the Rule are located.

Following are links to the referenced public filings:

Filing	**Link to Filing**
2018 Form 10-K	https://www.sec.gov/Archives/edgar/data/316709/000031670919000008/schw-12312018x10k.htm
Consolidated Financial Statements for Bank Holding Companies - FR Y-9C dated December 31, 2018	https://www.ffiec.gov/nicpubweb/nicweb/InstitutionProfile.aspx?parID_Rssd=1026632&parDT_END=99991231 Note search terms below: Report = Consolidated Financial Statements for BHCs (FR Y-9C) Report Date = 12/31/2018
Consolidated Reports of Condition and Income for a Bank with Domestic and Foreign Offices – FFIEC 031 for the quarter ended December 31, 2018	https://cdr.ffiec.gov/public/ManageFacsimiles.aspx Note search terms below: Report = Call Report Date = 12/31/2018 Institution Name = Charles Schwab Bank
Consolidated Reports of Condition and Income for a Bank with Domestic and Foreign Offices– FFIEC 031 for the quarter ended December 31, 2018	https://cdr.ffiec.gov/public/ManageFacsimiles.aspx Note search terms below: Report = Call Report Date = 12/31/2018 Institution Name = Charles Schwab Signature Bank
Consolidated Reports of Condition and Income for a Bank with Domestic and Foreign Offices – FFIEC 031 for the quarter ended December 31, 2018	https://cdr.ffiec.gov/public/ManageFacsimiles.aspx Note search terms below: Report = Call Report Date = 12/31/2018 Institution Name = Charles Schwab Trust Bank

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.	***2018 Form 10-K*** MD&A – Capital Management Note 21 – Regulatory Requirements		***2018 Form 10-K*** Pg. 42-45 Pg. 97-99
(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.	***2018 Form 10-K*** MD&A – Capital Management Consolidated Balance Sheets Note 17 – Stockholders' Equity		***2018 Form 10-K*** Pg. 42-45 Pg. 52 Pg. 91
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 ***FFIEC 031*** Schedule RC-R – Regulatory Capital		***FR Y-9C*** Pg. 44-45 ***FFIEC 031*** Pg. 64-65
(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.	***Basel III Standardized Approach Disclosures:*** Components of Capital ***FR Y-9C*** Schedule HC-R – Regulatory Capital ***FFIEC 031*** Schedule RC-R – Regulatory Capital	Pg. 10	***FR Y-9C*** Pg. 45 ***FFIEC 031*** Pg. 65
(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.	***Basel III Standardized Approach Disclosures:*** Components of Capital ***FR Y-9C*** Schedule HC-R – Regulatory Capital ***FFIEC 031*** Schedule RC-R – Regulatory Capital	Pg. 10	***FR Y-9C*** Pg. 45 ***FFIEC 031*** Pg. 65

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.	***2018 Form 10-K*** MD&A – Capital Management		***2018 Form 10-K*** Pg. 42-45
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	
(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 031*** Schedule RC-R Part I – Regulatory Capital	Pg. 11	***FR Y-9C*** Pg. 46 ***FFIEC 031**** Pg. 66
(e)	Total standardized risk-weighted assets.	***Basel III Standardized Approach Disclosures:*** Capital Adequacy ***FR Y-9C*** Schedule HC-R – Regulatory Capital ***FFIEC 031*** Schedule RC-R Part I – Regulatory Capital	Pg. 10	***FR Y-9C*** Pg. 46 ***FFIEC 031*** Pg. 66, 78
Capital Conservation Buffer (Table 4)				
Quantitative: (a)	At least quarterly, the Board-regulated institution must calculate and publicly disclose the capital conservation buffer as described under § 217.11.	***FR Y-9C*** Schedule HC-R – Regulatory Capital ***FFIEC 031*** Schedule RC-R Part I – Regulatory Capital		***FR Y-9C*** Pg. 46 ***FFIEC 031*** Pg. 66
(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.	***FR Y-9C*** Schedule HC-R – Regulatory Capital ***FFIEC 031*** Schedule RC-R Part I – Regulatory Capital		***FR Y-9C*** Pg. 46 ***FFIEC 031*** Pg. 66
(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 Adequacy ***FFIEC 031*** Schedule RC-R Part I – Regulatory Capital	Pg. 11	***FFIEC 031*** Pg. 66

