Spring Business Update

April 20, 2018

charles SCHWAB CORPORATION

Own your tomorrow®

CORPORATION

Introduction

Jennifer Como

Vice President
Investor Relations

Agenda

Walt Bettinger, President and Chief Executive Officer

Peter Crawford, EVP and Chief Financial Officer

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,” “lead,” “record,” “investment,” “expand,” “increase,” “intend,” “target,” “pace,” “maintain,” “prepare,” “anticipate,” “intend,” “goal,” “progress,” “objective,” and other similar expressions. These forward-looking statements relate to: growth in the client base, accounts and assets; investments to fuel and support growth, serve clients and drive scale and efficiency; the company’s “Through Clients’ Eyes” strategy; growth in revenues, earnings and profits; stockholder value; market share; timing for crossing the $250B asset threshold; bulk transfers; 2018 spending; balance sheet growth; baseline scenario assumptions and financial expectations; impact of Fed rate moves on revenue growth, gap between revenue and expense growth, and pre-tax profit margin; net interest margin; beta for sweep deposit rates; capital expenditures; operating objective for Tier 1 Leverage Ratio; options for excess capital; target dividend payout ratio; 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, including deposit rates; the company’s ability to develop, implement, and launch new products, services, infrastructure, 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; regulatory guidance; client sensitivity to rates; the quality of the company’s balance sheet assets; 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 **April 20, 2018** (or such earlier date as may be specified herein). The company makes no commitment to update any of this information.

CORPORATION

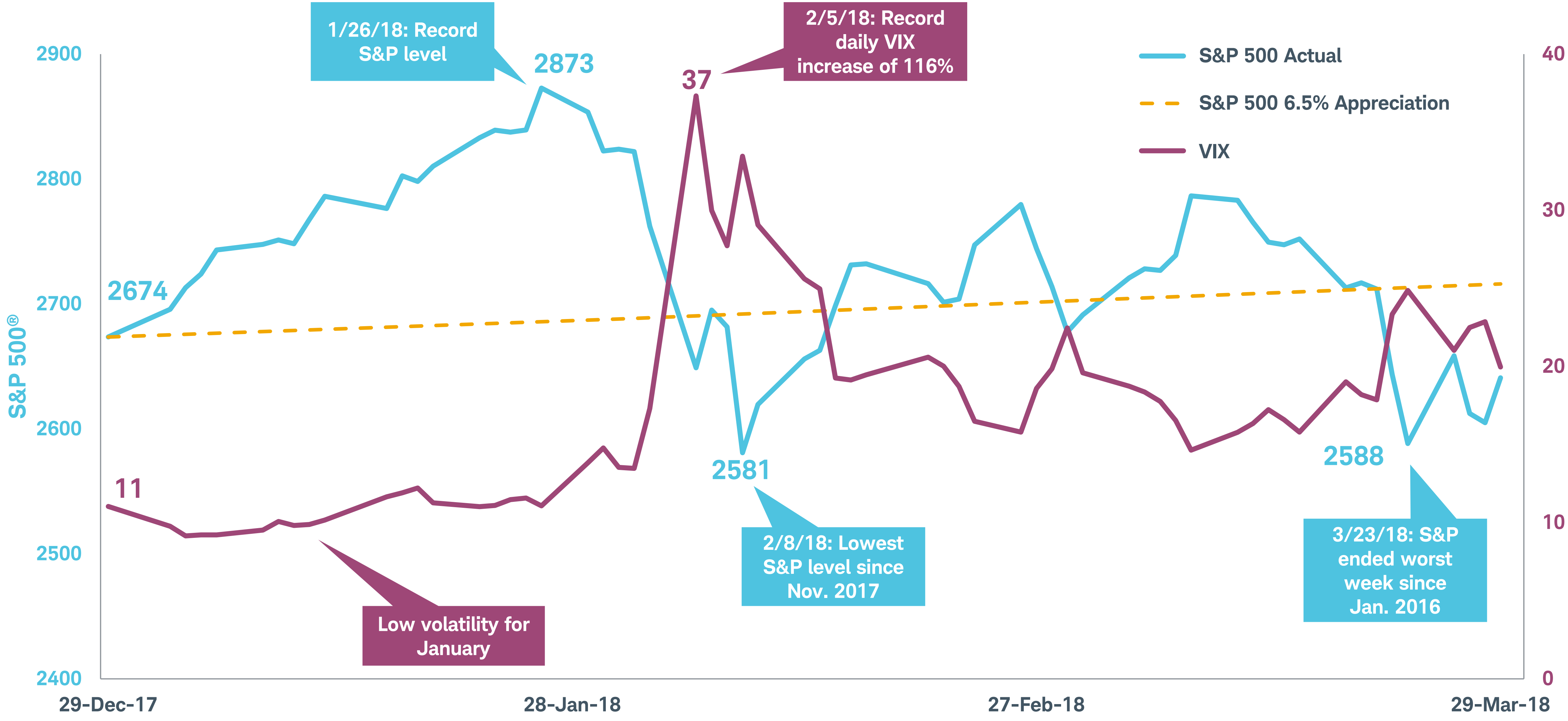
Walt Bettinger

President and
Chief Executive Officer

2018 is off to an impressive start with record results.

- Amidst economic uncertainty and market volatility in the first quarter, investors continued to turn to Schwab, with **record core net new assets and trading activity, and near-record new accounts**
- Our asset gathering reflects **our competitive strength**, as our **"no trade-offs" combination** of value, service, transparency, and trust resonates in the marketplace
- We are investing to **sustain the growth we've achieved** and lay the **foundation for ongoing success** in expanding our client base

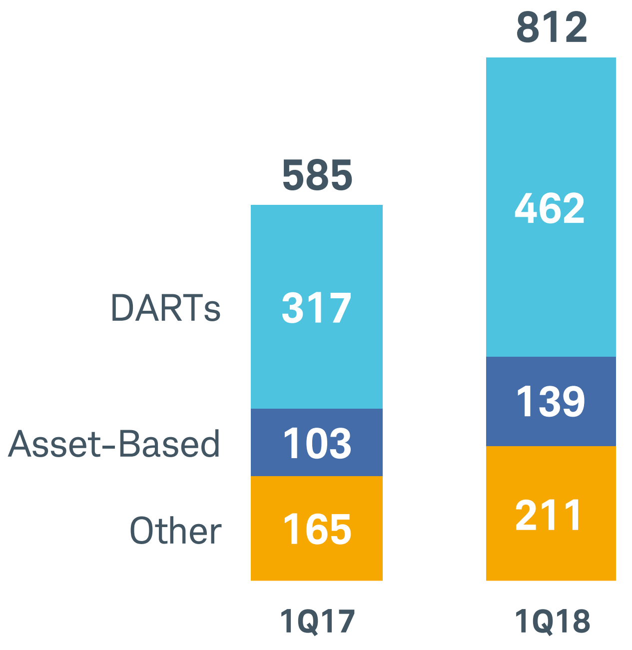
Investors faced a bumpy first quarter in the markets…



...and we saw record trading activity and the most new account openings since Q1 2000.

