

# Winter Business Update

January 27, 2023



CORPORATION

# Introduction

# Jeff Edwards

Managing Director, Head of Investor Relations

# Presenters



**Walt Bettinger**

Co-Chairman of the Board  
and Chief Executive Officer



**Rick Wurster**

President



**Joe Martinetto**

Managing Director,  
Chief Operating Officer



**Jonathan Craig**

Managing Director,  
Head of Investor Services and  
Marketing



**Stacy Hammond**

Managing Director,  
Investor Acquisition and  
Marketing



**Bernie Clark**

Managing Director,  
Head of Advisor Services



**Neesha Hathi**

Managing Director,  
Head of Wealth and  
Advice Solutions



**Peter Crawford**

Managing Director,  
Chief Financial Officer

# Agenda

1

**Walt Bettinger**, Strategic Update

2

**Rick Wurster**, Our Long-Term Sustainable Growth Model

3

**Joe Martinetto**, Ameritrade Integration and Scale

*Combined Q&A  
following Our Long-  
Term Sustainable  
Growth Model*

**15 Minute Break at 9:25 a.m.**

4

**Jonathan Craig**, Retail Investor Update

5

**Stacy Hammond**, Retail Acquisition Update

6

**Bernie Clark**, Advisor Services Update

7

**Neesha Hathi**, Wealth and Advice Solutions Update

*Combined Q&A  
following Retail  
Acquisition Update*

**20 Minute Break at 11:25 a.m.**

8

**Peter Crawford**, Financial Review and 2023 Outlook

# Question and Answer Reminders

## In-person Attendees

- In-person attendees are encouraged to **ask questions via mic runners during the live Q&A sessions**, but also have access to the console
- Similar to interim business update webcasts, please **adhere to the one question format** – we will circle back to capture additional questions

## Virtual Attendees

- Please plan to **submit questions via the console** located on the upper right-hand side of your webcast screen
- Questions can be submitted **during each speaker's prepared remarks** as well as **during the live Q&A sessions**



*\*Console within Webcast*

## Questions / Issues

- Email the Investor Relations team at: [Investor.Relations2@schwab.com](mailto:Investor.Relations2@schwab.com)

# Forward Looking Statements

This presentation contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements include statements that refer to expectations, projections or other characterizations of future events or circumstances and are identified by words such as “believe,” “expect,” “will,” “may,” “should,” “could,” “continue,” “growth,” “remain,” “sustain,” “enhance,” “estimate,” “potential,” “build,” “anticipate,” “lead,” “advance,” “assumption,” “enable,” “target,” “ongoing,” “illustrative,” “opportunity,” “formula,” “expand,” “drive,” “deliver,” “on track,” “achieve,” “bolster,” “align,” “consistent,” “upside,” “accelerate,” “position,” “projection,” “outlook,” “optimize,” “suggest,” “commitment,” and other similar expressions.

These forward-looking statements relate to: the company’s strategy and approach; growth in the client base, client accounts, and assets; business momentum; capital returns; the integration of Ameritrade, including current expectations regarding the timing of client transitions, the amount and timing of expense and revenue synergies, and the amount of the integration budget; key strategic initiatives to add scale and efficiency, win-win monetization, and client segmentation; the company’s views of and alignment to key industry trends, including broad trends, client views and the competitive landscape; opportunities; enhancing and expanding offers and solutions for clients and RIAs, including personalized solutions; positioning; investments in people, technology, and platforms to fuel and support growth, serve clients, and drive scale and efficiency; stockholder value; competitive advantages; disruptive actions; growth in revenues, earnings, and profits; business and financial models; market share; RIA growth; digital transformation; client use of the company’s wealth management, advisory and lending solutions; Ameritrade client asset consolidation; balancing near-term considerations with investments to drive long-term growth; Tier 1 Leverage Ratio operating objective; capital management; client cash sorting, including pace and magnitude; net interest margin and revenue; deposit betas; short-term funding; expense growth; 2023 financial outlook, including underlying assumptions and drivers and financial outcomes; estimated impact from revenue sensitivities; investment portfolio; and reinvestment yields.

These forward-looking statements, which reflect management’s beliefs, expectations, and objectives as of today, are estimates based on the best judgment of the company’s senior management. Achievement of the expressed beliefs, expectations, and objectives is subject to risks and uncertainties that could cause actual results to differ materially from those beliefs, expectations, or objectives. Important factors that may cause such differences are discussed in the company’s filings with the Securities and Exchange Commission, including the Annual Report on Form 10-K and Quarterly Reports on Form 10-Q. Other important factors include general market conditions, including equity valuations and the level of interest rates; the company’s ability to attract and retain clients and RIAs and grow those relationships and associated client assets; competitive pressures on pricing; the company’s ability to develop and launch new and enhanced products, services, and capabilities, as well as enhance its infrastructure, in a timely and successful manner; client use of the company’s advisory and lending solutions and other products and services; the risk that Ameritrade client transitions may not be completed when expected or not result in a positive client experience, expected expense and revenue synergies and other benefits from the Ameritrade acquisition may not be fully realized or may take longer to realize than expected, and that integration expense may be higher than expected; the failure to gain greater client wallet share; the company’s ability to support client activity levels and attract and retain talent; the level and mix of client trading activity; market volatility; client cash allocation decisions; client sensitivity to rates; the level of client assets, including cash balances; the company’s ability to monetize client assets; capital and liquidity needs and management; the company’s ability to manage expenses; the migration of bank deposit account balances; prepayment speeds for mortgage-backed securities; balance sheet positioning relative to changes in interest rates; loan growth; interest earning asset mix and growth; securities lending; integration related and other technology projects; compensation; deposit betas; bank deposit account breakage fees; daily average trades; margin balances; capital expenditures; regulatory guidance; the effect of adverse developments in litigation or regulatory matters and the extent of any charges associated with such matters; and any adverse impact from new legislation or rulemaking.

The information in this presentation speaks only as of **January 27, 2023** (or such earlier date as may be specified herein). The company makes no commitment to update any of this information.

# Winter Business Update



CORPORATION

# Strategic Update

# Walt Bettinger

Co-Chairman of the Board and Chief Executive Officer



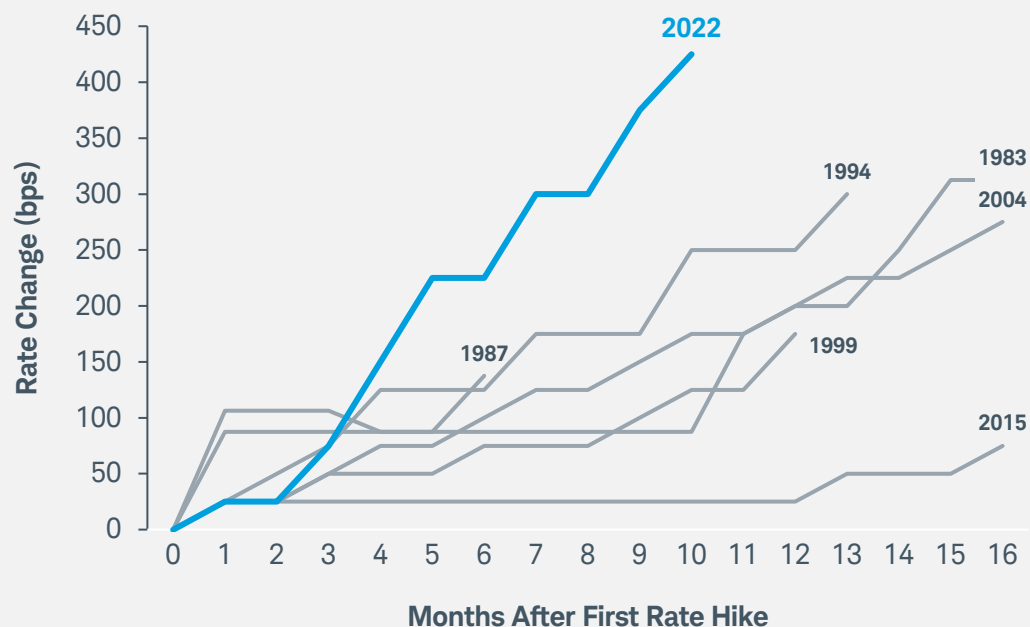
# Schwab's “Through Clients’ Eyes” strategy continues to power sustained growth.

- During 2022, the combination of our ongoing business momentum, resilient client engagement, and higher interest rates helped deliver record financial results amidst a challenging environment—bolstering Schwab's growth plus capital return story
- While completing the Ameritrade conversion is our top priority, we are still advancing other key strategic initiatives that will further enhance our wealth management experience for investors
- We have intentionally aligned our actions to key trends we believe will shape the investing landscape and, along with our consistent focus on clients, help us pursue the tremendous growth opportunities ahead of us

# 2022 was a challenging year for investors, with headwinds emerging on several fronts.

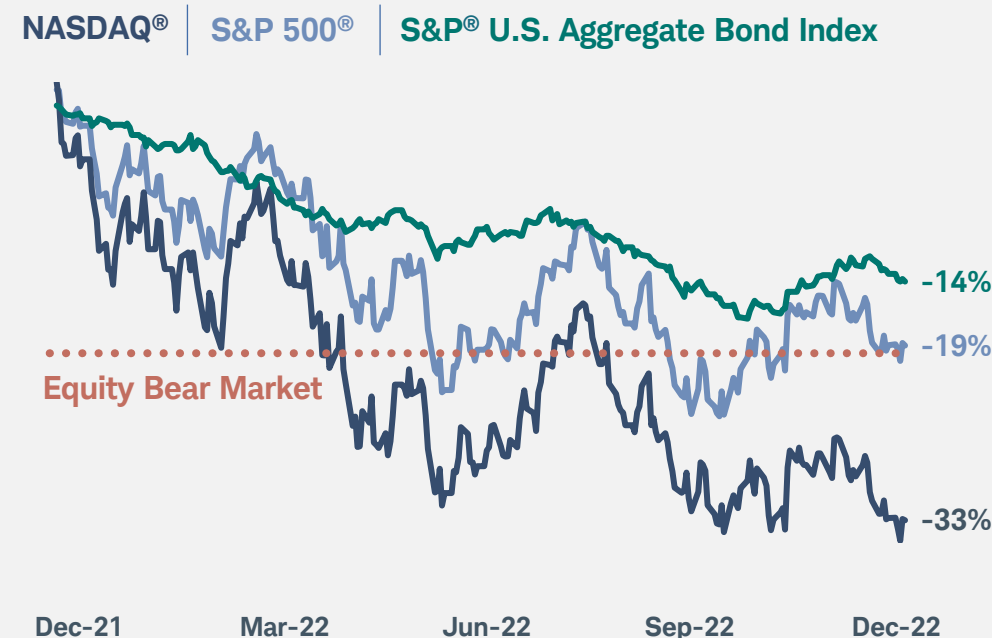
The Fed implemented its fastest pace of rate hikes in 40 years...

**Fed Funds Effective Rate Hikes (bps)<sup>1</sup>**



...and equity and bond markets experienced their worst years since 2008.

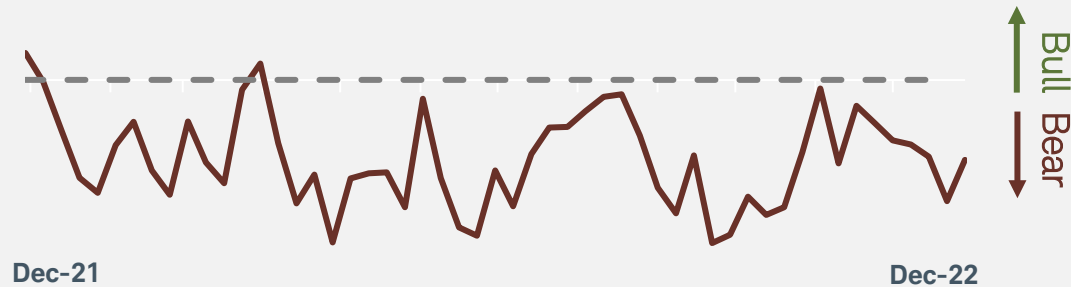
**Select 2022 Index Returns (%)<sup>1</sup>**



# While the difficult environment weighed on market confidence,...

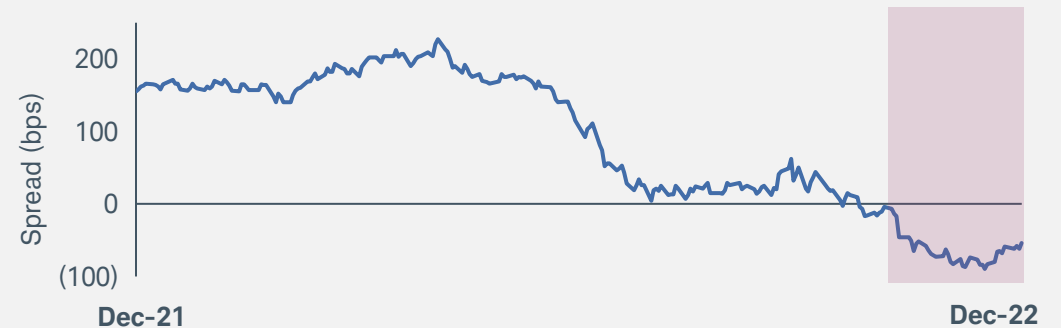
Near-term investor sentiment was bearish for most of the year...

**AAll® Bull-Bear Spread Sentiment Survey<sup>1</sup>**



...and concerns regarding longer-term economic growth prospects emerged.

**10-Year Treasury Minus 3-Month Treasury**



With 3-month Treasury yields moving higher than the 10-year Treasury yield during the year, the market indicated concerns regarding a possible recession.

# ...our clients remained engaged with our products and services.

2022



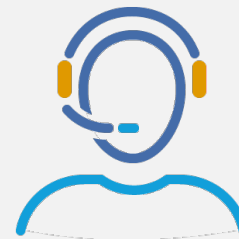
**\$428B** Core Net  
New Assets



**~1.1** Buy-Sell  
Ratio



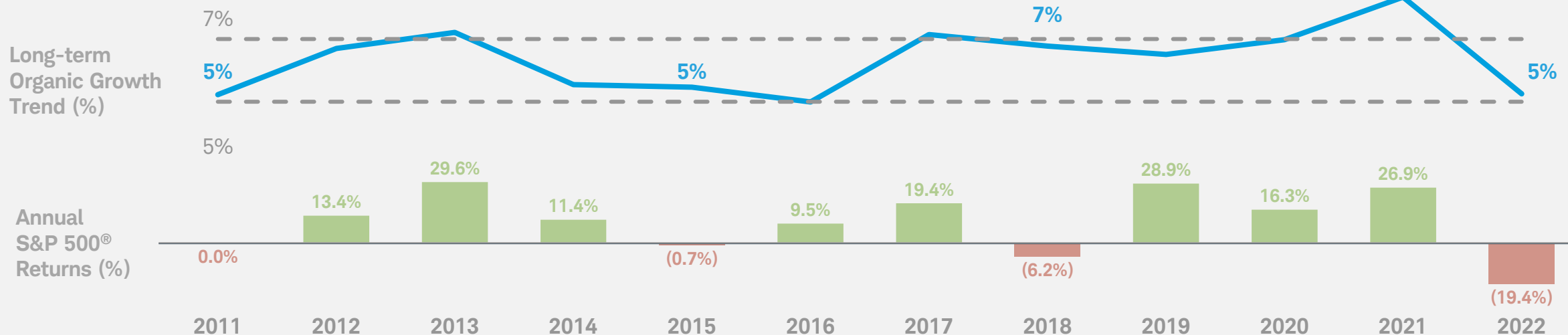
**5.9M** Daily  
Average Trades



**\$25.6B** Net  
Advised Flows

# Through the uneven environment, investors continued to turn to Schwab...

Organic Core NNA Growth Rates (%) versus S&P 500® Returns (%)<sup>1, 2</sup>



2022  
Highlights<sup>2</sup>

2<sup>nd</sup>

Highest  
Core NNA

2<sup>nd</sup>

Highest New  
Brokerage Accounts

>1.5

TOA Ratio Since  
October 2020<sup>2</sup>

+132%

Y/Y Increase in  
Avg. Account  
Funding<sup>3</sup>

Note: TOA = Transfer of Assets. Y/Y = Year-over-year. Avg. = Average. FY = Fully year. Core NNA = net new assets before significant one-time flows, such as acquisitions/divestitures or extraordinary flows (generally greater than \$10 billion) relating to a specific client. These flows may span multiple reporting periods. 1. 2020 gross new brokerage accounts exclude 1.1 million accounts and 14.5 million accounts directly acquired as part of the USAA and Ameritrade transactions, respectively. 2. Ameritrade contribution to FY20 results are from October 6, 2020 forward. 3. Calculated using year-to-date 3-month funding data ending October 31, 2021 and October 31, 2022.

...and they remained highly satisfied with our offers and services.

4Q22

Client  
Promoter  
Score

64

Investor Services

70

High-net Worth

62

Managed Investing

Easy  
Score<sup>1</sup>

>92

Rep  
Satisfaction<sup>2</sup>

83%

*Percent of calls that received  
the highest possible score*

Note: Q = Quarter. Rep = Representative and/or client service agent. 1. Easy Score represents a client's real-time rating of how easy it was to complete a specific task or transaction with the firm. 2. Rep Satisfaction is based on an OSAT score, or Overall Satisfaction of the Service Agent; the figure represents the percent of agent interactions receiving a 7 out of 7 score on the post interaction survey to the question, "Overall, how satisfied were you with the service provided?". Charles Schwab Corporation

# We also earned industry accolades.



**Ranked #1 in Customer Service<sup>1</sup>**

*Awarded by Investor's Business Daily®*



**Highest in Customer Satisfaction with  
Checking Accounts for Direct Retail Banks,  
4 years in a row<sup>2</sup>**

*Awarded by J.D. Power*

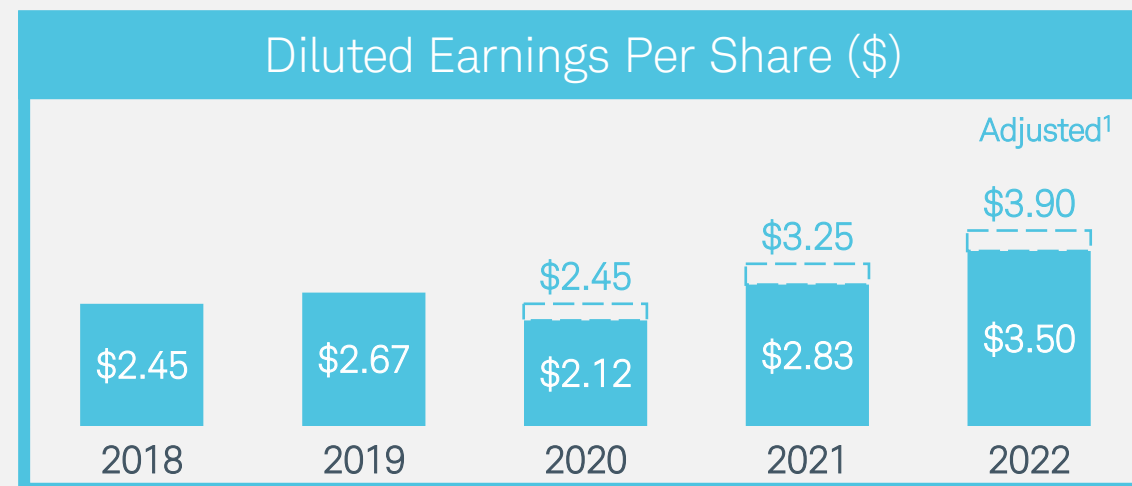
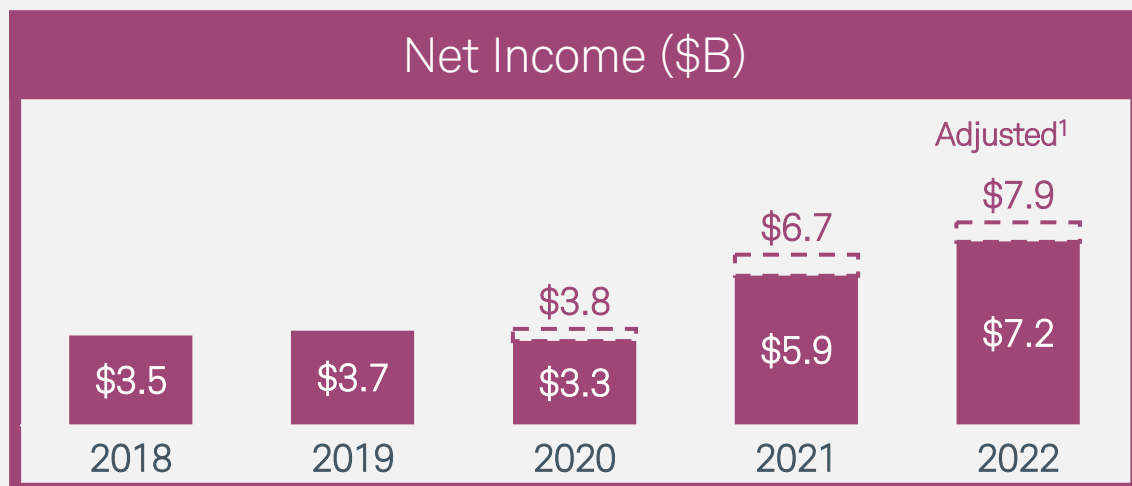
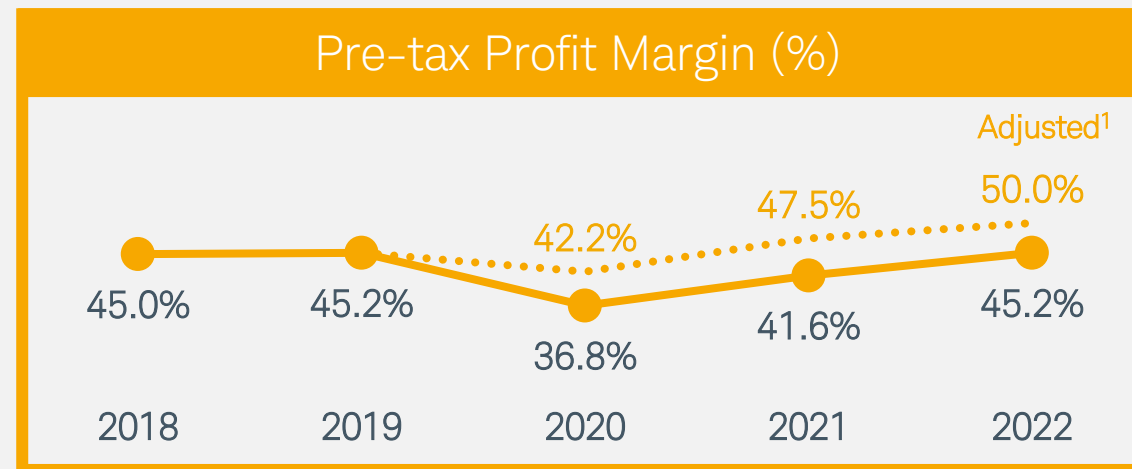
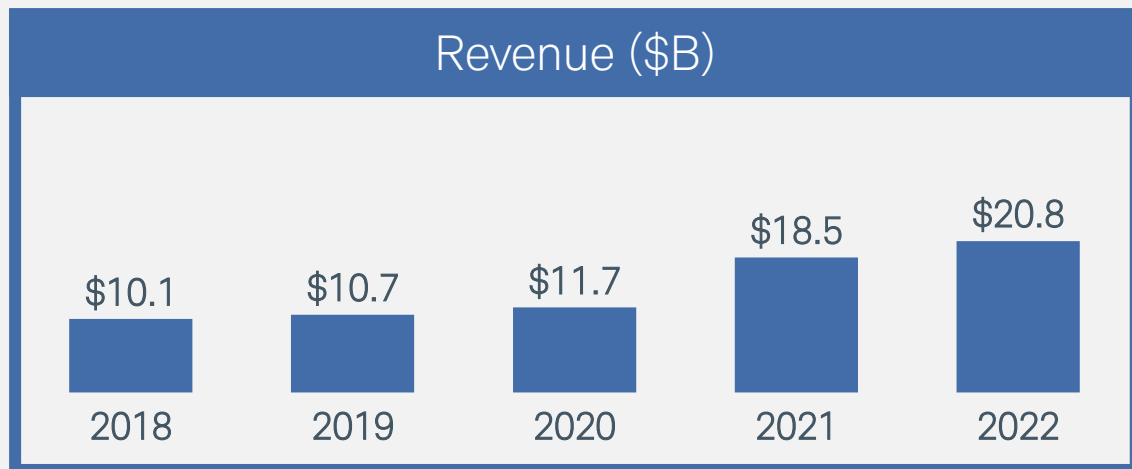


**Best Customer Service –  
Charles Schwab Bank**

*Awarded by Newsweek*

Note: 1. Credit Notice: From Investor's Business Daily, January 24, 2022, 2022 Investor's Business Daily, Inc. All rights reserved. Used by permission and protected by the Copyright Laws of the United States. The printing, copying, redistribution or retransmission of this Content without express written permission is prohibited. Third-party accolade award was given on January 24, 2022 and is for a 15-month timeframe. The criteria, evaluation, and ranking were determined by Investor's Business Daily. <https://www.investors.com/news/best-online-brokers-2022> Schwab paid a licensing fee to York Graphic Services, LLC. for use of the award and logos. 2. Charles Schwab Bank received the highest score in the checking segment of the J.D. Power 2019-2022 (tied in 2022) U.S. Direct Banking Satisfaction Studies of customers' satisfaction with branchless banks. Visit [jdpower.com/awards](https://jdpower.com/awards) for more details. The J.D. Power 2022 U.S. Direct Retail Banking Satisfaction Study is independently conducted, and the participating firms do not pay to participate. Use of study results in promotional materials is subject to a license fee.

# Our sustained business momentum generated record full-year financial results.



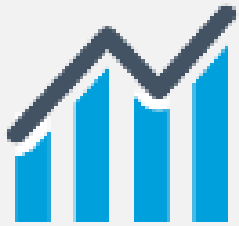
Note: B = Billions. 1. Further detail on non-GAAP financial measures and a reconciliation of such measures to reported results are included on slides 142-150 of this presentation.

Charles Schwab Corporation



We are ready to start the Ameritrade conversion next month and we continue to advance our key strategic initiatives.

Scale &  
Efficiency



Win-Win  
Monetization



Client  
Segmentation



Further **enhancing our offer** to clients positions us to keep **building long-term stockholder value**.

# Guided by our consistent strategy, Schwab remains well-positioned in the marketplace...

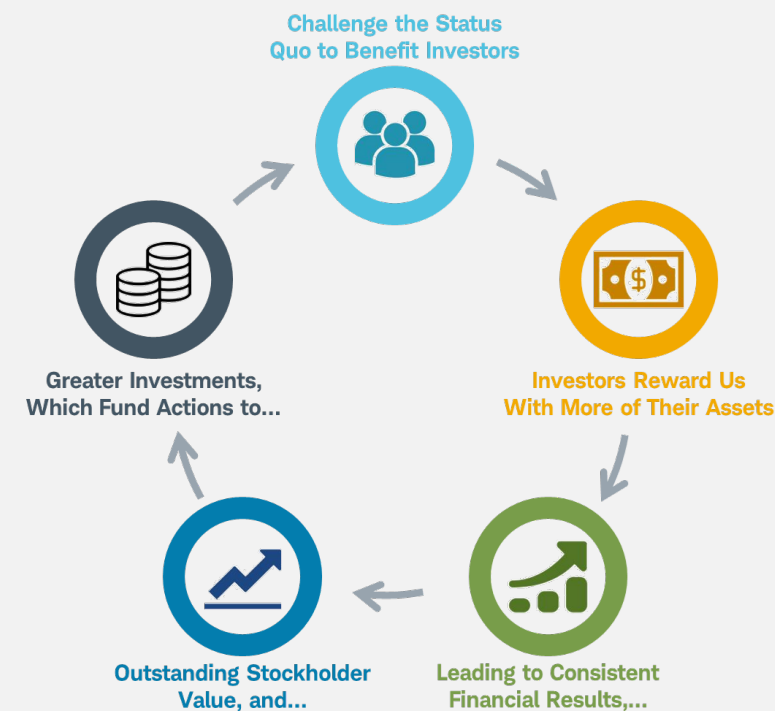
Our competitive advantages provide a solid foundation...



...as our “no trade-offs” approach continues to resonate with clients,...



...helping to fuel our Virtuous Cycle.



# ...and our intentional alignment to key industry trends helps support our long-term growth trajectory.



## Broad Trends

- Relationships matter
- New “normal” for trading activity
- Strong growth of self-directed and RIA managed investors
- Low-cost beta products
- Brand alone isn’t enough



## Client Views

- Omni-channel experience
- Best-in-class service
- Financial planning
- Personalized investing
- Role of trading
- Financial wellness



## Competitive Landscape

- Scale
- Breadth of platform
- Lending
- Continued rapid growth of RIAs
- People + technology
- Value-oriented advice

# Schwab's “Through Clients’ Eyes” strategy continues to power sustained growth.

- During 2022, the combination of our ongoing business momentum, resilient client engagement, and higher interest rates helped deliver record financial results amidst a challenging environment—bolstering Schwab's growth plus capital return story
- While completing the Ameritrade conversion is our top priority, we are still advancing other key strategic initiatives that will further enhance our wealth management experience for investors
- We have intentionally aligned our actions to key trends we believe will shape the investing landscape and, along with our consistent focus on clients, help us pursue the tremendous growth opportunities ahead of us

# Winter Business Update



CORPORATION

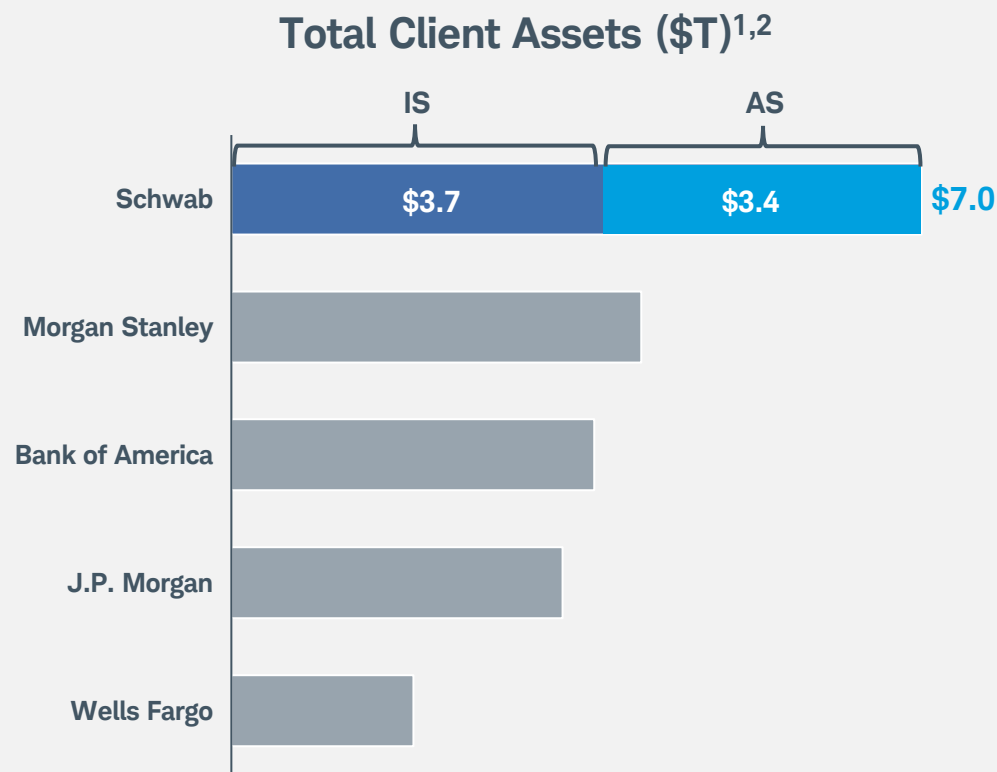
# Our Long-Term Sustainable Growth Model

## Rick Wurster

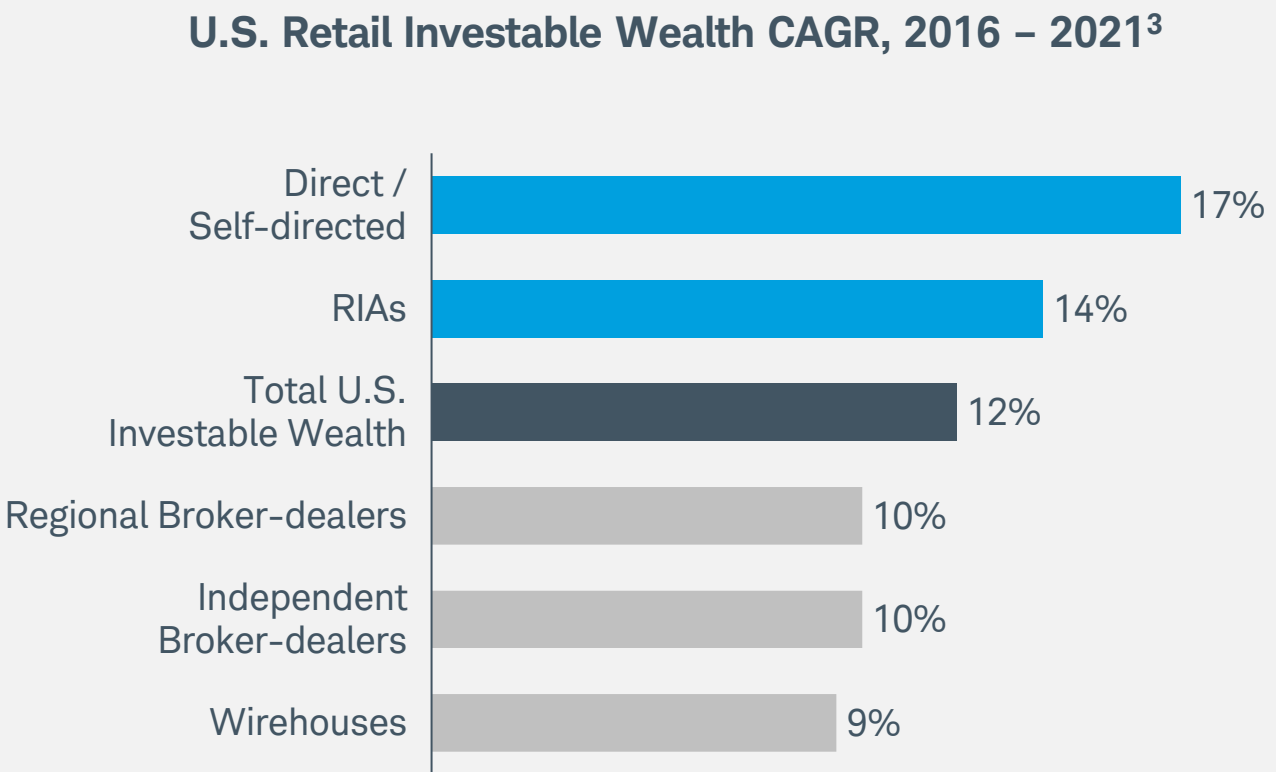
President

# We are a leader in serving retail and RIA clients in a growing marketplace.

Schwab is one of the largest publicly-traded providers focused on the needs of individual investors in the U.S....