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

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.	***2018 Form 10-K*** MD&A – Risk Management Note 2 – Summary of Significant Accounting Policies		***2018 Form 10-K*** Pg. 35-42 Pg. 57-67
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.	***Basel III Standardized Approach Disclosures:*** Credit Risk ***2018 Form 10-K*** MD&A – Risk Management Note 4 – Receivables from and Payables to Brokerage Clients Note 6 – Investment Securities Note 7 – Bank Loans and Related Allowance for Loan Losses Note 14 – Commitments and Contingencies Note 15 – Financial Instruments Subject to Off-Balance Sheet Credit Risk	Pg. 11-12	***2018 Form 10-K*** Pg. 35-42 Pg. 69 Pg. 70-73 Pg. 74-78 Pg. 82-84 Pg. 84-86
(c)	Geographic distribution of exposures, categorized in significant areas by major types of credit exposure.	***Basel III Standardized Approach Disclosures:*** Credit Risk, Credit Exposure By Geographic Concentrations	Pg. 11, 13-14	
(d)	Industry or counterparty type distribution of exposures, categorized by major types of credit exposure	***Basel III Standardized Approach Disclosures:*** Credit Risk	Pg. 12	
(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.	***Basel III Standardized Approach Disclosures:*** Credit Exposure By Geographic Concentrations ***2018 Form 10-K*** Note 7 – Bank Loans and Related Allowance for Loan Losses	Pg. 13-14	***2018 Form 10-K*** Pg. 74-78

Table	Disclosure Requirement	Disclosure Location	Disclosure Page	Source Reference - if applicable
Credit Risk: General Disclosures (Table 5) – continued				
(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.	***Basel III Standardized Approach Disclosures:*** Credit Exposure By Geographic Concentrations ***2018 Form 10-K*** Note 7 – Bank Loans and Related Allowance for Loan Losses ***FR Y-9C*** Schedule HC-N – Past Due and Nonaccrual Loans, Leases, and Other Assets	Pg. 13-14	***2018 Form 10-K*** Pg. 74-78 ***FR Y-9C*** Pg. 36-40
(g)	Reconciliation of changes in ALLL.	***2018 Form 10-K*** Note 7 – 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 ***FFIEC 031*** Schedule RI-B Part II. Changes in Allowance for Loan and Lease Losses		***2018 Form 10-K*** Pg. 74-78 ***FR Y-9C*** Pg. 7-8 ***FFIEC 031*** Pg. 11
(h)	Remaining contractual maturity delineation (for example, one year or less) of the whole portfolio, categorized by credit exposure.	***Basel III Standardized Approach Disclosures:*** Credit Risk ***FFIEC 031*** Schedule RC-C – Loans and Financing Receivables	Pg. 12	***FFIEC 031*** Pg. 25
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.	***2018 Form 10-K*** MD&A – Risk Management Note 15 – 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.		***2018 Form 10-K*** Pg. 35-42 Pg. 84-86
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.	***2018 Form 10-K*** Note 15 – Financial Instruments Subject to Off-Balance Sheet Credit Risk Not applicable. CSC does not hold credit derivatives.		***2018 Form 10-K*** Pg. 84-86
(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.	***2018 Form 10-K*** MD&A – Risk Management Note 2 – Summary of Significant Accounting Policies Note 6 – Investment Securities Note 7 – Bank Loans and Related Allowance for Loan Losses Note 15 – Financial Instruments Subject to Off-Balance Sheet Credit Risk Note 16 – Fair Values of Assets and Liabilities		***2018 Form 10-K*** Pg. 35-42 Pg. 57-67 Pg. 70-73 Pg. 74-78 Pg. 84-86 Pg. 87-90