Trading reached new levels

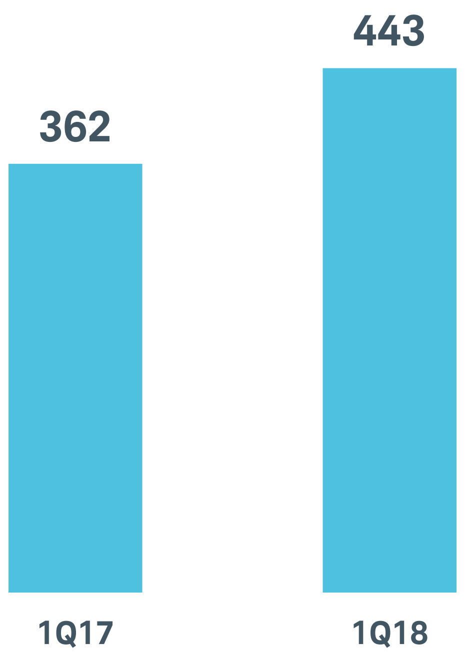
DATs (K)



- Up 39% from 1Q17
- Both DARTs and DATs set quarterly records

Clients continued to open accounts at an accelerated rate

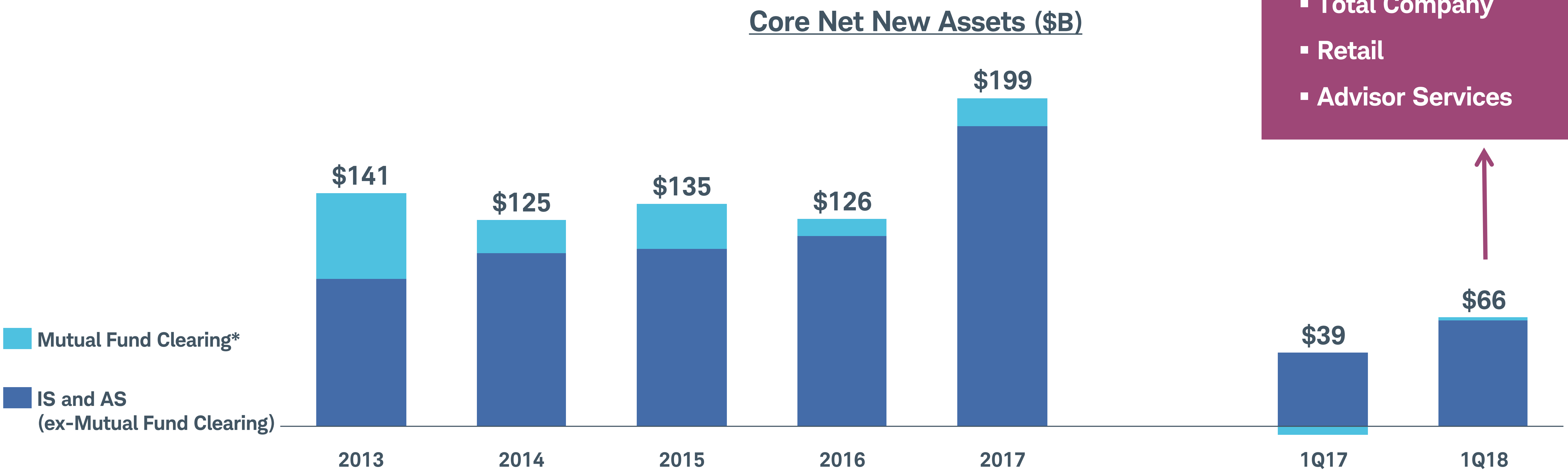
New Brokerage Accounts (K)



- Up 22% from 1Q17
- March was the 16th consecutive month of over 100K new accounts

Note: DATs are daily average trades. DARTs are daily average revenue trades and include all client trades that generate either commission revenue or revenue from principal markups (i.e., fixed income). Asset-based trades include all eligible trades executed by clients who participate in one or more of the Company's asset-based pricing relationships. Other trades include all commission free trades, including Schwab Mutual Fund OneSource® funds and ETFs, and other proprietary products.

