Fall Business Update

October 20, 2017

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Introduction

Rich Fowler

Senior Vice President
Investor Relations

Agenda

Walt Bettinger, President and Chief Executive Officer

Peter Crawford, EVP and Chief Financial Officer

Today's Dial-in Number

(800) 871-6752

Conference ID: **2194440**

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," "deliver," "scenario," "remain," "drive," "estimate," "lead," "record," "on track," "prepare," "anticipate," "potential," "opportunity," "intend," "ensure," "goal," "progress," "objective," "flexibility," and other similar expressions. These forward-looking statements relate to: growth in the client base, accounts and assets; savings for clients; disruptive actions; growth in revenues, earnings and profits; stockholder value; investments in people, technology, and clients; client value and pricing; core net new assets; competitive position; client demand for the company's advisory solutions; operating leverage; capital management; the monetization of client cash balances; operating objective for tier 1 leverage ratio; deployment of excess capital; client sensitivity to yield; net total bulk transfer opportunity; preparations for crossing the $250B asset threshold; FHLB borrowing; bulk transfers; net interest margin; gap between revenue and expense growth; balancing near-term profitability with reinvestment for growth; delivering incremental revenue from additional 2017 rate increases to pre-tax profit; pre-tax profit margin; impact of any potential corporate tax reform benefit; and expenses. These forward-looking statements, which reflect management's beliefs, objectives and expectations 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 our Annual Report on Form 10-K and Quarterly Reports on Form 10-Q. Other important factors include general market conditions, including the level of interest rates, equity valuations and trading activity; the company's ability to attract and retain clients and registered investment advisors and grow those relationships and client assets; competitive pressures on pricing; the company's ability to develop and launch new products, services and capabilities in a timely and successful manner; client use of the company's investment advisory services and other products and services; the level of client assets, including cash balances; the company's ability to monetize client assets; capital and liquidity needs and management; the impact of changes in market conditions on revenues, expenses and pre-tax margin; the company's ability to manage expenses; the quality of the company's balance sheet assets; regulatory guidance; client sensitivity to rates; the timing and amount of bulk transfers; the level of interest-earning assets; the effect of adverse developments in litigation or regulatory matters and the extent of any charges associated with legal matters; and any adverse impact of financial reform legislation and related regulations.

The information in this presentation speaks only as of **October 20, 2017** (or such earlier date as may be specified herein). The company makes no commitment to update any of this information.

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Walt Bettinger

President and
Chief Executive Officer

Schwab's Virtuous Cycle continues to deliver strong business momentum.

Challenge the Status Quo to Benefit Investors

Investors Reward Us With More of Their Assets

$51.6B 3Q17 Core NNA

$3.2T Client Assets

Leading to Record Financial Results,...

$2.2B 3Q17 Revenue

43.6% 3Q17 Pre-tax Profit Margin

Outstanding Stockholder Value, and...

15% 3Q17 ROE

20% 3Q17 EPS Growth

Greater Investments, Which Fund Actions to...

9% 3Q17 Expense Growth

$380M* in Annualized Cost Savings for Clients

Note: All metrics are 3Q17 and 3Q17 vs. 3Q16 except cost savings.
*Estimated annualized cost savings for clients from strategic pricing moves announced in February 2017 and September 2017.

The "Cycle" starts with our goal of providing a no trade-offs position for our clients – our "Through Clients' Eyes" strategy.

Value

Deliver industry-leading pricing to all of our clients

Online Commission and Index Mutual Fund Pricing

Service

Deliver world class service to investors and advisors

J.D. Power "Highest in Investor Satisfaction with Full Service Brokerage Firms"

Transparency

Ensure every client interaction is clear, simple, and easy

Digital Experience

Trust

Treat clients the way we would like to be treated

Satisfaction Guarantee

Note: Charles Schwab received the highest numerical score in the J.D. Power 2017 Full Service Investor Satisfaction Study, based on 6,579 responses from 20 firms measuring opinions of investors who used full service investment institutions and were surveyed in January 2017. Your experiences may vary. Visit jdpower.com.

In the first 9 months of 2017, we have taken bold steps to benefit investors…

Online Equity, ETF, and Options Trade Commissions

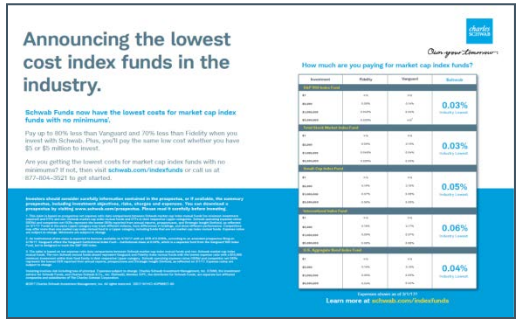
$8.95 ➡ $4.95

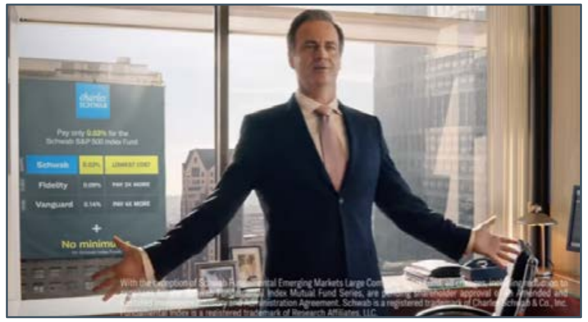
Also lowered option per contract fee to $0.65

Schwab Intelligent Advisory™

- Interactive, online planning
- 1:1 live advice and portfolio recommendations
- Intelligent tech and ongoing advice

Lowest Index Mutual Fund Pricing with No Minimums





SATISFACTION GUARANTEE

If a Schwab client is not satisfied for any reason, Schwab will refund commissions, transaction fees or advisory program fees paid to the firm

Note: See appendix for important notes and disclosures.

...and in early Q4, we took another step by lowering expenses for money funds...

Lower Pricing with Reduced Expense Ratios

Increased Access with Lower Minimums

Streamlined Share Classes

	Included Purchased Money Funds:	New Net Expense Ratio[1]	Minimum Initial Investment[2]
Investor Shares	Prime National Municipal Government[3] Treasury State-Specific Municipal	**0.35%**	**None**
Ultra Shares	Prime National Municipal	**0.19%**	**$1,000,000**

Potential for as much as $20 million a quarter in savings for clients across all money funds

Note: [1]Funds may have waivers in effect, without which performance will be lower. [2]The Funds' Investor Shares have no initial investment minimum; however, Schwab systems require a minimum of $1 per trade. [3]Schwab Retirement Government Money Fund is designed for use **only** by participants in employee-sponsored retirement plans such as 401(k)s and 403(b)s (not clients with individual IRAs) with a 0.19% net expense ratio and $1,000,000 minimum.

...further enhancing the competitiveness of our overall cash solutions for investors...

Our Cash Philosophy: Clients should have access to...

...smart features for all of their cash, from everyday uses to savings and investments...

...with attractive yields relative to our competitive set...

...and transparency from us, giving them the information they need to make informed decisions.