... and we are aligned with the two fastest growing segments of the U.S. retail market.



Note: T = Trillions. IS = Investor Services. AS = Advisor Services. CAGR = Compound Annual Growth Rate. RIA = Registered Investment Advisor. 1. Schwab total client assets may not add due to rounding of underlying business segments. Represents publicly traded companies. Sourced via Cerulli, ICI, company filings, investor presentations, and other third-party databases. 2. As of December 31, 2022. Morgan Stanley figures reflect Wealth Management segment; Bank of America figures include Global Wealth Investment Management and Merrill Edge results; J.P. Morgan figures include Retail and Private banking assets from Asset Wealth Management and client investment assets from Consumer and Community Banking segment; institutional client assets excluded; Wells Fargo figures represent Wealth and Investment Management Segment. 3. Source Cerulli and internal Schwab projections.

# We deliver an attractive combination of value, service and choice.

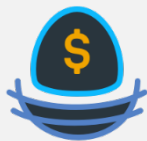
We believe our “no trade-offs” approach to meeting clients’ needs will continue to resonate with investors,...



**Deliver for retail clients** via branches and FCs, digital experiences, 24/7 support and full-service capabilities



**Deliver for RIA clients** with no custody fees, practice management support, industry advocacy and premier banking

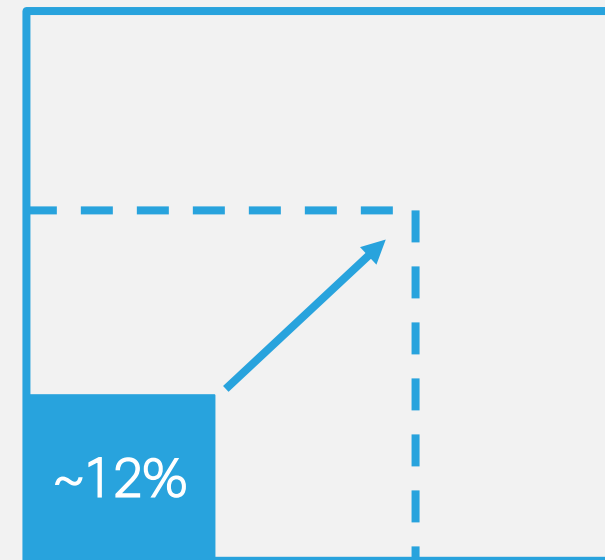


**Deliver for Workplace participants** with Financial Wellness, solid platforms and best-in-class service

**>1.5X**  
TOA ratio since  
the Ameritrade  
deal closed<sup>1</sup>

... keeping us positioned to capture meaningful upside for years to come.

U.S. Retail Wealth: ~\$60T<sup>2</sup>



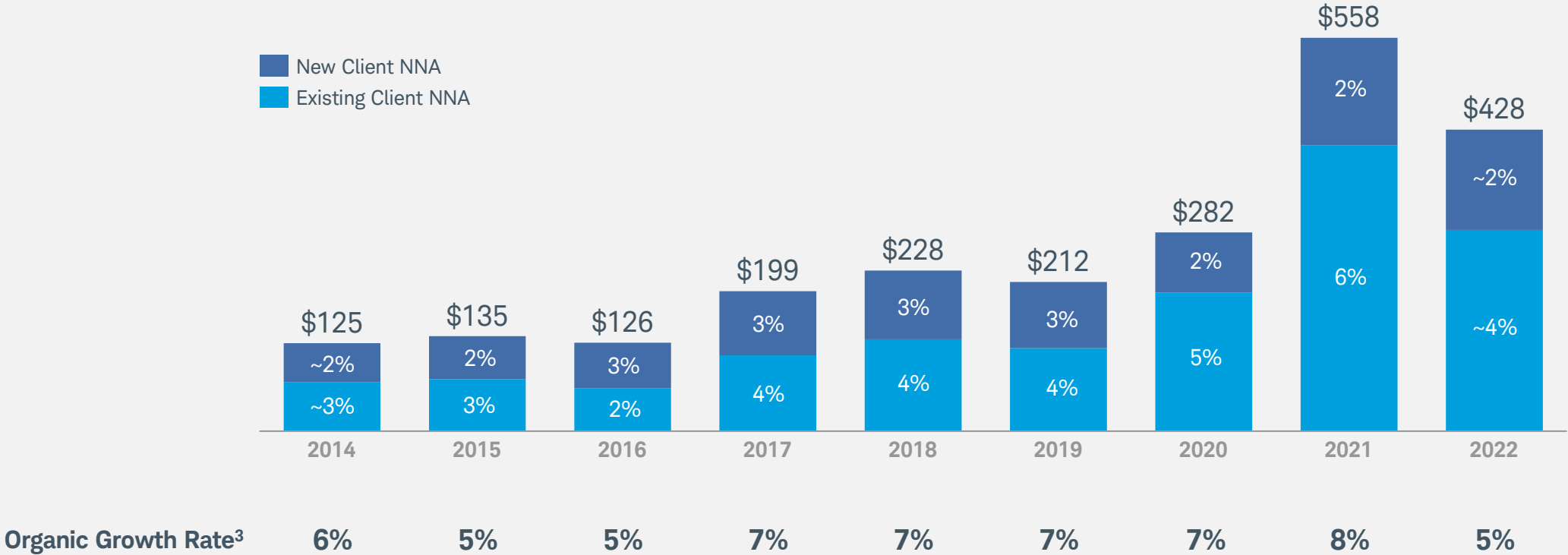
Current market  
share estimate



# The Virtuous Cycle has driven our 5-7% organic growth over time...

We have generally seen a healthy 3-5% growth rate from existing clients alone.

Core Net New Assets (\$B) and Contribution to Organic Growth Rate by New and Existing Clients<sup>1,2</sup>



Note: B = Billions. NNA = Net New Assets. 1. New to Firm Clients NNA = NNA generated during the month in which the household is opened, plus the subsequent two months. Core NNA = net new assets before significant one-time flows, such as acquisitions/divestitures or extraordinary flows (generally greater than \$10 billion) relating to a specific client. These flows may span multiple reporting periods. Organic growth rate shown on an annualized basis 2. Full-year reported results only include Ameritrade from the transaction closing on October 6, 2020 forward. 3. Total may not sum due to rounding.

# ...and we are well positioned to continue winning with both existing and new clients.

Our strengths drive our ability to continue to attract new assets from **existing clients**...



## Younger client base

Average retail client is under 50<sup>1</sup> years old and 57%<sup>1</sup> of new retail clients are <40



## Valuable dedicated relationships

Dedicated FC relationships drive 2.5X more NNA<sup>2</sup> and higher retention



## Strong RIA growth

The RIA model continues to win; expected top growth drivers are acquiring new clients and increasing assets from existing clients<sup>3</sup>

...and to continue to attract **new clients** to Schwab.



## Our brand

Schwab was built around a simple idea: put the client first



## Proven acquisition model

Our diversified retail acquisition model is a proven engine to acquire new assets



## Workplace pipeline

We have an attractive opportunity to continue growing our Workplace business



## Commitment to RIAs

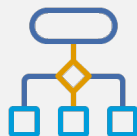
We attract new advisors with supported independence, open-architecture and relevant experiences

Note: NNA = Net New Assets. FC = Financial Consultant. RIA = Registered Investment Advisor. 1. Represents Schwab and Ameritrade clients; based on full-year 2022. 2. Existing HHs Direct-to-consumer Retail only; based on the trailing twelve-month average as of 12/31/2022 for \$1M - \$10M Active Practice vs. Unassigned (Marketing, Non-Practice, Unassigned) HHs 3. Schwab Advisor Services' [2022 Independent Advisor Outlook Study \(IAOS\)](#).

# Executing on key initiatives within our strategic focus areas will help accelerate our growth in the long-term.



## Scale & Efficiency



Advance integration efforts



Continue to make it easier for clients to 'do business' with us



Enhance our operating model to support future growth



## Win-Win Monetization



Deliver a continuum of wealth management experiences



Grow our asset management offerings



Expand lending activity and capabilities



## Client Segmentation



Meet the evolving needs of our higher net worth clients



Build on our strengths in key client segments (e.g., traders)



Provide tailored solutions and experiences for RIAs of all sizes

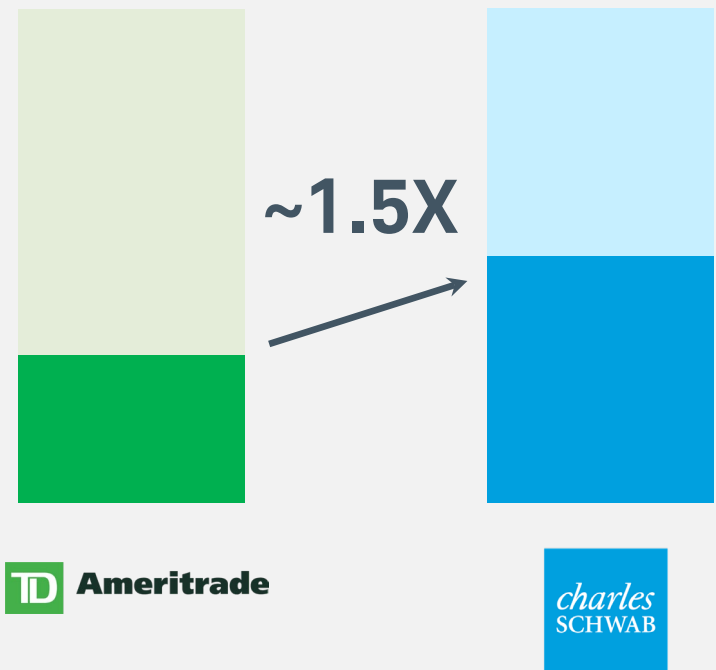


# Following client conversion, we expect Ameritrade clients to bolster organic growth for years to come.

Schwab has a higher share of our retail clients' total assets...

...and introducing Ameritrade clients to the broader capabilities of the combined firms could result in asset consolidation.

Share of Clients' Total Assets<sup>1</sup>



Schwab could capture as much as

**\$500B+**

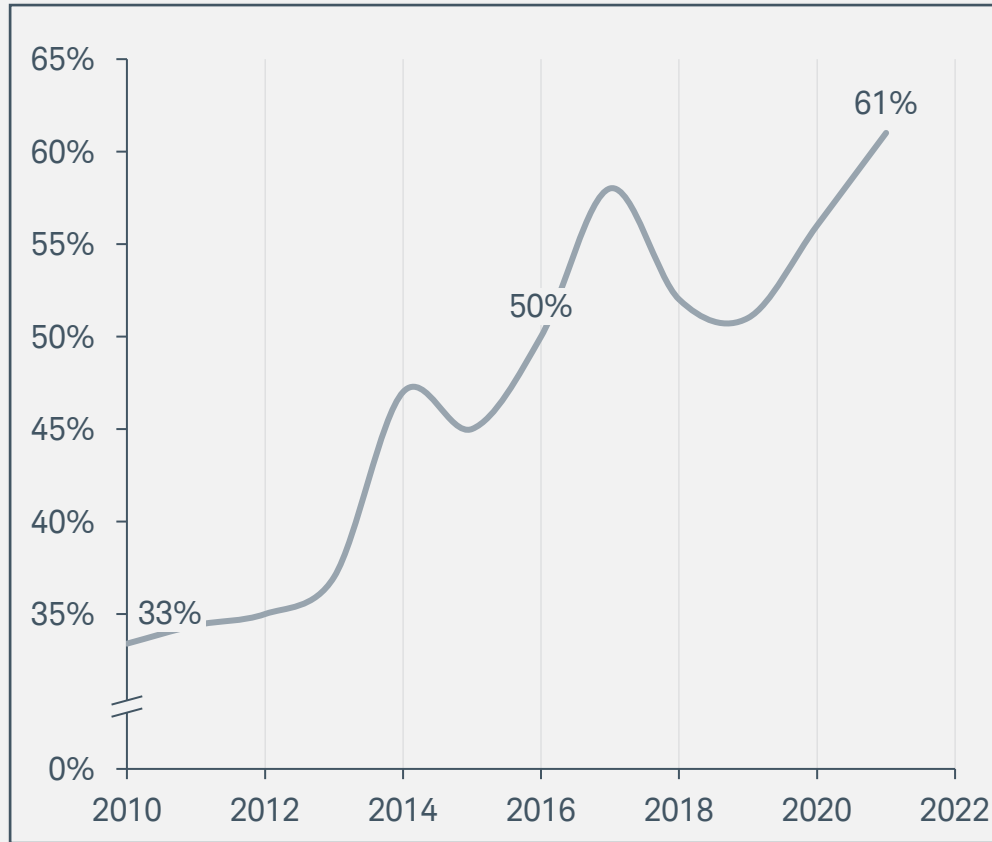
of held-away assets by bringing Ameritrade clients to share of wallet parity<sup>2</sup>

Note: B = Billions. 1. Represents increasing the percentage of Ameritrade clients' assets held at Schwab vs the clients' total investable assets. 2. Illustrates a one-time increase of NNA as a result of increasing share of Ameritrade client total assets held at Schwab.



# There is growing client demand for wealth management, which helps support our diversified model.

U.S. retail investors' willingness to pay for advice<sup>1</sup>



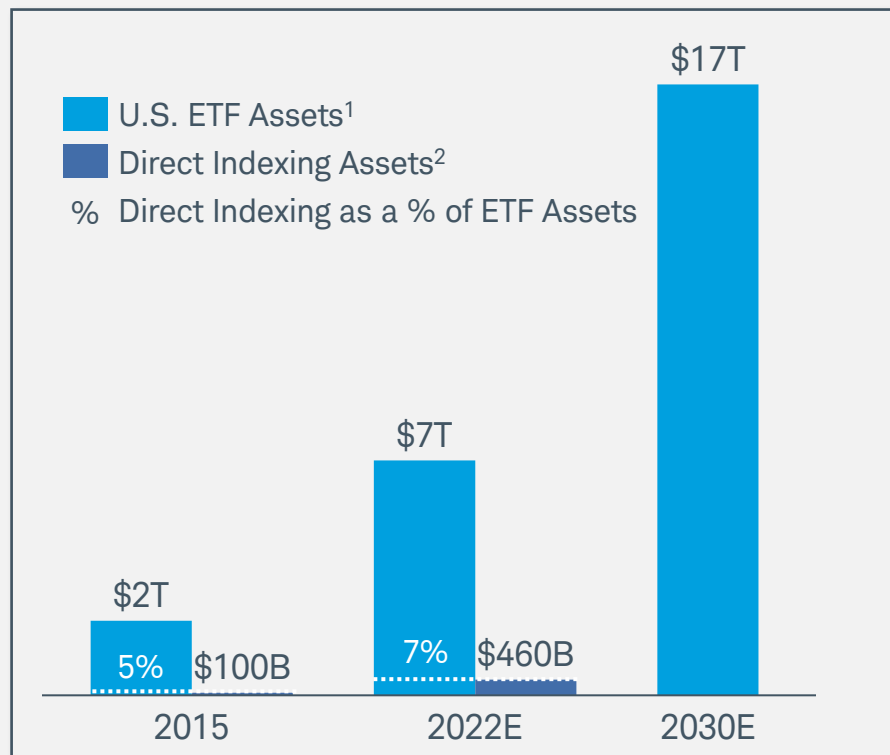
Today, **19%** of Schwab and **7%** of Ameritrade retail investor assets are in Advised Solutions<sup>2</sup>

**Each 1% increase could drive  
~\$125M - \$200M in incremental  
annual revenue<sup>3</sup>**



# We should be a leader in the effort to deliver more personalized solutions to clients.

Today, assets in Direct Indexing represent approximately **7%** of the U.S. ETF market...



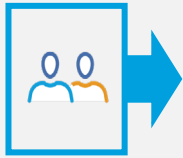
...and we believe the market will grow as investors learn about the potential benefits Direct Indexing can offer.

Potential size of the Direct Indexing market based on an estimated \$17T U.S. ETF market <sup>2</sup> :	
If Direct Indexing is...	...that represents a...
<b>7%</b> of the ETF market	<b>\$1.2T</b> market opportunity
<b>15%</b> of the ETF market	<b>\$2.6T</b> market opportunity
<b>25%</b> of the ETF market	<b>\$4.3T</b> market opportunity

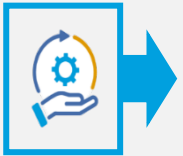


# Bank lending represents a key client need that provides a growth opportunity for Schwab.

## Our lending strategy is designed to meet clients' needs,...



Attractive Rates and Approval Time



Enhanced Digital Experience



Tailored Service Model

## ... delivering key accomplishments in 2022...

- ✓ Rollout of the Ultra High Net Worth Senior Lending Teams
- ✓ Expanded ability of Ameritrade FCs to offer PAL and Mortgage loans to clients
- ✓ Decreased asset-backed loan approval times by up to 75%
- ✓ Launched DocuSign® 2.0 for PAL applications

## ... and providing future growth opportunity.

### Today (Q4 2022 avg)

- Bank loans: \$40.5B (0.6% of total client assets)
- Avg Yield: 3.59%
- Total annualized revenue: \$1.46B

### Potential Opportunity<sup>1</sup>

- Opportunity to deploy our balance sheet into higher-yielding assets
- Industry comparisons suggest opportunity for bank lending to reach 3.5% of client assets – an incremental **\$1.5B - \$2.0B in revenue<sup>1</sup>**



# Meeting the specific needs of key client segments will support our long-term asset growth.

## Traders are a highly engaged client segment...

Average  
HH NNA

6.5X

Average  
HH Assets

3.3X

ROCA

2.7X

vs. retail HHs ex-trader<sup>1</sup>

...and we continue to invest to provide them with the world-class trading experience they expect.



Powerful platforms and tools, anchored by thinkorswim™



Dedicated service from experienced trading professionals



Education and financial content for all levels of experience

## U/HNW investors are a fast-growing client segment...

2X

TOA with  
wirehouses<sup>2</sup>

...and we are creating differentiated experiences to support their unique needs.



Service via a dedicated support model



U/HNW-focused investment solutions



Specialized offerings (e.g., tax and estate planning)



# Powered by our “Through Clients’ Eyes” strategy, we see a clear path to continued long-term growth.

## Our “no trade-offs” approach fuels the Virtuous Cycle and helps us win in the marketplace.



**3-5%**

Annual NNA growth from existing clients



**2-3%**

Annual NNA growth from new clients

## Meaningful investments in our key strategic initiatives position us for future growth.



**\$500B+**

Ameritrade share of wallet NNA opportunity



**\$1-2B+**

Wealth management revenue opportunity



**\$1.5-2.0B**

Bank lending revenue opportunity

**Our approach positions us to attract and serve more investors as well as deepen relationships with clients – resulting in enhanced long-term value for both clients and stockholders.**

# Q&A

# Winter Business Update



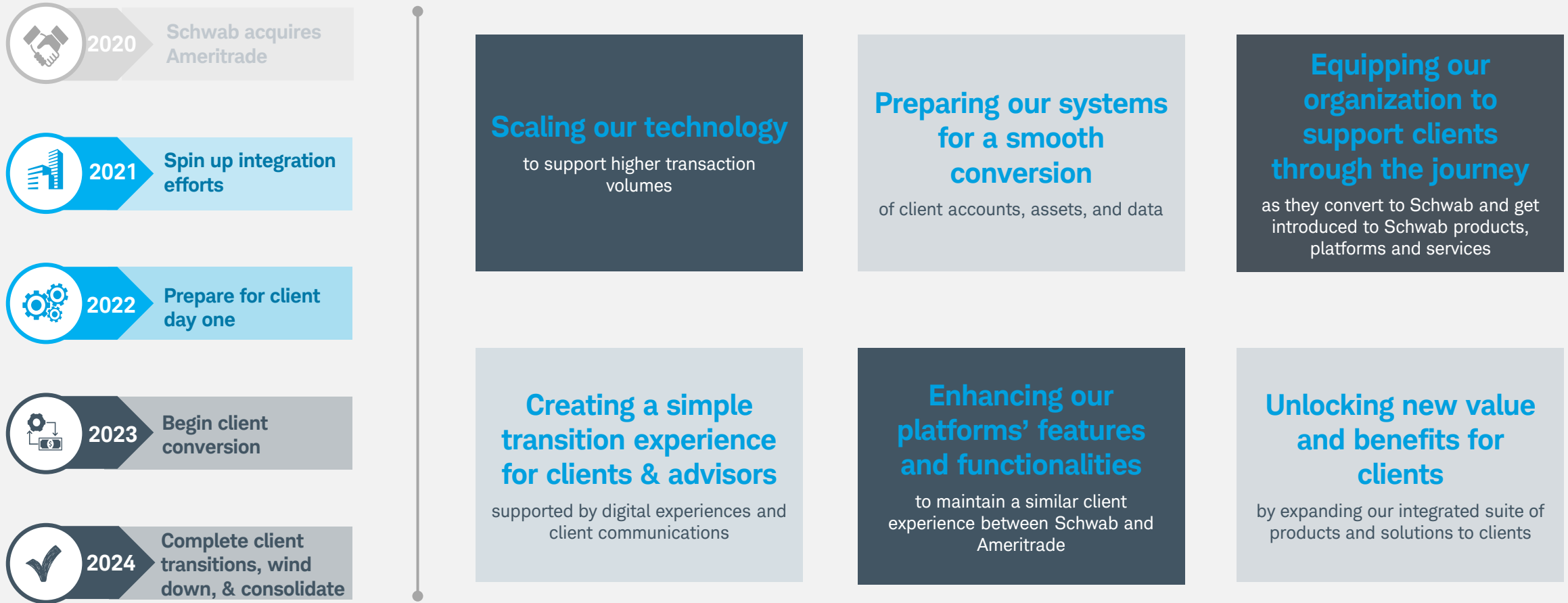
CORPORATION

# Ameritrade Integration and Scale

## Joe Martinetto

Managing Director, Chief Operating Officer

# We have made significant progress on the Ameritrade integration over the past two years.



# We are on track to transition the vast majority of client accounts over the course of 2023...



We are ready to convert ~500K client accounts in February 2023...

- **99%+** success rate in converting accounts & assets automatically during practice run, with the remaining <1% to be converted manually
- **10M+** communications distributed to clients to help them plan & prepare
- **8+** digital experiences launched to help clients navigate the transition
- **11K+** employees trained to support clients through the transition

... and are on track to migrate remaining accounts in four subsequent transition groups.

**Three** larger groups in the remainder of 2023, all scheduled to avoid investing and trading disruptions  
*(Advisors and their clients' accounts will convert in the September 2023 transition group)*

**One** small group of client accounts in the first part of 2024, concluding client transitions

We are committed to creating a simple conversion experience for clients across all transition groups.

Note: K = Thousand. M = Million. 1H = First half.

# ...and achieve our run-rate synergy goals.

## EXPENSE SYNERGIES

We are on track to achieve **\$1.8B - \$2.0B** in run-rate expense synergies by the end of 2024

**~65%**  
of run-rate expense synergies achieved as of Q4 2022

Largely driven by:

- Rationalization of Schwab & Ameritrade branches
- Reduction of Ameritrade marketing spend
- Team consolidations & efficiencies

Majority of remaining synergies will take effect post client & advisor transitions, enabled by:



Wind-down of legacy technology infrastructure



Further streamlining of expenditures such as marketing and third-party spend



Efficiency gains from scale investments



Further team consolidations

## REVENUE SYNERGIES

We are tracking towards our run-rate revenue synergies projection of **\$2.5B - \$2.8B**

**~\$200M**  
run-rate revenue synergy through 2021

**\$350M+**  
run-rate revenue synergy through 2022

Largely driven by:

- Bank Deposit Account (BDA) balances
- Harmonization of OTC securities pricing
- Securities lending activity
- Introduction of banking products to Ameritrade clients

Our long-term outlook remains strong, with majority of remaining synergies enabled by:



Incremental benefits from existing drivers



Strong interest amongst Ameritrade clients in **Schwab offerings**



Strong interest amongst Schwab clients in **Ameritrade trading capabilities**



Greater client **wallet share**

We are on target to deliver our integration work within our committed \$2.4-2.5B budget.

# While integration remains a priority, significant progress has been made with other transformation efforts.

## Application Modernization

Continued migration of core functional and transaction processing code off mainframe and on to distributed private cloud platform.

## Legacy Retirement

Continued efforts to retire legacy trading failover environment.

## Public Cloud Migration

Commenced execution of cloud migration, including moving Data Warehouse (DW) to public cloud.

## Scale and Resiliency

Improved resiliency posture by implementing zone-region data center strategy and starting to scale zones.

### Highlights

**~75%** of **critical functionality completed** as of Q4 2022

**Remaining ~25%** planned for delivery by **first half of 2023**

Legacy **failover functionality** and **equipment retired** from Phoenix Data Center; **Disaster Recovery successfully tested** in Texas Data Center

**~75%** of **customer and account data migrated** as part of DW migration

**6** additional **workloads targeted** for migration

**Two fully scaled zones** on track for completion in the **AZ** Data Center region

On track to implement **one fully scaled Data Center Zone** in **TX** by early 2023



Over the next 3 to 5 years, we see significant opportunities to optimize and modernize our technology.

1

---

### Ameritrade Integration

- Refactoring of order management systems
- Rationalization of data centers and applications

2

---

### Public Cloud Migration

- Continued migration of top workloads
- Cloud foundations

3

---

### Efficiency and Automation

- Ongoing automation and efficiency improvements

4

---

### Broker Dealer Modernization

- Modernization of books and records for the broker dealer and workplace solutions

# Q&A

# BREAK

# Winter Business Update



CORPORATION

# Retail Investor Update

## Jonathan Craig

Managing Director, Head of Investor Services and Marketing

# The Retail business has achieved significant size and serves a broad set of clients.

Schwab Retail At a Glance

\$3.2T in Client Assets

|

24.7M+ Active Brokerage Accounts

|

\$176.1B in 2022 Core Net New Assets

## We offer an extensive set of capabilities to all our clients

Advisory and trading solutions	Asset management and financial planning	Banking	Omni-channel service	Great value and relationship pricing	Investor education and insights
--------------------------------	---	---------	----------------------	--------------------------------------	---------------------------------

## Complemented by segmented solutions for each

### Select examples

New Investor	Mass Affluent	Trader	High Net Worth
<ul style="list-style-type: none"><li>No account fees / minimums</li><li>Fractional trading</li><li>Schwab Starter Kit™</li></ul>	<ul style="list-style-type: none"><li>Portfolio management solutions</li><li>Access to a relationship</li><li>Subscription-based planning</li></ul>	<ul style="list-style-type: none"><li>Award winning trading platforms</li><li>Trading specialists/education</li><li>Futures, forex, derivatives</li></ul>	<ul style="list-style-type: none"><li>Specialized relationship models</li><li>Wealth management</li><li>Preferential pricing and products</li></ul>

Note: M = Million. B = Billion. T = Trillion. Forex = Foreign Exchange.

# In 2022, we delivered strong results,...

## Client fundamentals were strong...

### Core Net New Assets



2022  
**\$176.1B**

3 YR  
CAGR

+28%

### New To Firm Retail Households



1.2M

+7%

### Daily Average Trades

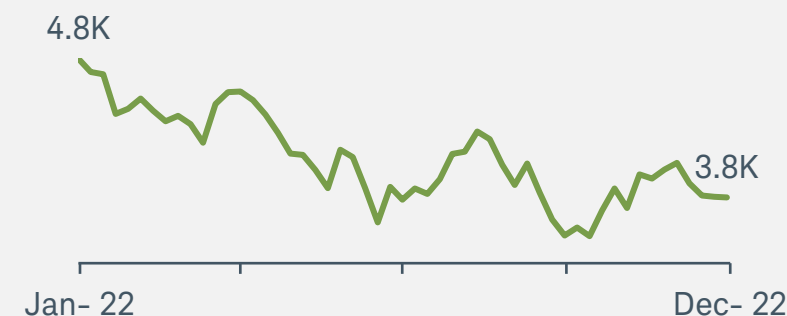


4.6M

+55%

## ...in the face of meaningful headwinds.

### S&P 500® down 19% in 2022



## Supported by strong industry recognition...



Rated a Top Broker and  
Ranked #1 in Customer Service in 2022

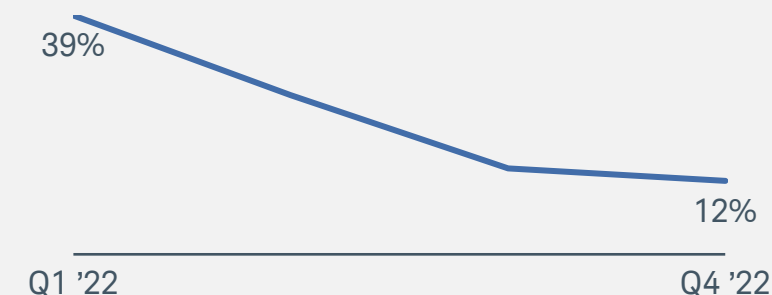
## ...and client satisfaction

### Client Promoter Score<sup>2</sup>



65

### Retail investors bullish outlook<sup>1</sup> down in 2022



Note: K = Thousand. M = Million. B = Billion. CAGR = Compound Annual Growth Rate. Yr = Year. Q = Quarter. S&P = Standards and Poor's. 1. Based on Schwab Survey – Client Sentiment Trends – Retail Investors & Traders Q4 2022. 2. 2022 average Schwab Investor Services value weighted Client Promoter Score. Disclosure: From Investor's Business Daily, January 24, 2022, 2022. All rights reserved. Used by permission and protected by the Copyright Laws of the United States. The printing, copying, redistribution or retransmission of this content without express written permission is prohibited. The "S&P 500® Index" is a product of S&P Dow Jones Indices LLC or its affiliates ("SPDJI"), and has been licensed for use by Charles Schwab & Co., Inc.