We gathered record core net new assets…

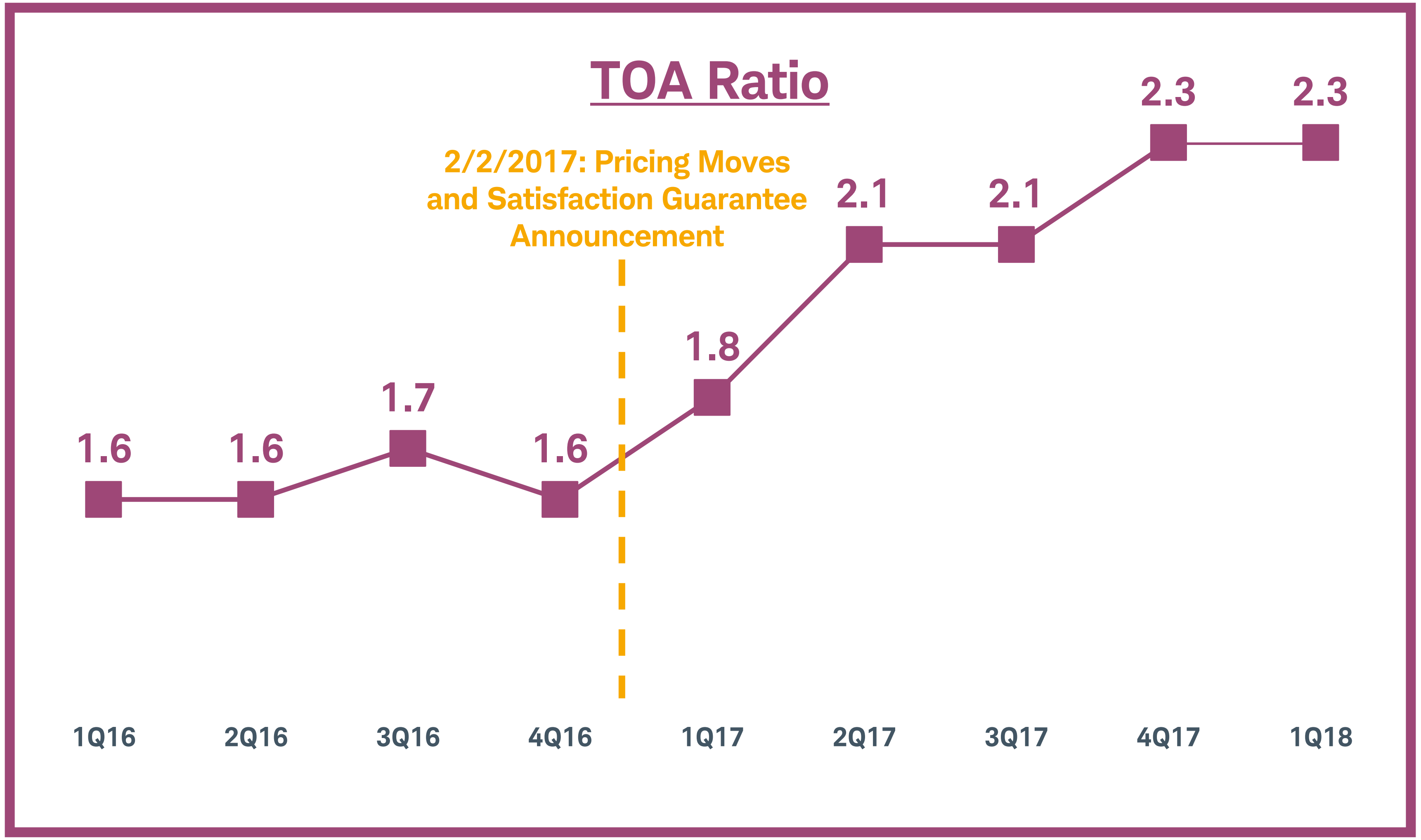


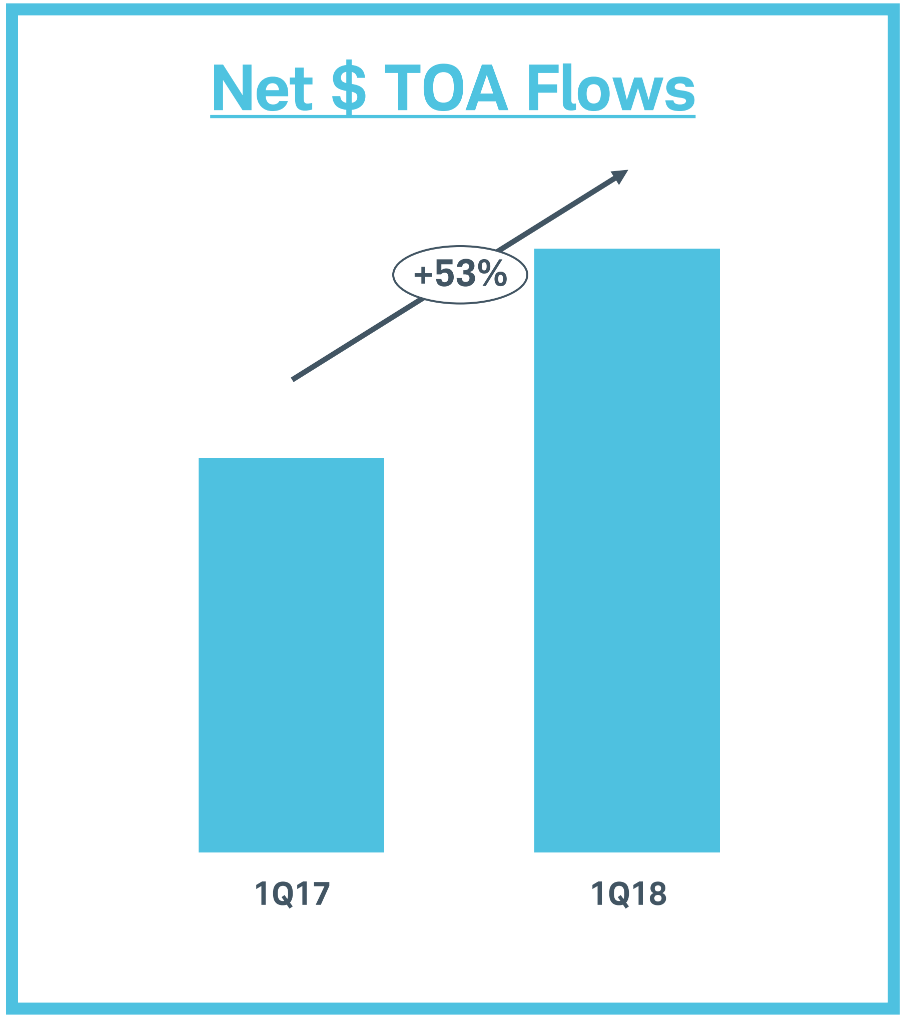
Record Core 1Q18 NNA:

- Total Company
- Retail
- Advisor Services

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 mutual fund clearing flows under $10 billion.

...helped by sustained market share gains from our competitors.





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.

Clients utilized our wide range of capabilities.

Q1 2018 vs. Q1 2017 EOP

Pledged Asset Line®	Proprietary ETFs	Investor Services Advised Assets
$4.4 billion	$105 billion	$273 billion
↑ 16%	↑ 51%	↑ 18%

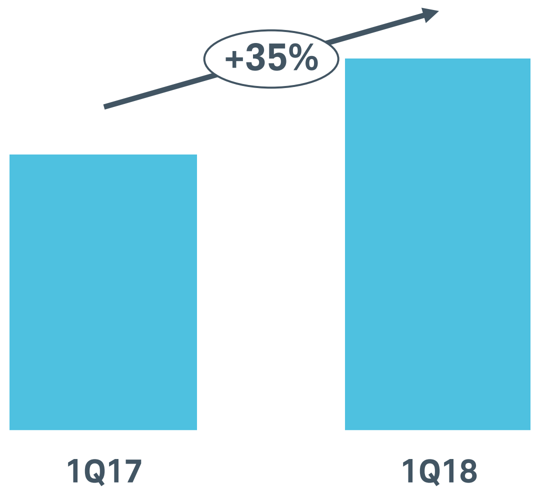
Purchased Money Market Funds	Proprietary Index Mutual Funds	Fixed Income Securities
$58 billion	$69 billion	$259 billion
↑ 126%	↑ 25%	↑ 19%

Strong inflows from both new and existing RIAs drove record results for Advisor Services.

Advisor Services continues to win assets from competitors…

TOA Ratio: 2.6

<u>Net $ TOA Flows</u>



…as more advisors turn independent, deal size and volumes have increased…

<u>Advisors in Transition (AIT) Teams</u>

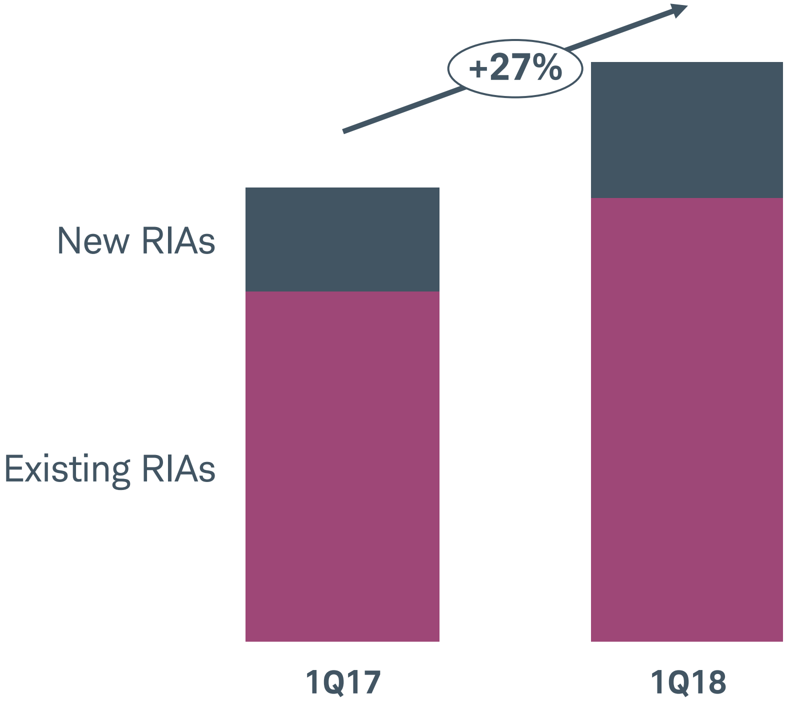
+10%
vs. 1Q17

<u>Average AIT Size ($M)</u>

+61%

…all supporting record quarterly NNA

<u>Advisor Services NNA</u>

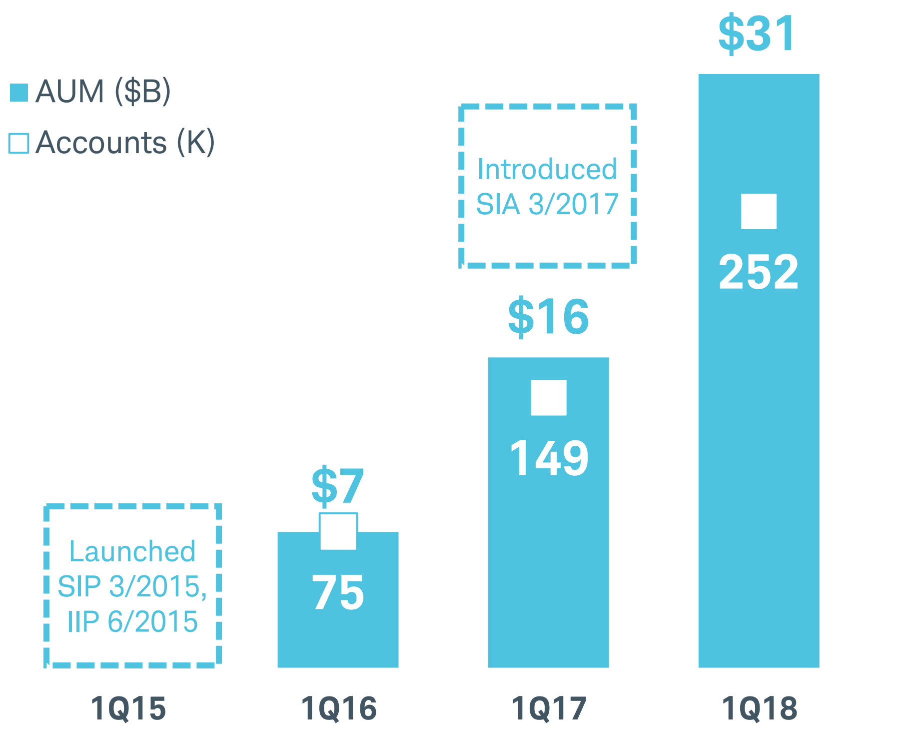


Note: Results reflect Advisor Services Institutional.