Product lineup spans Bank/BD sweep, checking, savings, CDs, and money funds

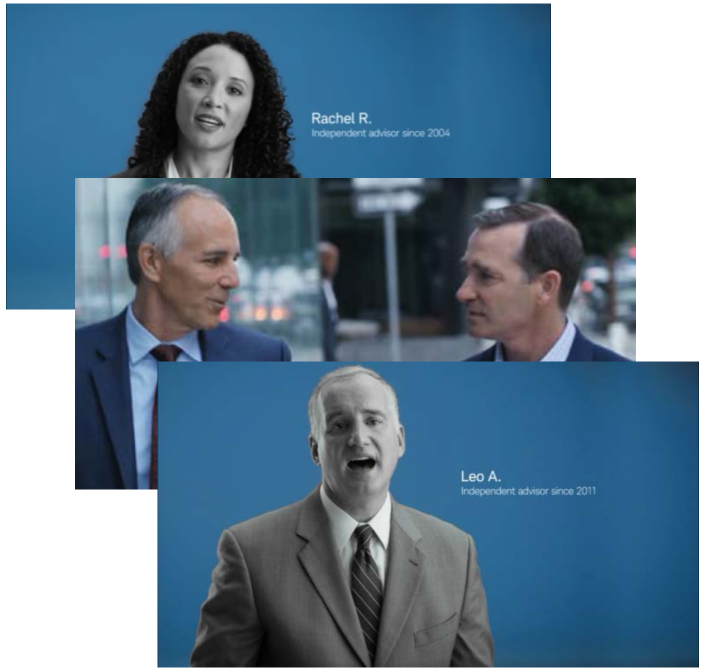
...while making substantial investments to highlight the role of RIAs and our support for them.

The **"Independent Difference"** campaign **advocates for independent advisors**, raising awareness of the **benefits of independence among HNW investors**, and underscoring Schwab's longstanding **commitment to RIAs**

2016

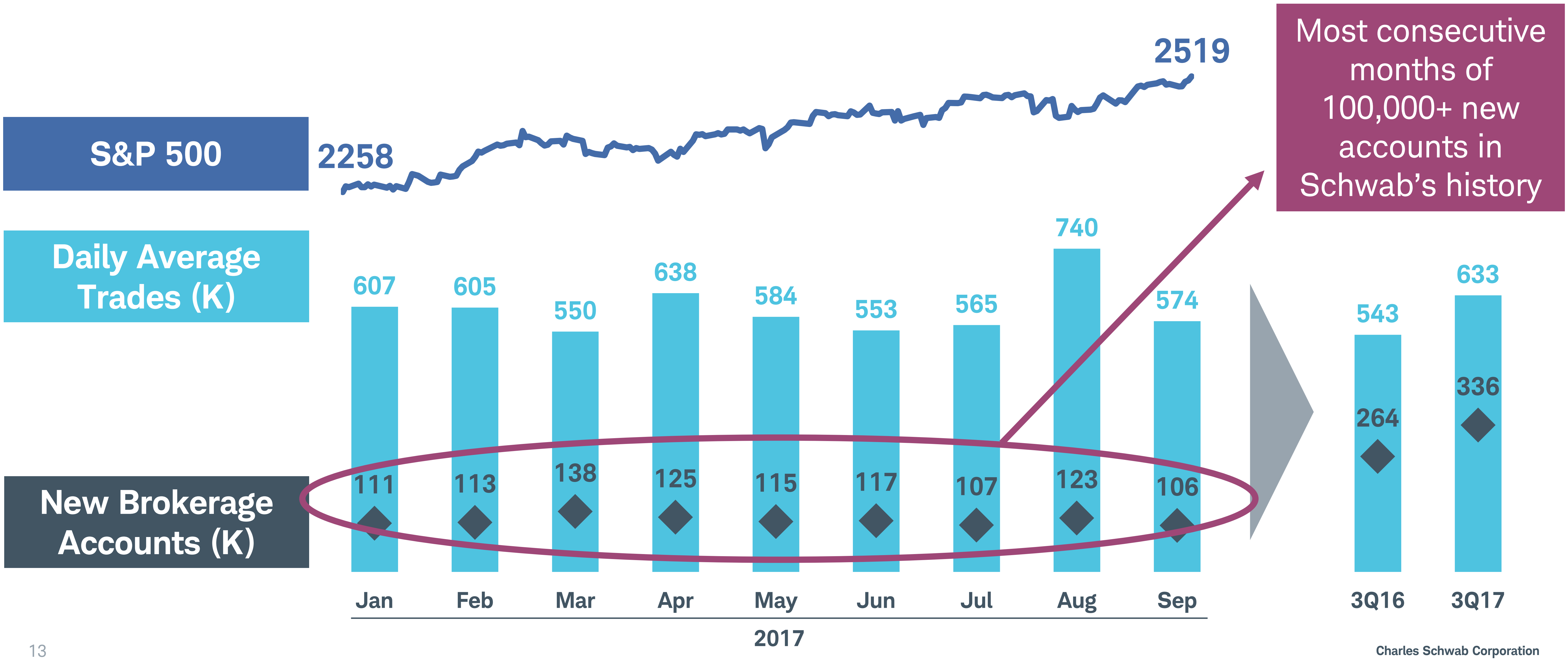
Debuted a national advertising campaign in print and digital

2017



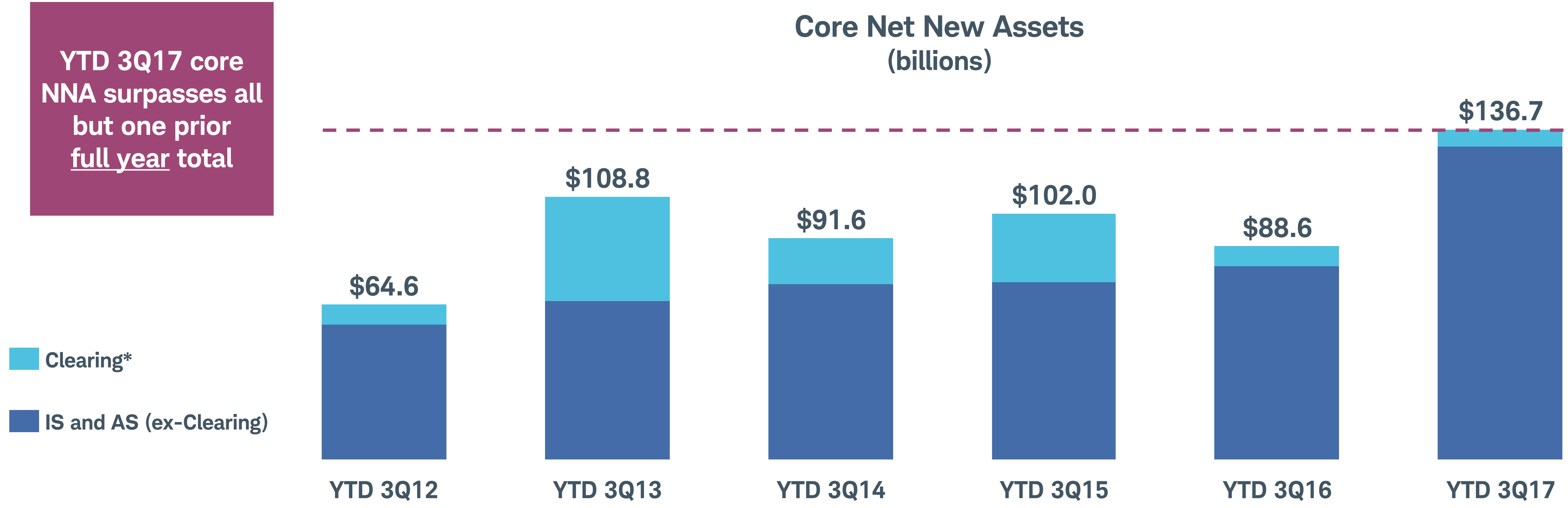
Starting in October, we are running TV commercials on CNBC & Fox Business