# ...were there for our clients,...

## Our people **were there for** our clients.



**24 seconds** average speed to answer<sup>1</sup> in our contact centers



**2.3K** Financial and Wealth Consultants acting as trusted partners

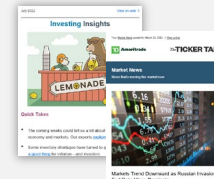


**165K+** financial plans<sup>5</sup> delivered

## We provided our expertise and insights in our **clients' channel of choice**...

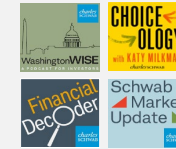
### Insights & Education

Investing, trading, and personal finance



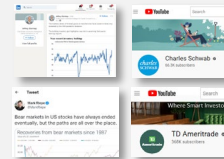
### Podcasts

Behavioral finance and education, Washington policy and daily market activity



### Social Media

Experts and informative videos across many social platforms



### Live Network

Live and on-demand content on markets, trading strategies and general education



## ...and achieved **record** client engagement.

**196M**

Proactive client email outreach



**113M**

Engagement with expert insight<sup>2</sup>



**3M**

Podcast downloads



**843K**

Followers across social media platforms<sup>3</sup>



**31M**

Views on TD Ameritrade Network<sup>4</sup>





# ...made significant enhancements to our offer,...

## Wealth Solutions



Relaunched our premier advisory offer, Schwab Wealth Advisory™, formerly Schwab Private Client™



Enhanced financial planning offer, including launching Action Center

## New Proprietary Offers



Launched Schwab Personalized Indexing™



Launched Schwab thematic investing stock lists

## Client Service



Hired 2.4K+ service employees<sup>1</sup>



Deployed new cloud-based telephony platform



Launched Intelligent Assistant

## Digital Experiences



Modernized navigation, search, and research



Streamlined trading; launched all-in-one ticket



Enhanced thinkorswim® platform

## Relationship Models



Assigned more clients to relationships with Financial Consultants



Continued to modernize, expand, and integrate branch network

# ...and continued to prepare for the Ameritrade conversion.

We **completed dual registration<sup>2</sup>** of our Ameritrade Reps,...

*Enabling Ameritrade Reps to offer Schwab investing and banking solutions*

...prepared our teams and clients for conversion,...



**Combined service teams** and aligned training and licensing approach



Created new internal **Knowledge Management** system



Delivered **new capabilities on web and app** to close **gaps for converting clients**



**Harmonized pricing and policies** to minimize change at client conversion

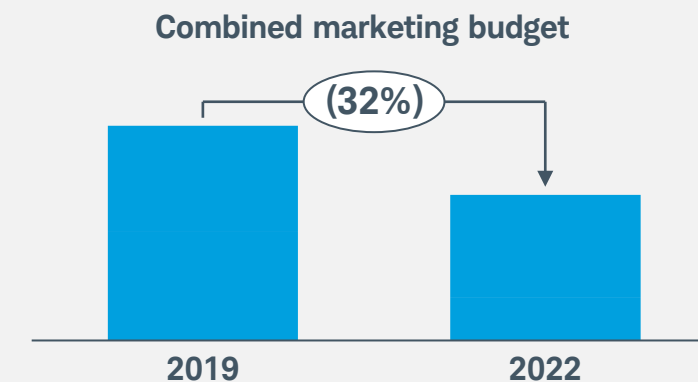
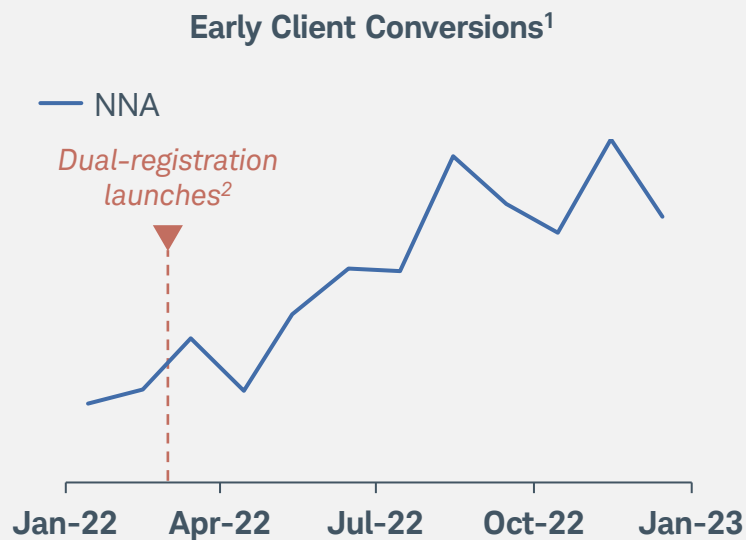
...and achieved significant **marketing synergies.**



Completed consolidation of **vendors and marketing technology platforms**



Continued to **deliver marketing synergies via reduced marketing spend**

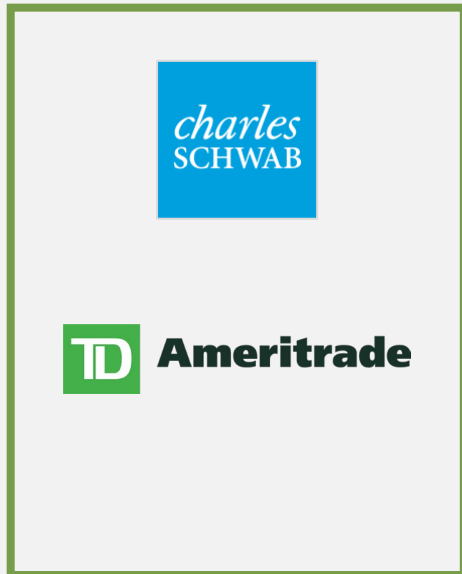


Note: NNA = Net New Assets. 1. Flows from Ameritrade into Charles Schwab Retail of \$1,000 or more. Indexed to Jan 2022. 2. Dual registration began in March 2022.

Charles Schwab Corporation

# In 2023, our focus is twofold.

Successfully **execute the biggest integration** in our history...



...and further **advance our core business** with a focus on our three key strategic initiatives.

Scale &  
Efficiency



Win-Win  
Monetization



Client  
Segmentation



# As we begin the conversion, we believe we have a plan to ensure a positive client experience.

We plan to convert Retail clients over **five transition groups**.



To ensure a **positive client experience**, we will take **several measures**,...

Pre- and post-conversion outreach	<ul style="list-style-type: none"><li>Comprehensive communications plan and digital experiences</li><li>Schwab Transition Center ~3 months prior to client conversion</li><li>Launch Welcome Center for clients with extensive how-to video set</li></ul>
Optimized frontline	<ul style="list-style-type: none"><li>Transition specialists and specialized routing model for transition</li><li>Modularized comprehensive training for reps on the transition</li><li>Enhancements to service desktop to support transition</li></ul>
Capability alignment to close gaps	<ul style="list-style-type: none"><li>New digital trading capabilities (e.g., streaming quotes on web/app)</li><li>Enhance money transfer capabilities (e.g., same day ACH funding)</li></ul>

...as well as create significant **short-term service capacity**.

Hiring	<ul style="list-style-type: none"><li>Proactively hire ahead of schedule</li><li>Scaling virtual teams</li></ul>
Service / Tech Levers	<ul style="list-style-type: none"><li>Offer overtime incentives</li><li>Virtual call back, Intelligent Assistant</li></ul>
Partner Support	<ul style="list-style-type: none"><li>Targeted branch support</li><li>Centralized team support for assigned clients</li></ul>
Third Party Support	<ul style="list-style-type: none"><li>Route high volume, low complexity calls</li><li>Perform rigorous screening of vendors</li></ul>

Note: ACH = Automated Clearing House. 1H = First half.



# Scale and efficiency initiatives will help us further decrease our cost to serve.

We will continue to drive asset and client growth by leveraging our **multi-channel acquisition model**,...

...while investing in initiatives that make it **easier to do business with us**.



## Marketing

Efficient marketing deployed against clear design targets



## Personal Relationships

Live channels optimized to engage high-value clients and drive transition



## Workplace

Engaging corporate participants to take the next action and serve as feeder to Retail



## Referrals

Deliver an exceptional client experience that results in recommendations from our clients



### Digitization and client platform enhancements:

- Easier enrollment with **further rationalized and modern forms**
- Enhancements to **web, mobile, and trading platforms**



### Client service and relationship management transformation:

- Enhanced **service desktop**
- New **interactive voice response** system
- **Chat enhancements**, including segmentation and mobile support
- **Intelligent Assistant enhancements**
- Strengthened **learning and development**



# We see significant opportunities in Wealth Management and bank lending.

## Wealth Management

Significant Opportunity

15%

Advice Asset Penetration<sup>1</sup>

Lower Client Attrition

1.6X

Managed Investing<sup>2</sup> (MI) vs. Retail Attrition<sup>3</sup>

Higher ROCA

1.3X

MI<sup>2</sup> vs. non-MI ROCA<sup>4</sup>



Further **innovate direct indexing and thematic capabilities**



Continue to **enhance Schwab Wealth Advisory™**



**Enhance the digital client experience** across the advice journey

## Bank Lending<sup>5</sup>

Pledged Asset Line® Mortgage + HELOCs

CAGR

35%

23%

2020

2021

2022



Complete **launch of Senior Lending Team** for U/HNW clients



Further modernize **Pledged Asset Line® offering**



Continue to enhance **Schwab Premier Bank offering**

Note: MI = Managed Investing. ROCA = Revenue on Client Assets. HH = households. CAGR = Compound Annual Growth Rate. U/HNW = High Net Worth and Ultra High Net Worth. HELOC = Home Equity Line of Credit. 1. Combined retail advice penetration of assets as of 12/31/2022. 2. Managed Investing includes Schwab portfolio of proprietary and third-party advice solutions. 3. As of trailing twelve months Dec 2022. HH attrition = Attrited HHs divided by total number of active HHs. Attrited HHs defined as HHs whose balance at the end of a month is below 12-month high by at least 90%, excludes HHs with <1 year tenure and <\$5K balance. Metric divides MI Attrition Rate by IS Attrition Rate. Excludes Ameritrade. 4. YTD November 2022. Excludes Ameritrade Retail and Ameritrade IM offers. 5. Schwab Investor Services Loan Balances. Excludes Ameritrade.



# We will continue to invest in relationship models,...

## Dedicated relationships improve growth and client retention



**2.5X greater NNA<sup>1,2,5</sup>**  
per household  
(assigned vs. unassigned)<sup>3</sup>



**2.8X improvement in TOA<sup>1,2</sup> Ratio**  
(assigned vs. unassigned)<sup>3</sup>



**2.0X improvement in Attrition Rate<sup>1,4</sup>**  
(assigned vs. unassigned)<sup>3</sup>

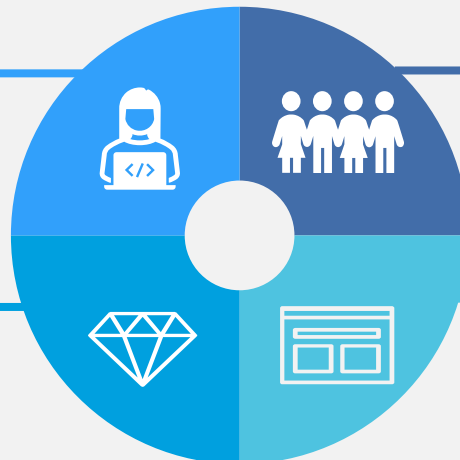
## We will continue to invest in segmented relationships to meet the unique needs of our clients

### Mass Affluent

- **Centralized Financial Consultant (FC) model**

### UHNW

- **Local FC or centralized Wealth Consultant**



### Affluent / HNW

- **Local / centralized FC**  
depending on geography

### Active Trader

- **FC model supporting Active Trader clients**

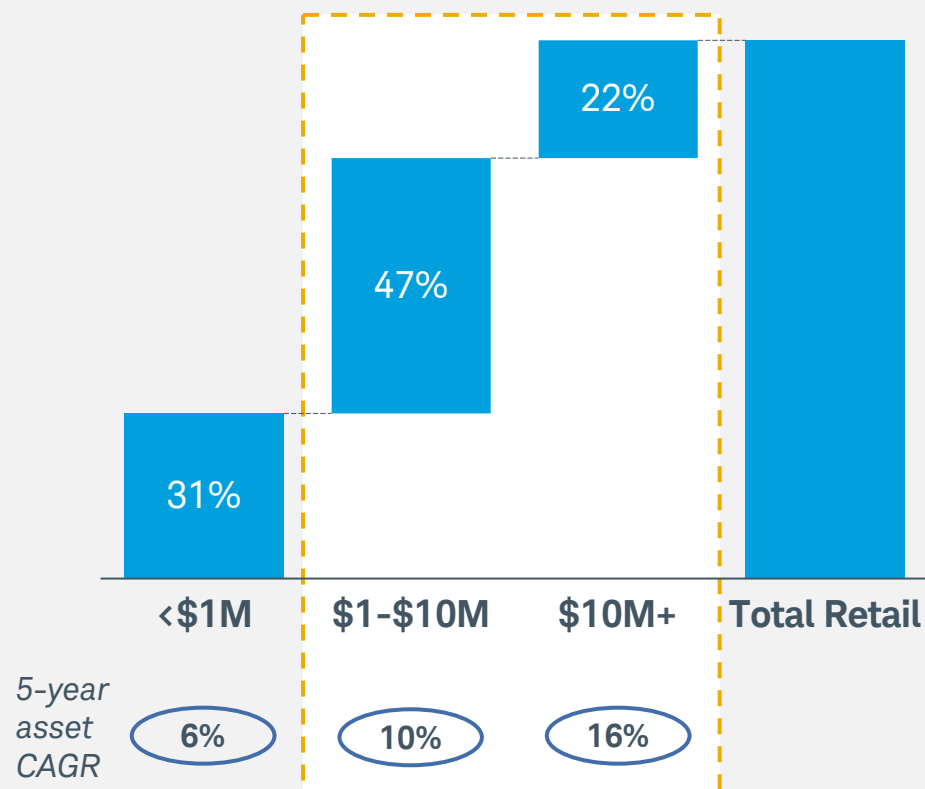
Note: TOA = Transfer of Assets. NNA = Net New Assets. FC = Financial Consultant. xFDIC = Excluding fees, dividends, interest, and commissions. HNW = High Net Worth. UHNW = Ultra High Net Worth. 1. As of trailing twelve months 12/31/2022. 2. Schwab only, Direct-to-consumer Retail HHs with \$1M-\$10M assets. 3. Existing Retail HHs only. Unassigned category includes Non-practice HHs, Unassigned HHs, and Marketing HHs. 4. Schwab only HHs with \$1M+ assets, HH attrition = Attrited HHs divided by total number of active HHs. Attrited HHs defined as HHs whose balance at the end of a month is below 12-month high by at least 90%, excludes HHs with <1 year tenure and <\$5K balance. Source: Company Reports. 5. xFDIC.








# ...launch new branded client service models for High Net Worth and Ultra High Net Worth...

## U/HNW represent a large portion of Retail assets...

Schwab Retail assets only, split by wealth tier<sup>1</sup>



## ...and will have specialized client service models.

Select examples; Not exhaustive	Schwab Private Client Services	Schwab Private Wealth Services
 <b>Wealth Segment</b>	HNW (\$1M-\$10M)	UHNW (\$10M+)
 <b>Relationships</b>	Financial Consultant	Financial Consultant or Wealth Consultant
 <b>Service and Operations</b>	Dedicated <b>Private Client Service Team</b> <b>Prioritized</b> operational processing	Dedicated <b>Private Wealth Service Team</b> <b>Premium</b> operational processing
 <b>Products and Solutions</b>	<b>Premier</b> non-discretionary offerings (e.g., Schwab Wealth Advisory™)	Schwab <b>Premier Bank</b> Additional <b>products/ services</b> (e.g., cash strategies)
 <b>Pricing / Other Benefits</b>	<b>Preferential</b> pricing	<b>Preferential</b> pricing & fee waiver discounts

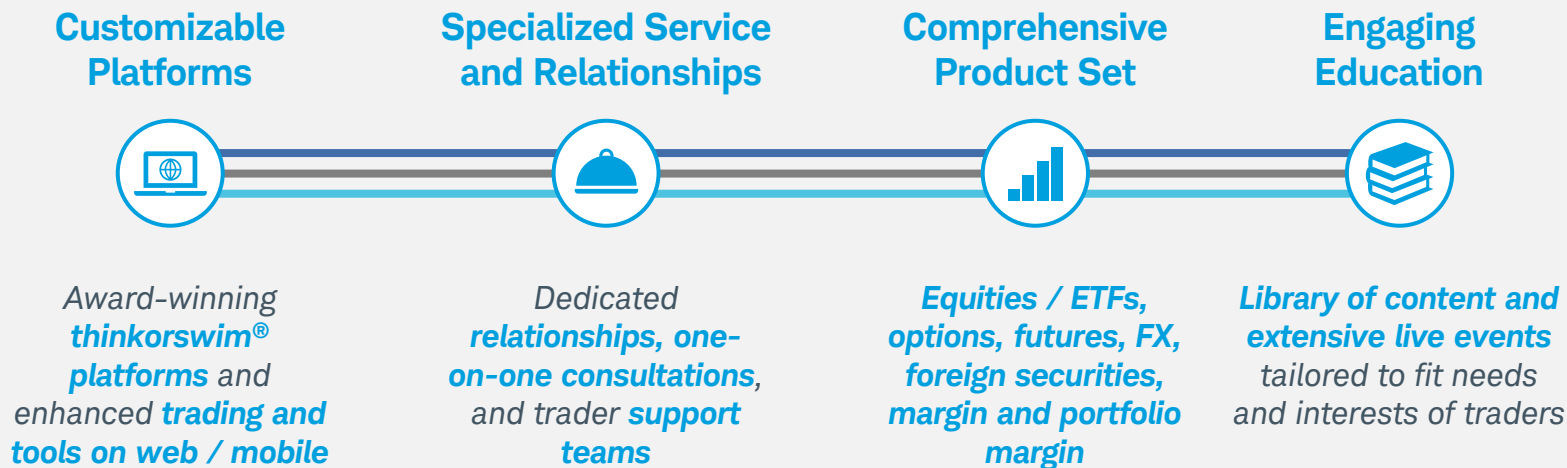
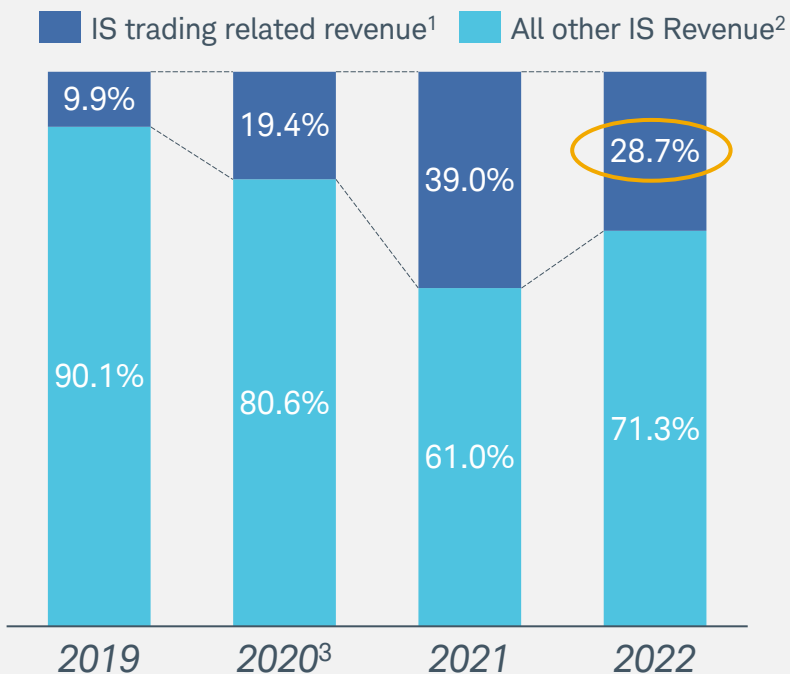




# ...and continue to invest in our increasingly important Trader clients.

**Trader** is an important part of our business.

We believe the **combined Schwab / Ameritrade offer** will be an **industry leading experience**.



**We plan to relaunch our integrated trader offer once thinkorswim® is on the Schwab platform.**

# Post integration, we believe we will emerge in an even stronger Retail position...

## A Retail Leader

### Scale player...

24M+ Accounts<sup>1</sup>

\$3.2T Assets<sup>1</sup>

10% 5-yr Asset CAGR<sup>1</sup>

...serving investors and traders of all needs, sizes, and investing styles,...

Self-directed  
Investors

Active  
Traders

Robo Advice

Wealth  
Management  
Solutions

...with premium offers for our most affluent clients,...

Schwab Private  
Client Services

Schwab Private  
Wealth Services

...all anchored in our “no trade-offs” approach to investing.



Best of people AND technology



Great service AND great pricing



Deep investing AND trading capabilities



Best of proprietary AND third-party



Backed by our Satisfaction Guarantee<sup>2</sup>

## Winning Approach



### Client-centricity

Seeing “Through Clients’ Eyes”



### Singular focus

Helping investors achieve great financial outcomes



### Long-term view

Willingness to make disruptive moves



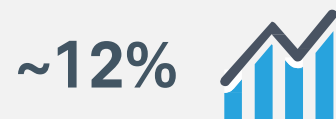
### Expense discipline

Allowing us to keep costs down for investors

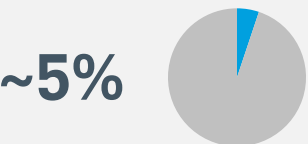
# ...with tremendous opportunity and a diversified client acquisition model to go after it.

## Significant Opportunity

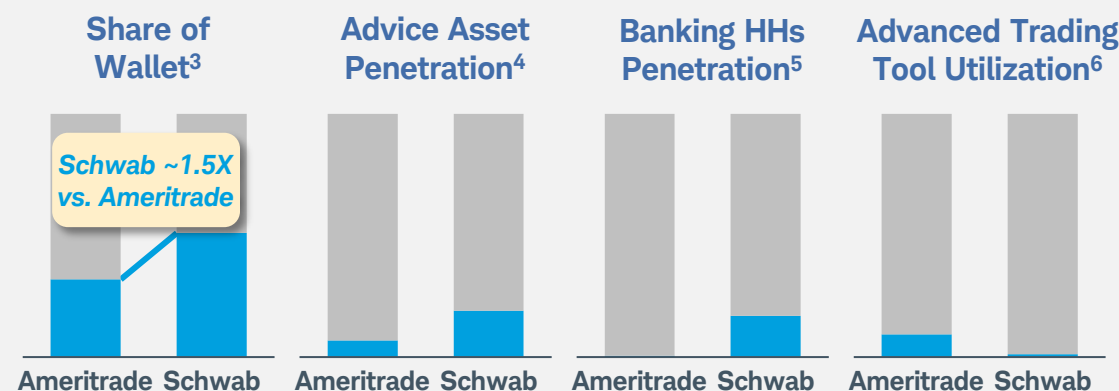
Growing Retail market<sup>1</sup>



Small share of Retail market<sup>2</sup>



...and a lot of internal opportunity to grow as well



## Diversified Client Household and Asset Acquisition Model

### Strong Personal Relationships

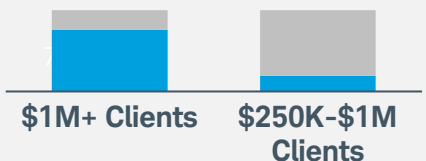


400+ branches



3.8K LEs in the branch network

With opportunity to continue to expand relationships<sup>7</sup>



### Data-Driven Marketing

- Largest contributor to new clients
- Increasingly efficient spend

### Growing B2B Retail Pipeline

- Scaled driver of new relationships
- Large opportunity “beyond the 401(k)”

### Client Referrals

- Strong Client Promoter Score
- Referral often top reason to open account

Note: K = Thousand. M = Million. HH = Household. B2B = Business-to-business. NTF = New to firm. M = Million. K = Thousand. LE = Labor Equivalents. 1. 2016-2021 Compound annual growth rate of total US Investable Assets. 2. Internal estimate using Fed Funds Flows as of Q3, 2022. 3. Calculated using July IXI data, for funded clients only. 4. % of Assets enrolled in Managed Investing solutions as of 12/31/2022. 5. Banking Penetration calculated as households with loans and / or deposits accounts as a percentage of total Retail households. Estimate as of Q3 2022. 6. Schwab percent of clients using StreetSmart Edge®; Ameritrade percent of clients using thinkorswim® platforms. 7. Percent of Schwab + Ameritrade clients with dedicated relationships within an asset tier segment. Source: Company Reports. Federal Reserve Bank of St. Louis. Cerulli

# In summary...

The Retail business has **achieved size and scale**, and continues to be recognized as an **industry leader**

In 2022, we delivered **growth in a challenged market**, while continuing to **invest in the business**

This year, we will **execute the largest U.S. broker-dealer conversion in history** and **advance our strategic priorities**

We believe we will emerge in an even stronger **retail position** with a **significant opportunity** to **grow**

# Disclosures

**Schwab Satisfaction Guarantee:** If you are not completely satisfied for any reason, at your request Charles Schwab & Co., Inc. ("Schwab"), Charles Schwab Bank, SSB ("Schwab Bank"), or another Schwab affiliate, as applicable, will refund any eligible fee related to your concern. Refund requests must be received within 90 days of the date the fee was charged. Two kinds of "Fees" are eligible for this guarantee: (1) "Program Fees" for the Schwab Wealth Advisory ("SWA"), Schwab Managed Portfolios™ ("SMP"), Schwab Intelligent Portfolios Premium® ("SIP Premium"), and Managed Account Connection® ("Connection") investment advisory services sponsored by Schwab (together, the "Participating Services"); and (2) commissions and fees listed in the [Charles Schwab Pricing Guide for Individual Investors](#) or the [Charles Schwab Bank Pricing Guide](#). The guarantee is only available to current clients. Refunds will only be applied to the account charged and will be credited within approximately four weeks of a valid request. No other charges or expenses, and no market losses will be refunded. Other restrictions may apply. Schwab reserves the right to change or terminate the guarantee at any time.

TD Ameritrade, Inc., member FINRA/SIPC, a subsidiary of The Charles Schwab Corporation. TD Ameritrade is a trademark jointly owned by TD Ameritrade IP Company, Inc. and The Toronto-Dominion Bank.

From Investor's Business Daily, January 24, 2022, 2022 Investor's Business Daily, Inc. All rights reserved. Used by permission and protected by the Copyright Laws of the United States. The printing, copying, redistribution or retransmission of this Content without express written permission is prohibited. Third-party accolade award was given on January 24, 2022 and is for a 15-month timeframe. The criteria, evaluation, and ranking were determined by Investor's Business Daily. <https://www.investors.com/news/best-online-brokers-2022> Schwab paid a licensing fee to York Graphic Services, LLC. for use of the award and logos.

Schwab Wealth Advisory™ ("SWA") is a non-discretionary investment advisory program sponsored by Charles Schwab & Co., Inc. ("Schwab"). Schwab Wealth Advisory, Inc. ("SWAI") is a Registered Investment Adviser and provides portfolio management for the SWA program. Schwab and SWAI are affiliates and are subsidiaries of The Charles Schwab Corporation.

Portfolio Management for Schwab Personalized Indexing is provided by Charles Schwab Investment Management, Inc., dba Schwab Asset Management, a registered investment adviser and an affiliate of Charles Schwab & Co., Inc. ("Schwab"). Both Schwab Asset Management and Schwab are separate entities and subsidiaries of The Charles Schwab Corporation.

The information provided here is for general informational purposes only and should not be considered an offer or solicitation or advice to buy or sell Schwab stock.

© 2023 Charles Schwab & Co., Inc. All rights reserved. Member SIPC.

# Winter Business Update



CORPORATION

# Investor Acquisition and Marketing

## Stacy Hammond

Managing Director, Investor Acquisition and Marketing

# We have built on multi-year organic growth in the face of a challenging business environment.

After experiencing extraordinary growth during the pandemic, our **2022 results reflect a moderated environment.... and yet...**



We attracted **1.2M new-to-firm Retail house holds...**



...and delivered the **third-highest year of new client acquisition<sup>1</sup>** in combined company history,...



...while remaining attractive to young clients with **57% under the age of 40<sup>2</sup>**.

We continue to **attract a strong profile of clients.**



**Funding with securities vs cash** has increased 10 percentage points since 2020<sup>3</sup>



**Initial funding** achieved historically high amounts, up +132% year-over-year<sup>3</sup>



**3x increase** in the percentage of HHs funding above \$250k year-over-year<sup>3</sup>



**Mobile account opens** increased 7 percentage points year-over-year<sup>3</sup>



# Our success is driven by our diversified acquisition strategy.

## Marketing

Increasingly efficient marketing deployed against clear design targets

- Clear design targets
- Best-in-class creative
- Measurement and analytics



Consistently delivers  
~**40%** of new clients<sup>1</sup>

## Personal Relationships

Live interactions optimized to engage high-value clients and drive conversion

- Company-managed branches
- Independent branch network
- Prospect conversion organization phone teams



Average funding via  
Branches **6X higher**  
compared to online<sup>2</sup>

## Workplace Financial Services

Engaging corporate participants to take the next action and engage with Retail

- Retirement Plan Services
- Stock Plan Services
- Designated Brokerage Services



**2.4 million** active  
participants (+**9% YoY**)

## Referrals

Deliver an exceptional client experience and in turn, get trusted recommendations from our clients

- Organic client referrals



~**1/3** of new clients say  
referrals are an  
important reason for  
choosing us<sup>3</sup>

**Each lever of our acquisition strategy plays a unique and complementary role.**

# Marketing is a major contributor to growth, as it evolves within a changing environment...

We have clear **design targets...**



**Affluent  
Investors**



**Emerging  
Investors**



**Active  
Traders**

...and an enhanced focus on **Active Traders** to maximize the potential of the addition of Ameritrade's trading capabilities.



We connect with audiences through **a range of channels.**



**Paid:** Advertising + media + promotions + sponsorships



**Owned:** Schwab.com + mobile + email + magazine + organic search



**Earned:** Public relations + social media + reviews + industry accolades

Evolving consumer trends place **increasing importance on our earned and owned channels.**



#### **Insights & Education**

- Interest in content has tripled<sup>1</sup>
- 3x podcast downloads



#### **Public Relations**

- Media stories featuring our planning and investing insights have increased 60%+

#### **Related Media Trends<sup>2, 3</sup>**



- Streaming content viewing is up 30% YoY



- 44% of 'TV' viewing is in ad-free environments

...and is guided by a relentless focus on three drivers.

### Measurement

We **measure** to  
improve outcomes  
and drive efficiency

### Creativity

We use deep client  
insight to deliver  
industry-leading  
**creative**

### Innovation

We **innovate** to  
connect with investors  
in new ways

# We measure to improve outcomes and drive efficiency.

## Multi-touch Attribution

Optimizes marketing spend and return-on-investment across a range of marketing touchpoints including advertising, branch and call center experiences:



Fractionalizes credit for account opens across many touch points vs. crediting 'last touch point'



Informs which tactics are associated with high account funding



Provide visibility into both prospect and client NNA outcomes

## Marketing Mix Optimization

Econometric model that predicts the impact of marketing and non-marketing factors on key business outcomes:



Provides guidance on how to optimize our marketing spend across paid channels



Forecasts marketing-driven new client acquisition and asset inflows



Informs the impact of increased and decreased media

## Test and Learn

Drive efficiency through systematic paid and owned channel tests:



Paid media tests increased efficiency, yielding on average a 40% improvement in cost-per-account relative to 2019



Paid search tests increased account open rate by 20% at 30% lower cost relative to 2019



Schwab.com A/B tests drove incremental application starts and conversions

# We use deep client insight to deliver industry-leading creative.

## Category Approach

vs.