In March, we recognized the three-year anniversary of our digital advisory solutions.

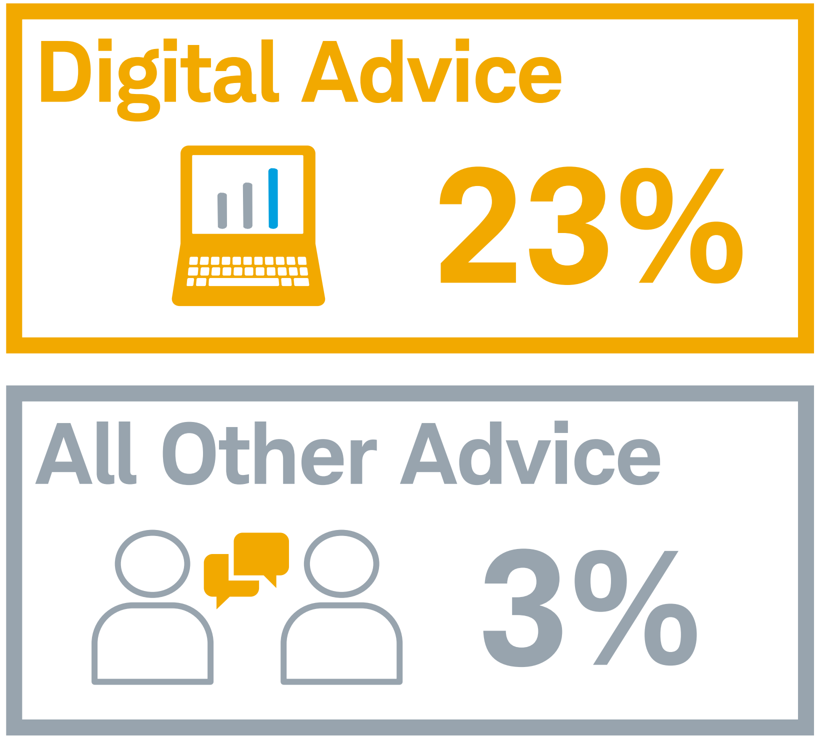
Our digital advisory solutions* have gathered more than $30 billion in assets across 250,000+ accounts

Digital Advisory Solutions
Assets Under Management (AUM) and Total Accounts



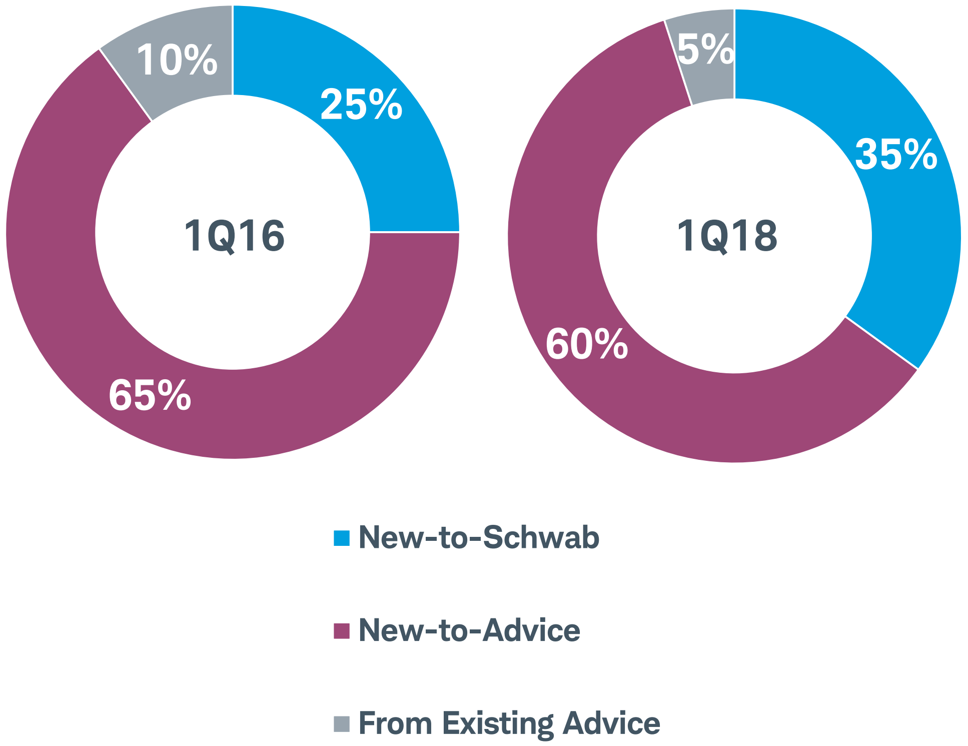
Digital advice has attracted more clients under 40 than our other advice offerings

Percent of Clients <40[1]



New-to-Schwab clients are the fastest growing segment of digital advice adopters

Source of Asset Flows to Digital Advice[2]



Note: *Digital advisory solutions include Schwab Intelligent Portfolios® (SIP), Institutional Intelligent Portfolios® (IIP), and Schwab Intelligent Advisory® (SIA).
1: As of 1Q18. Digital Advice represents SIP and SIA. All Other Advice includes all Retail advisory solutions except SIP.
2: Represents new asset flows during the quarter to SIP and SIA; assets new-to-Schwab are counted within 30 days of enrolling into SIP or SIA.

Schwab Private Client™ (SPC) continued its strong growth trajectory with over $100 billion in AUM.

Started in 2002, SPC remains a key offering for clients...

- Serves **affluent clients** with more complicated financial lives
- **Planning-centric approach** to deliver holistic wealth management
- **Non-discretionary**, customized portfolio construction and management
- **Dedicated team** to support investing, wealth management, and service needs

...who have been with Schwab for a long time, have accumulated substantial wealth...

Avg. Time as a Schwab Client 19 years

Avg. Household AUM ~$1.8M

Total SPC AUM $103B

+17% vs. 1Q17

...and have the highest client promoter score at Schwab

76

Client Promoter Score

10%

vs. 1Q17

Note: All data as of 3/31/2018.

We are better serving client cash needs with additional offerings.

Our cash product lineup spans Bank/BD sweep, checking, savings, fixed income, and money market funds...

...and we have made several enhancements over time

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.

Tiered Sweep Rates

For accounts with >$1 million in cash, 50bps; <$1 million in cash, 15bps*

Sweep Tower

Provides up to $500,000 in FDIC insurance** for eligible clients

Purchased Money Market Funds

- Lower and Standardized Pricing
- Increased Access with Lower Minimums
- Streamlined Share Classes