Table	Disclosure Requirement	Disclosure Location	Disclosure Page	Source Reference - if applicable
Credit Risk Mitigation (Table 7) – continued				
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.	***2018 Form 10-K*** Note 15 – Financial Instruments Subject to Off-Balance Sheet Credit Risk		***2018 Form 10-K*** Pg. 84-86
(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.		
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.	***Basel III Standardized Approach Disclosures:*** Securitizations	Pg. 15	
(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.		

Table	Disclosure Requirement	Disclosure Location	Disclosure Page	Source Reference - if applicable
Securitization (Table 8) – continued				
(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: (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 ***FR Y-9C*** Schedule HC-R – Regulatory Capital ***FFIEC 031*** Schedule RC-R Part II – Regulatory Capital	Pg. 15	***FR Y-9C*** Pg. 53 ***FFIEC 031*** Pg. 73
(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. 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.		
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. 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.	***Basel III Standardized Approach Disclosures:*** Equity Securities Not Subject to the Market Risk Capital Rule	Pg. 16	

Table	Disclosure Requirement	Disclosure Location	Disclosure Page	Source Reference - if applicable
Equities Not Subject to Subpart F of This Part (Table 9) - continued				
(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. 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.	***Basel III Standardized Approach Disclosures:*** Equity Securities Not Subject to the Market Risk Capital Rule	Pg. 16	
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.	***2018 Form 10-K*** MD&A – Risk Management Note 7 – Bank Loans and Related Allowance for Loan Losses		***2018 Form 10-K*** Pg. 35-42 Pg. 74-78
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).	***2018 Form 10-K*** MD&A – Risk Management		***2018 Form 10-K*** Pg. 35-42

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:

(Dollars in Millions, Unaudited)		December 31, 2018
Total stockholders' equity [1]	$	**20,670**
Less:		
Preferred Stock		2,793
CET1 capital before regulatory adjustments		**17,877**
Less:		
Goodwill, net of associated deferred tax liabilities		1,188
Other intangible assets, net of associated deferred tax liabilities		125
Deferred tax assets, net of valuation allowances and deferred tax liabilities		3
AOCI adjustment[2]		(252)
CET1 Capital		**16,813**
Additional Tier 1 Capital Preferred stock		2,793
Tier 1 capital		**19,606**
Allowance for loan losses		22
Tier 2 capital		**22**
Total capital	$	**19,628**

[1] Refer to the Consolidated Balance Sheets on page 52 of the December 31, 2018 Form 10-K for the components of stockholders' equity.
[2] CSC elected to opt-out of the requirement to include most components of AOCI in CET1 Capital. Beginning in 2019, CSC is required to include all components of AOCI in regulatory capital.

CAPITAL ADEQUACY

STANDARDIZED RISK-WEIGHTED ASSETS (RWA)

The Basel III standardized approach RWA is calculated based on the Rule. 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 December 31, 2018.

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

(Dollars in Millions, Unaudited)		December 31, 2018
RWA by applicable Basel exposure category:		
Exposures to sovereign entities	$	21,657
Exposures to depository institutions, foreign banks, and credit unions		1,681
Exposures to public sector entities		612
Corporate exposures		29,834
Residential mortgage exposures		6,816
Past due loans		20
Other assets		11,629
Securitization exposures		16,757
Equity exposures		877
RWA for balance sheet asset categories		**89,883**
Off-balance sheet items		5,558
Total RWA under standardized approach	**$**	**95,441**

CAPITAL RATIOS

The following details CSC's and Schwab Bank's capital ratios.