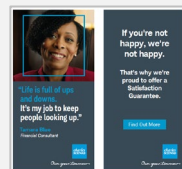
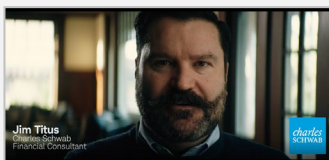
## Schwab Approach

## Examples

Advertise by selling the category

Advertising that tangibly and uniquely solves unmet investor needs<sup>1</sup>

- Showcasing Schwab employees to tangibly demonstrate our value



- Created a character to set our selves apart from traditional brokerages



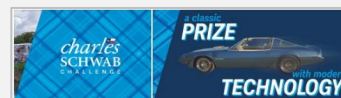
**Consistently among the highest-performing ads in the industry<sup>4</sup>**

Client hospitality at tournaments

Activation-centric sponsorships that elevate the tournament for players and attendees<sup>2</sup>

- Renamed the tournament to align with our brand heritage
- Traditional prizes AND a custom retro car
- First Moment of Silence at a golf tournament
- Created a fan experience that ties directly to our values

**2,400 articles in earned media<sup>5</sup>**



Focus large events on category topics

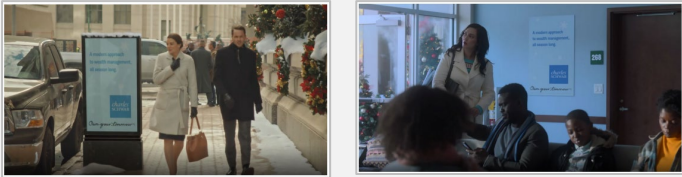
Creating unique experiences that connect with investors through their passions<sup>3</sup>

- Designing in-person experiences that align with investors' passions while learning about investing and Schwab
- Combining the passion of craft activities with craft investing

**~1,000 unique events held**



# We innovate to connect with investors in new ways.

Category Approach	Stick to traditional channels	Run advertisements in paid media	Events at high-end restaurants
vs.			
Schwab Approach	<b>High engagement, unexpected channels with disciplined and low-cost approach<sup>1</sup></b>	<b>Opportunities for our brand in cultural timely moments<sup>2</sup></b>	<b>Events that highlight what makes our financial consultants unique<sup>3</sup></b>
Examples	<p>Leverage Twitch to reach new investors:</p> <ul style="list-style-type: none"><li>▪ Help more investors be financially educated by reaching them in high engagement placements</li><li>▪ Livestream views 20% above the service's sponsored broadcast benchmark</li></ul> <p><b>1M viewers tuned in to our industry first-time event</b></p> 	<ul style="list-style-type: none"><li>▪ Augmented brand recall via new digital technology that inserted Schwab into Hallmark holiday movies including “Christmas by Starlight” and “A Tale of Two Christmases”</li></ul> <p><b>More effective at brand recall than traditional advertising<sup>4</sup></b></p> 	<ul style="list-style-type: none"><li>▪ Host BBQ cook-offs featuring Financial Consultants and Schwab Special Sauce where each FC reinforces their own unique brand</li></ul> <p><b>&gt;50% improvement YoY in average NTF Retail NNA from events</b></p> 

Note: M = Million. FC = Financial Consultant. NTF Retail NNA = New to Firm Retail Net New Assets YoY = Year-over-Year 1. Twitch Livestreams with Jeff Kleintop (8/29 & 9/15) 2. Hallmark movies began airing 11/23/22 3. Denver September 2022, Atlanta October 2022 4. Hallmark channel & Brand Memorability Study.

# Summary

We have efficiently  
**delivered consistent  
growth** with an  
attractive client  
profile

Each lever in our  
**acquisition strategy**  
plays a unique and  
complementary role

We continue to  
**optimize** our  
acquisition levers  
to unlock future  
growth

# Winter Business Update

*charles*  
SCHWAB

CORPORATION



# Q&A

# Advisor Services Update

## Bernie Clark

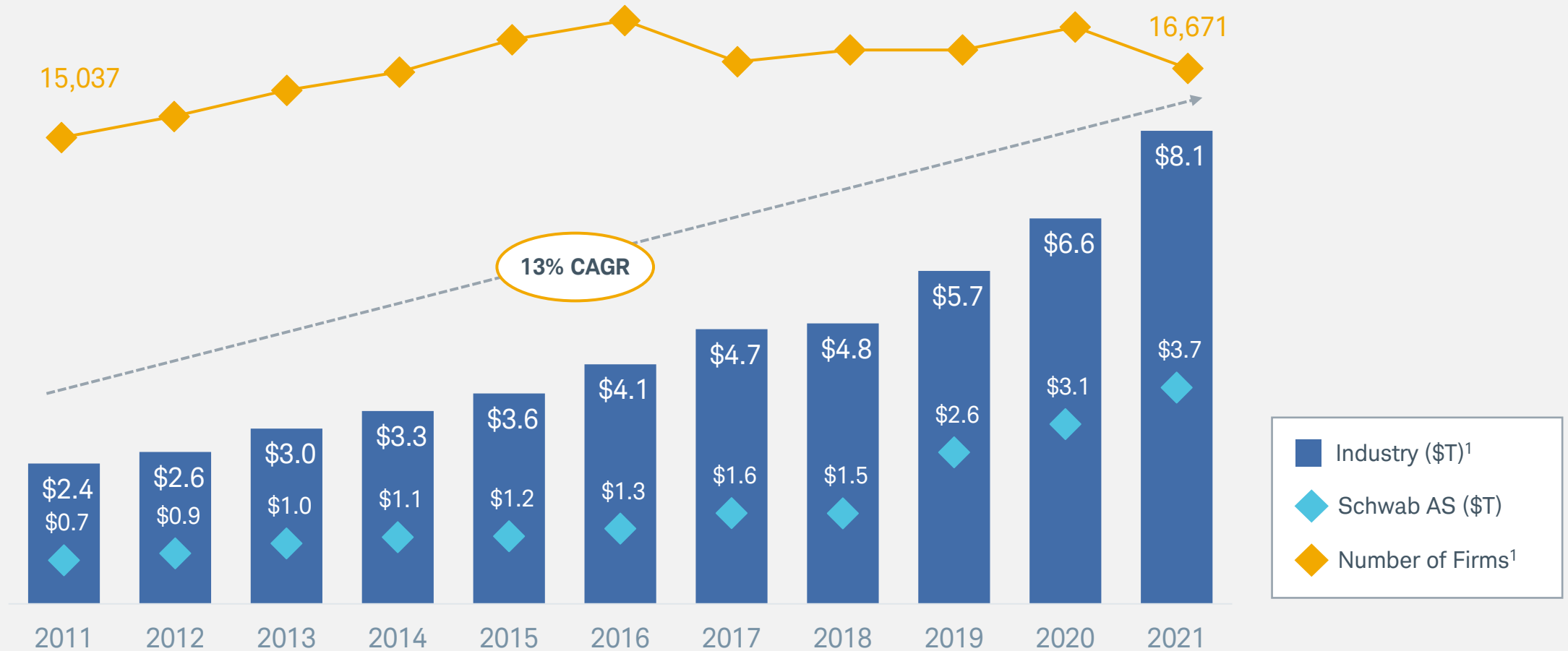
Managing Director, Head of Advisor Services

# Our pledge to the independent advisor community is our commitment to every client we serve.



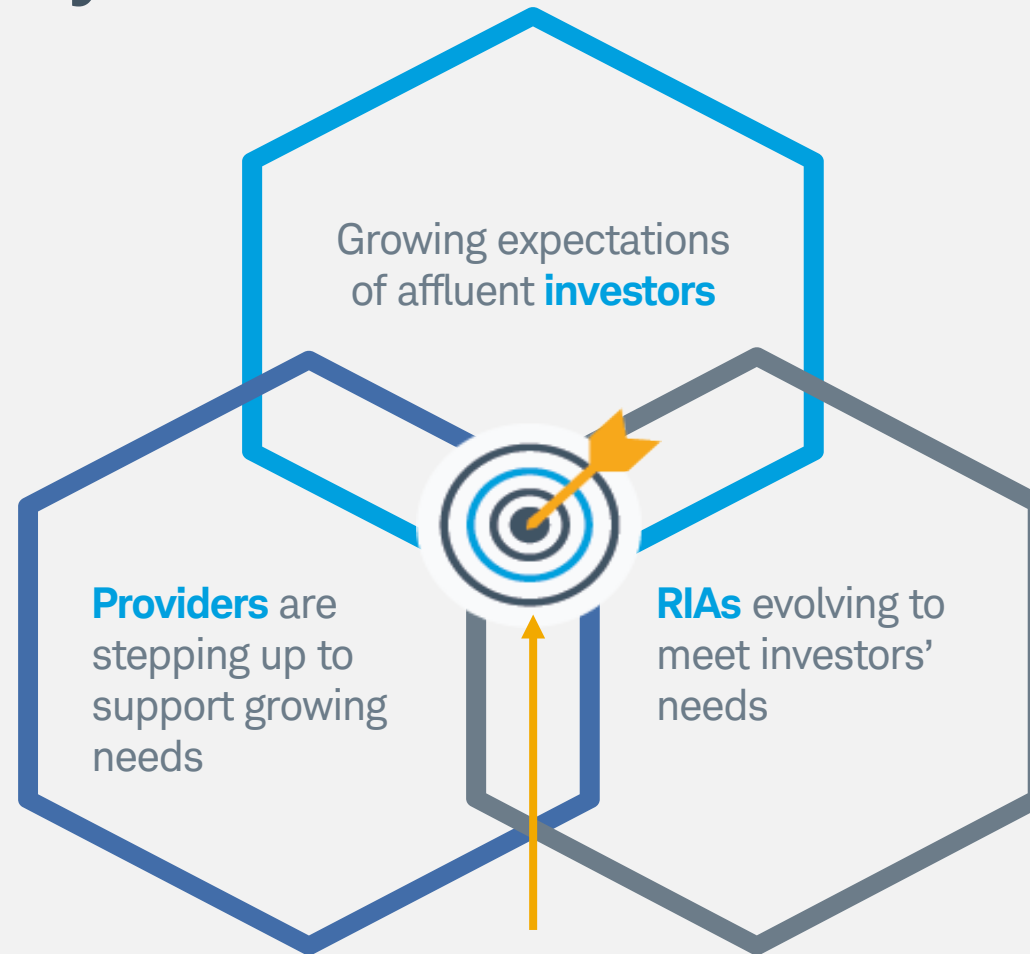
- **Industry-leading custody services**, with no AUM minimums, no custody fees – and no intention to introduce either of them
- **Best-in-class technology and open architecture**, including a rapidly growing network of third-party providers
- **The best and brightest service professionals** in this industry
- **In-depth practice management** consulting and insights for every firm on our platform
- **An account opening process that is digital** and streamlined

# Assets within the RIA industry continued to grow as M&A intensified over recent years.



Note: T = Trillions. RIA = Registered Investment Advisor. AS = Advisor Services. CAGR = Compound Annual Growth Rate. M&A = Mergers and Acquisitions. Source: The Cerulli Report, U.S. RIA Marketplace 2022.  
1. Includes both independent and hybrid RIAs. Data from 2019 onwards represents combined end of period results for Schwab Advisor Services and TD Ameritrade Institutional.

# Rising expectations from investors are reshaping the RIA industry.

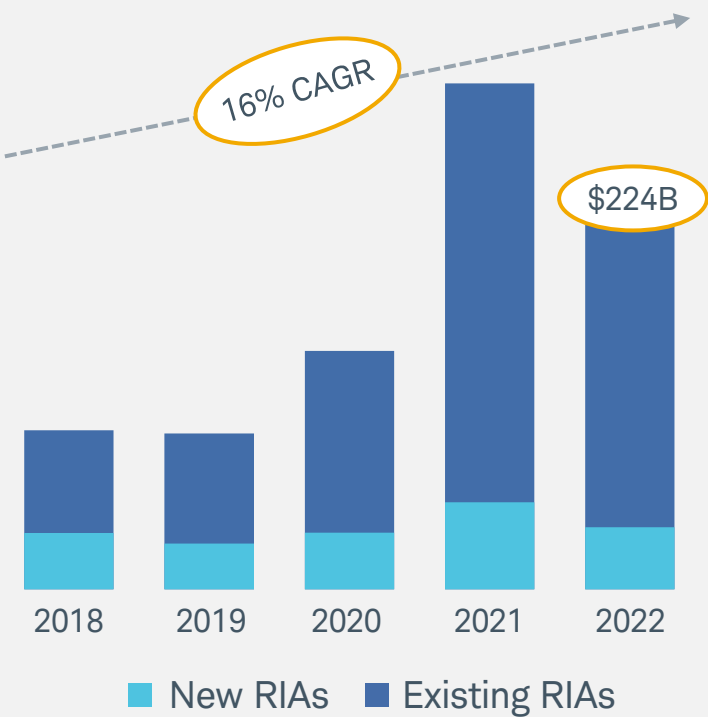


## Personalization At Scale

# In 2022, Schwab Advisor Services attracted over \$220B in net new assets.

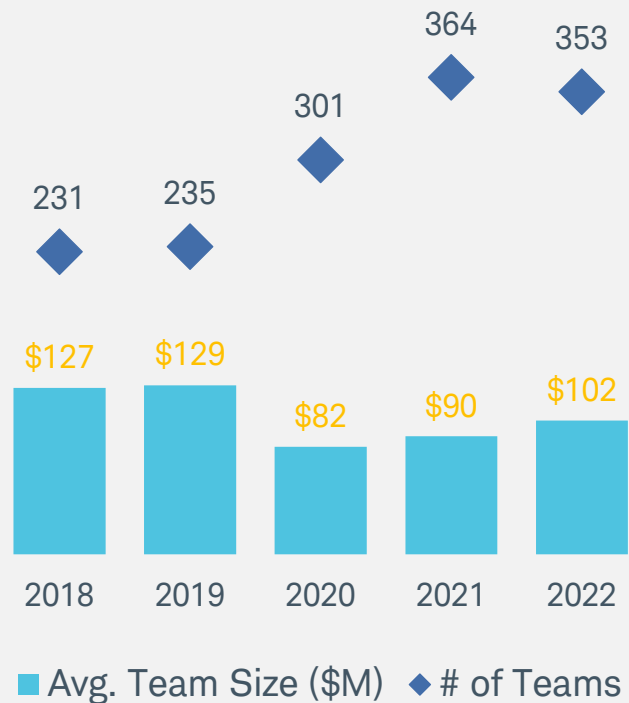
Strong inflows from new and existing RIAs continued into 2022

Advisor Services Core Net New Assets (\$B)



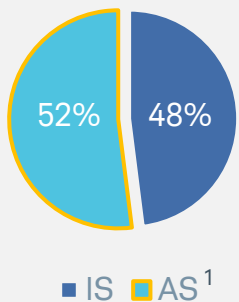
Average deal size has increased over the past two years

Number of Advisor in Transition (AIT) Teams and Average AIT Size (\$M)

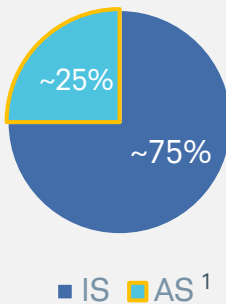


Advisor Services continues to drive results for Schwab

Core NNA

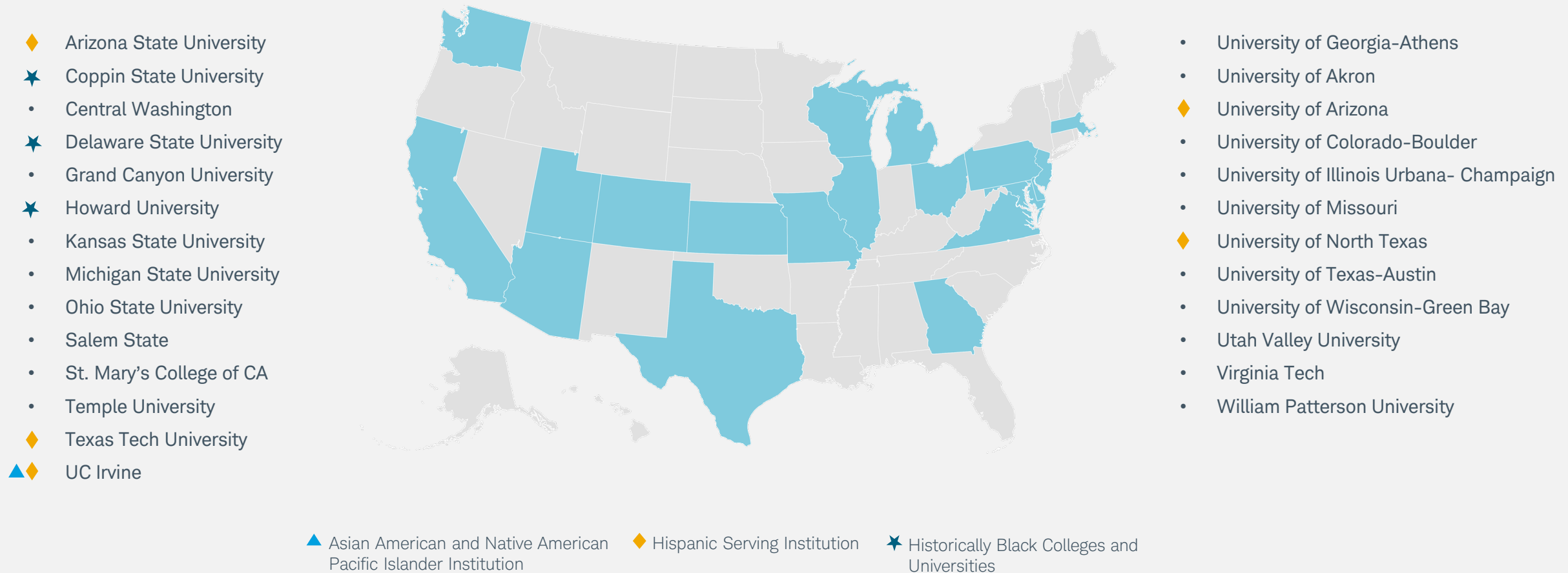


Revenue



Note: M = Million. B = Billion. RIA = Registered Investment Advisor. NNA = Net New Assets. IS = Investor Services. AS = Advisor Services. Avg. = Average. CAGR = Compound Annual Growth Rate. 1. Reflects Schwab AS and TD Ameritrade Institutional from October 6, 2020 forward. Core NNA excludes significant one-time flows such as acquisitions or extraordinary flows relating to a specific client (generally greater than \$10B). AIT includes only results from Schwab "Blue" platform. NNA and Revenue data as of 12/31/2022.

We partner with financial planning programs in the U.S. to support student entry into the RIA industry.



Note: RIA = Registered Investment Advisor. CA = California. UC = University of California.

# We are building the firm of the future, while delivering on our promise to clients.

In 2022, we delivered powerful enhancements for our clients.



## Enhanced Controls

- Insurance coverage requirement
- Move Money/eAuthorization
- Enhanced security login on Schwab Advisor Center



## Best of Both

- Targeted organizational changes
- Third-party integration
- Jumpstart early onboarding program
- Advanced trading tools
- RIAConnect®
- iRebal®/Thinkpipes® integration to Schwab Advisor Center (in process)



## New Launches

- Over 130 T. Rowe Price funds with no transaction fee
- Institutional No Transaction Fee (INTF) mutual funds
- DocuSign® 2.0 for Pledged Asset Line® (PAL) applications
- Digital Onboarding and a focused effort on advisor digital adoption



# Our 2023 strategic operating plan supports our priorities and the continued growth of the business.

## Primary Objective



Complete **Ameritrade conversion** to unite advisors, employees and the best of both platforms



Accelerate **digital adoption** with a focus on Digital Onboarding, Alliance and Move Money



Amplify our rich **culture** and invest in our **people** by actioning on our AS talent and culture focus areas



Expand the continuum of **wealth management solutions** & enhance **lending capabilities** for advisors



Create **efficiency** by optimizing service and operations for **enterprise** firms

Helping independent advisors of all sizes grow, compete and succeed is **our why**.



# Q&A

# Winter Business Update

*charles*  
SCHWAB

CORPORATION

# Wealth & Advice Solutions Update

## Neesha Hathi

Managing Director, Head of Wealth and Advice Solutions

# We provide accessible wealth management for every stage of the client's journey.


Wealth & Advice Solutions offers a broad range of investment solutions with exceptional service and expertise.

The clients we serve:  RIAs  Retail Clients  Employers

Investment Solutions	
Third-Party	Proprietary
Mutual Funds, ETFs, & Alternatives	ThomasPartners® Strategies
Separately Managed Accounts	Wasmer Schroeder™ Strategies
Fixed Income	Windhaven Strategies®
Annuities & Insurance	Schwab Personalized Indexing™

Managed Investing Portfolio Solutions
Schwab Wealth Advisory™
Schwab Advisor Network®
Schwab Managed Portfolios™
Schwab Intelligent Portfolios®
Schwab Intelligent Portfolios Premium®

Wealth Services & Specialty Teams		
 Financial planning	 Income solutions	 Charitable giving
 Equity award specialists	 Transition management	 Tax, trust, and estate

 WAS at a Glance¹	2022 Revenue	~\$4.1B	Assets	~\$3.4T	Total Employees	1,700+
---	-----------------	---------	--------	---------	-----------------	--------

Note: WAS = Wealth and Advice Solutions. B = Billion. T = Trillion. ETF = Exchange traded fund. RIA = Registered Investment Advisor. 1. As of December 31, 2022.

# We believe our services and solutions meaningfully impact our clients and drive strong growth for Schwab.

Our broad range of services helps lead to satisfied clients who continue to trust us with their business,...

When clients get a financial plan from us<sup>1</sup>...



12x

Retail NNA

...they bring more NNA to Schwab compared to the average retail HH NNA in 2022

When clients enroll in Managed Investing they are...

More willing to recommend Schwab, with MI CPS outperforming Retail 22 of last 24 quarters

22

quarters



When clients enroll in SWA<sup>2</sup>...



92%

Retention

They stay invested with us, helping us grow our business



\$7B+

'22 Net flows

When clients use our robo advisor...



81%

Recommend SIP<sup>3</sup>

A strong majority recommend the service



84%

Recommend SIP/P<sup>3</sup>

...supporting strong performance for Schwab's wealth and advice business, which has become a key growth driver.

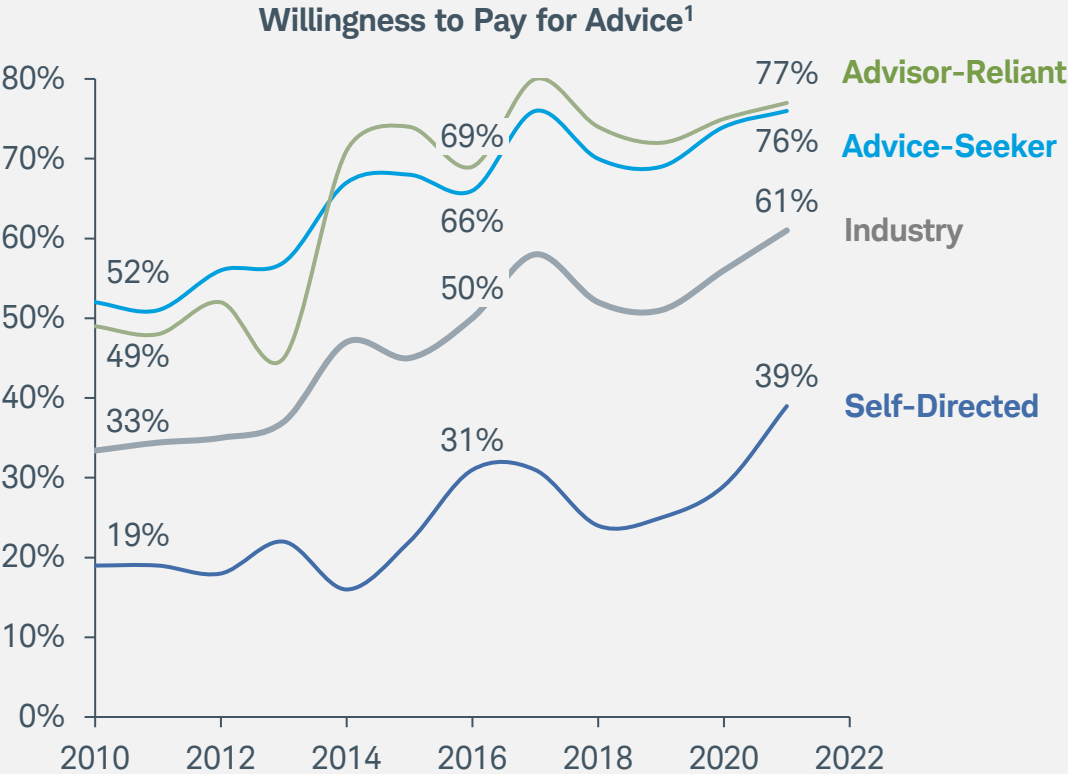
Revenue, asset management and administration fees (AMAF)<sup>4</sup>



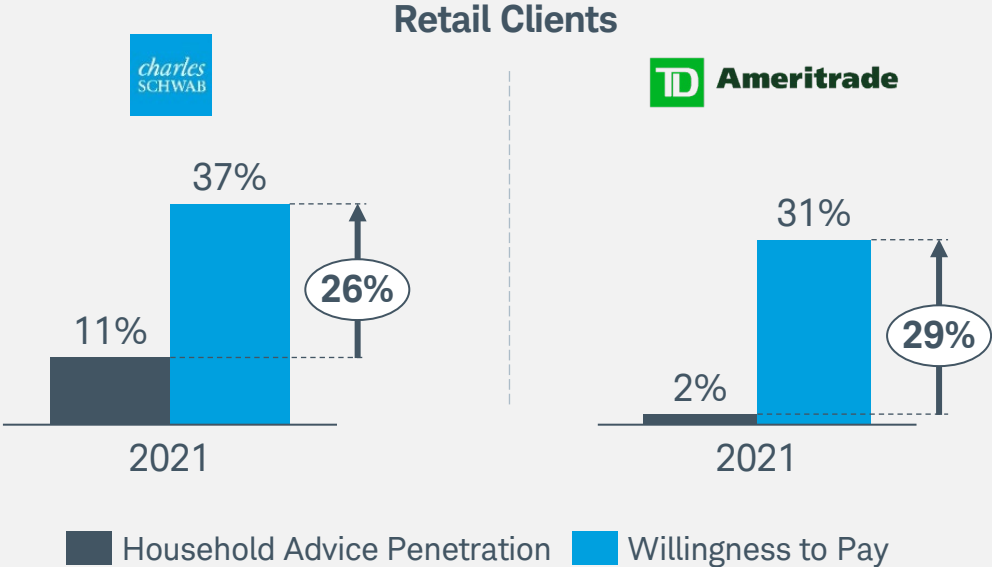
Note: K = Thousand. B = Billion. CAGR = Compound Annual Growth Rate. CTF = Collective trust fund. ROCA = Revenue on client assets. HH = Households. SWA = Schwab Wealth Advisory. NNA = Net New Assets. AMAF = Asset Management and Administration fees. CPS = Client promoter score. SIP = Schwab Intelligent Portfolios. SIP/P = Schwab Intelligent Portfolios Premium. MI = Managed Investing. 1. Financial planning data includes all NNA for plans completed in 2022, with NNA measurement including all NNA 90 days before and 90 days after the plan is complete. 2. Flows and retention figures are 2022 YTD metrics 3. Internal client survey data from the 2022 SIP/P Annual Client Survey, clients were asked "Would you recommend Schwab Intelligent Portfolios to someone?" 4. Totals may not sum to due to rounding. 5. Other includes both balanced based fees and other fees. Other fees include miscellaneous service and transaction fees relating to mutual funds and ETFs that are not balance-based 6. Includes total revenue from fee-based and non-fee based advice solutions.

# Even with this success, the opportunity in front of us is tremendous within our Retail business,...

Investors' willingness to pay for advice is growing across all segments.



Advice penetration of our retail clients is far below what we see when we ask them if they would pay for advice.<sup>2</sup>



**+8%**

Growth in Schwab Retail client willingness to pay for advice since 2010<sup>2</sup>

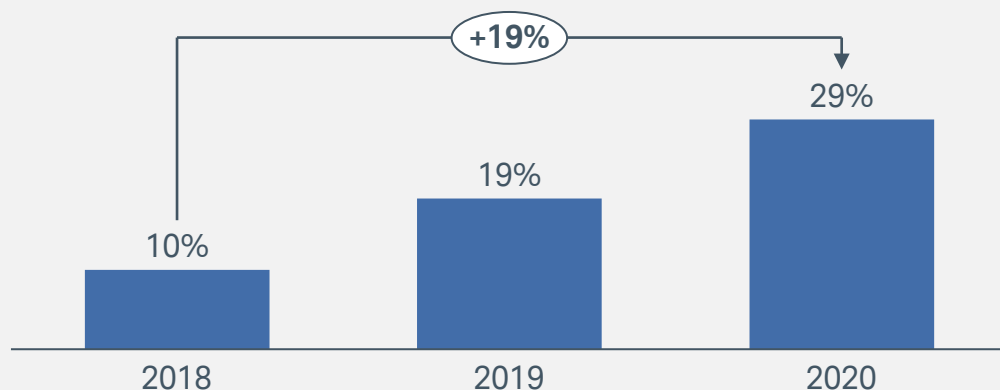
Note: 1. Cerulli, US Retail Investor Advice Relationships, 2010-2022 (Analyst Note: Respondents were asked whether they agree or disagree with the statement “I am willing to pay for advice.”); Percentages include responses for “Agree” and “Strongly Agree”; Industry represents a consolidated willingness to pay for advice across all survey respondents. 2. Schwab Investor Profile Study, 2021.



# ...and it further extends across our Advisor Services and Workplace Financial Services businesses.

We have an opportunity to expand our offerings to RIAs who are increasingly looking to outsource.

The percentage of RIAs delegating investment selection to a third-party has risen dramatically<sup>1</sup>



Our offerings for advisors are growing in response



Wasmer Schroeder™,  
ThomasPartners®



iRebal® and Model  
Market Center™



Schwab Personalized Indexing™

We are also well-positioned to meet the demand from employers as they look to better support the financial well-being of employees.

Participants are increasingly looking to 401(k) providers for advice



40%

Indicated their primary source of advice is through their 401(k) provider  
*Highest of any option<sup>2</sup>*



78%

Said they would like personalized investment advice for their 401(k)<sup>3</sup>

Plan sponsors are seeking more advice options for participants



47%

Sponsors with managed accounts in-plan, 2021 +19% increase over 2020<sup>4</sup>



#1

Priority for sponsors is financial wellness, 2021 25% of sponsors put it as first priority<sup>5</sup>

Note: RIA = Registered investment advisor. 1. TD Ameritrade Institutional, 2020 RIA Sentiment Survey. Advisors were asked "Does your firm delegate investment selection to a third-party?" 2. Survey of 401(k) participants. Respondents were asked: "Which of the following, if any, are you currently using for financial advice?" 3. Survey of 401(k) participants. Respondents were asked "Indicate whether you agree or disagree: I would like personalized investment advice for my 401(k)" 4. Cerulli, US Retirement Markets 2021 5. Cerulli, US Retirement Markets 2021. Respondents were asked for the 401(k) plan's top priority today.

Charles Schwab Corporation

# Schwab is positioned exceptionally well to meet this growing demand for advice.

We know what investors look for in a financial services firm:

## Trust



Schwab is ranked among the top 3 most trusted companies for **online brokers** and **wealth management**<sup>1</sup>

## Digital + Human



71% of investors believe **technology helps them reach their financial goals**, yet 51% also prefer having access to a **financial professional for help and guidance**<sup>2</sup>

## Value



Schwab is ranked **significantly above average** in “**value for fees**” in J.D. Power’s 2022 Full-Service Investor Satisfaction study<sup>4</sup>

## One-stop Shop



The share of retail investors who prefer to **consolidate banking & wealth** has nearly doubled since 2018, with a majority of younger investors preferring consolidation<sup>3</sup>

# As clients look to Schwab to meet their wealth and advice needs, we will be ready to meet demand.

Looking to the future, we expect our three strategic focus areas will accelerate our progress.