Fixed Income

Online sell capability for bonds

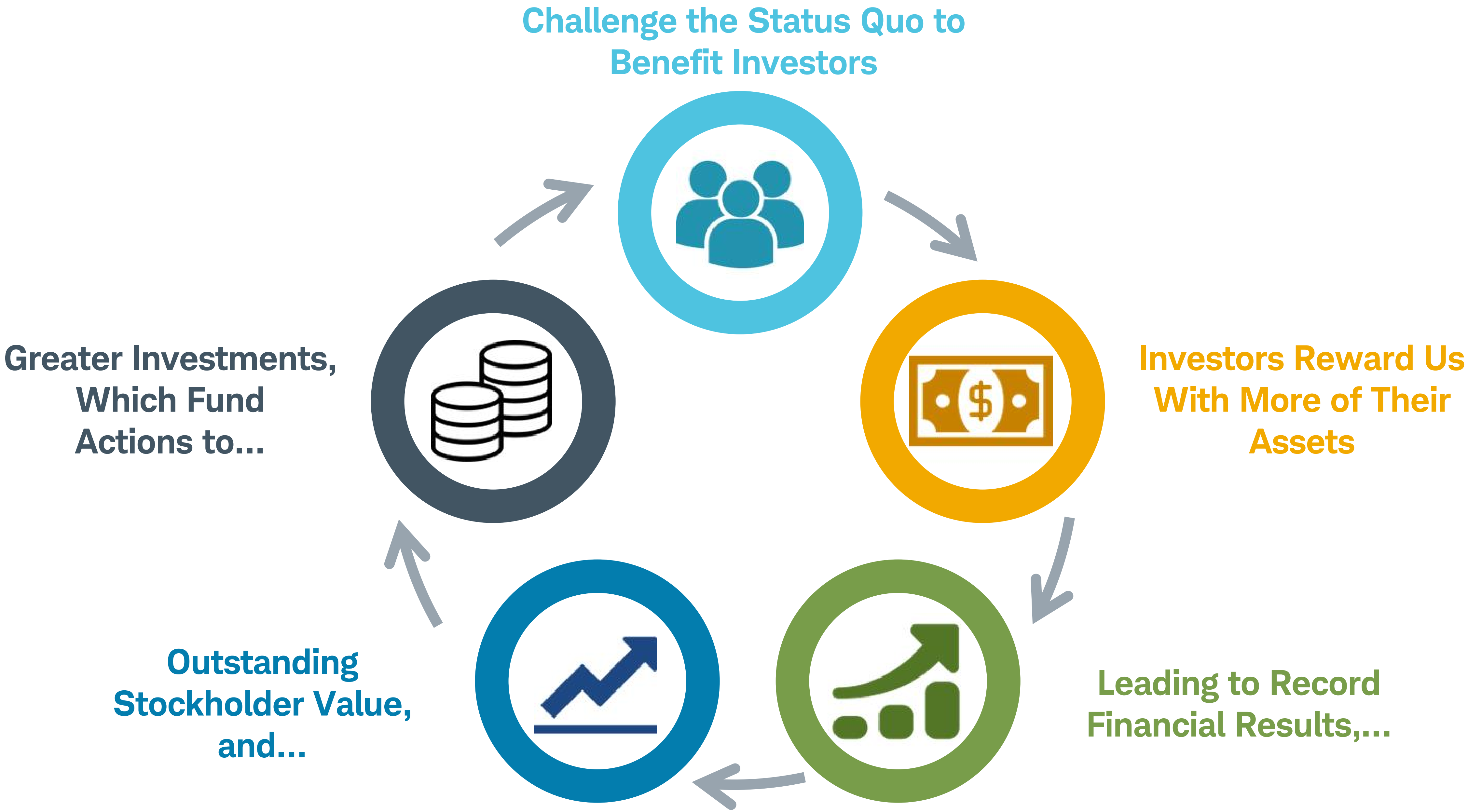
Note: See https://www.schwab.com/public/schwab/investing/accounts_products/investment/cash_solutions for more details and important disclosures. *Rates as of April 20, 2018. **Bank Sweep deposits are held at one or more FDIC-insured banks that are affiliated with Charles Schwab & Co., Inc. ("Affiliated Banks"). Funds deposited at Affiliated Banks are insured, in aggregate, up to $250,000 per Affiliated Bank, per depositor, for each account ownership category, by the Federal Deposit Insurance Corporation (FDIC).

These solutions, along with the rest of our value-added capabilities, make up a superior client experience.

"Highest in Investor Satisfaction with Full Service Brokerage Firms, Three Years in a Row"

Note: Charles Schwab received the highest numerical score in the J.D. Power 2016-2018 Full Service Investor Satisfaction Study. 2018 study based on 4,419 total responses from 18 firms measuring opinions of investors who used full service investment institutions, surveyed November-December 2017. Your experiences may vary. Visit jdpower.com

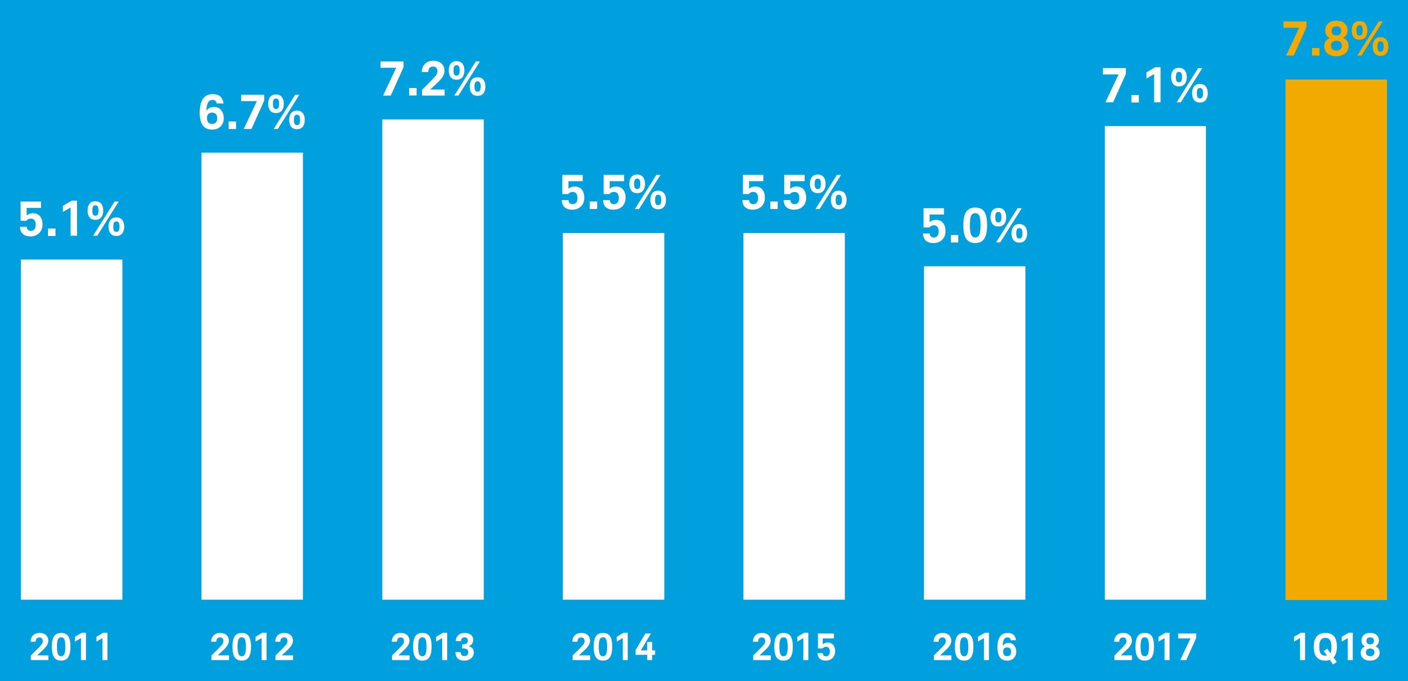
Our "Through Clients' Eyes" strategy continues to propel the Virtuous Cycle,…



...positioning Schwab for the future.

We **have expanded** our growth on an **increasing asset base**

Core NNA Annualized Growth Rate



Our goal:

continue to implement strategies to drive **organic growth** and gain **market share**

We are investing to both fuel and support growth.

Investor Services and Advisor Services

- **Continue to offer innovative products at a great value**
- **Reach investors to deliver more relationships**
- **Expand retail distribution channels**
- **Offer the most complete RIA platform**
- **Advance awareness of the independent difference**
- **Invest in the RIA industry's future**

Technology, Infrastructure, and Regulation

- **Continue progress on multiple fronts:**
  - **Application Modernization:** moving away from the legacy mainframe environment
  - **Business Process Transformation:** streamlining the way we do business
  - **Digital Accelerator:** leading disruption on behalf of our clients
  - **Cybersecurity**
  - **Preparations for the $250 billion consolidated asset threshold**

2018 is off to an impressive start with record results.

- Amidst economic uncertainty and market volatility in the first quarter, investors continued to turn to Schwab, with **record core net new assets and trading activity, and near-record new accounts**
- Our asset gathering reflects **our competitive strength**, as our **“no trade-offs” combination** of value, service, transparency, and trust resonates in the marketplace
- We are investing to **sustain the growth we’ve achieved** and lay the **foundation for ongoing success** in expanding our client base

charles SCHWAB CORPORATION

Peter Crawford

Executive Vice President and
Chief Financial Officer

First quarter results demonstrate that our model is working as designed.