	December 31, 2018					
	Actual		Minimum to be Well Capitalized		Minimum Required	
(Dollars in Millions)	Amount	Ratio	Amount	Ratio	Amount	Ratio
CSC						
Common Equity Tier 1 Risk-Based Capital	$ 16,813	17.6%	N/A		$ 4,295	4.5%
Tier 1 Risk-Based Capital	19,606	20.5%	N/A		5,726	6.0%
Total Risk-Based Capital	19,628	20.6%	N/A		7,635	8.0%
Schwab Bank						
Common Equity Tier 1 Risk-Based Capital	$ 15,832	19.7%	$ 5,233	6.5%	$ 3,623	4.5%
Tier 1 Risk-Based Capital	15,832	19.7%	6,441	8.0%	4,831	6.0%
Total Risk-Based Capital	15,853	19.7%	8,051	10.0%	6,441	8.0%

N/A - Not applicable

Under the Basel III capital rule, banking organizations are also required to maintain a capital conservation buffer above the regulatory minimum capital ratios. The capital conservation buffer was 1.875% in 2018, and became 2.5% on January 1, 2019. If the capital conservation buffer falls below the minimum requirement, the banking organization would be subject to limits on capital distributions and discretionary bonus payments to executive officers. For 2018, the minimum capital requirement plus capital conservation buffer for Common Equity Tier 1 Risk-Based Capital, Tier 1 Risk-Based Capital, and Total Risk-Based Capital ratios was 6.375%, 7.875%, and 9.875%, respectively. At December 31, 2018, both CSC's and Schwab Bank's capital levels exceeded the fully implemented capital conservation buffer requirement.

CREDIT RISK

Credit risk refers to the risk of loss arising when a borrower, counterparty, or issuer does not meet its financial obligations to the Company. Credit risk includes country risk, which is the risk that events taking place in, or directly or indirectly impacting that country and its economy might adversely affect the Company. 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

	At December 31, 2018			
(Dollars in Millions, Unaudited)	Americas	Europe, Middle East and Africa	Asia and Oceania	Total
Product Type				
Cash and investments segregated[(1)]	$ 33,525	$ 902	$ 432	$ 34,859
Investment securities[(2)]	207,045	2,841	701	210,587
Securities purchased under agreement to resell	4,701	2,494	-	7,195
Loans[(3)]	37,587	424	164	38,175
Equity Exposures[(4)]	903	-	-	903
Total on-balance sheet	**$ 283,761**	**$ 6,661**	**$ 1,297**	**$ 291,719**
Commitments[(5)]	$ 11,358	$ -	$ -	$ 11,358
Total off-balance sheet	**$ 11,358**	**$ -**	**$ -**	**$ 11,358**

MAJOR CREDIT EXPOSURES BY REMAINING CONTRACTUAL MATURITY

	At December 31, 2018			
	Years to Maturity			
(Dollars in Millions, Unaudited)	**Less than 1**	**1-5**	**Over 5**	**Total**
Product Type				
Cash and investments segregated[(1)]	$ 34,859	$ -	$ -	$ 34,859
Investment securities[(2)]	19,471	45,371	145,745	210,587
Securities purchased under agreement to resell	7,195	-	-	7,195
Loans[(3)]	23,050	4,328	10,797	38,175
Equity Exposures[(4)]	560	4	339	903
Total on-balance sheet	**$ 85,135**	**$ 49,703**	**$ 156,881**	**$ 291,719**
Commitments[(5)]	$ 1,592	$ 8,251	$ 1,515	$ 11,358
Total off-balance sheet	**$ 1,593**	**$ 8,251**	**$ 1,514**	**$ 11,358**