*Select examples*

## Introduce more Schwab clients to wealth and advice solutions



Welcome and engage new clients – including ~16M<sup>1</sup> transitioning Ameritrade clients



Build awareness of the breadth of our offering



Engage and support Ameritrade financial consultants

## Enhance our current offerings



Digital enhancements



Simplified enrollment



Wealth management services and expertise



Discretionary portfolios for Schwab Wealth Advisory™

## Expand our offering with new capabilities



Schwab Personalized Indexing™



Thematic Investing



Model Market Center™



Alternative investments

Note: M = Million. 1. As of 12/31/2022. TD client count is based on the number of open and active Ameritrade Retail accounts.

Charles Schwab Corporation

# Disclosures

Please read the [Schwab Intelligent Portfolios Solutions™ disclosure brochures](#) for important information, pricing, and disclosures related to the Schwab Intelligent Portfolios and Schwab Intelligent Portfolios Premium programs.

Schwab Intelligent Portfolios® and Schwab Intelligent Portfolios Premium™ are made available through Charles Schwab & Co. Inc. ("Schwab"), a dually registered investment advisor and broker dealer. Portfolio management services are provided by Charles Schwab Investment Advisory, Inc. ("CSIA"). Schwab and CSIA are subsidiaries of The Charles Schwab Corporation.

The thematic investing solutions referenced in this presentation are not intended to be investment advice or a recommendation of any stock. Investing in stocks can be volatile and involves risk, including loss of principal. Consider your individual circumstances prior to investing.

Please refer to the Charles Schwab Investment Management, Inc. ("CSIM") Schwab Personalized Indexing™ Disclosure Brochure for additional information.

Schwab Advisor Network ("SAN") advisors are independent and are not employees or agents of Charles Schwab & Co., Inc. ("Schwab"). Schwab prescreens advisors and checks their experience and credentials against criteria Schwab sets, such as years of experience managing investments, amount of assets managed, professional education, regulatory licensing and business relationship as a client of Schwab. Advisors pay fees to Schwab in connection with referrals. Schwab does not supervise advisors and does not prepare, verify or endorse information distributed by advisors. Investors must decide whether to hire an advisor and what authority to give the advisor. Investors, not Schwab, are responsible for monitoring and evaluating an advisor's service, performance and account transactions. Services may vary depending on which advisor an investor chooses.

Schwab Wealth Advisory™ ("SWA") is a non-discretionary investment advisory program sponsored by Charles Schwab & Co., Inc. ("Schwab"). Schwab Wealth Advisory, Inc. ("SWAI") is a Registered Investment Adviser and provides portfolio management for the SWA program. Schwab and SWAI are affiliates and are subsidiaries of The Charles Schwab Corporation.

Portfolio Management for Schwab Personalized Indexing, ThomasPartners Strategies, Wasmer Schroeder, Windhaven Strategies and Schwab Managed Portfolios is provided by Charles Schwab Investment Management, Inc. ("CSIM"). CSIM is a registered investment adviser and an affiliate of Charles Schwab & Co., Inc. ("Schwab"). Both CSIM and Schwab are separate entities and subsidiaries of The Charles Schwab Corporation.

Model Market Center is an offering of TD Ameritrade, Inc. Registered Investment Advisor (RIA) that leverages iRebal® on Veo One® technology to provide independent RIAs access to model portfolios provided by affiliated and unaffiliated third-party asset managers.

iRebal on Veo is a technology offering of TD Ameritrade Institutional and is powered by iRebal. iRebal products and services property of ThinkTech, Inc., an affiliate of TD Ameritrade, Inc.

The Charles Schwab Corporation provides a full range of brokerage, banking and financial advisory services through its operating subsidiaries. Its broker-dealer subsidiary, Charles Schwab & Co., Inc. (Member SIPC), offers investment services and products, including Schwab brokerage accounts. Its banking subsidiary, Charles Schwab Bank, SSB (member FDIC and an Equal Housing Lender), provides deposit and lending services and products.

TD Ameritrade, Inc., member FINRA/SIPC, a subsidiary of The Charles Schwab Corporation. TD Ameritrade is a trademark jointly owned by TD Ameritrade IP Company, Inc. and The Toronto-Dominion Bank.

© 2023 Charles Schwab & Co., Inc. All rights reserved. Member SIPC.

# Q&A

# Winter Business Update



CORPORATION

BREAK / LUNCH

# Financial Review and 2023 Outlook

## Peter Crawford

Managing Director, Chief Financial Officer



# Following record financial results in 2022, we are entering the new year with strong momentum.

- Schwab's continued success with clients, diversified revenue model, and thoughtful capital management enabled **growth plus accelerated capital return**
- As we enter this transitional year, we remain confident in our ability to strike an appropriate **balance between managing near-term considerations while making investments** to drive long-term growth
- Our **resilient all-weather business model keeps us positioned to navigate a range of environments** – yielding performance through the cycle as we continue to build the future of wealth management

## Today's Agenda



**2022 Results**



**2023 Outlook  
& Considerations**



**Longer-term  
Perspective**



# We started 2022 with a certain set of assumptions,...



Note: B = Billion. Q = Quarter. Avg. = Average. UST = U.S. Treasury. DATs = Daily average trades. B/S = Balance sheet. FY = Full Year. Y = Year. 1. Short and long rate underlying assumptions in-line with the forward curve as of January 7, 2022. 2. Rate increases measured in 25 basis point increments. 4. Further detail on non-GAAP financial measures and a reconciliation of such measures to reported results are included on slides 142-150 of this presentation.

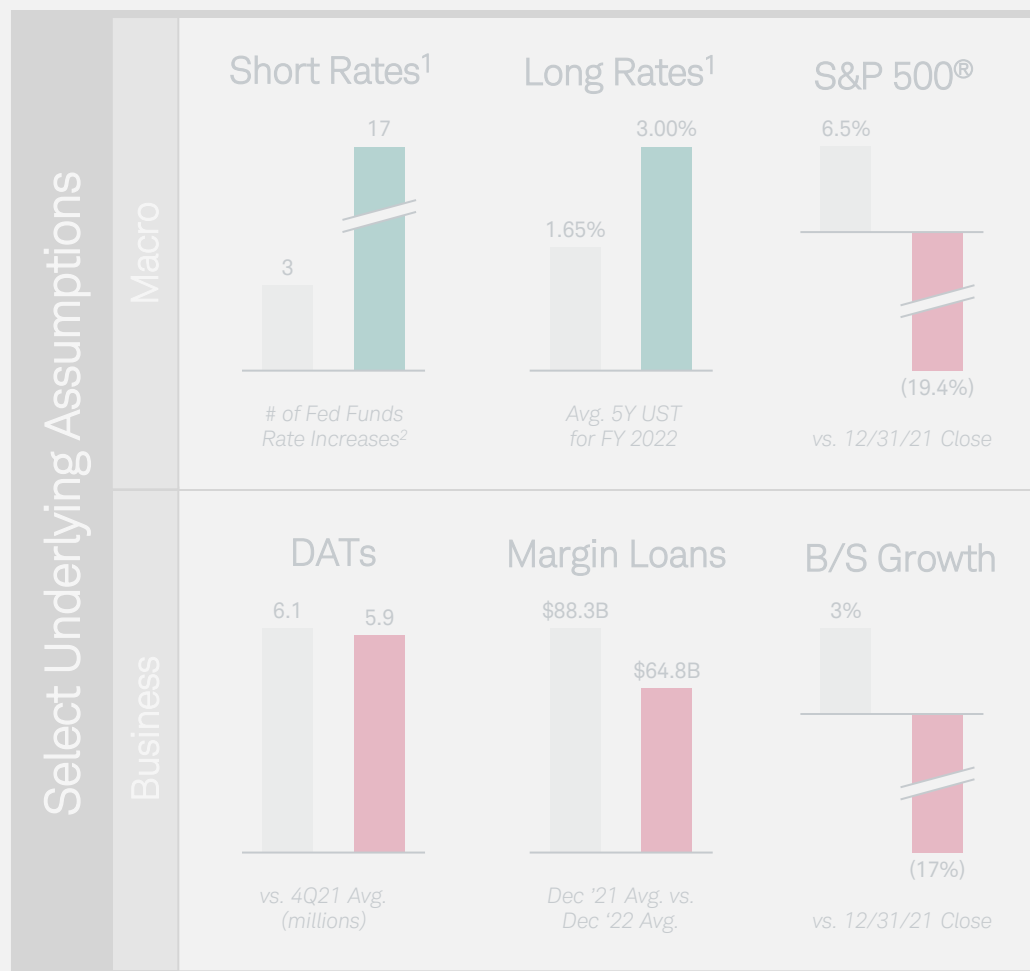


# ...and while the year unfolded differently than initially expected,...



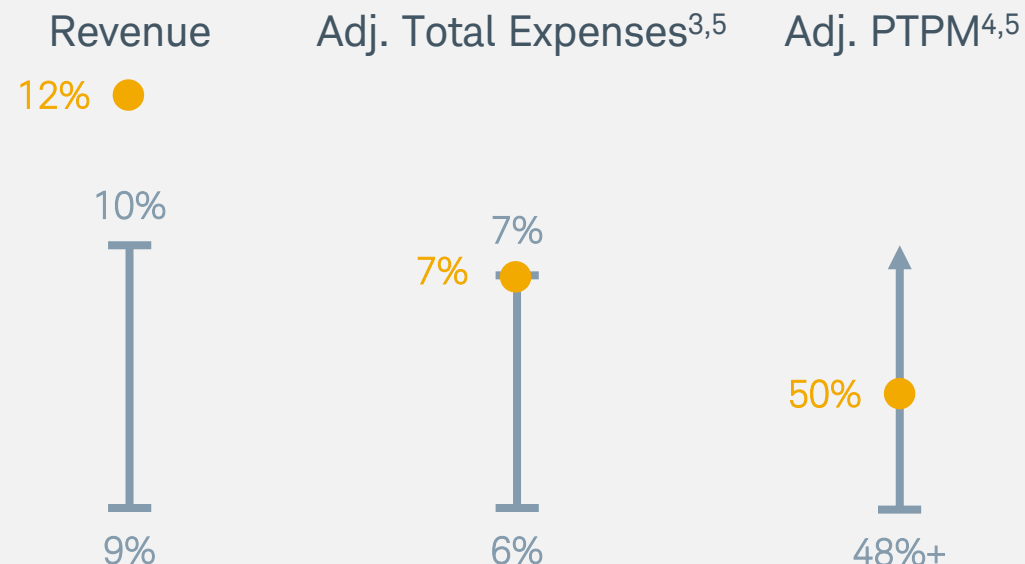


# ...our all-weather model, higher rates and sustained success with clients, delivered record financial results.



## Financial Outcomes vs. Scenario Ranges

FY 2022



Core NNA (\$B)	\$428	New Brokerage Accounts (M)	4.0
----------------	-------	----------------------------	-----

Note: M = Million. B = Billion. Q = Quarter. Avg. = Average. UST = U.S. Treasury. DATs = Daily average trades. B/S = Balance sheet. FY = Full Year. Y = Year. Adj. = Adjusted. 1. Short and long rate underlying assumptions in-line with the forward curve as of January 7, 2022. 2. Rate increases measured in 25 basis point increments. 3. FY2022 total expense growth was 5% on a GAAP basis. 4. FY2022 pre-tax profit margin was 45.2% on a GAAP basis. 5. Further detail on non-GAAP financial measures and a reconciliation of such measures to reported results are included on slides 142-150 of this presentation.

Charles Schwab Corporation



# The balance sheet contracted 17% during the year,...

(\$M, EOP)	4Q21	4Q22
Total Assets	\$667,270	\$551,772
Receivables from Brokerage Clients	\$90,565	\$66,591
Bank Deposits	\$443,778	\$366,724
Payables to Brokerage Clients	\$125,671	\$97,438
Long-term Debt	\$18,914	\$20,828
Stockholders' Equity	\$56,261	\$36,608
Parent Liquidity	\$11,057	\$12,912
Tier 1 Leverage Ratio	6.2%	7.2%

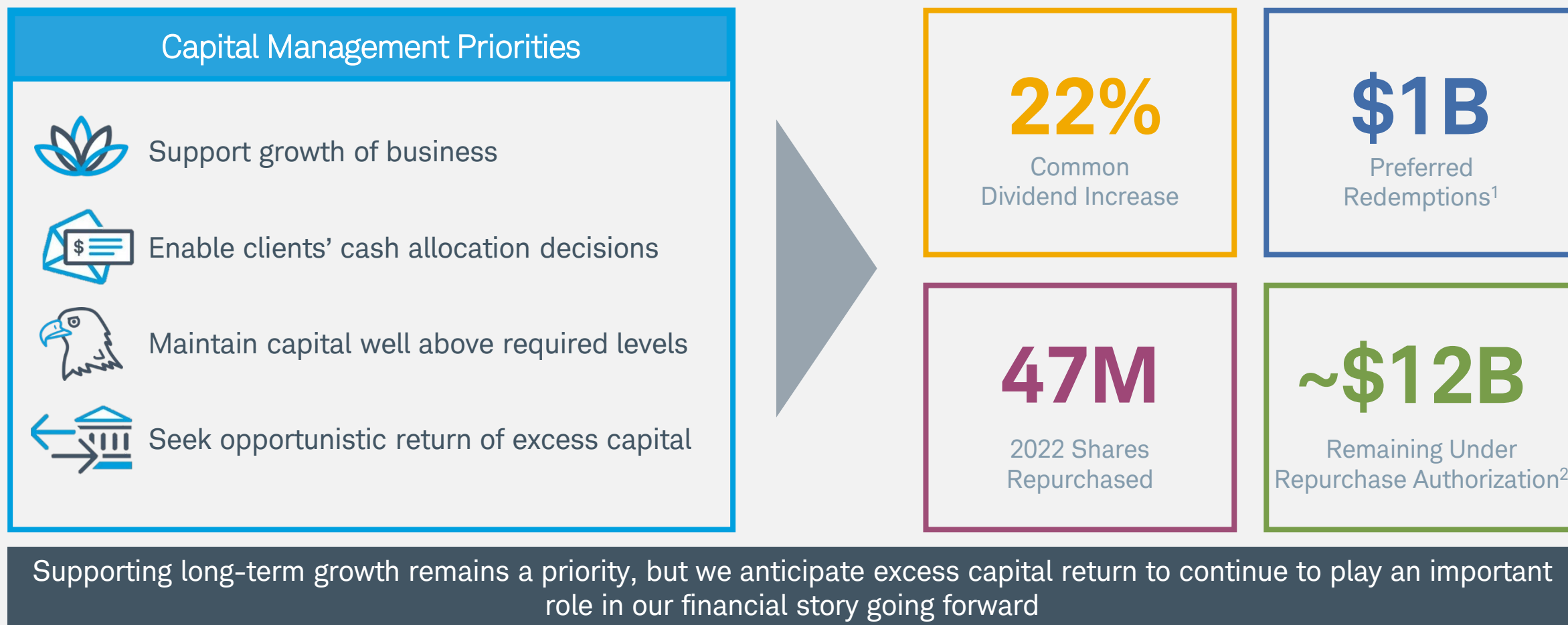
- **Bank deposits** were down 17% versus the prior year **due to expected client cash sorting**
- Lower equity markets, negative investor sentiment and higher rates contributed to a **28% year-over-year decline in margin loans**
- Total **borrowings increased by \$14 billion** as we utilized limited amounts of FHLB advances and other short-term funding sources
- Stockholders' equity declined by ~\$20 billion as strong organic capital formation was more than offset by the impact of negative fair value marks within AOCI, preferred stock redemptions, and common share repurchases
- Year-end “spot” **Tier 1 Leverage Ratio** was approximately 7.25%<sup>1</sup>, which is above our long-term operating objective of 6.50%-6.75%

Note: M = Million. Q = Quarter. EOP = End of period. 1. The preliminary “spot” Tier 1 Leverage Ratio is calculated using EOP figures as of December 31, 2022. AOCI = Accumulated Other Comprehensive Income. FHLB = Federal Home Loan Bank.

Charles Schwab Corporation



...which in combination with strong earnings, enabled us to accelerate meaningful capital return to owners.

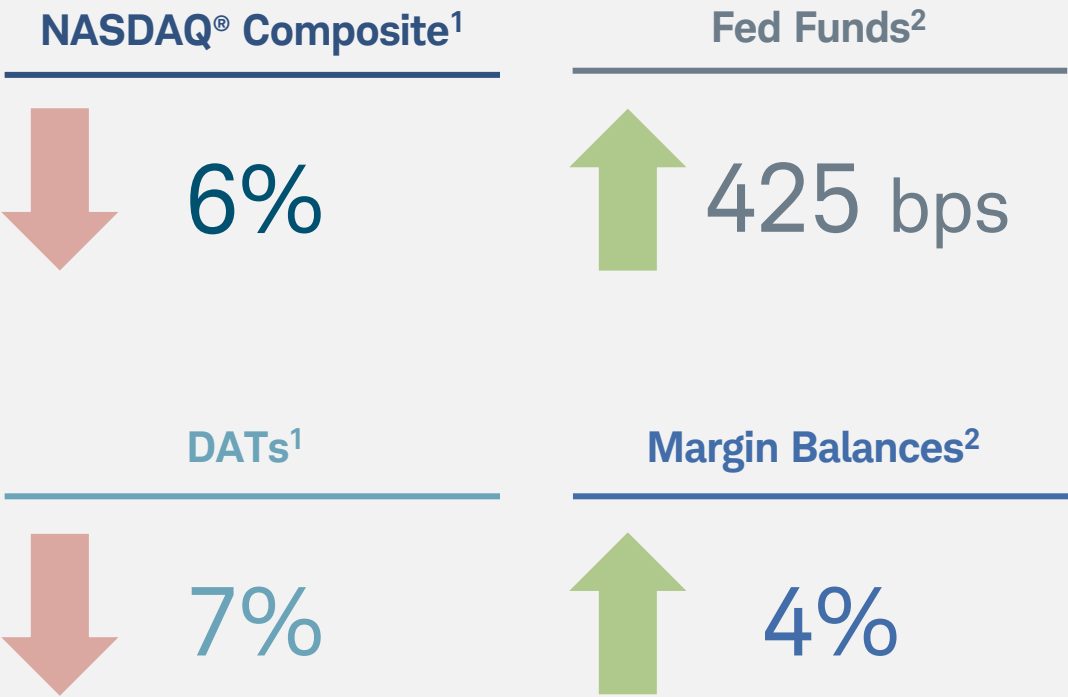




# Our fourth quarter caps a 2-year period of results which demonstrate the power of the firm following the Ameritrade acquisition.

4Q22 vs 4Q20

Despite the fact we have faced multiple economic headwinds since 4Q20,...



Note: Adj. = Adjusted. Q = Quarter. EPS = Earnings per share. PTPM = Pre-tax profit margin. DAT = Daily Average Trade. Bps = Basis points. 1. Represents the daily average for 4Q20 and 4Q22, respectively. 2. Measured at quarter end.

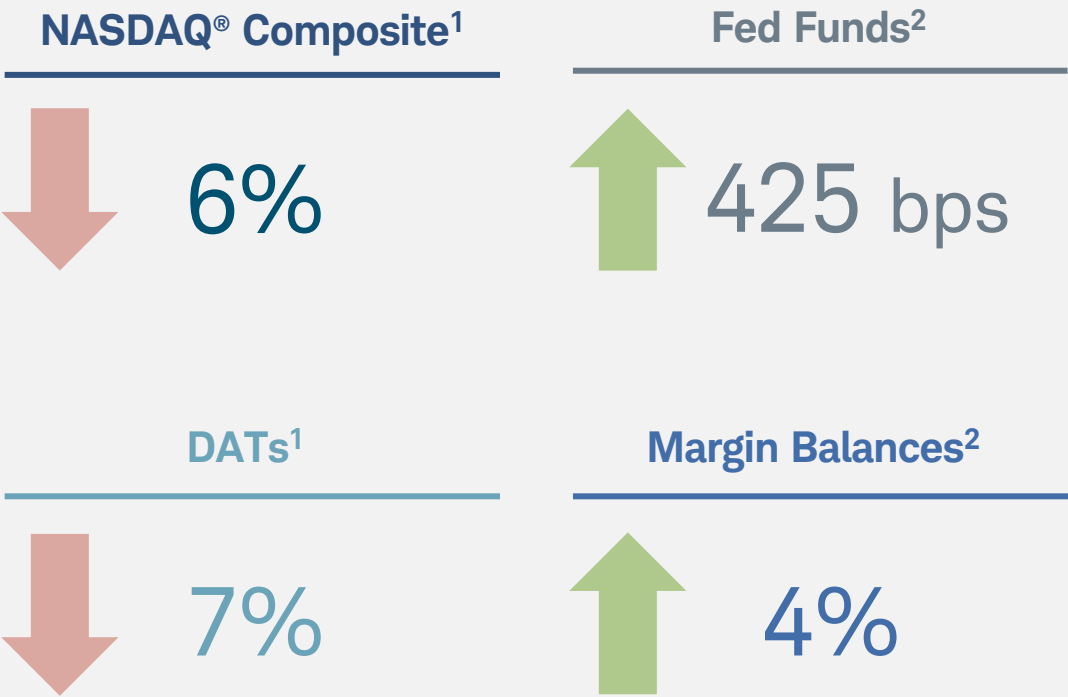


# Our fourth quarter caps a 2-year period of results which demonstrate the power of the firm following the Ameritrade acquisition.

4Q22 vs 4Q20

Despite the fact we have faced multiple economic headwinds since 4Q20,...

...revenue and profitability have increased meaningfully since 4Q20.

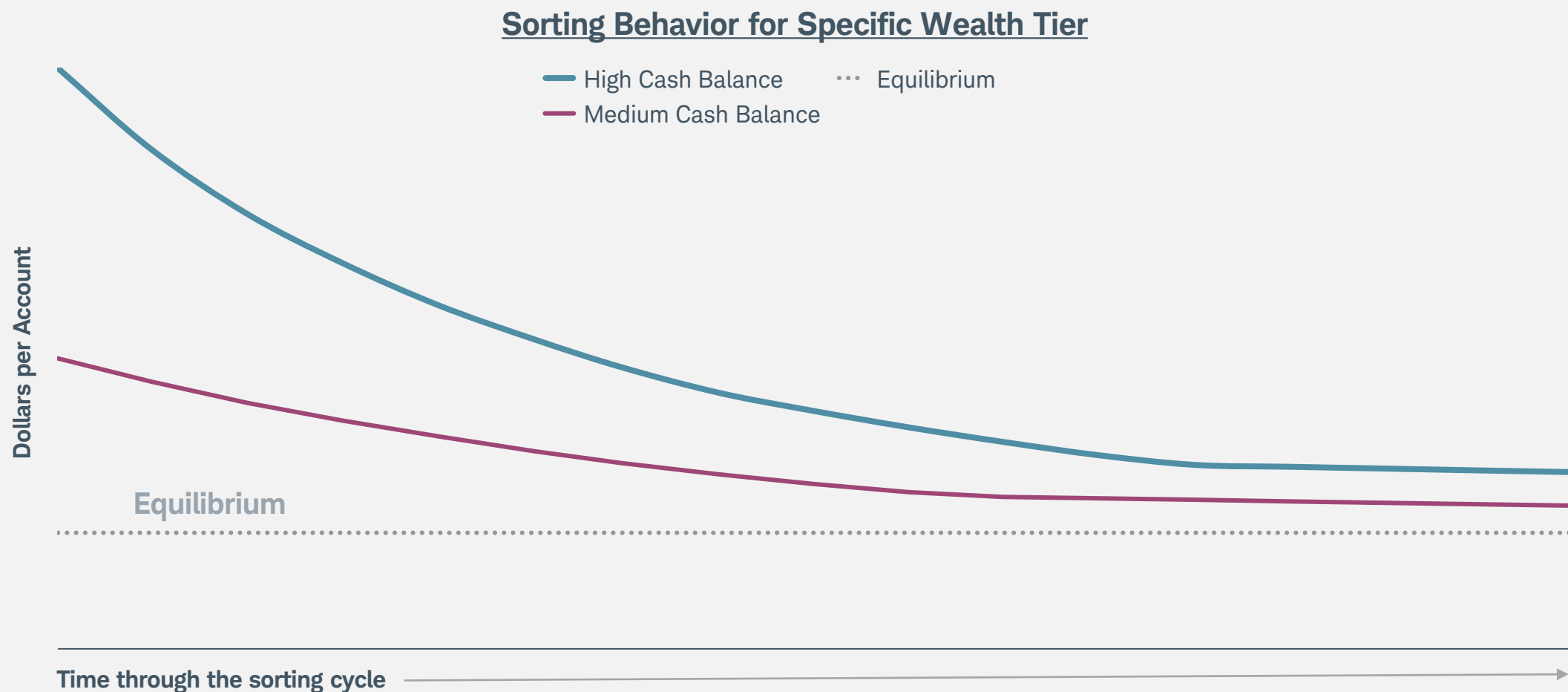


Note: Adj. = Adjusted. Q = Quarter. EPS = Earnings per share. PTPM = Pre-tax profit margin. DAT = Daily Average Trade. Bps = Basis points. 1. Represents the daily average for 4Q20 and 4Q22, respectively. 2. Measured at quarter end. 3. Further details on non-GAAP financial measures and a reconciliation of such measures to report results are included on slides 142-150 of this presentation as well as within our 4Q22 Earnings Release.





# We see evidence of client cash balances heading towards an equilibrium level...



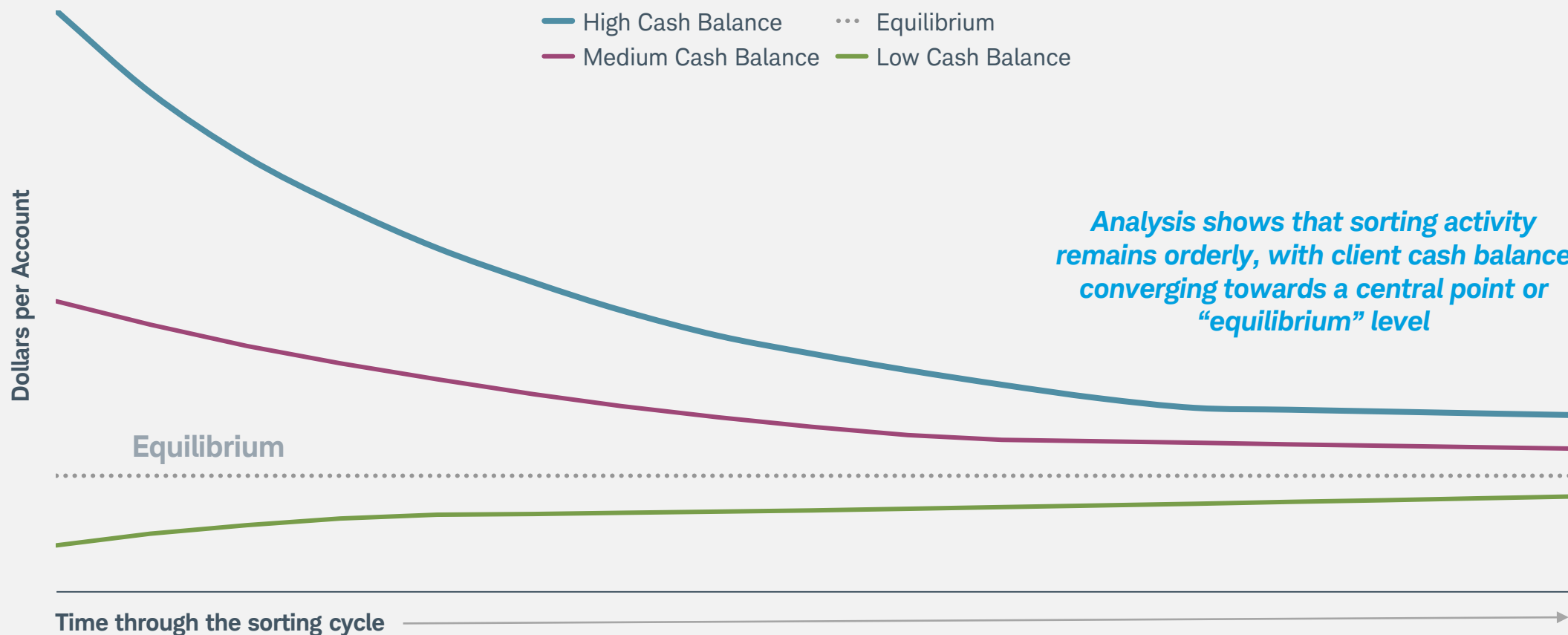
Note: Based on internal analysis representing a single wealth tier. Over 30 individual wealth tiers were analyzed.

Charles Schwab Corporation



...as clients with less transactional cash actually increase their balance even as rates rise.

### Sorting Behavior for Specific Wealth Tier





Month of Initial PPMF Purchase



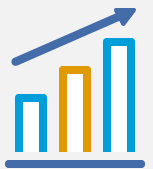
Client sorting activity for existing accounts has thus far progressed in-line with expectations – when adjusting for the rapid pace of rate increases.



- Sorting is **following the pattern** predicted by our analysis of observations from the prior cycle



- We continue to believe that the **magnitude of sorting will not be noticeably different** for existing accounts than what we experienced last cycle



- At some point in 2023, **we expect sorting to abate** and balance sheet cash to resume growing in proportion with client assets

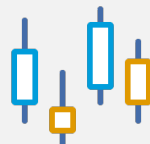
# Heading into 2023, there is still plenty of uncertainty across a number of key drivers.