- Strong asset gathering, client engagement, and the 2017 and March 2018 rate hikes helped lift our first quarter results
- We are actively utilizing capital to pursue our bulk transfer strategy, and anticipate crossing the $250 billion consolidated asset threshold in 2Q18
- Our approach to 2018 spending implies more variability in margin than expenses as macro events unfold

Today we'll discuss:

Q1 2018 results

Capital picture

2018 financial outlook

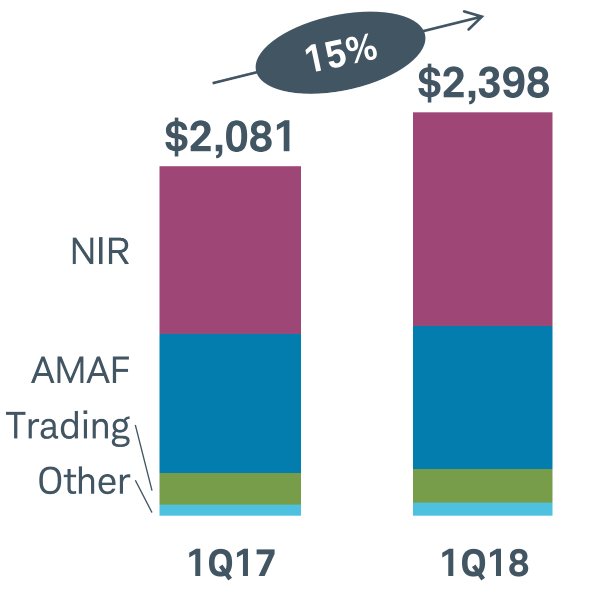
Our success with clients continued, and with some help from the economic environment…

Q1 2018 vs. Q1 2017 EOP

Total Active Brokerage Accounts	Total Client Assets	Total Advised Assets
11 million	$3.3 trillion	$1.7 trillion
↑ 7%	↑ 13%	↑ 16%

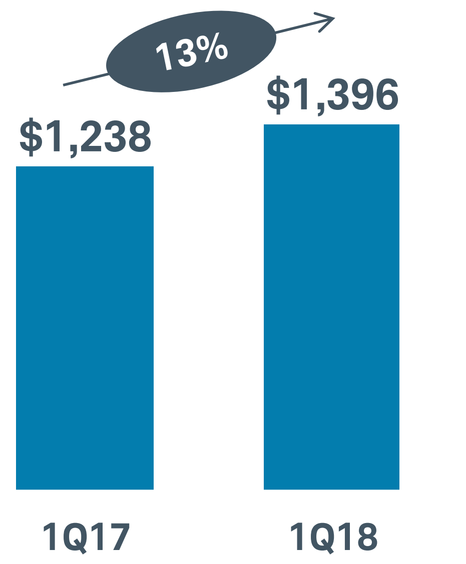
...we produced record revenues and the highest ROE since 2009.

Total Net Revenues ($M)



- **11th consecutive quarter of record** revenues
- Net interest revenue rose 26% to a record $1.3 billion **due to larger client sweep balances** and 2017 and 2018 rate hikes
- Asset management and administration fees grew 3% **as a result of growing balances, partially offset by lower money market fee revenue** from bulk transfers and 2017 fee cuts

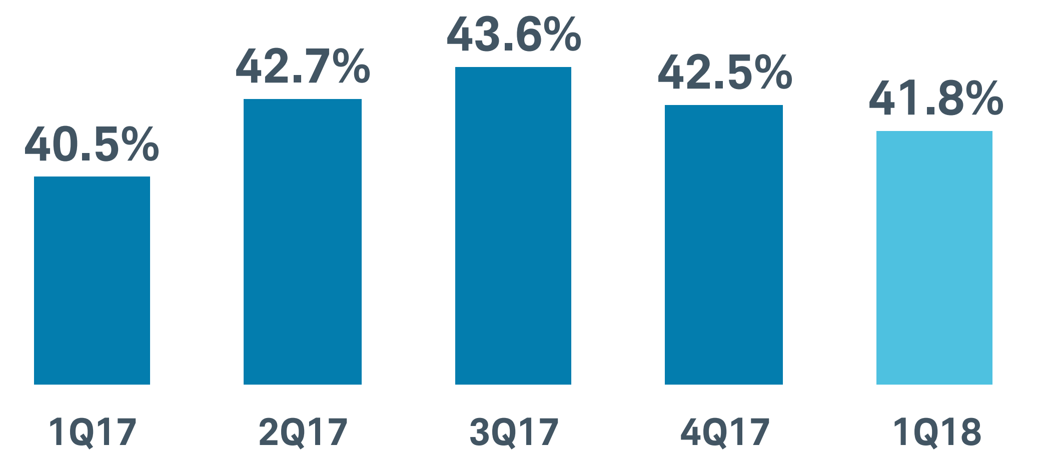
Total Expenses ($M)



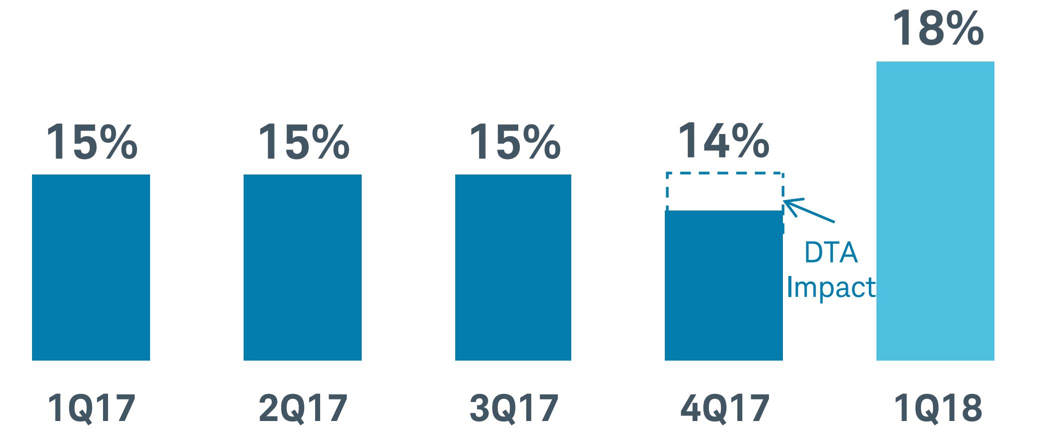
1Q18 expenses reflect:

- **The full effect of 2017 hires and spending** to support our expanding investor base
- Increased compensation, benefits, and volume-related expenses as a result of **strong asset gathering**
- **Higher project spending** to drive growth
- **A $15 million charge** due to VIX-related **unsecured margin losses**

Pre-tax Profit Margin



ROE



Note: Taxes on income were increased by approximately $46 million in December 2017 due to the enactment of the Tax Cuts and Jobs Act legislation resulting in the remeasurement of deferred tax assets (DTA) and other tax adjustments.

We are utilizing available capital to support balance sheet growth.

($M, EOP)	1Q17	4Q17	1Q18*
Total Assets	$227,061	$243,274	$248,320
Bank Deposits	$166,889	$169,656	$190,184
Payables to Brokerage Clients	$34,267	$31,243	$31,088
Short-term Borrowings	$600	$15,000	-
Long-term Debt	$3,518	$4,753	$4,128
Stockholders' Equity	$16,982	$18,525	$19,330
Parent Liquidity	$3,023	$4,043	$3,049
Tier 1 Leverage Ratio	7.1%	7.6%	7.5%

Nearing the $250 billion consolidated asset threshold

Bank deposits grew in 1Q18, helped by bulk transfers of $25 billion in sweep balances from money market funds

We have paid off $15 billion of FHLB advances, which we utilized to invest before sweep balances grew through deposits or bulk transfers

Redeemed $625 million of 1.5% Senior Notes

We are using more capital with the bulk transfers, causing the ratio to decline

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.