Challenging the status quo yielded record growth in client accounts…



…and record core net new assets – 26% higher than our prior 1Q-3Q record…

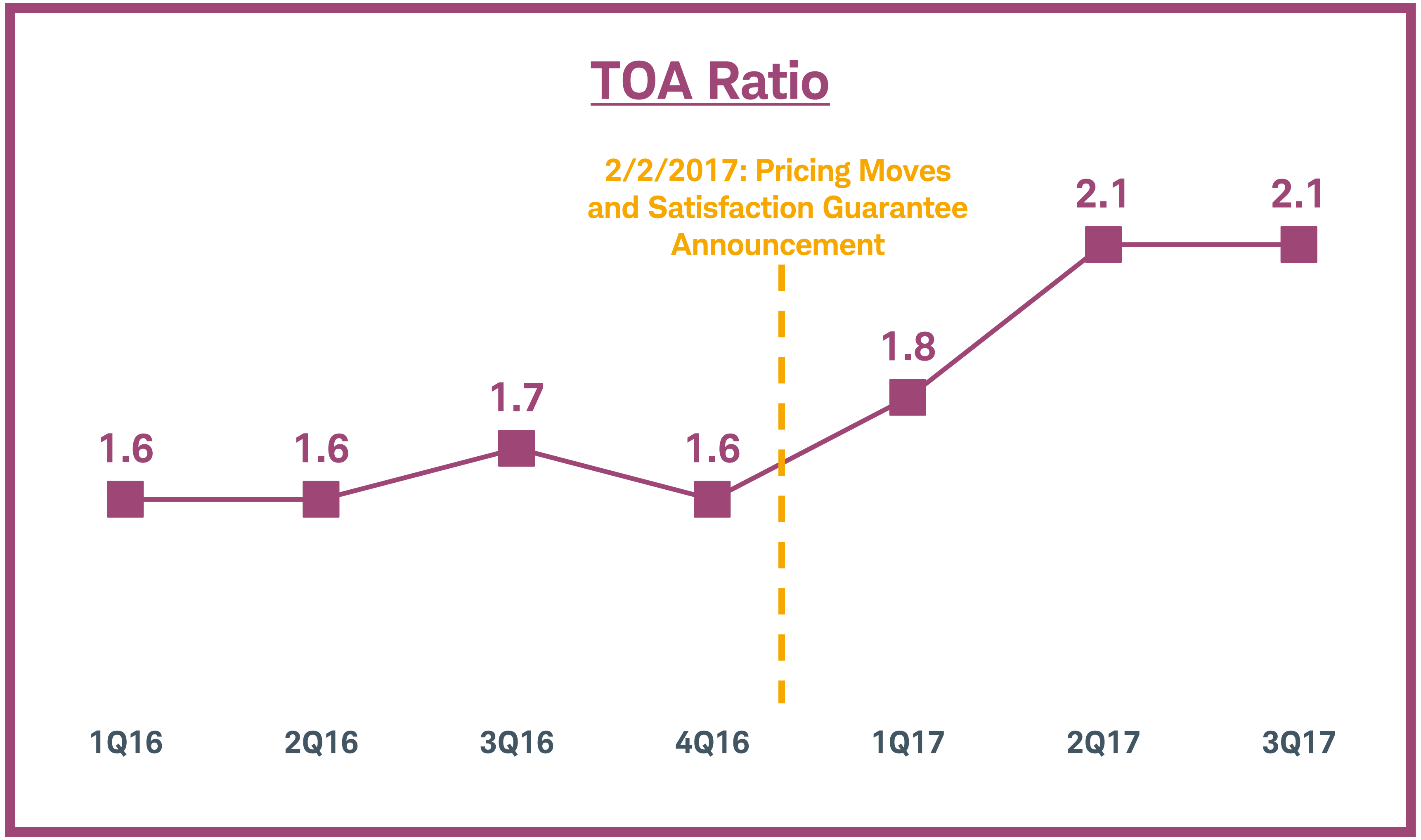
YTD 3Q17 core NNA surpasses all but one prior full year total

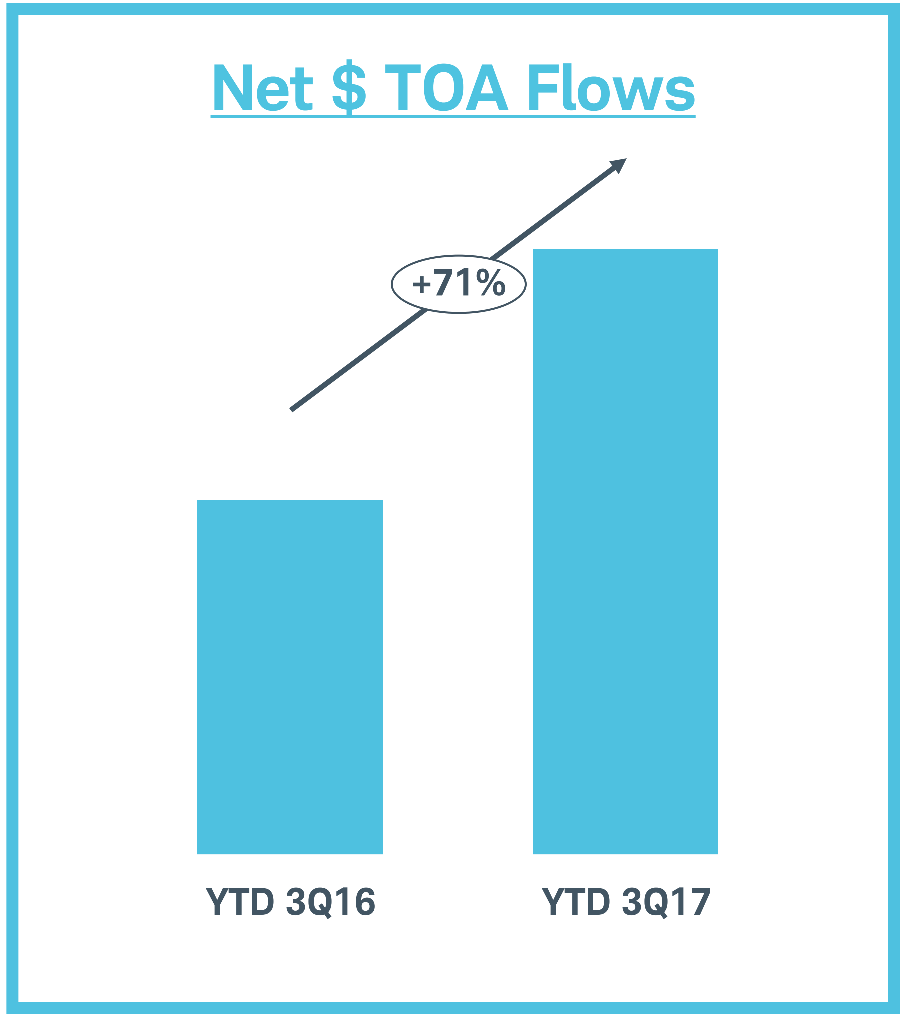


On track for sixth consecutive year in excess of **$100 billion**

Note: Core net new assets is defined as 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.
* Includes all clearing flows under $10 billion.