MAJOR CREDIT EXPOSURES BY COUNTERPARTY TYPE

	At December 31, 2018				
	Wholesale				
(Dollars in Millions, Unaudited)	**Bank**	**Public**	**Corporate and Other**	**Household**	**Total**
Product Type					
Cash and investments segregated[(1)]	$ 4,504	$ 21,600	$ 8,755	$ -	$ 34,859
Investment securities[(2)]	3,994	174,782	16,956	14,855	210,587
Securities purchased under agreement to resell	2,494	-	4,701	-	7,195
Loans[(3)]	-	-	2,970	35,205	38,175
Equity Exposures[(4)]	-	32	871	-	903
Total on-balance sheet	**$ 10,992**	**$ 196,414**	**$ 34,253**	**$ 50,060**	**$ 291,719**
Commitments[(5)]	$ -	$ -	$ 43	$ 11,315	$ 11,358
Total off-balance sheet	**$ -**	**$ -**	**$ 43**	**$ 11,315**	**$ 11,358**

(1) Amounts included cash and cash equivalents, cash and investments segregated for regulatory purposes and receivables due from brokers, dealers and clearing organizations. This amount does not include the amounts related to resale agreements.
(2) Amounts include available for sale securities and held to maturity securities.
(3) Amounts include bank loans and margin loans, and do not include unamortized premiums and discounts and direct origination costs.
(4) Amounts include the equities not subject to the market risk capital rule included in the table on page 16.
(5) Amounts represent commitments to extend credit to banking clients, purchase mortgage loans, and commitments to fund 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 and Instrument-Based Lending Portfolios.

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. 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 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 (unless the loans are well-secured and in the process of collection), or when the full timely collection of interest or principal becomes uncertain. When a loan is placed on nonaccrual status, the accrued and unpaid interest receivable is reversed 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. Nonaccrual loans are considered impaired assets, as it is probable we will not collect all amounts due.

The following table provides additional information on the geographic concentration of the mortgage lending portfolio within the United States.

	Mortgage Lending Portfolio				
		Nonaccrual			
(Dollars in Millions, Unaudited)	**LHFI** [1]	**Current or 30-89 Days**	**Past Due 90+**	**Total**	**Unfunded Commitments**
Pacific Region:					
California	$ 5,644	$ 2	$ 2	$ 4	$ 1,849
Washington	412	-	-	-	103
Other Pacific states	214	-	-	-	61
Total Pacific	6,270	2	2	4	2,013
South Atlantic Region:					
Florida	658	2	1	3	90
Georgia	246	-	-	-	39
Virginia	229	1	-	1	37
North Carolina	185	-	-	-	46
Other South Atlantic states	372	-	1	1	57
Total South Atlantic	1,690	3	2	5	269
Mountain Region:					
Colorado	489	-	-	-	133
Arizona	356	2	-	2	70
Nevada	254	1	-	1	32
Other Mountain states	205	-	1	1	42
Total Mountain	1,304	3	1	4	277
Middle Atlantic Region:				-	
New York	369	-	3	3	46
New Jersey	332	1	-	1	93
Other Middle Atlantic states	135	-	-	-	44
Total Middle Atlantic	836	1	3	4	183
East North Central Region:					
Illinois	323	-	1	1	94
Other East North Central states	245	-	-	-	90
Total East North Central	568	-	1	1	184
New England Region:					
Massachusetts	251	-	-	-	46
Connecticut	218	-	-	-	44
Other New England states	86	-	-	-	18
Total New England	555	-	-	-	108
West South Central Region:					
Texas	434	-	1	1	71
Other West South Central states	51	-	-	-	18
Total West South Central	485	-	1	1	89
West North Central	162	1	-	1	54
East South Central	121	-	-	-	27
Other	7				81
Grand Total	$ 11,998	$ 10	$ 10	$ 20	$ 3,285

(1) LHFI consists of the unpaid principal balance and does not include unamortized premiums and discounts and direct origination costs. The portfolio does not currently have any loans 90 days past due that are still accruing.

Securities and Instrument-Based Lending Portfolios

Collateral arrangements relating to margin loans and Pleaded 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 committed 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 securities and instrument-based lending portfolio within the United States.