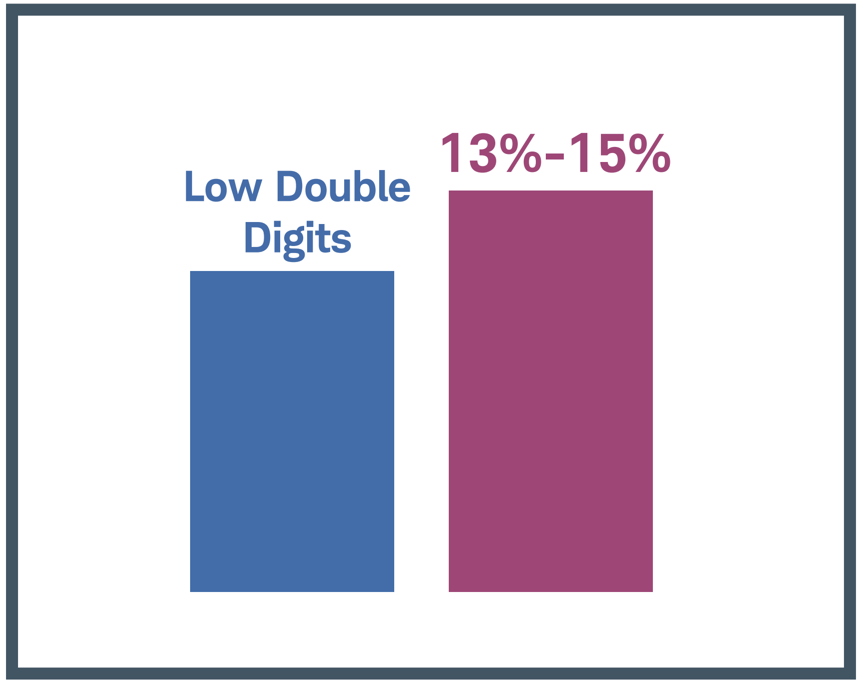
Most key macro drivers performed better than our baseline scenario…

	Market	Short-term Rates	Long-term Rates	Trading
FY2018 Key Drivers:	S&P appreciates 6.5%	Additional 25bps Fed Funds rate hike in June 2018 to 1.50%-1.75%	Average 10-year Treasury at 2.55%	DARTs up slightly year-over-year
1Q18 Actuals:	S&P down 1%	March 2018 hike to 1.50%-1.75%	Average 10-year Treasury at 2.76%	DARTs up 46% from 1Q17

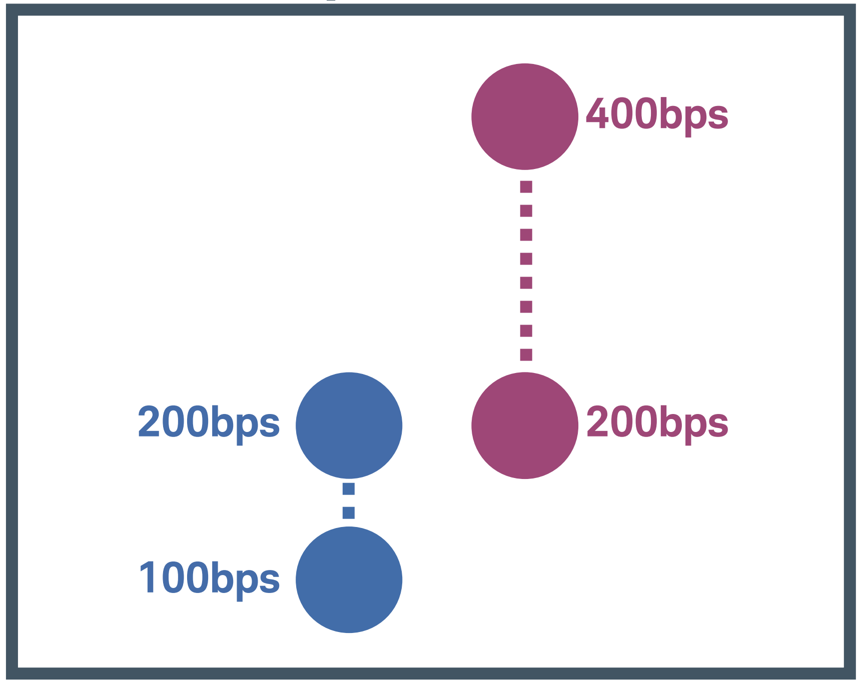
...with 1Q18 results tracking more in line with the 3 rate hike scenario.

Legend
- FY 2018 Baseline Scenario
- FY 2018 3 Rate Hike Scenario

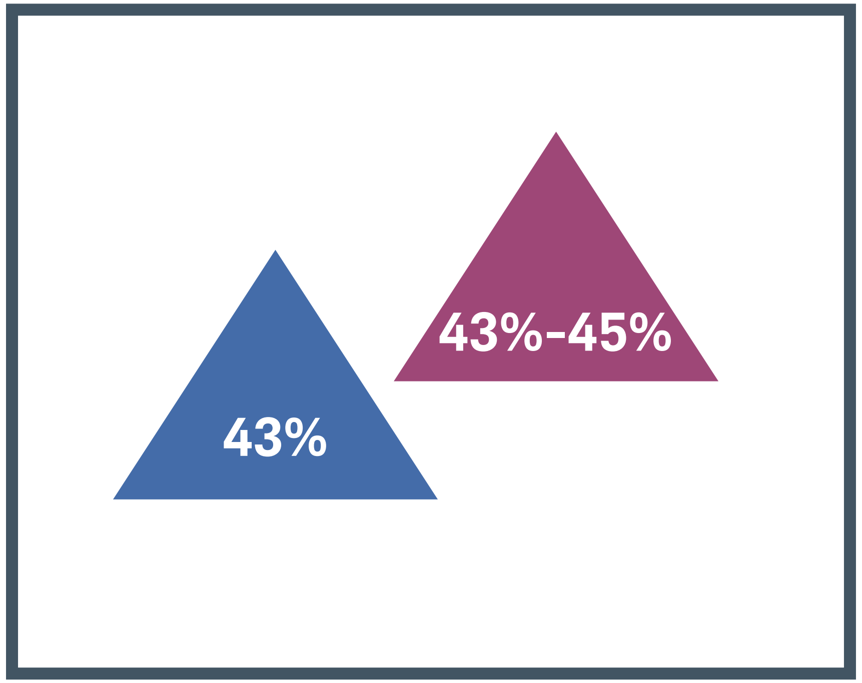
Revenue Growth



Gap between Revenue and Expense Growth



Pre-tax Profit Margin



	Revenue Growth	Gap between Revenue and Expense Growth	Pre-tax Profit Margin
1Q18 Results:	15%	240bps	42%

Our approach to 2018 spending implies less expense variability than in prior years…

Our 2018 spending growth is focused on three primary areas

Composition of Expense Growth

Incremental Investments
- Application Modernization
- Business Process Transformation
- Digital Accelerator

Client-facing Growth
- Financial Consultants
- Client Reps
- Independent Branches