…while our overall competitive position continues to strengthen and strengthen…



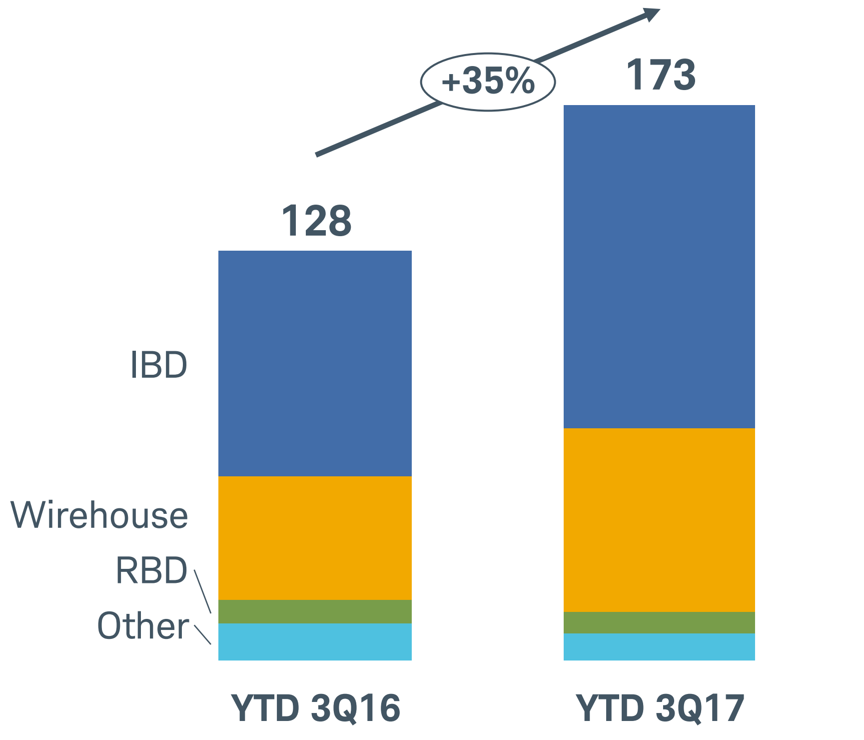


Note: TOA=Transfer of Accounts. TOA Ratio is total assets transferred in divided by total assets transferred out. Net TOA Flows represent total net TOA inflows from all competitors.

...as both primary businesses show strong progress. Advisor Services continued rapid asset growth...

Our number of AITs is 35% higher than 2016, surpassing all full year totals...

Source of Advisors in Transition (AIT)

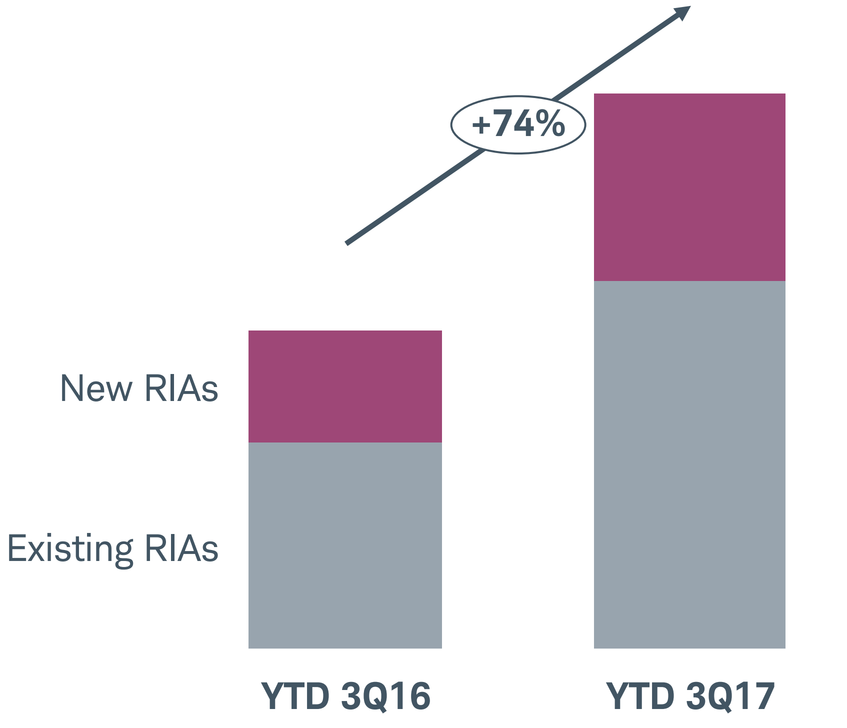


...with the average AIT size up ~60%...

Average AIT Size ($M)

...helping to drive a 74% overall increase in NNA.

Advisor Services Institutional NNA

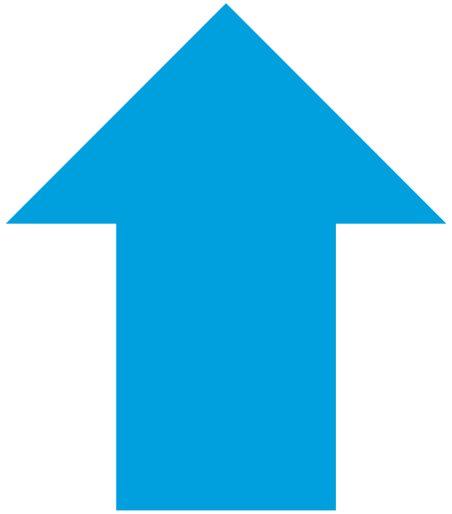


Note: Excludes Retirement Business Services. IBD=Independent Broker Dealer; RBD=Regional Broker Dealer; Other=Banks, Institutional BDs, Trusts, and Insurance.

...while Investor Services broke net new asset records and grew advisory services.

YTD 3Q17 vs. YTD 3Q16

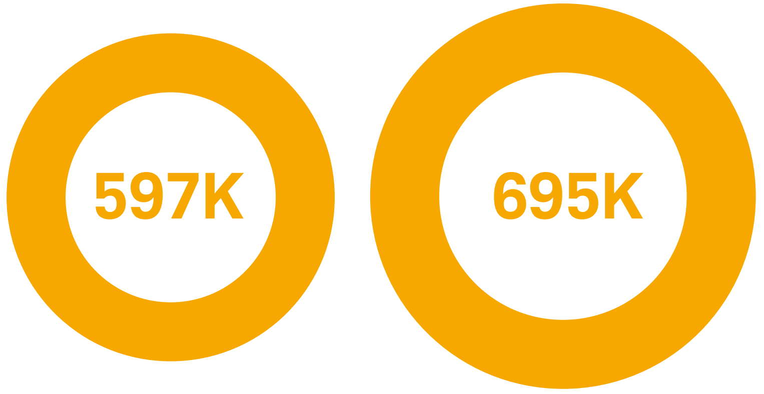
Retail is gathering net new assets at record levels...