## Macro-environment

Rates

%

Markets



Cash  
Allocations



Engagement  
Levels



# Our financial outlook will be influenced by the path of interest rates and client sorting activity.

## Select Assumptions & Drivers

## Illustrative Financial Outcomes

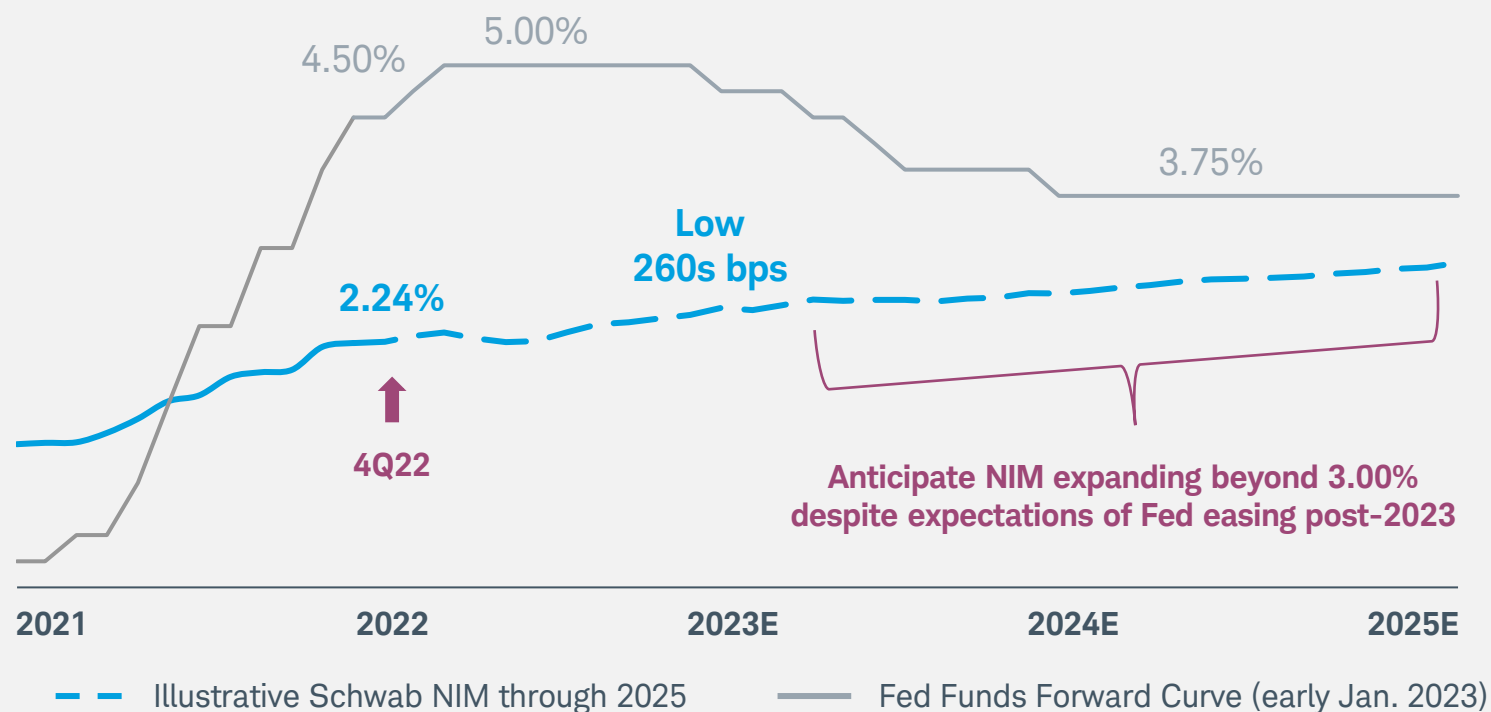
	Rates	4Q23 NIM	Other Global Assumptions	Revenue	Adj. Expenses <sup>1</sup>	Adj. PTPM <sup>1</sup>
Market Expectations		Low-2.60s	<b>Deposit Betas</b> < 20%  <b>December Avg. IEA</b> Y/Y decline of 8-12%	5%–7%	7%–8%	48%+
Fed Dot Plot		Mid-2.70s	<b>BDA Breakage Fees</b> ~\$100M in 1Q23 (contra revenue)  <b>Potential Payout Ratio<sup>2</sup></b> > 125%	7%–9%	7%–8%	49%+

Note: Q = Quarter. M = Millions. B = Billions. NIM = Net interest margin. ST = Short-term. Avg. = Average. IEA = Interest-earning assets. BDA = Bank deposit account. PTPM = Pre-tax profit margin. Adj. = Adjusted. 1. Further details on non-GAAP financial measures and a reconciliation of such measures to report results are included on slides 142-150 of this presentation as well as within our 4Q22 Earnings Release. 2. Potential payout ratio represents common dividend payments plus share repurchases that could reasonably occur under the two scenarios divided by potential net income.



# Using current rate expectations for notable easing in coming years, we could see our NIM exceeding 3.00% by 4Q 2025.

Illustrative NIM vs. Fed Funds Forward Curve<sup>1</sup>

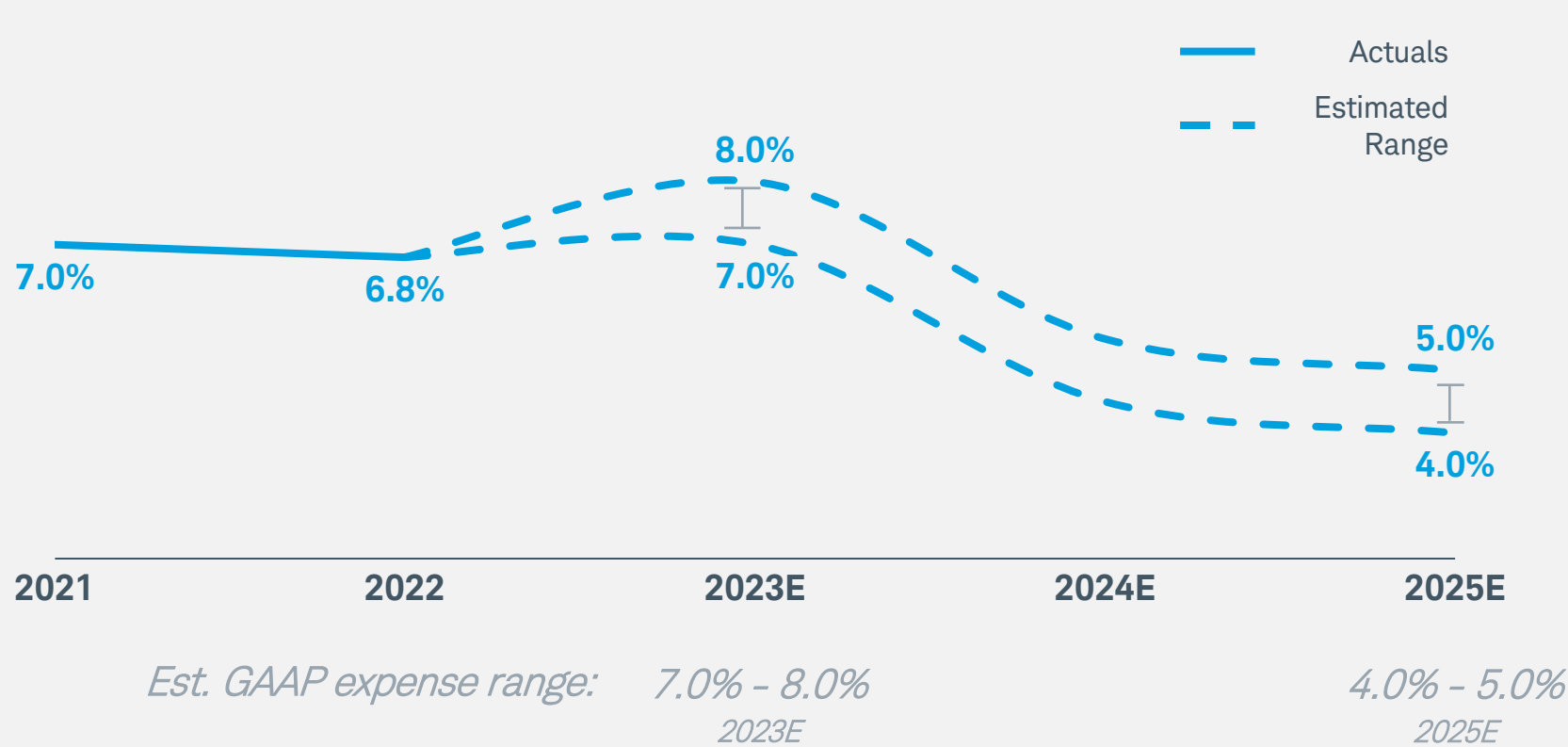


## Select Assumptions

- Forward curve as of early January
- Deposit betas continue to run in-line to slightly below expectations
- Cash sorting abates in 2023
- Utilize select amounts of short-term funding – which is mostly paid off by end of 2023
- NIM accretion supported by reinvestment of fixed-rate book currently yielding ~1.60%-1.70%

# Post conversion, we expect expense growth to track back towards a mid-single digit annual rate.

Illustrative Adjusted Total Expense Growth, 2021 – 2025E<sup>1</sup>



### Select Assumptions

- Based on current inputs regarding business growth, market factors, client engagement levels, and regulatory and legislative matters
- Ameritrade conversion completed by 1H 2024
- Allows for typical annual adjustments as well as select incremental strategic investments





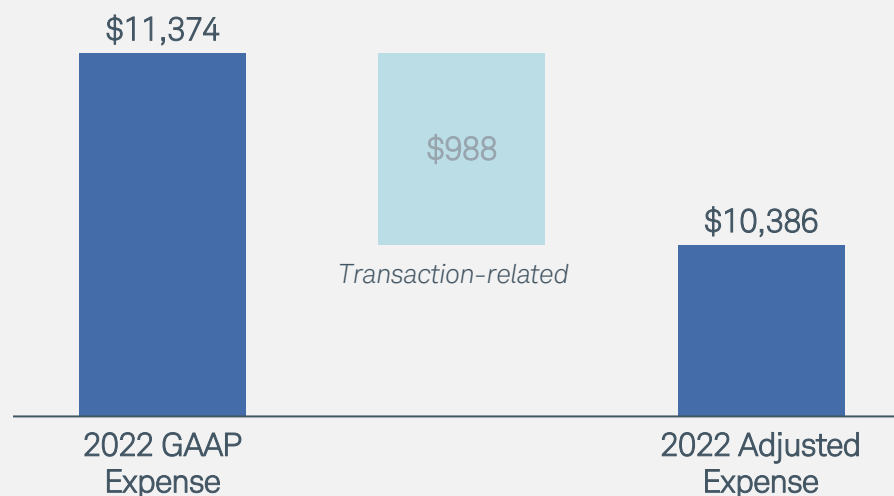
Our 2023 spending plan balances conversion specific outlays with longer-term, growth-oriented investments.



# Our 2023 spending plan balances conversion specific outlays with longer-term, growth-oriented investments.

## Estimated 2023 Adjusted Total Expense Growth (\$M, %)<sup>1, 2</sup>

*% growth vs. FY22 adjusted total expenses*



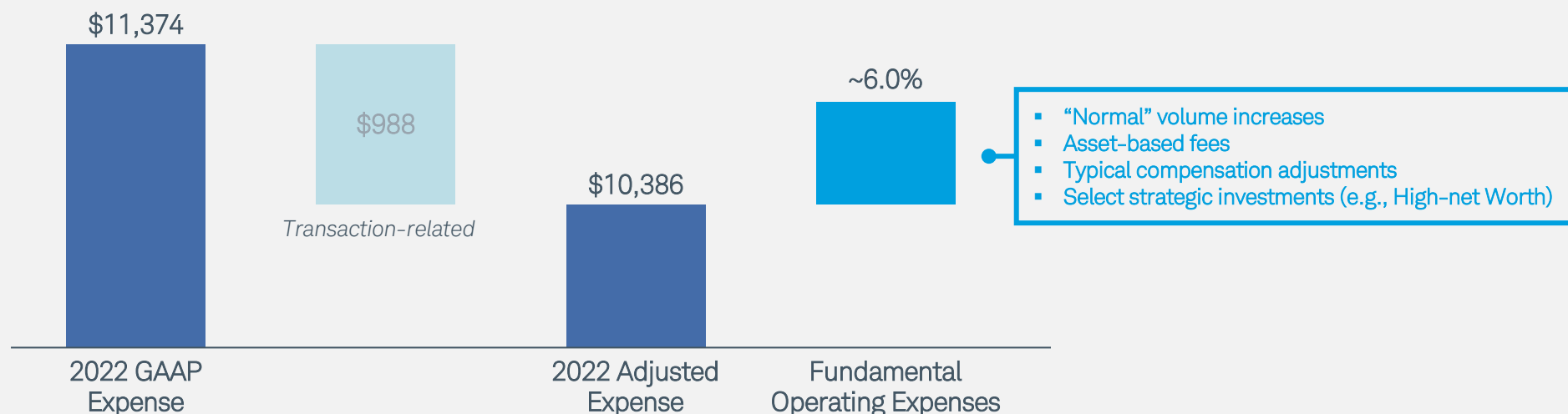
Sustained investments in our platform and key strategic initiatives bolster Schwab's long-term growth opportunity

Note: GAAP = Generally Accepted Accounting Principles. FDIC = Federal Deposit Insurance Corporation. M = Millions. FY = Full year. E = Estimated. Adj. = Adjusted. 1. Transaction-related expenses include acquisition and integration-related expenses as well as amortization of acquired intangibles. 2. Adjusted total expenses exclude acquisition and integration-related costs as well as amortization of acquired intangible assets, consistent with the non-GAAP adjustments discussed on slide 142. Further details on non-GAAP financial measures and a reconciliation of such measures to report results are included on slides 142-150 of this presentation as well as within our 4Q22 Earnings Release.

# Our 2023 spending plan balances conversion specific outlays with longer-term, growth-oriented investments.

## Estimated 2023 Adjusted Total Expense Growth (\$M, %)<sup>1, 2</sup>

*% growth vs. FY22 adjusted total expenses*



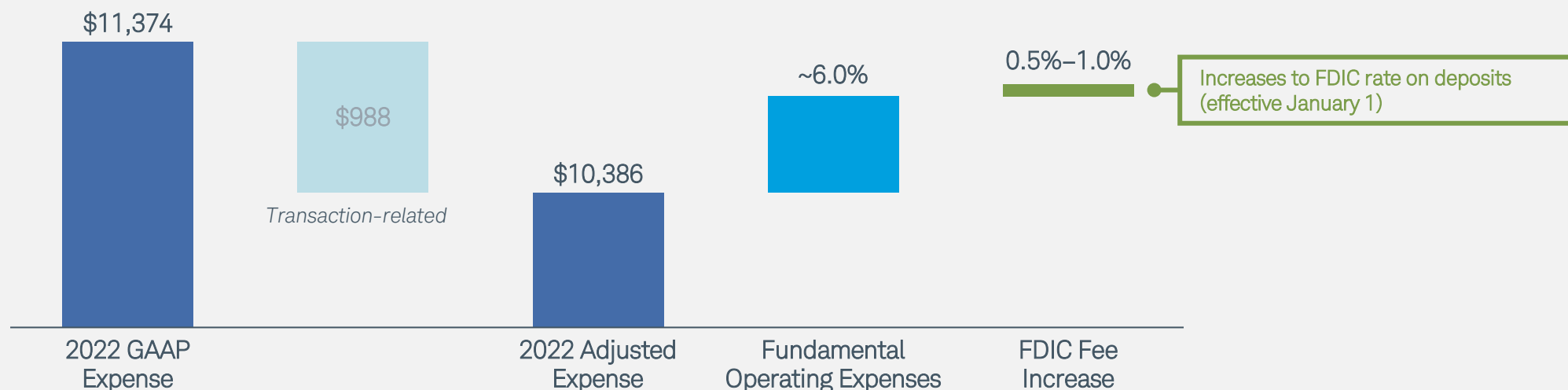
Sustained investments in our platform and key strategic initiatives bolster Schwab's long-term growth opportunity

Note: GAAP = Generally Accepted Accounting Principles. FDIC = Federal Deposit Insurance Corporation. M = Millions. FY = Full year. E = Estimated. Adj. = Adjusted. 1. Transaction-related expenses include acquisition and integration-related expenses as well as amortization of acquired intangibles. 2. Adjusted total expenses exclude acquisition and integration-related costs as well as amortization of acquired intangible assets, consistent with the non-GAAP adjustments discussed on slide 142. Further details on non-GAAP financial measures and a reconciliation of such measures to report results are included on slides 142-150 of this presentation as well as within our 4Q22 Earnings Release.

# Our 2023 spending plan balances conversion specific outlays with longer-term, growth-oriented investments.

## Estimated 2023 Adjusted Total Expense Growth (\$M, %)<sup>1, 2</sup>

*% growth vs. FY22 adjusted total expenses*



Sustained investments in our platform and key strategic initiatives bolster Schwab's long-term growth opportunity

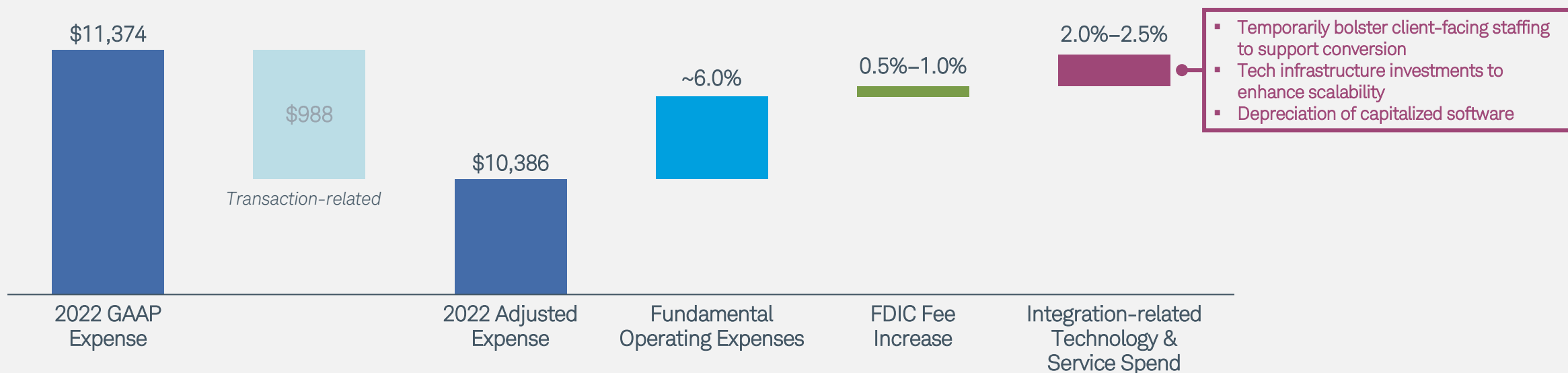
Note: GAAP = Generally Accepted Accounting Principles. FDIC = Federal Deposit Insurance Corporation. M = Millions. FY = Full year. E = Estimated. Adj. = Adjusted. 1. Transaction-related expenses include acquisition and integration-related expenses as well as amortization of acquired intangibles. 2. Adjusted total expenses exclude acquisition and integration-related costs as well as amortization of acquired intangible assets, consistent with the non-GAAP adjustments discussed on slide 142. Further details on non-GAAP financial measures and a reconciliation of such measures to report results are included on slides 142-150 of this presentation as well as within our 4Q22 Earnings Release.



# Our 2023 spending plan balances conversion specific outlays with longer-term, growth-oriented investments.

## Estimated 2023 Adjusted Total Expense Growth (\$M, %)<sup>1, 2</sup>

*% growth vs. FY22 adjusted total expenses*



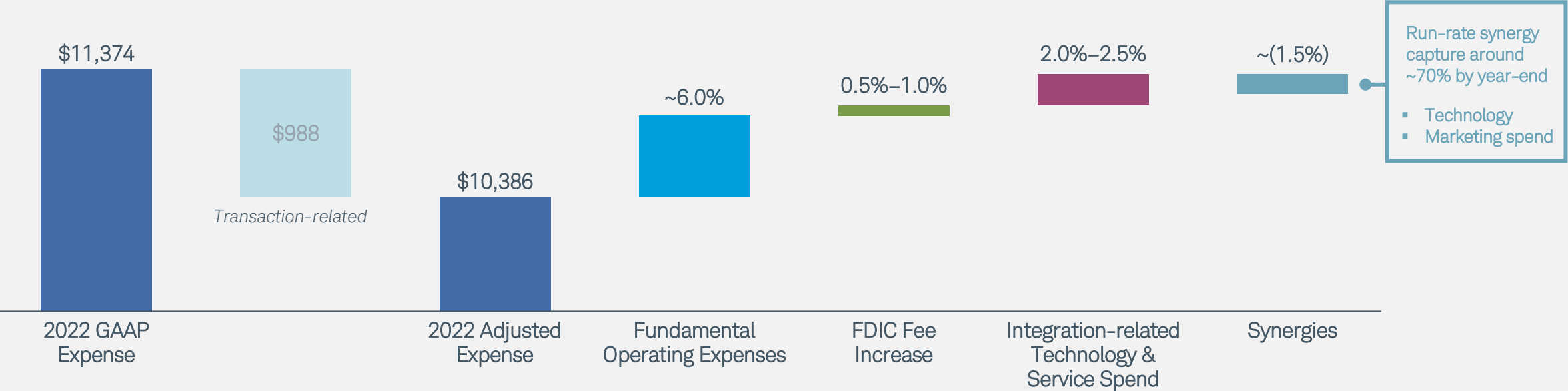
Sustained investments in our platform and key strategic initiatives bolster Schwab's long-term growth opportunity

Note: GAAP = Generally Accepted Accounting Principles. FDIC = Federal Deposit Insurance Corporation. M = Millions. FY = Full year. E = Estimated. Adj. = Adjusted. 1. Transaction-related expenses include acquisition and integration-related expenses as well as amortization of acquired intangibles. 2. Adjusted total expenses exclude acquisition and integration-related costs as well as amortization of acquired intangible assets, consistent with the non-GAAP adjustments discussed on slide 142. Further details on non-GAAP financial measures and a reconciliation of such measures to report results are included on slides 142-150 of this presentation as well as within our 4Q22 Earnings Release.

# Our 2023 spending plan balances conversion specific outlays with longer-term, growth-oriented investments.

Estimated 2023 Adjusted Total Expense Growth (\$M, %)<sup>1, 2</sup>

% growth vs. FY22 adjusted total expenses



Sustained investments in our platform and key strategic initiatives bolster Schwab’s long-term growth opportunity



# Our 2023 spending plan balances conversion specific outlays with longer-term, growth-oriented investments.

## Estimated 2023 Adjusted Total Expense Growth (\$M, %)<sup>1, 2</sup>

*% growth vs. FY22 adjusted total expenses*



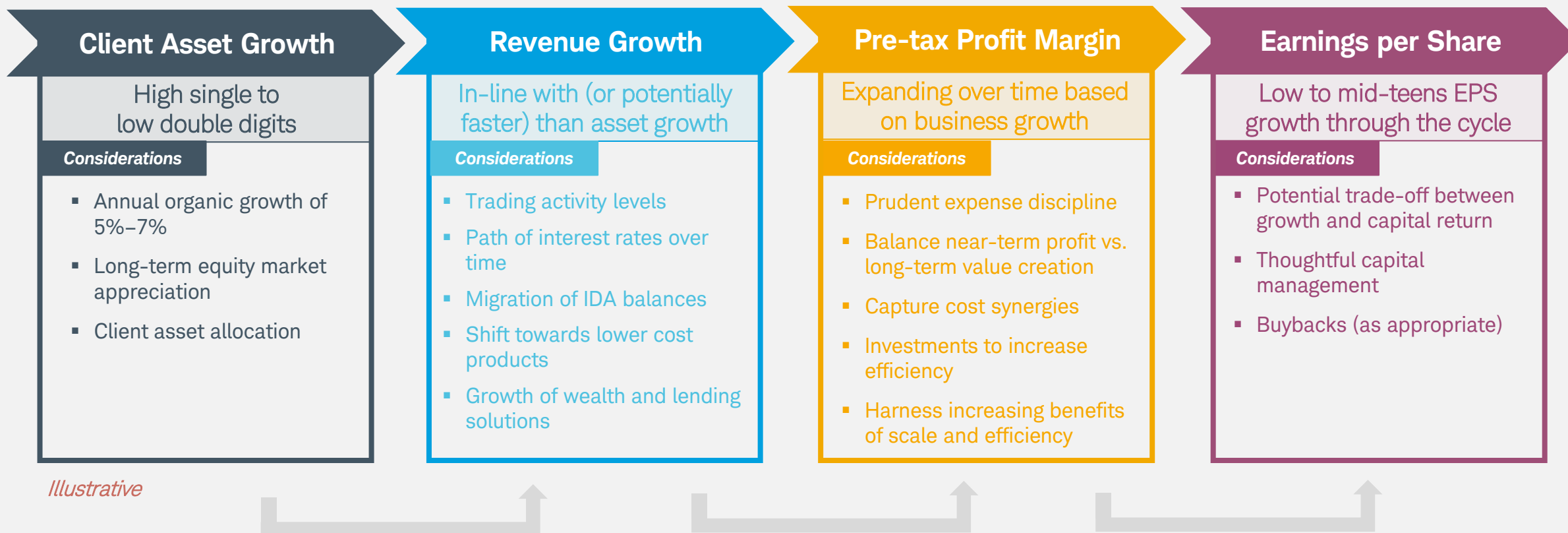
Sustained investments in our platform and key strategic initiatives bolster Schwab's long-term growth opportunity

Note: GAAP = Generally Accepted Accounting Principles. FDIC = Federal Deposit Insurance Corporation. M = Millions. FY = Full year. E = Estimated. Adj. = Adjusted. 1. Transaction-related expenses include acquisition and integration-related expenses as well as amortization of acquired intangibles. 2. Adjusted total expenses exclude acquisition and integration-related costs as well as amortization of acquired intangible assets, consistent with the non-GAAP adjustments discussed on slide 142. Further details on non-GAAP financial measures and a reconciliation of such measures to report results are included on slides 142-150 of this presentation as well as within our 4Q22 Earnings Release.



# Schwab's financial formula is designed to operate "through the cycle"...

2002 - 2022

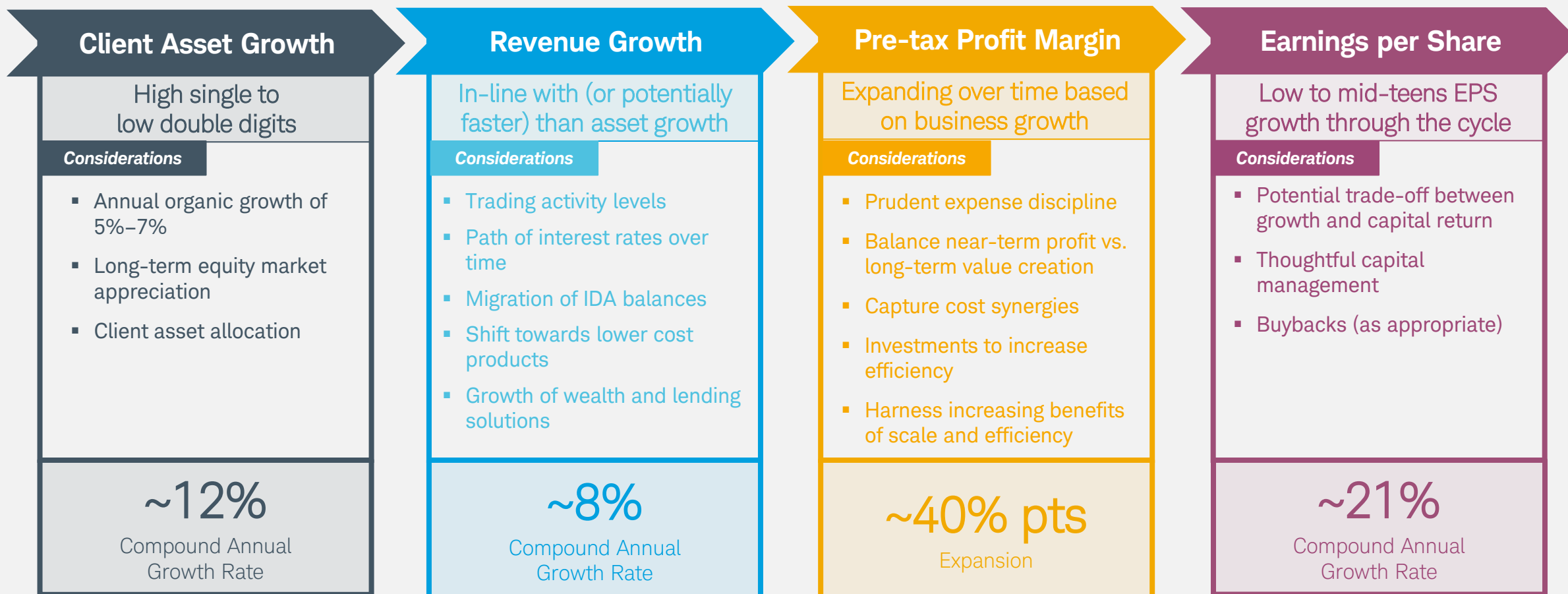






# ...and it has delivered over a range of environments.

2002 - 2022



Note: IDA = Insured Deposit Account. Pts = points. EPS = Earnings per share. Revenue calculated using numbers provided in 2002 10-K, filed on March 21, 2003.

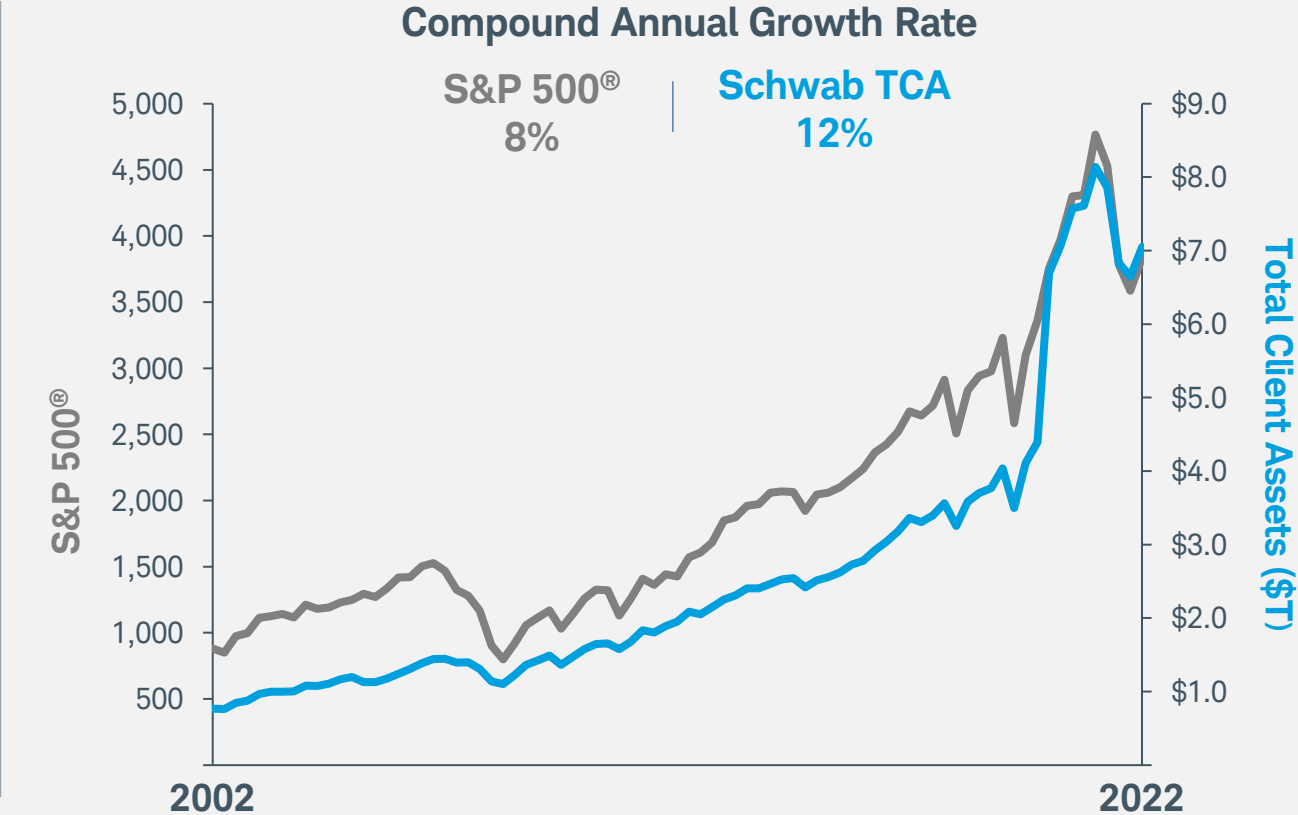
Charles Schwab Corporation



# Our “Through Clients’ Eyes” strategy has driven sustained client asset growth,...



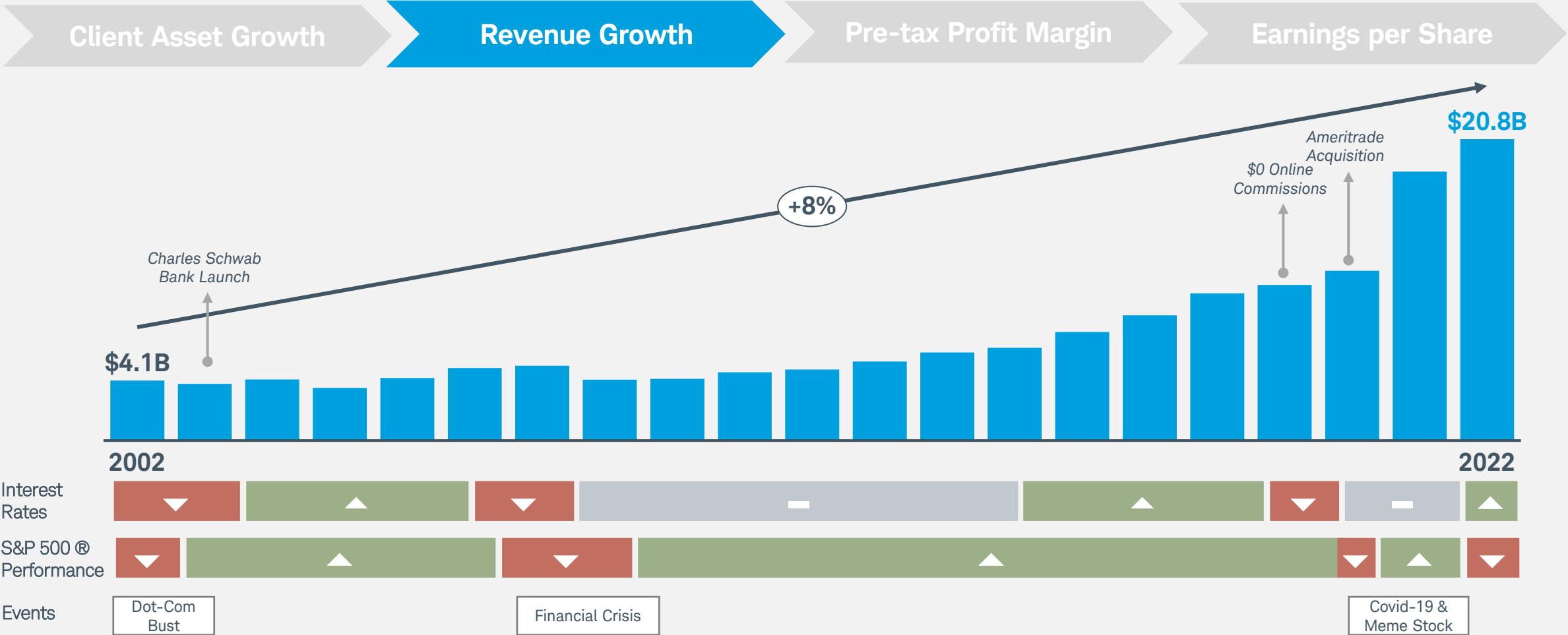
Macroeconomic Backdrop	Schwab-led Disruption
<ul style="list-style-type: none"><li>Two full rate cycles</li><li>2008 financial crisis</li><li>Global pandemic</li><li>Current inflationary environment</li></ul>	<ul style="list-style-type: none"><li>\$0 commission equity trades</li><li>Largest broker-dealer acquisition</li><li>Value-oriented pricing across advice and asset management</li></ul>



Note: TCA = Total Client Assets. T = Trillion.