	Securities and Instrument-Based Lending Portfolio	
(Dollars in Millions, Unaudited)	**LHFI (1)**	**Unfunded Commitments**
Pacific region:		
California	$ 5,805	$ 2,262
Washington	640	350
Other Pacific states	357	195
Total Pacific	6,802	2,807
South Atlantic region:		
Florida	2,648	750
Virginia	604	157
Georgia	468	143
Other South Atlantic states	943	407
Total South Atlantic	4,663	1,457
Middle Atlantic region:		
New York	2,046	482
Pennsylvania	661	234
New Jersey	643	243
Total Middle Atlantic	3,350	959
Mountain region:		
Nevada	732	124
Arizona	481	150
Other Mountain states	751	413
Total Mountain	1,964	687
East North Central region:		
Illinois	794	302
Ohio	450	178
Other East North Central states	666	236
Total East North Central	1,910	716
West South Central region:		
Texas	1,192	483
Other West South Central states	244	48
Total West South Central	1,436	531
New England Region:		
Massachusetts	427	187
Other New England states	713	196
Total New England	1,140	383
West North Central Region	826	272
East South Central Region	431	120
Other U.S. Territories	49	9
Foreign	746	-
Other	2,860	-
Grand Total	$ 26,177	$ 7,941

(1) LHFI consists of the unpaid principal balance. There are no loans that are past due or measured on a non-accrual basis.

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. The 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 MBS issued by FNMA and FHLMC, or guaranteed by 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 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.

Securitizations by exposure type :

(Dollars in Millions, Unaudited)	December 31, 2018 Carrying Value	December 31, 2018 Risk-weighted Asset Value
Mortgage-backed securities:		
Agency – Commercial	$ 22,251	$ 4,450
Agency – Residential	469	94
Non-agency – Commercial	1,172	1,172
Asset-backed securities:		
Auto	2,006	2,006
Credit Card	2,671	2,671
Student loan	10,322	2,077
Dealer floorplan	3,423	3,423
Mobile	864	864
Total securitizations	$ 43,178	$ 16,757

Securitizations by capital requirement and risk-weight bands:

(Dollars in Millions, Unaudited)	December 31, 2018 Carrying Value	Risk-Weighted Asset	Capital Impact of RWA [1]
20%	$ 33,042	$ 6,621	$ 530
100%	10,136	10,136	811
Total Securitizations	$ 43,178	$ 16,757	$ 1,341

[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 $903 million at December 31, 2018. The majority are classified as trading assets totaling $457 million 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 tax credit (LIHTC) investments of $338 million, investment in Federal Home Loan Bank of San Francisco (FHLB) stock totaling $32 million, and community reinvestment activities totaling $76 million. The LIHTC investments are accounted for using the proportional amortization method.

Equity Exposures by Type and Risk Weight:

	As of December 31, 2018			
(Dollars in millions, Unaudited)	**Non-Publicly Traded Exposures [1]**	**Publicly Traded Exposures [1]**	**Risk-Weighted Asset Amount**	**Capital Requirements [2]**
Simple Risk Weight Approach: [3]				
20% risk weight:				
Federal Home Loan Bank (FHLB) stock	$ 32	$ -	$ 6	$ 1
100% risk weight:				
Low-income housing tax credit (LIHTC) investments	338	-	338	27
Community Reinvestment Activities (CRA)	76	-	76	6
Marketable equity securities	-	2	2	0
Other investments	14	-	14	1
Other Risk-Weighting Approaches: [4]				
100% risk weight:				
Mutual funds	-	441	441	35
Total	$ 460	$ 443	$ 877	$ 70

[1] 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.
[2] Calculated by multiplying the risk-weighted asset by the total risk-based capital ratio of 8%, which represents the minimum to be adequately capitalized.
[3] The Company applies the simple risk-weight approach to equity exposures that are not mutual funds.
[4] The Company applies the simple modified look-through approach to equity exposures that are mutual funds.