+62%

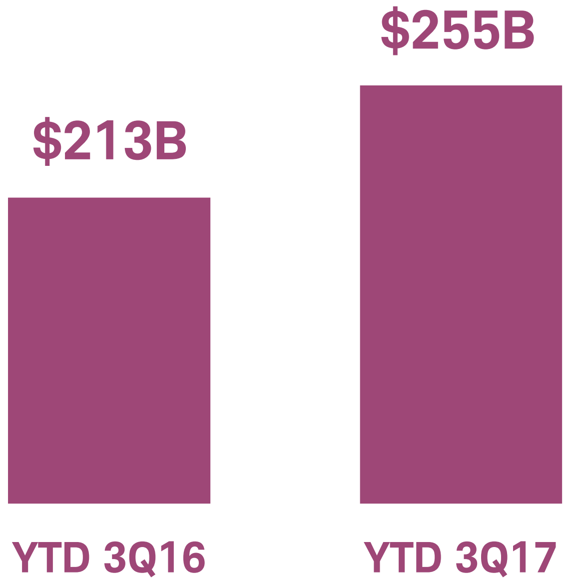
...as more clients are enrolling in advised offers...

Total Accounts in Retail Advisory Solutions



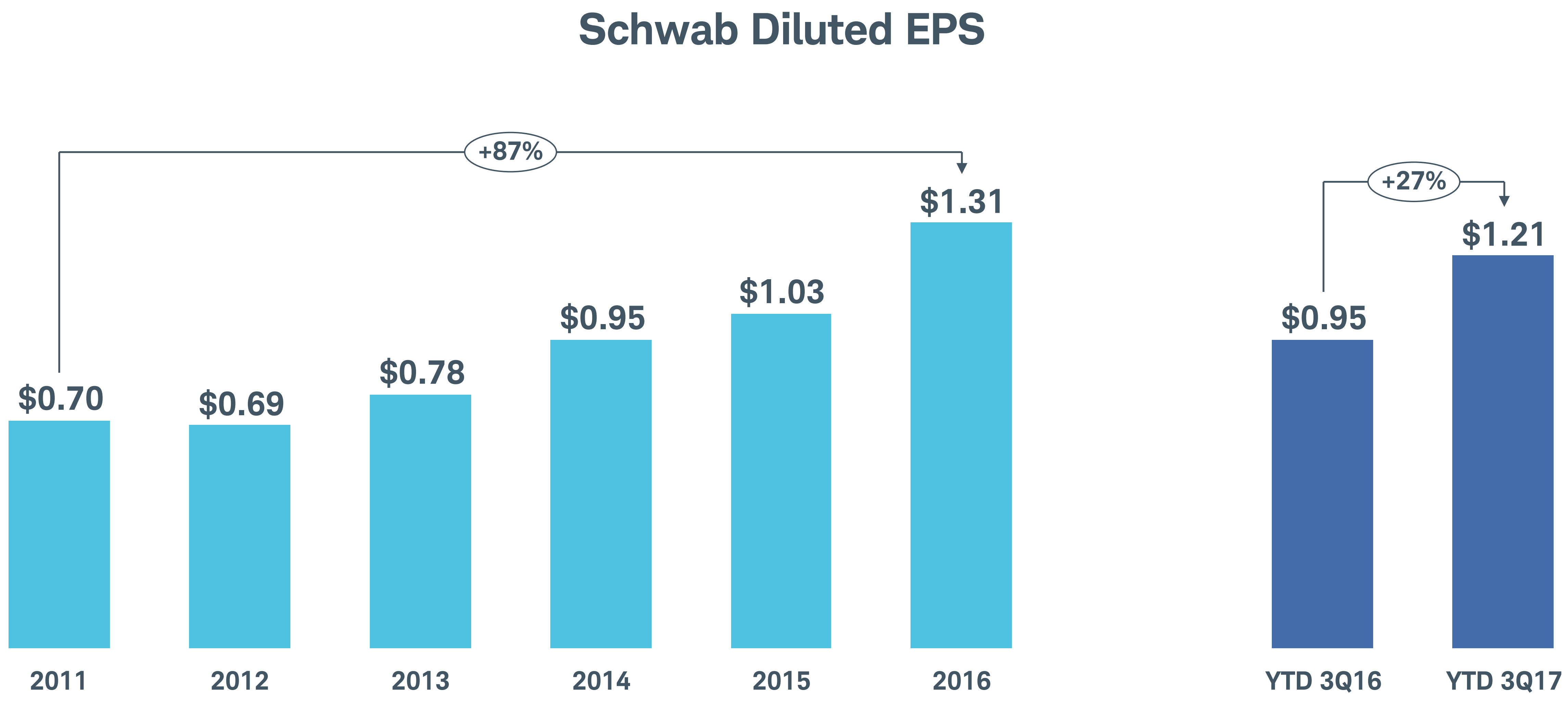
+16%

...with total assets in Retail and Other Advisory Solutions growing faster than total company assets.