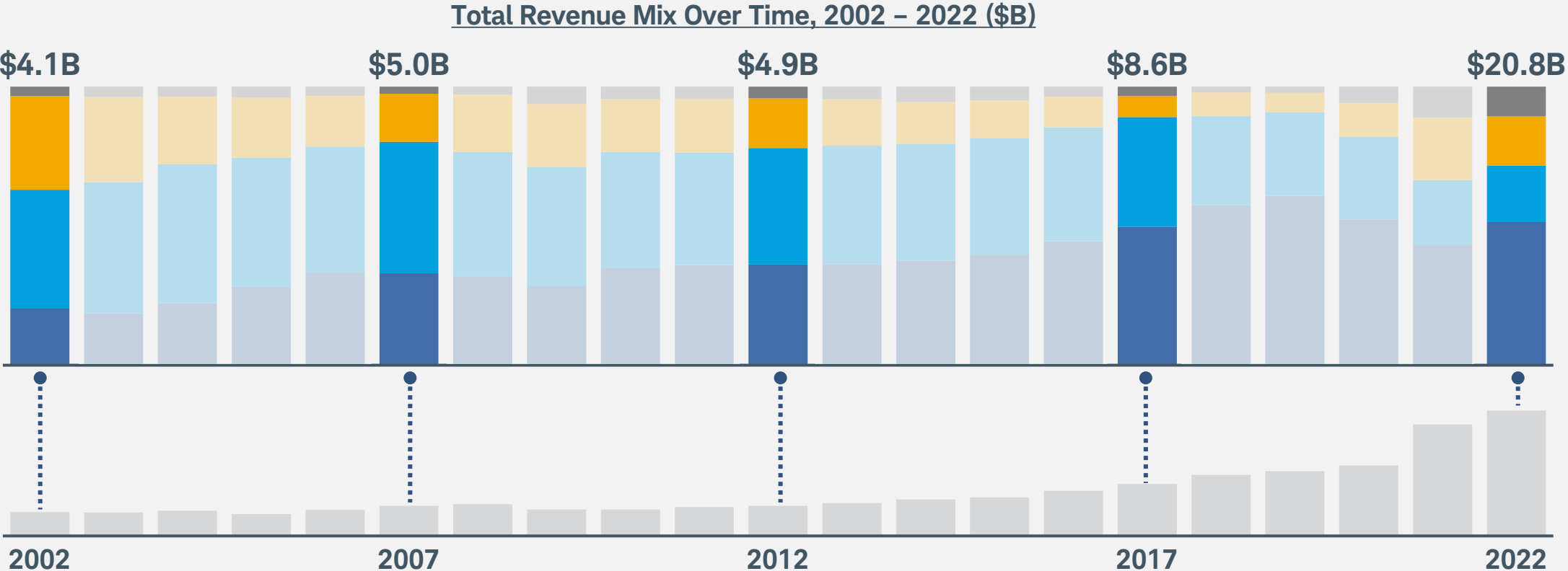
...helping to enable long-term revenue growth over the past 20 years.



Note: B = Billion.



# Our revenue model is diversified, enabling growth through a range of environments.

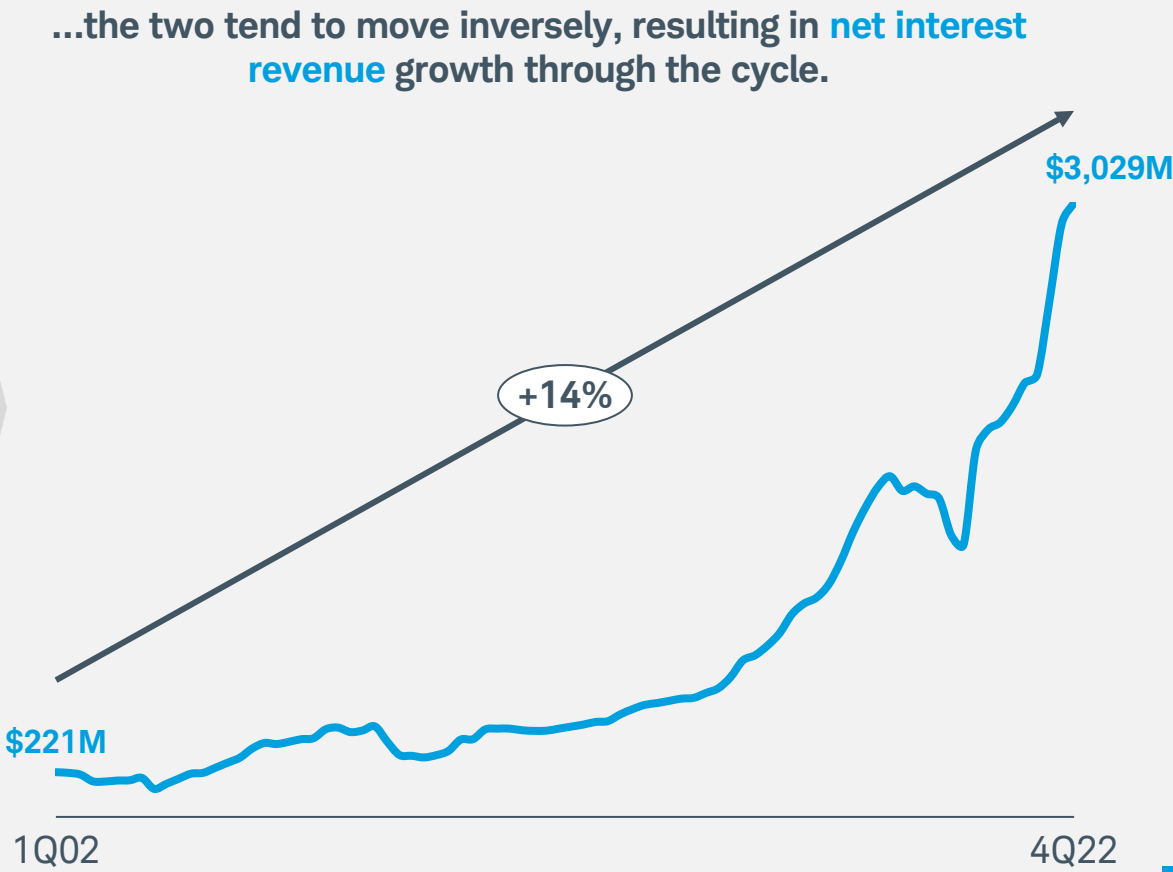
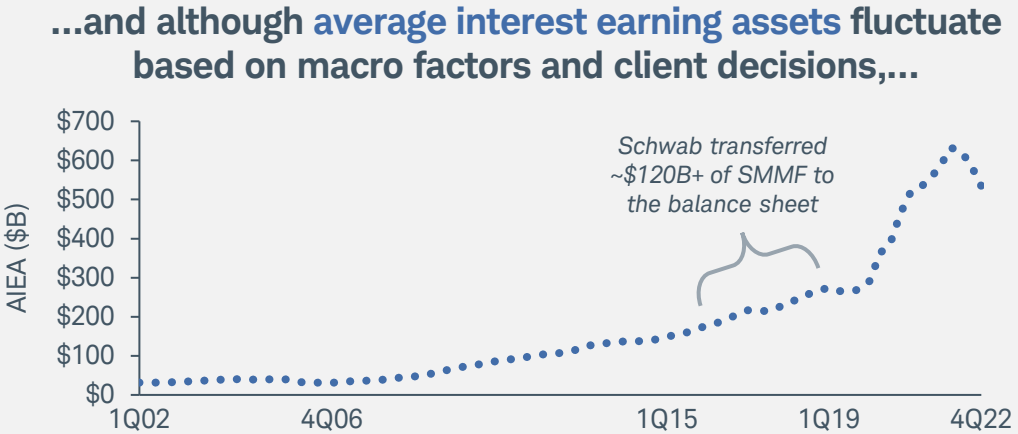
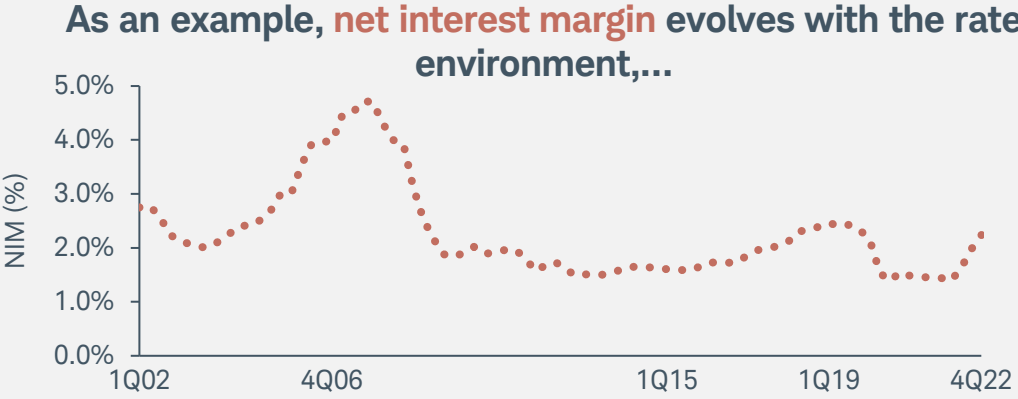


Note: B = Billions. NIR = Net Interest Revenue. AMAF = Asset Management and Admin Fees

NIR AMAF Trading Other

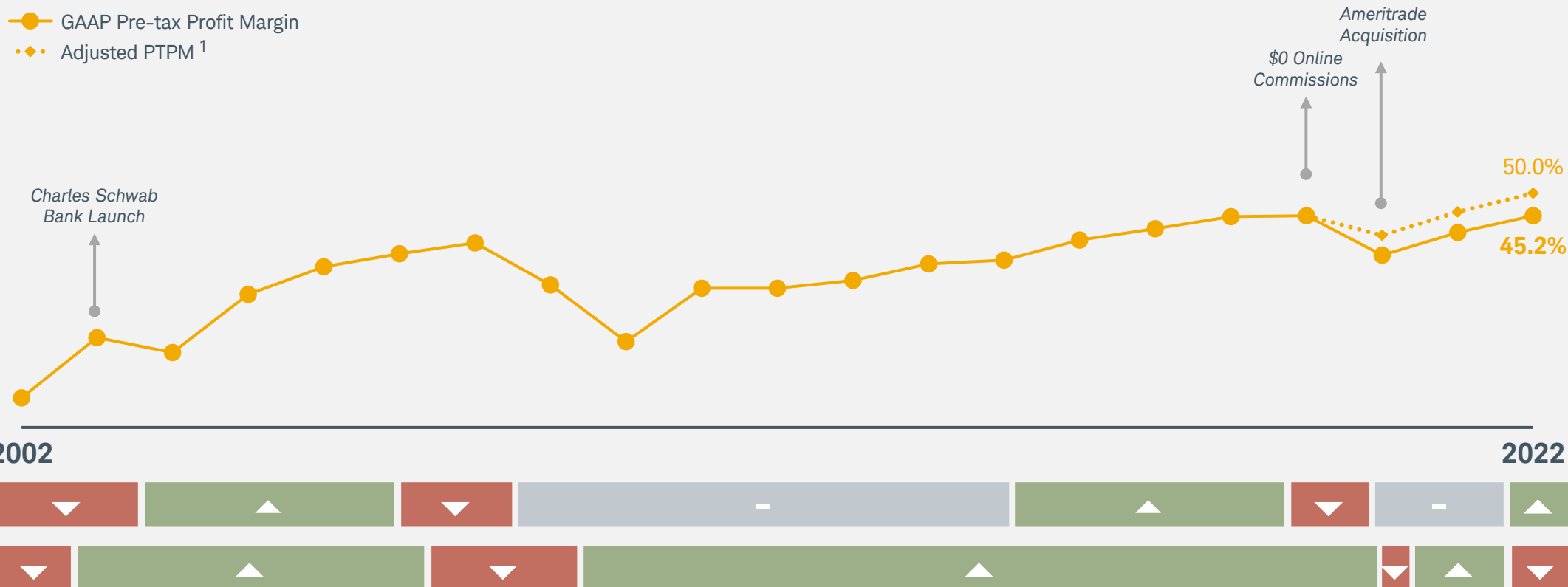
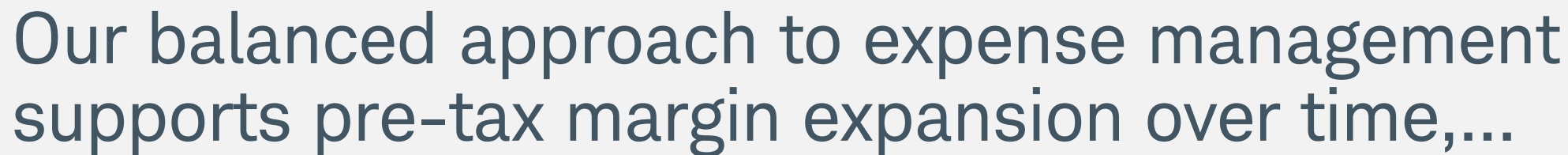


# While rates and balances are cyclical, strong asset gathering helps net interest revenue build over the long term.



Note: SMMF = Sweep Money Market Fund. AIEA = Average interest earning assets. NIM = Net interest margin. M = Million. B = Billion. Q = Quarter.

Charles Schwab Corporation



126



# ...as thoughtful capital management enhances earnings growth through the cycle.

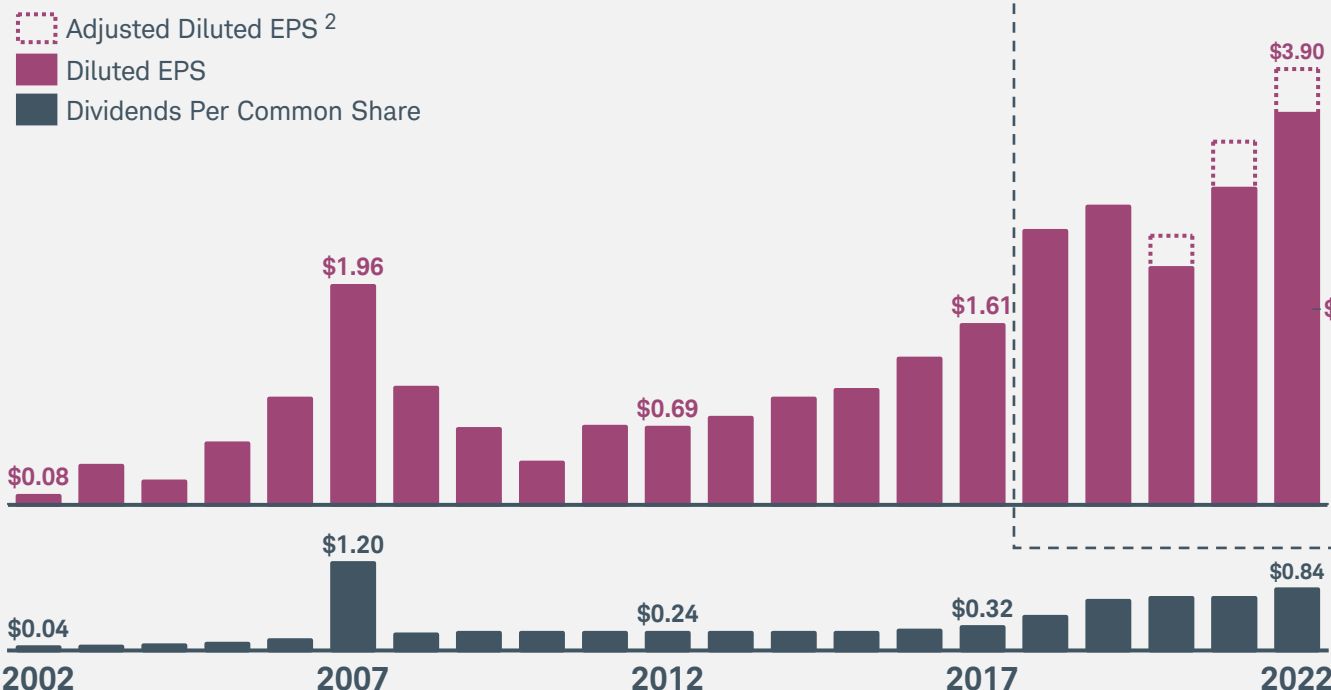
Client Asset Growth

Revenue Growth

Pre-tax Profit Margin

Earnings per Share

We have returned capital to our stockholders through an increasing common dividend<sup>1</sup>...



...and driven incremental earnings leverage via share repurchases.

Capital return since 2017:

Shares Repurchased ~125M

Payout Ratio ~ 60%

Note: M = Millions. EPS = Earnings per share. 1. Includes special cash dividend of \$1.00 per common share paid on August 24, 2007 related to the sale of U.S. Trust. 2. Further details on non-GAAP financial measures and a reconciliation of such measures to report results are included on slides 142-150 of this presentation as well as within our 4Q22 Earnings Release.

Charles Schwab Corporation



# Following another strong year, we remain confident in the significant opportunity still ahead of us.

- Schwab's consistent focus on individual investors and the advisors who serve them differentiates us within the marketplace
- Deep client relationships, ongoing investment in our modern wealth management platform, and favorable alignment with key industry trends positions us for long-term growth
- Our all-weather model enables us to convert this business momentum into healthy financial results across a wide range of environments – helping us deliver growth plus meaningful capital return through the cycle

Our priorities remain unchanged:



Continued business growth through our client-first strategy



Long-term revenue growth through multiple sources



Thoughtful expense management enabling sustainable performance



# Q&A

# Winter Business Update

January 27, 2022



CORPORATION

# Appendix

# Appendix

## Underlying Full Year 2023 Scenario Assumptions (as of December 31, 2022)

### Macro Factors

**Short Rates**     *Market Expectations*  
*Fed Funds finishes FY 2023 at 4.75%*

*Fed Dot Plot*  
*Fed Funds finishes FY 2023 at 5.25%*

**Long Rates**     *Avg. 5-year UST for 2023 of ~3.80%*

**S&P 500®**     *Growth in-line with long-term equity market appreciation*

### Business Factors

**DATs**     *5.6M for full year 2023*

**Bal. Sheet Positioning**     *Margin balances grow approximately 5-10% relative to 4Q22 EOP levels; investment strategy continues to prioritize flexibility / liquidity*

**Bal. Sheet Decline**     *December 2023 average IEA decline by 8% – 12% versus the December 2022 average*

**Capex**     *Running at 3%-4% of total revenues*

# Appendix

Select Revenue Sensitivities (as of December 31, 2022)

Target Fed  
Funds Rate  
+/- 25 bps

~\$200M  
– \$400M

5-Year  
Treasury  
+/- 10 bps

~\$80M

Bank Sweep  
Balances  
+/- \$1B

~\$45M

S&P 500®  
+/- 1%

~\$20M

Daily  
Average  
Trades  
+/- 100K

~\$65M

Margin  
Balances  
+/- \$1B

~\$65M

Note: Bps = Basis points. K = Thousands. B = Billions. M = Millions. For the Fed Funds and Treasury sensitivities, assumes static interest-earning asset balances as of December 31, 2022 and depends on the mix and duration of the bank investment portfolio, to the extent there is a parallel shift in the yield curve, how quickly the fixed portfolio reprices; for purposes of the analysis, the deposit beta is assumed to be 20%. Every \$5 billion of FHLB borrowings outstanding per quarter equals approximately 1 basis point of net interest margin drag.

# Appendix

Cash Sorting Support (Originally Shown During the Fall Business Update in October 2022)

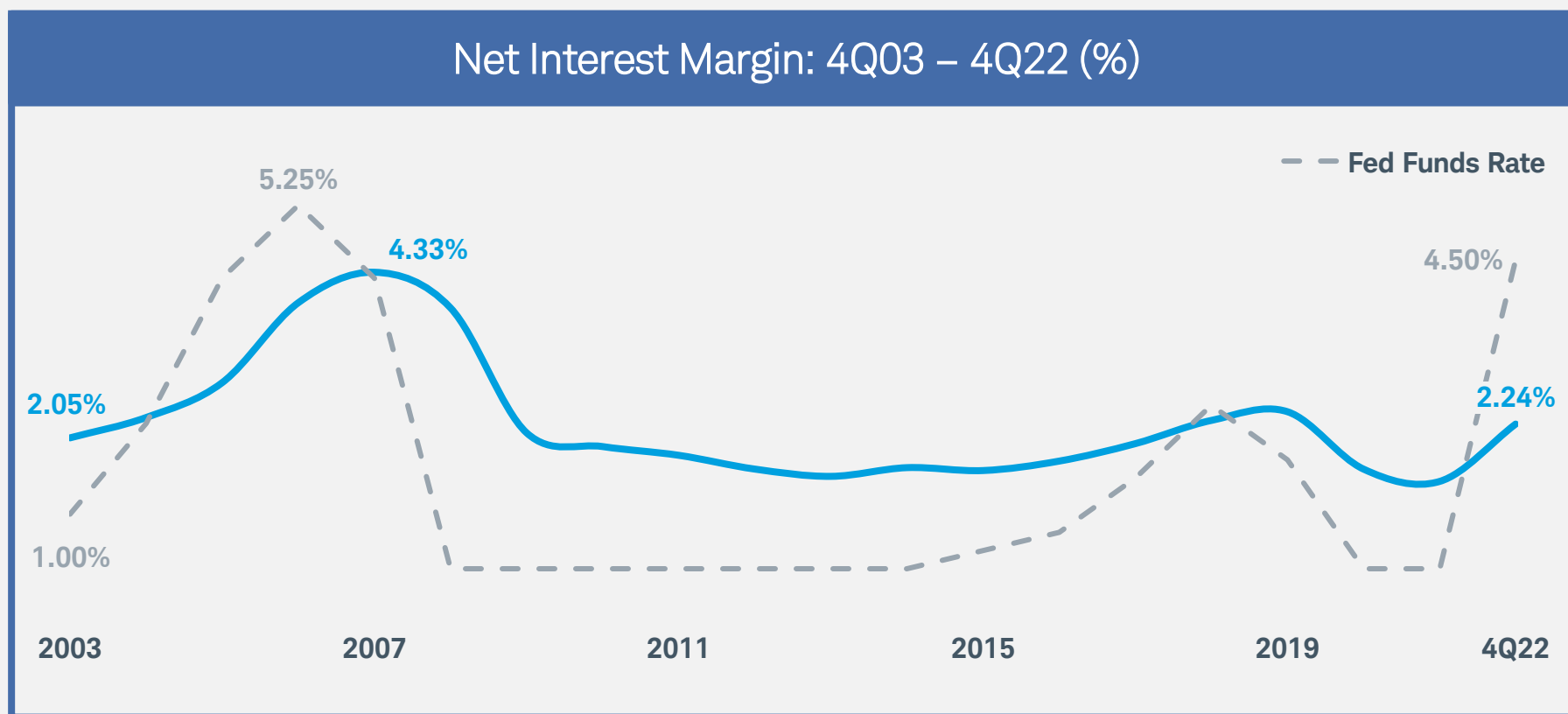
	Observation	Support
Pace	<b>A</b> Bank sweep deposit betas have minimal influence over the pace of sorting	<ul style="list-style-type: none"><li>▪ Pace of sorting is driven by available yield on investment cash alternatives</li><li>▪ During the last rising rate cycle, clients in sweep money funds behaved similarly to those in bank sweep</li></ul>
	<b>B</b> Sorting ‘burns out’ through the cycle	<ul style="list-style-type: none"><li>▪ Sorting decelerates – or reverses – as you move past peak rates, and can be offset by organic cash increases</li></ul>
Magnitude	<b>C</b> Clients continue to utilize transactional cash, regardless of rates	<ul style="list-style-type: none"><li>▪ Through past cycles, we have observed that most sweep cash tends to find its level</li></ul>
	<b>D</b> Higher cash balance accounts are the most yield sensitive	<ul style="list-style-type: none"><li>▪ Accounts with \$1M+ in cash accounted for the majority of sorting activity through December 2022</li></ul>
	<b>E</b> A growing portion of our client base is less prone to sorting	<ul style="list-style-type: none"><li>▪ Since 2020, we have added ~4 million new-to-firm Retail HHs</li><li>▪ Trading oriented and HHs with &lt;\$250K in total assets represented the vast majority of that growth<sup>1</sup></li><li>▪ As of 12/31, this group currently represents more than 50% of Retail cash on the balance sheet</li></ul>

Note: Sweep cash = Bank deposits, broker-dealer balances, and sweep money market funds. HH = Households. K = Thousand. M = Millions. Q = Quarter. 1. Trading oriented includes Ameritrade brokerage clients plus Schwab Retail Trading Services cohort.

Charles Schwab Corporation

# Appendix

Historical Net Interest Margin Trends (as of December 31, 2022)



Select Considerations



Investment Yields and  
ALM Parameters

Interest-Earning Asset  
Mix and Growth

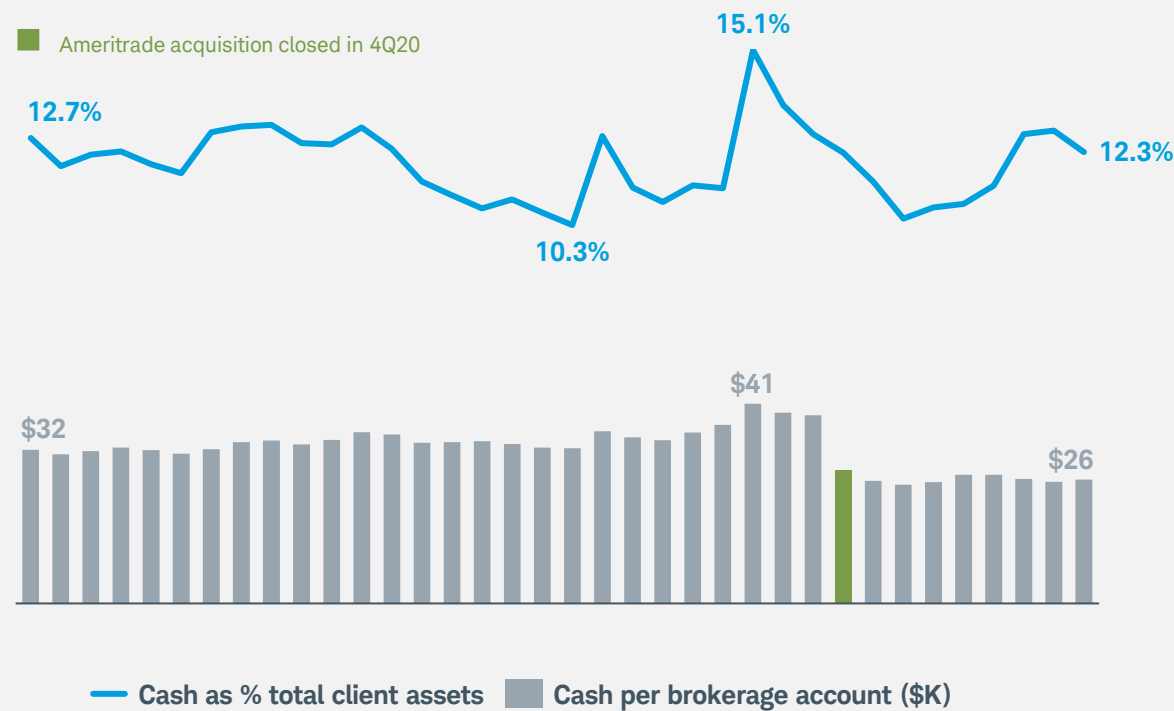
Funding Mix

Securities Lending

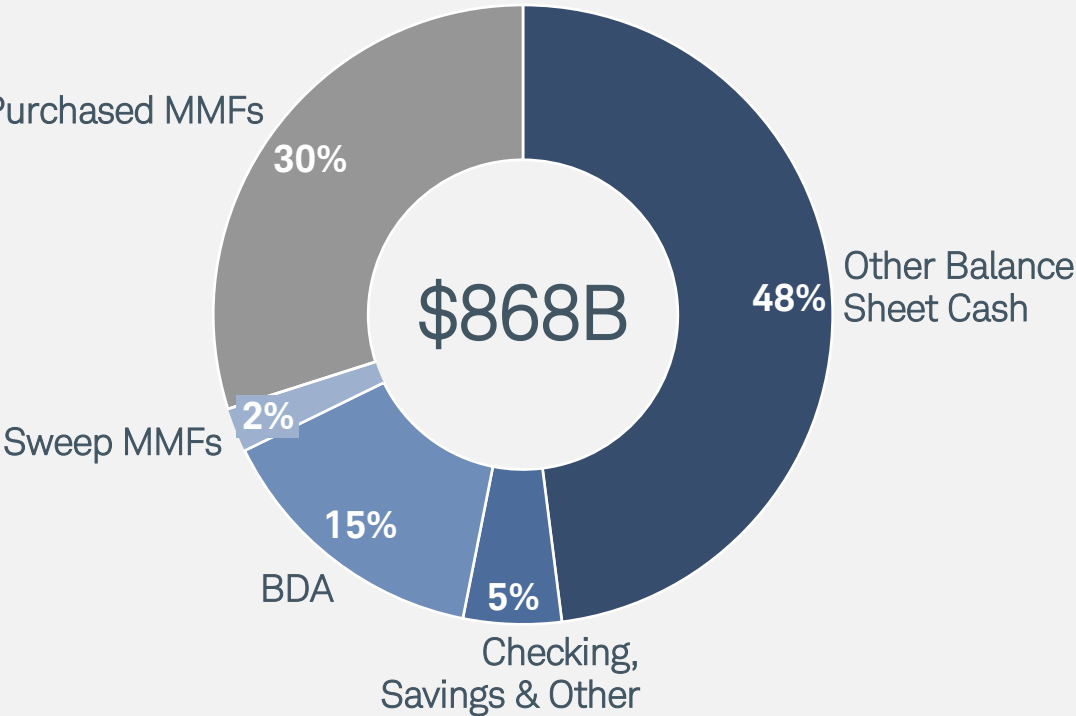
# Appendix

Historical Client Cash Trends (as of December 31, 2022)

Select Client Cash Metrics, 1Q14 – 4Q22 (\$K, %)



Total Client Cash Mix, 4Q22 (%)<sup>1, 2</sup>



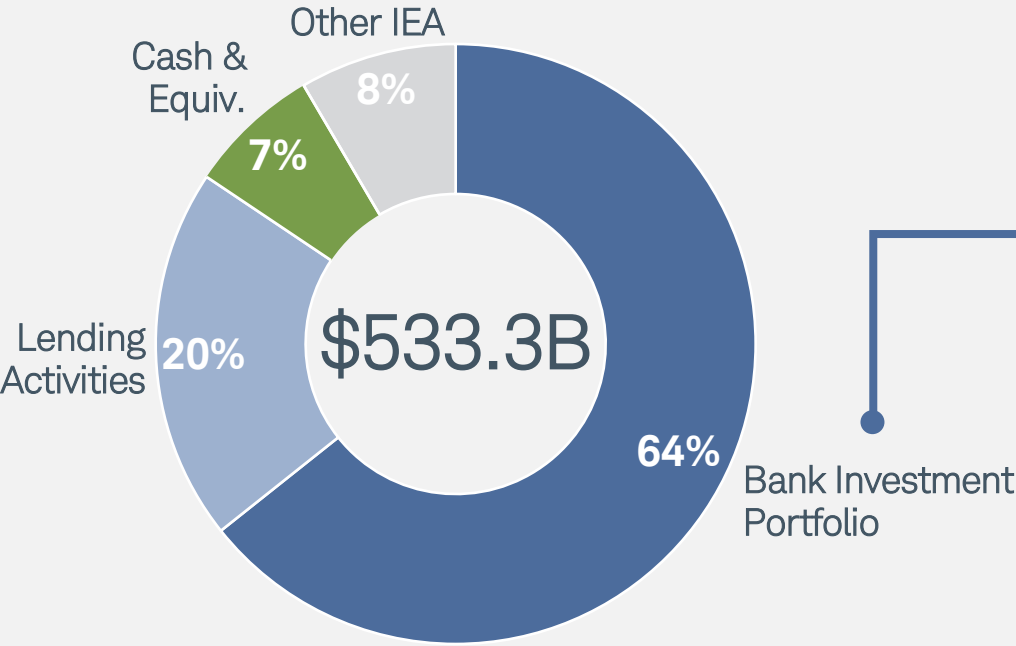
Note: K = Thousands. B = Billions. Q = Quarter. MMF = Money market fund. BDA = Bank deposit account. 1. Other Balance Sheet Cash includes bank sweep deposits and Schwab One balances. 2. Total may not sum to 100% due to rounding.