+19%

These outstanding metrics helped to drive record earnings…



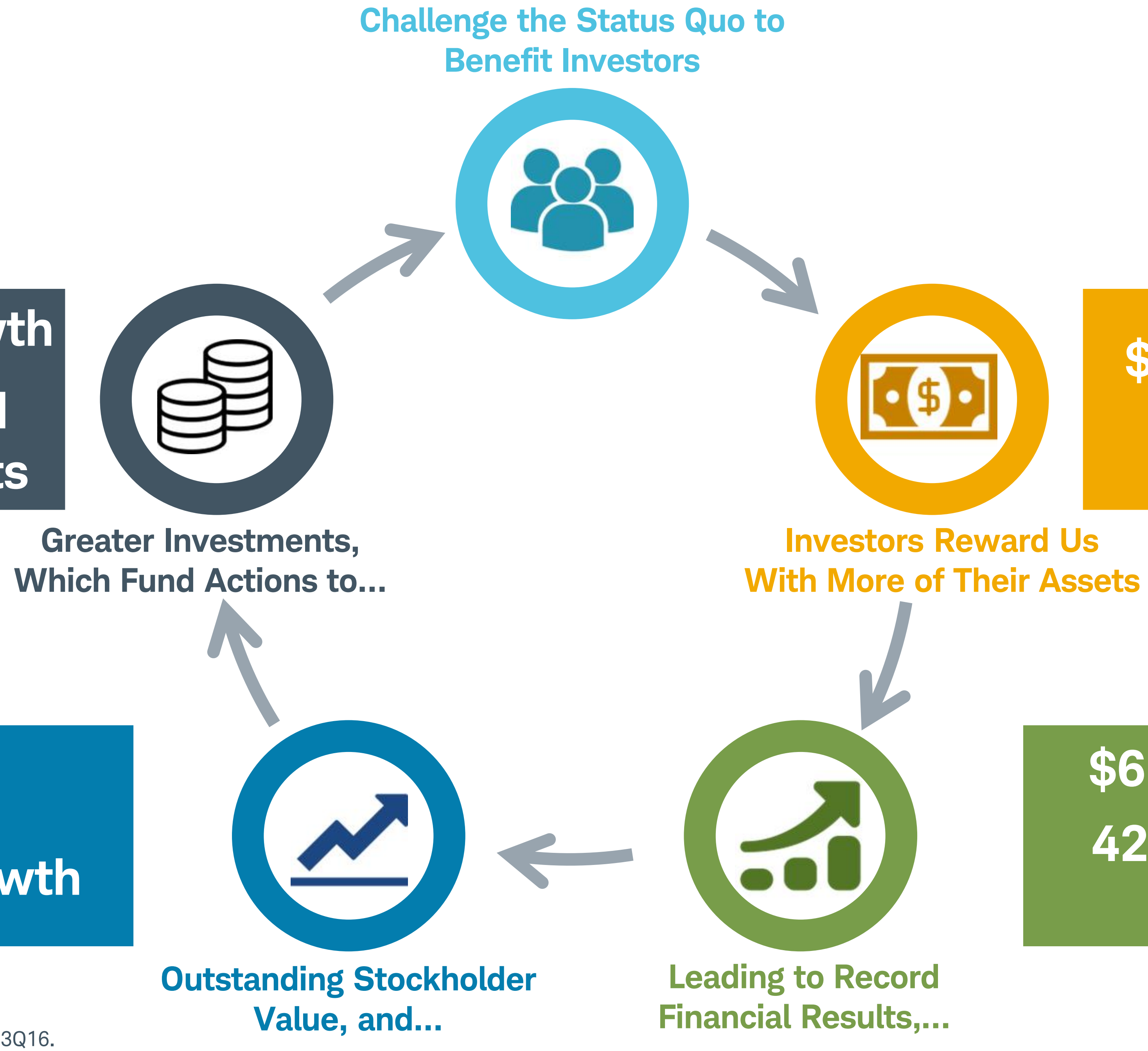
...substantial progress in the value of SCHW stock...

...and position us to continue investing in our clients.

YTD 3Q17 Expenses	YTD 3Q17 Headcount	2017 Annualized Cost Savings for Clients
+10%	+7%	$380M

Note: Expenses and headcount growth compare YTD 3Q17 vs. YTD 3Q16; estimated annualized cost savings for clients from strategic pricing moves announced in February 2017 and September 2017.

Schwab's Virtuous Cycle continues to deliver strong business momentum.



10% YTD Expense Growth

$380M* in Annualized Cost Savings for Clients

$136.7B YTD Core NNA

$3.2T Client Assets

$6.4B YTD Revenue

42.3% YTD Pre-tax Profit Margin

15% YTD ROE

27% YTD EPS Growth

Note: All metrics are YTD 3Q17 and YTD 3Q17 vs. YTD 3Q16.
*Estimated annualized cost savings for clients from strategic pricing moves announced in February 2017 and September 2017.

Appendix

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Restrictions apply: Standard online $4.95 pricing does not apply to certain transactions. See schwab.com/pricing.

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Peter Crawford

Executive Vice President and
Chief Financial Officer

We posted the strongest third quarter in the company's history.

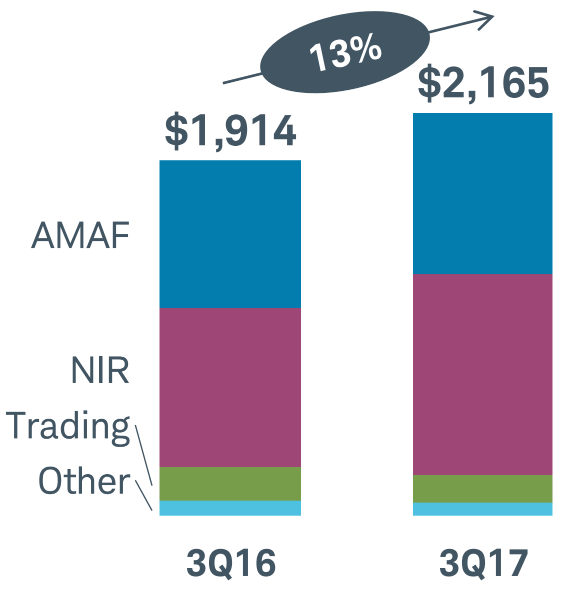
- Record success with clients, meaningful operating leverage, and deliberate capital management continue to drive the business
- We are following our strategy to effectively monetize client cash balances
- We remain flexible as we look to finish 2017 and prepare for 2018

Today we'll discuss:

- Q3 2017 results
- Capital picture
- 2017 financial outlook
- 2018 planning considerations

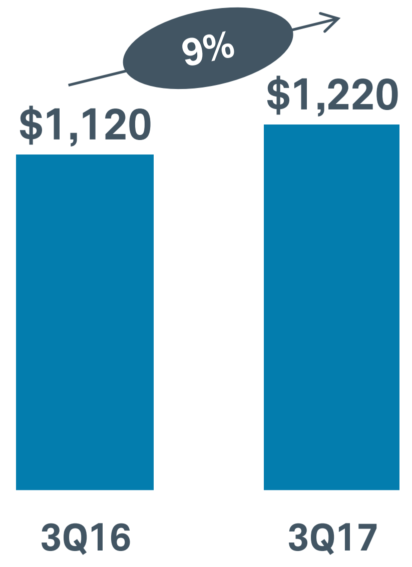
We generated record revenues and pre-tax profit margin in the third quarter…

Total Net Revenues* (millions)



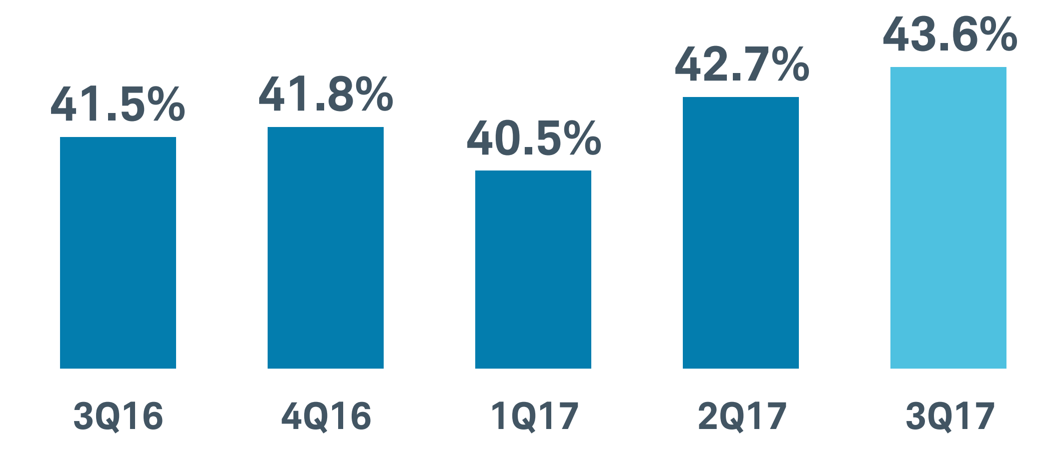
- **Ninth consecutive quarter of record** revenues
- Asset management and administration fees and net interest revenue also set new quarterly records at **$861 million and $1.1 billion**, respectively