# Appendix

## Average Interest-earning Assets & Bank Investment Portfolio (as of December 31, 2022)

4Q22 Avg. Interest-earning Assets (%)<sup>1, 2</sup>



Bank Investment Portfolio Spotlight

Fixed vs. Floating

93% Fixed / 7% Floating

Securities Mix<sup>3</sup>



85-90% backed by U.S. government or agency

Duration Analysis<sup>4</sup>



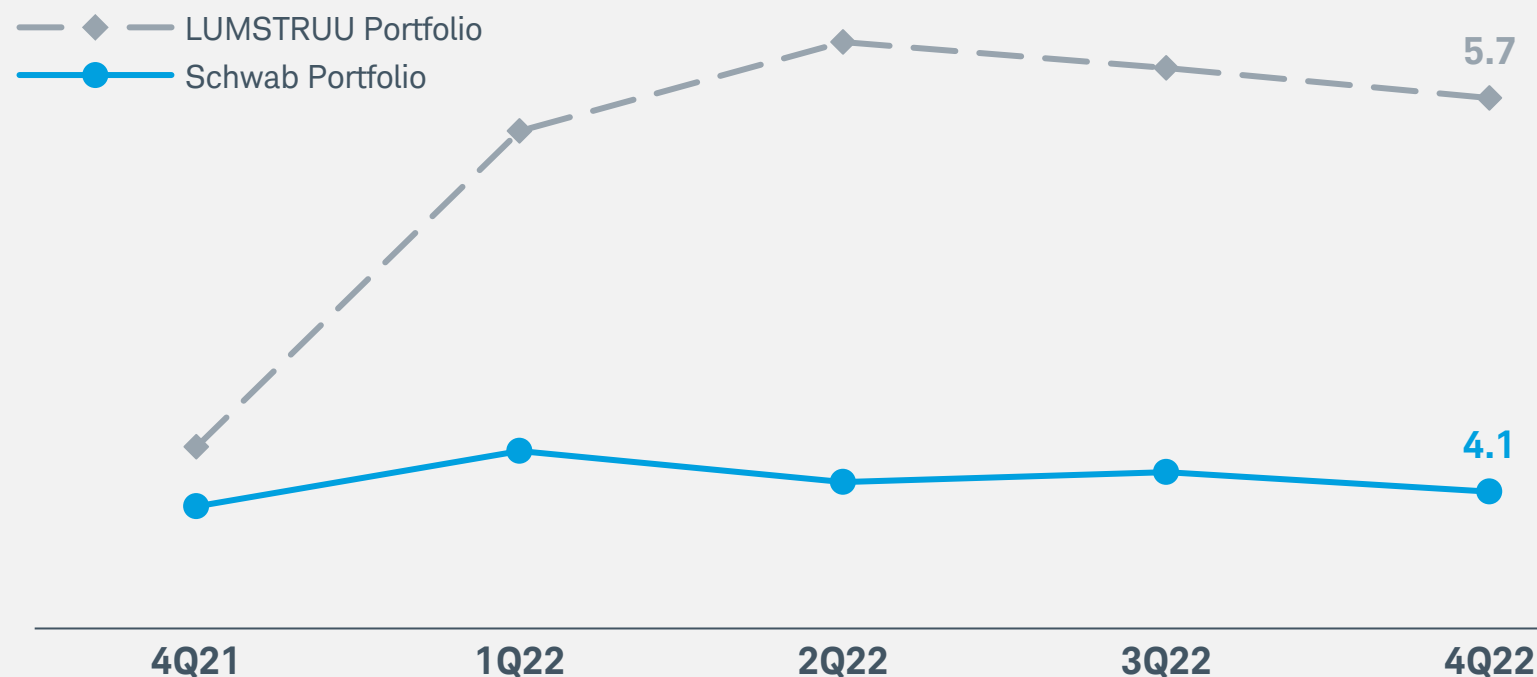
Note: B = Billions. Bps = Basis points. Avg. = Average. IEA = Interest-earning assets. Cash & Equiv = Cash and Equivalents. RMBS = Residential Mortgage-backed Security. CMBS = Commercial Mortgage-backed Security. 1. Bank Investment Portfolio includes available-for-sale and held-to-maturity securities within the consolidated bank investment portfolio, but excludes cash investments; please note percentage may be rounded and therefore may not round to 100%. 2. Lending Activities is comprised of client margin debits and bank loans. 3. Total may not sum to 100% due to rounding. "Other" includes U.S. Treasuries, corporate debt, asset-backed securities, and other investment securities as appropriate. 4. Rate shock analysis is presented on an option-adjusted basis as of December 31, 2022. 5. LUMSTRUU is a Bloomberg Barclays index composed of investment grade pass-through MBS issued and/or guaranteed by a U.S. government agency.

Charles Schwab Corporation

# Appendix

## Securities Portfolio Duration Profile

### Option-adjusted Duration, Schwab vs. LUMSTRUU<sup>1</sup> (Years)



We have focused on buying securities with relatively stable cash flows, including **less likelihood of slower paydowns** in a rising rate environment

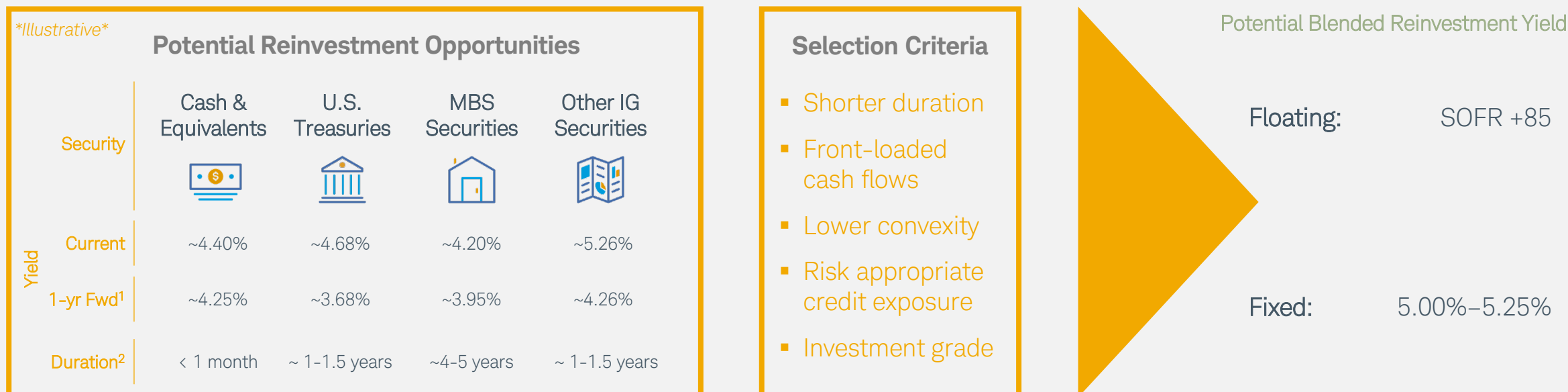
Note: OA = Option-adjusted. OA Durations prior to June 2022 are estimated retrospectively utilizing a third-party prepayment model (ADCo LDM v3.0.1) to be consistent with metrics since June 2022.

1. LUMSTRUU is a Bloomberg Barclays index composed of investment grade pass-through MBS issued and/or guaranteed by a U.S. government agency.

Charles Schwab Corporation

# Appendix

## Reinvestment Opportunities (as of December 31, 2022)

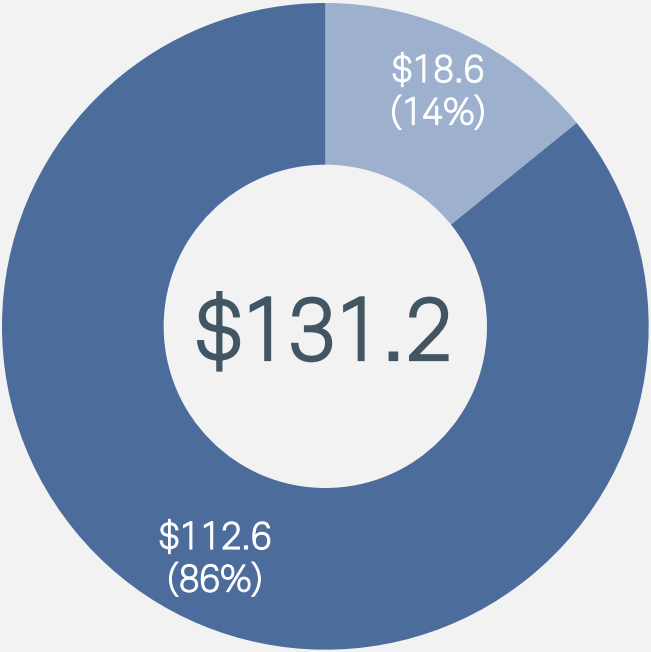


We are prioritizing flexibility and liquidity to efficiently accommodate client cash allocation decisions

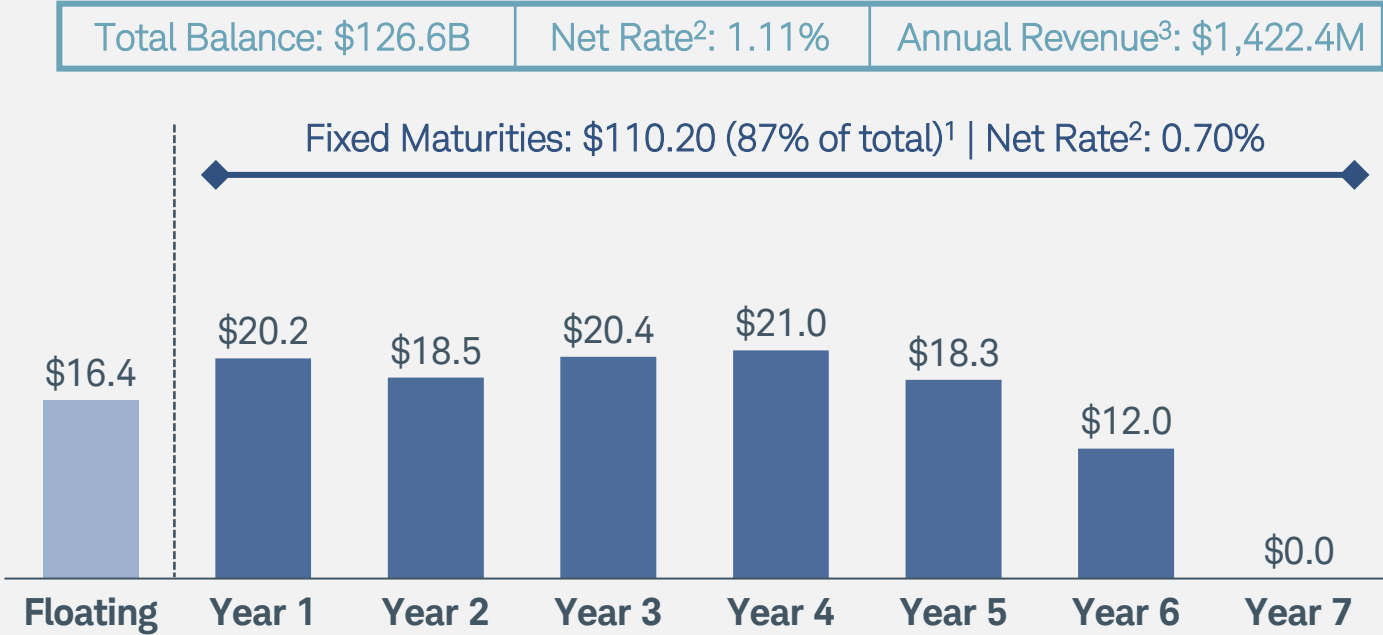
# Appendix

## Bank Deposit Account Summary (as of December 31, 2022)

Mix of Average BDA Balances (\$B,%)<sup>1</sup>



BDA Balances by Maturity, EOP (\$B)



	Net Rate	4Q22 Revenue
Floating	3.15%	\$150M
Fixed	0.69%	\$200M

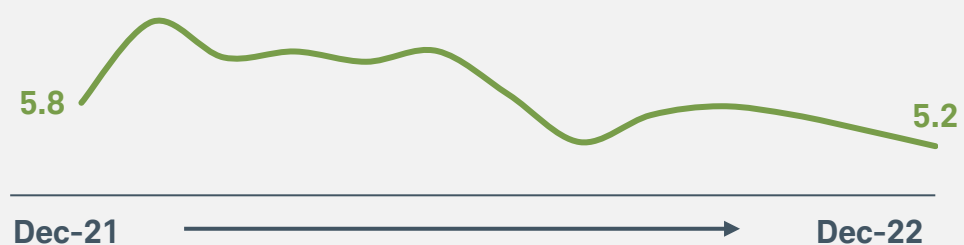
Net Rate <sup>2</sup>	3.88%	1.47%	1.34%	0.28%	-0.15%	0.10%	1.49%	0.00%
Annual Revenue <sup>3</sup>	\$645M	\$302M	\$251M	\$57M	(\$32M)	\$18M	\$181M	\$0M

Note: Certain totals may not sum due to rounding. M = Millions. B = Billions. Q = Quarter. BDA = Bank Deposit Account. EOP = End-of-period. Net yields calculated on an actual/360 basis. 1. Balances maturing by remaining duration term (e.g., Year 1 maturities are balances rolling off the fixed-rate ladder over the next 12 months). 2. EOP net rate of maturities as of December 31, 2022; includes all related fees and client pay rates as of December 31, 2022. 3. Revenue figures presented on an annualized run-rate basis per the amended Insured Deposit Agreement (IDA) arrangement.

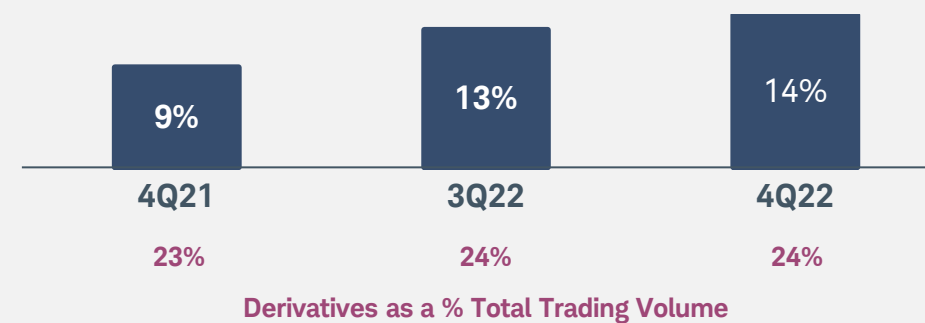
# Appendix

Select Trading Information (as of December 31, 2022)

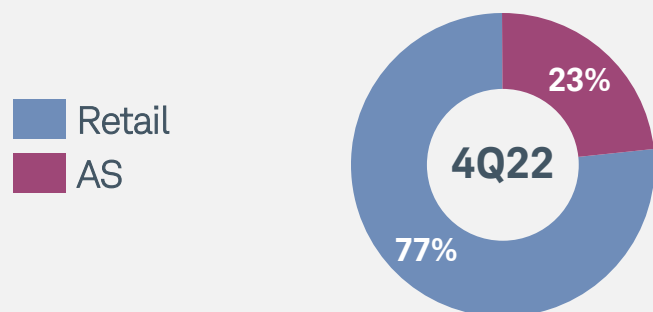
### Monthly DATs (M)



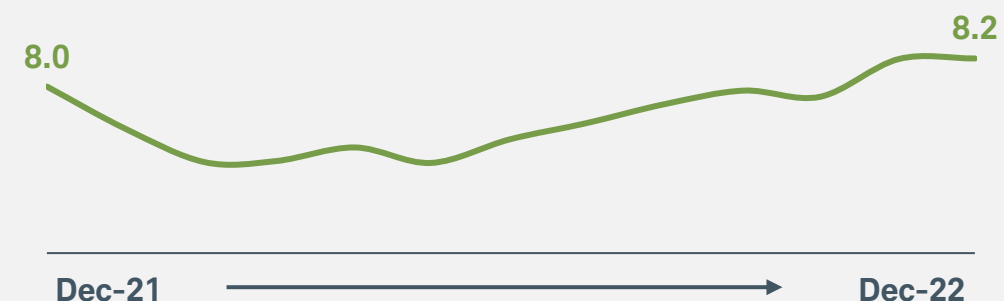
### Futures as % Derivatives Trading



### Quarterly DAT Mix (%)



### Monthly Average Contracts per Option Trade



Note: Q = Quarter. M = Millions. AS = Advisor Services. DAT = Daily average trades.

Charles Schwab Corporation

# Appendix

## Non-GAAP Introduction

In addition to disclosing financial results in accordance with generally accepted accounting principles in the U.S. (GAAP), this presentation contains references to the non-GAAP financial measures described below. We believe these non-GAAP financial measures provide useful supplemental information about the financial performance of the Company, and facilitate meaningful comparison of Schwab's results in the current period to both historic and future results. These non-GAAP measures should not be considered a substitute for, or superior to, financial measures calculated in accordance with GAAP, and may not be comparable to non-GAAP financial measures presented by other companies.

Schwab's use of non-GAAP measures is reflective of certain adjustments made to GAAP financial measures as described below.

Non-GAAP Adjustment or Measure	Definition	Usefulness to Investors and Uses by Management
Acquisition and integration-related costs and amortization of acquired intangible assets	<p>Schwab adjusts certain GAAP financial measures to exclude the impact of acquisition and integration-related costs incurred as a result of the Company's acquisitions, amortization of acquired intangible assets, and, where applicable, the income tax effect of these expenses.</p> <p>Adjustments made to exclude amortization of acquired intangible assets are reflective of all acquired intangible assets, which were recorded as part of purchase accounting. These acquired intangible assets contribute to the Company's revenue generation. Amortization of acquired intangible assets will continue in future periods over their remaining useful lives.</p>	<p>We exclude acquisition and integration-related costs and amortization of acquired intangible assets for the purpose of calculating certain non-GAAP measures because we believe doing so provides additional transparency of Schwab's ongoing operations, and is useful in both evaluating the operating performance of the business and facilitating comparison of results with prior and future periods.</p> <p>Acquisition and integration-related costs fluctuate based on the timing of acquisitions and integration activities, thereby limiting comparability of results among periods, and are not representative of the costs of running the Company's ongoing business. Amortization of acquired intangible assets is excluded because management does not believe it.</p>
Return on tangible common equity	<p>Return on tangible common equity represents annualized adjusted net income available to common stockholders as a percentage of average tangible common equity. Tangible common equity represents common equity less goodwill, acquired intangible assets — net, and related deferred tax liabilities.</p>	<p>Acquisitions typically result in the recognition of significant amounts of goodwill and acquired intangible assets. We believe return on tangible common equity may be useful to investors as a supplemental measure to facilitate assessing capital efficiency and returns relative to the composition of Schwab's balance sheet</p>

The Company also uses adjusted diluted EPS and return on tangible common equity as components of performance criteria for employee bonus and certain executive management incentive compensation arrangements. The Compensation Committee of CSC's Board of Directors maintains discretion in evaluating performance against these criteria.

# Appendix

## Non-GAAP Reconciliation: Adjusted total expenses and Adjusted net income

	Three Months Ended,											
	December 31, 2022		September 30, 2022		June 30, 2022		March 31, 2022		December 31, 2021		December 31, 2020	
	Total Expenses Excluding Interest	Net Income	Total Expenses Excluding Interest	Net Income	Total Expenses Excluding Interest	Net Income	Total Expenses Excluding Interest	Net Income	Total Expenses Excluding Interest	Net Income	Total Expenses Excluding Interest	Net Income
<i>(In millions, except ratios and per share amounts)</i>												
<b>Total expenses excluding interest (GAAP), Net income (GAAP)</b>	\$ 2,899	\$ 1,968	\$ 2,823	\$ 2,020	\$ 2,819	\$ 1,793	\$ 2,833	\$ 1,402	\$ 2,685	\$ 1,580	\$ 2,700	\$ 1,135
Acquisition and integration-related costs <sup>(1)</sup>	(101)	101	(101)	101	(94)	94	(96)	96	(101)	101	(282)	282
Amortization of acquired intangible assets	(136)	136	(152)	152	(154)	154	(154)	154	(154)	154	(147)	147
Income tax effects <sup>(2)</sup>	N/A	(54)	N/A	(62)	N/A	(60)	N/A	(61)	N/A	(60)	N/A	(105)
<b>Adjusted total expenses (Non-GAAP), Adjusted net income (Non-GAAP)</b>	\$ 2,662	\$ 2,151	\$ 2,570	\$ 2,211	\$ 2,571	\$ 1,981	\$ 2,583	\$ 1,591	\$ 2,430	\$ 1,775	\$ 2,271	\$ 1,459

Note: N/A = Not applicable. 1. Acquisition and integration-related expenses are primarily included in compensation and benefits, professional services, occupancy and equipment, and other expense. 2. The income tax effect of the non-GAAP adjustments is determined using an effective tax rate reflecting the exclusion of non-deductible acquisition costs and is used to present the acquisition and integration-related costs and amortization of acquired intangible assets on an after-tax basis.

# Appendix

## Non-GAAP Reconciliation: Adjusted income before taxes on income and Adjusted pre-tax profit margin

	Three Months Ended,											
	December 31, 2022		September 30, 2022		June 30, 2022		March 31, 2022		December 31, 2021		December 31, 2020	
	Amount	% of Total Net Revenues	Amount	% of Total Net Revenues	Amount	% of Total Net Revenues	Amount	% of Total Net Revenues	Amount	% of Total Net Revenues	Amount	% of Total Net Revenues
<i>(In millions, except ratios and per share amounts)</i>												
<b>Income before taxes on income (GAAP), Pre-tax profit margin (GAAP)</b>	\$ 2,598	47.3%	\$ 2,677	48.7%	\$ 2,274	44.6%	\$ 1,839	39.4%	\$ 2,023	43.0%	\$ 1,476	35.3%
Acquisition and integration-related costs	101	1.8%	101	1.8%	94	1.8%	96	2.1%	101	2.1%	282	6.8%
Amortization of acquired intangible assets	136	2.5%	152	2.8%	154	3.1%	154	3.2%	154	3.3%	147	3.5%
<b>Adjusted income before taxes on income (Non-GAAP),</b>												
<b>Adjusted pre-tax profit margin (Non-GAAP)</b>	\$ 2,835	51.6%	\$ 2,930	53.3%	\$ 2,522	49.5%	\$ 2,089	44.7%	\$ 2,278	48.4%	\$ 1,905	45.6%



# Appendix

## Non-GAAP Reconciliation: Adjusted net income to common stockholders and Adjusted diluted EPS

Three Months Ended,													
	December 31, 2022		September 30, 2022		June 30, 2022		March 31, 2022		December 31, 2021		December 31, 2020		
(In millions, except ratios and per share amounts)	Amount	Diluted EPS	Amount	Diluted EPS	Amount	Diluted EPS	Amount	Diluted EPS	Amount	Diluted EPS	Amount	Diluted EPS	
Net income available to common stockholders (GAAP),													
Earnings per common share — diluted (GAAP)	\$ 1,821	\$ .97	\$ 1,884	\$ .99	\$ 1,652	\$ .87	\$ 1,278	\$ .67	\$ 1,449	\$ .76	\$ 1,050	\$ .57	
Acquisition and integration-related costs	101	.05	101	.05	94	.05	96	.05	101	.05	282	.15	
Amortization of acquired intangible assets	136	.07	152	.08	154	.08	154	.08	154	.08	147	.08	
Income tax effects	(54)	(.02)	(62)	(.02)	(60)	(.03)	(61)	(.03)	(60)	(.03)	(105)	(.06)	
Adjusted net income available to common stockholders													
(Non-GAAP), Adjusted diluted EPS (Non-GAAP)	\$ 2,004	\$ 1.07	\$ 2,075	\$ 1.10	\$ 1,840	\$ .97	\$ 1,467	\$ .77	\$ 1,644	\$ .86	\$ 1,374	\$ .74	

Note: EPS = Earnings per share.

# Appendix

## Non-GAAP Reconciliation: Return on average tangible common stockholders' equity

	Three Months Ended,					
	December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021	December 31, 2020
<i>(In millions, except ratios and per share amounts)</i>						
<b>Return on average common stockholders' equity (GAAP)</b>	27%	25%	19%	12%	12%	11%
Average common stockholders' equity	\$ 26,823	\$ 30,282	\$ 35,611	\$ 41,856	\$ 46,898	\$ 37,198
Less: Average goodwill	(11,951)	(11,951)	(11,952)	(11,952)	(11,952)	(6,845)
Less: Average acquired intangible assets – net	(8,856)	(8,999)	(9,151)	(9,303)	(9,456)	(5,624)
Plus: Average deferred tax liabilities related to goodwill and acquired intangible assets – net	1,842	1,848	1,868	1,886	1,889	1,005
Average tangible common equity	\$ 7,858	\$ 11,180	\$ 16,376	\$ 22,487	\$ 27,379	\$ 25,734
Adjusted net income available to common stockholders <sup>1</sup>	\$ 2,004	\$ 2,075	\$ 1,840	\$ 1,467	\$ 1,644	\$ 1,374
<b>Return on tangible common equity (Non-GAAP)</b>	102%	74%	45%	26%	24%	21%

Note: 1. See table on slide 145 for the reconciliation of net income available to common stockholders to adjusted net income available to common stockholders (non-GAAP).

# Appendix

## Non-GAAP Reconciliation: Adjusted total expenses and Adjusted net income

	Twelve Months Ended,					
	December 31, 2022		December 31, 2021		December 31, 2020	
	Total Expenses Excluding Interest	Net Income	Total Expenses Excluding Interest	Net Income	Total Expenses Excluding Interest	Net Income
<i>(In millions, except ratios and per share amounts)</i>						
<b>Total expenses excluding interest (GAAP), Net income (GAAP)</b>	\$ 11,374	\$ 7,183	\$ 10,807	\$ 5,855	\$ 7,391	\$ 3,299
Acquisition and integration-related costs <sup>(1)</sup>	(392)	392	(468)	468	(442)	442
Amortization of acquired intangible assets	(596)	596	(615)	615	(190)	190
Income tax effects <sup>(2)</sup>	N/A	(237)	N/A	(268)	N/A	(154)
<b>Adjusted total expenses (Non-GAAP), Adjusted net income (Non-GAAP)</b>	\$ 10,386	\$ 7,934	\$ 9,724	\$ 6,670	\$ 6,759	\$ 3,777

Note: N/A = Not applicable. 1. Acquisition and integration-related expenses are primarily included in compensation and benefits, professional services, occupancy and equipment, and other expense. 2. The income tax effect of the non-GAAP adjustments is determined using an effective tax rate reflecting the exclusion of non-deductible acquisition costs and is used to present the acquisition and integration-related costs and amortization of acquired intangible assets on an after-tax basis.

# Appendix

## Non-GAAP Reconciliation: Adjusted income before taxes on income and Adjusted pre-tax profit margin

	Twelve Months Ended,					
	December 31, 2022		December 31, 2021		December 31, 2020	
	Amount	% of Total Net Revenues	Amount	% of Total Net Revenues	Amount	% of Total Net Revenues
<i>(In millions, except ratios and per share amounts)</i>						
Income before taxes on income (GAAP), Pre-tax profit margin (GAAP)	\$ 9,388	45.2%	\$ 7,713	41.6%	\$ 4,300	36.8%
Acquisition and integration-related costs	392	1.9%	468	2.5%	442	3.8%
Amortization of acquired intangible assets	596	2.9%	615	3.4%	190	1.6%
Adjusted income before taxes on income (Non-GAAP), Adjusted pre-tax profit margin (Non-GAAP)	\$ 10,376	50.0%	\$ 8,796	47.5%	\$ 4,932	42.2%

# Appendix

## Non-GAAP Reconciliation: Adjusted net income to common stockholders and Adjusted diluted EPS

	Twelve Months Ended,					
	December 31, 2022		December 31, 2021		December 31, 2020	
<i>(In millions, except ratios and per share amounts)</i>	Amount	Diluted EPS	Amount	Diluted EPS	Amount	Diluted EPS
Net income available to common stockholders (GAAP), Earnings per common share — diluted (GAAP)	\$ 6,635	\$ 3.50	\$ 5,360	\$ 2.83	\$ 3,043	\$ 2.12
Acquisition and integration-related costs	392	.21	468	.25	442	.31
Amortization of acquired intangible assets	596	.31	615	.32	190	.13
Income tax effects	(237)	(.12)	(268)	(.15)	(154)	(.11)
Adjusted net income available to common stockholders (Non-GAAP), Adjusted diluted EPS (Non-GAAP)	\$ 7,386	\$ 3.90	\$ 6,175	\$ 3.25	\$ 3,521	\$ 2.45

Note: EPS = Earnings per share.

# Appendix

## Non-GAAP Reconciliation: Return on average tangible common stockholders' equity

(In millions, except ratios and per share amounts)			
	Twelve Months Ended,		
	December 31, 2022	December 31, 2021	December 31, 2020
<b>Return on average common stockholders' equity (GAAP)</b>	18%	11%	9%
Average common stockholders' equity	\$ 36,605	\$ 47,318	\$ 33,640
Less: Average goodwill	(11,952)	(11,952)	(6,590)
Less: Average acquired intangible assets – net	(9,084)	(9,685)	(5,059)
Plus: Average deferred tax liabilities related to goodwill and acquired intangible assets – net	1,870	1,919	1,005
Average tangible common equity	\$ 17,439	\$ 27,600	\$ 22,996
Adjusted net income available to common stockholders <sup>1</sup>	\$ 7,386	\$ 6,175	\$ 3,521
<b>Return on tangible common equity (Non-GAAP)</b>	42%	22%	15%