Total Expenses (millions)

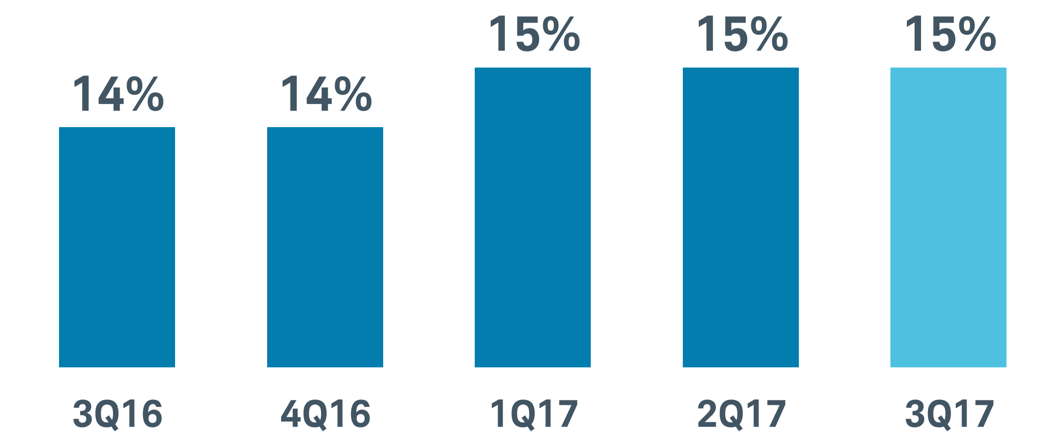


- Compensation and benefits were driven by **strong asset gathering** and **increased staffing** to serve our **expanding client base**
- Professional services grew primarily due to **increased project spending and asset-related fees**
- Remaining non-comp expenses were consistent with our **planned pace of growth investments**

Pre-tax Profit Margin



ROE



*Revenues include net litigation proceeds relating to RMBS settlements totaling $14M in 3Q16.

...supported by our all-weather balance sheet.

(in millions, EOP)	3Q16	2Q17	3Q17*
Total Assets	$209,337	$220,601	$230,714
Bank Deposits	$149,630	$162,300	$165,263
Payables to Brokerage Clients	$32,961	$33,039	$31,480
Short-term Borrowings	$3,001	$300	$5,000
Long-term Debt	$2,876	$3,518	$3,268
Stockholders' Equity	$15,470	$17,489	$18,027
Parent Liquidity	$1,604	$2,451	$2,737
Tier 1 Leverage Ratio	7.1%	7.4%	7.7%

Bank deposits grew in 3Q, helped by organic cash and the transfer of $1.4 billion in sweep deposits from Schwab One® to the Bank and ~$300 million from money funds to the Bank

Approximately $5 billion of FHLB advances so investment can occur before sweep balances grow through deposits or bulk transfers

Operating objective remains 6.75%-7%;
Ratio may continue to rise temporarily as we near $250 billion;
We intend to more fully deploy excess capital in 2018

Note: FHLB is Federal Home Loan Bank of San Francisco. Parent Liquidity equals Parent Working Capital plus Level 1 Securities (market value) as defined by the Liquidity Coverage Ratio rule. Tier 1 Leverage Ratio is based on Tier 1 Capital, which is End of Period Capital (Stockholders' Equity less AOCI and other regulatory adjustments) divided by Average Total Consolidated Assets.
* Preliminary.

We have made significant progress in advancing our client cash strategy.

Our offerings have evolved to more effectively meet client needs *and* monetize client cash

- **Late 1970s** Offered 3rd party money funds
- **1983** Schwab One® launched with broker-dealer sweep option
- **1986** Started Schwab CD Service
- **1990** In 1989, founded Charles Schwab Investment Management; offered proprietary money funds in 1990
- **2003** Established Charles Schwab Bank® and the Bank sweep feature; initiated Sweep Transition Program
- **2005** Integrated checking and brokerage accounts
- **2007** Released Schwab Bank High Yield Investor Checking®
- **2008** Began bulk transfers from money funds to the Bank
- **2009** Introduced Schwab Bank High Yield Investor Savings®
- **2016** Bank sweep becomes the default option for all new accounts

Since 2008, we have bulk transferred nearly $50 billion to Schwab Bank®

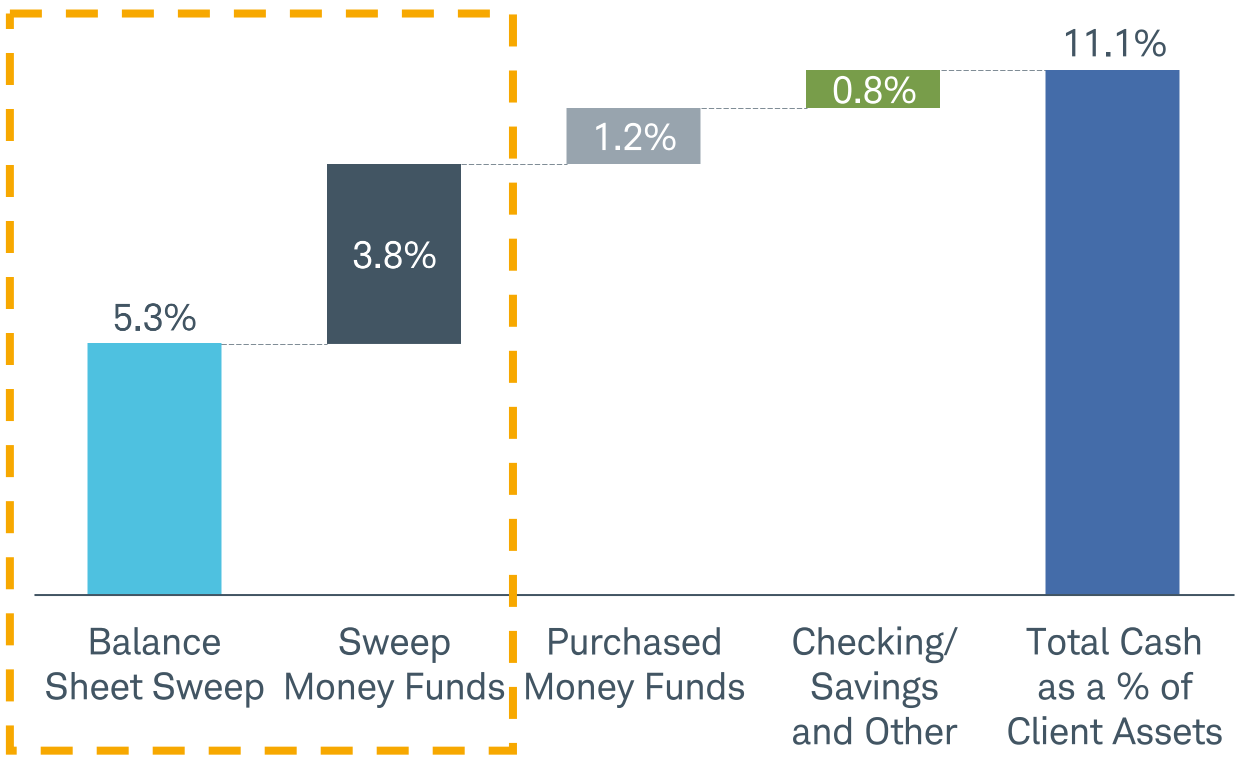
Bulk Transfers 2008-YTD 3Q17

Our future bulk transfer opportunity is unchanged.

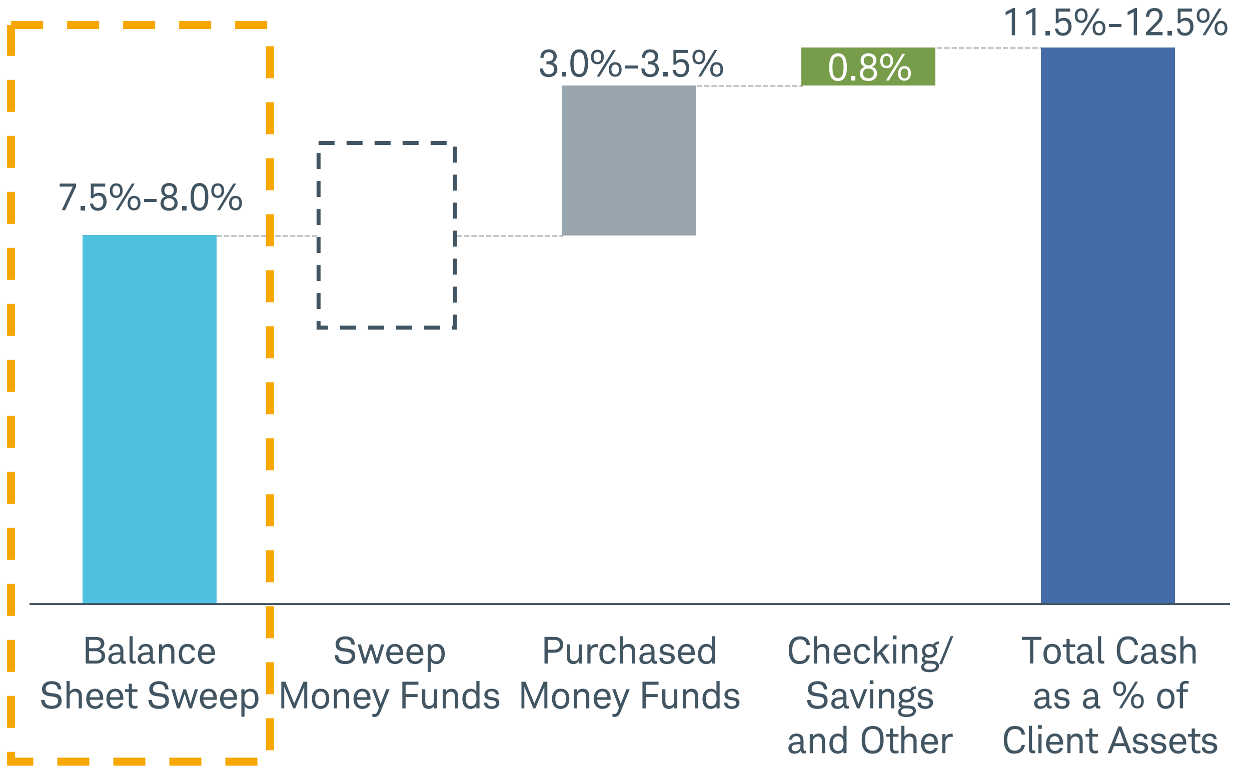
Most client cash is in sweep and we estimate that the majority is relatively yield insensitive – about 7.5%-8.0% of total client assets

As rates normalize with a 2%-3% Fed Funds target, the yield sensitive cash will find its level in sweep and the remainder will seek higher yields

Cash as a % of Total Client Assets – 3Q17



Cash as a % of Total Client Assets – Potential Future State



This 7.5%-8.0% estimate implies a net bulk transfer opportunity of $60-$80 billion

Note: Based on 3Q17 actuals.

We are maintaining balance sheet flexibility for the rest of 2017 as we prepare to cross $250 billion.

Bank Sweep Client Notification

Starting 4Q17, inform impacted clients

- Allows for flexibility in timing
- Provides relationship management team time for training and client conversations

FHLB Borrowing Facility

Draw on FHLB in advance of deposit liabilities

- Opportunity to invest and earn interest revenue for a longer period of time prior to bulk transfers
- Potentially more in 4Q17, depending on organic activity

Bulk Transfers

Transfer assets at a measured pace

- Likely wait until 2018 to do any significant bulk transfers
- Monitor rate at which approaching $250 billion in consolidated assets

As we near the end of 2017, we remain consistent in our approach and financial expectations.

Revenues	▪ Without a further rate hike, we would expect **FY 2017 revenue growth to reach the mid double-digit range** – the effect of a December rate move would be de minimis – **Net interest margin** likely to remain relatively flat if: ▪ Organic client cash has minimal growth with a modest December seasonal increase ▪ Short-term rates persist at current levels ▪ 10-year Treasury rate stays below 2.45%, affecting long-term reinvestment rates
Expenses	▪ Under these circumstances, we expect to be ahead of our baseline scenario with a gap between revenue and expense growth of **around 400 basis points** ▪ Our spending decisions will remain focused on **balancing near-term profitability** with **reinvestment to drive long-term growth** – Clients, technology, and people remain our key investment areas
Pre-tax Profit Margin	▪ We aim to deliver the **majority of any potential incremental revenue** from any additional 2017 rate increases to **pre-tax profit** ▪ We expect a **pre-tax profit margin** of around **42%**

Looking ahead to 2018:

$250 billion Consolidated Asset Threshold

- We anticipate crossing the **$250 billion consolidated asset threshold in the first half**
- Over the course of 2018, we intend to execute on **bulk transfers utilizing existing capital,** bringing our **Tier 1 Leverage Ratio closer to our 6.75%-7% objective**; pace will depend on several factors, including operational considerations
- We will provide more details at the February Business Update in terms of **timing and amount** of bulk transfers

2018 Forecasting

- We are currently developing our 2018 plan and will continue to **assess the revenue outlook pending the Fed's December meeting**
- Without further rate hikes, expense planning will, at a minimum, take into account **necessary outlays** for regulatory, infrastructure, and other critical-path projects
- We anticipate that any potential **corporate tax reform benefit would fall to the bottom line**

Our model continues to succeed in this uncertain environment.

- Record success with clients, meaningful operating leverage, and deliberate capital management continue to drive the business
- We are following our strategy to effectively monetize client cash balances
- We remain flexible as we look to finish 2017 and prepare for 2018

Our overall priorities are simple:

- **Continued business growth** through our client-first strategy
- **Solid revenue growth** through multiple sources
- **Expense discipline** leading to enhanced performance

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Q&A

Fall Business Update

October 20, 2017

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