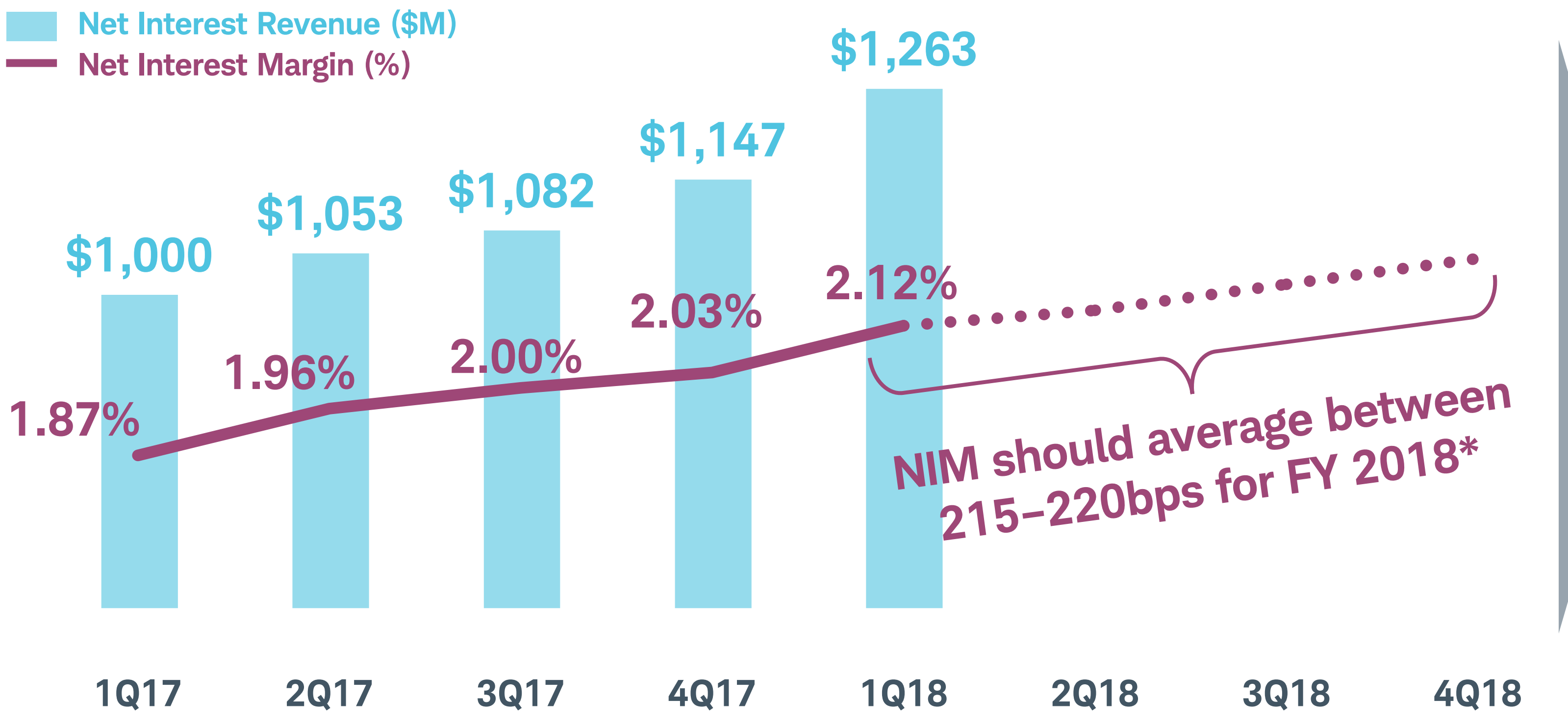
Baseline Expenses
- Full-year Impact of 2017 Spending Ramp
- Contractual Increases
- Volume-related Costs: FTE, FDIC Assessments, Sub-advisory Fees
- General Inflation

Expense Implications

- While in other years, we have “flexed” our investments as conditions unfolded, we intend to make our 2018 planned investments **regardless of the environment** (barring some major event)
  - Continued outsized asset gathering **could mean additional** client-facing staff, incentive compensation, and other volume-related increases **not currently in the baseline scenario**
- **The quarterly level of spending should remain more flat than seasonal throughout the year**, implying stronger year-over-year growth in the first half than the second

…meaning that if we receive more rate hikes, we expect most of the additional upside to fall to the bottom line.

Net Interest Revenue

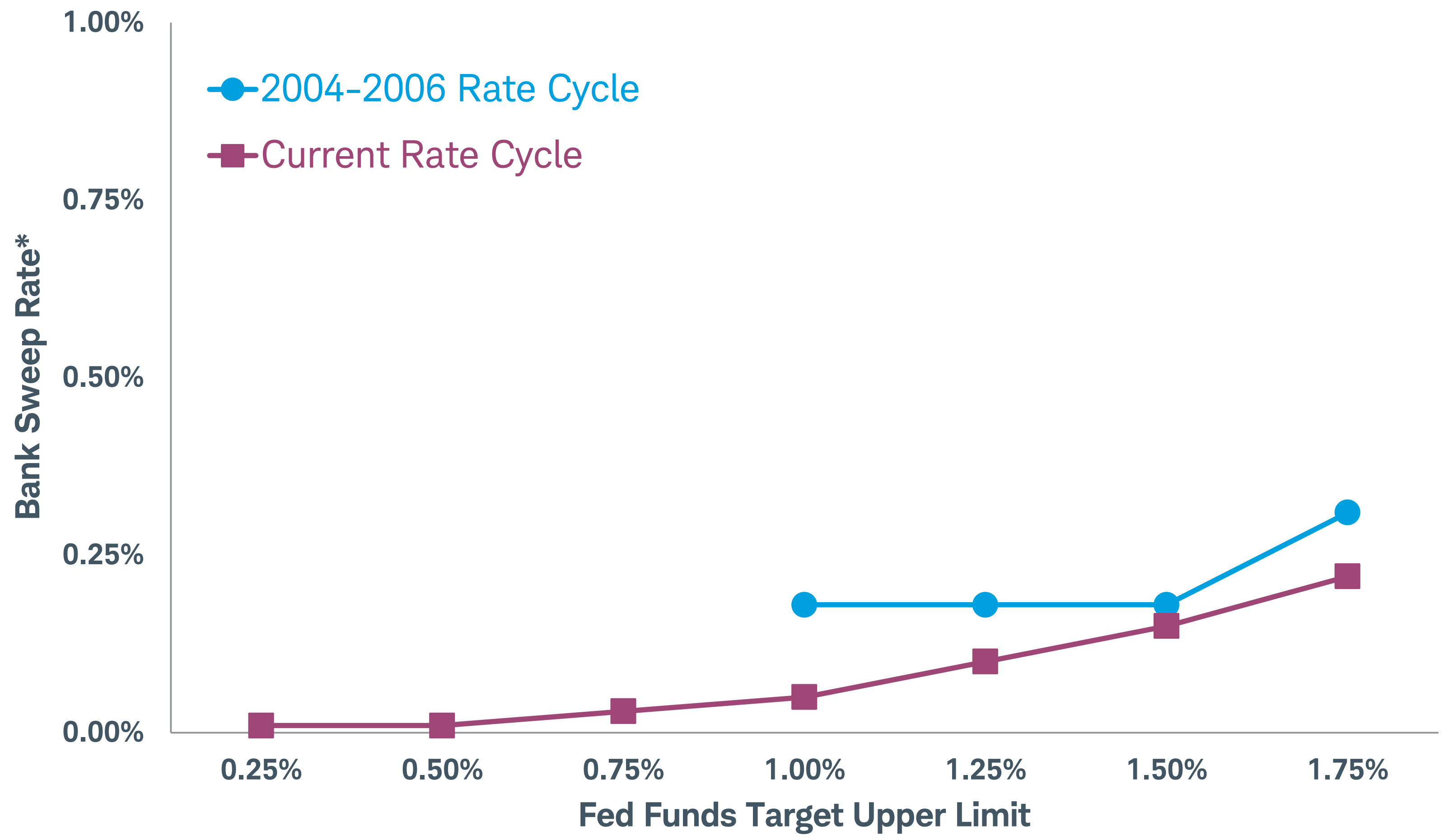


- Our 1Q18 NIM reflected the impact of rate hikes, elevated 1M and 3M LIBOR, and the repayment of the FHLB advances
- As our baseline scenario included a rate hike in June, we would expect to see **some additional benefit** in our top line from the March hike, implying an average FY NIM between 215-220bps
- We anticipate the **vast majority of potential incremental revenue** from any subsequent 2018 rate increases to fall to **pre-tax profit**

Note: *Includes March 2018 rate hike but assumes no further rate hikes.

Our sweep deposit rates so far are somewhat below those in the prior rate cycle.

<u>Bank Sweep Rate</u>



- In the 2004-2006 rate cycle (from 1.00% - 5.25% Fed Funds), our **overall beta was about 40%**
- So far <u>this</u> cycle:

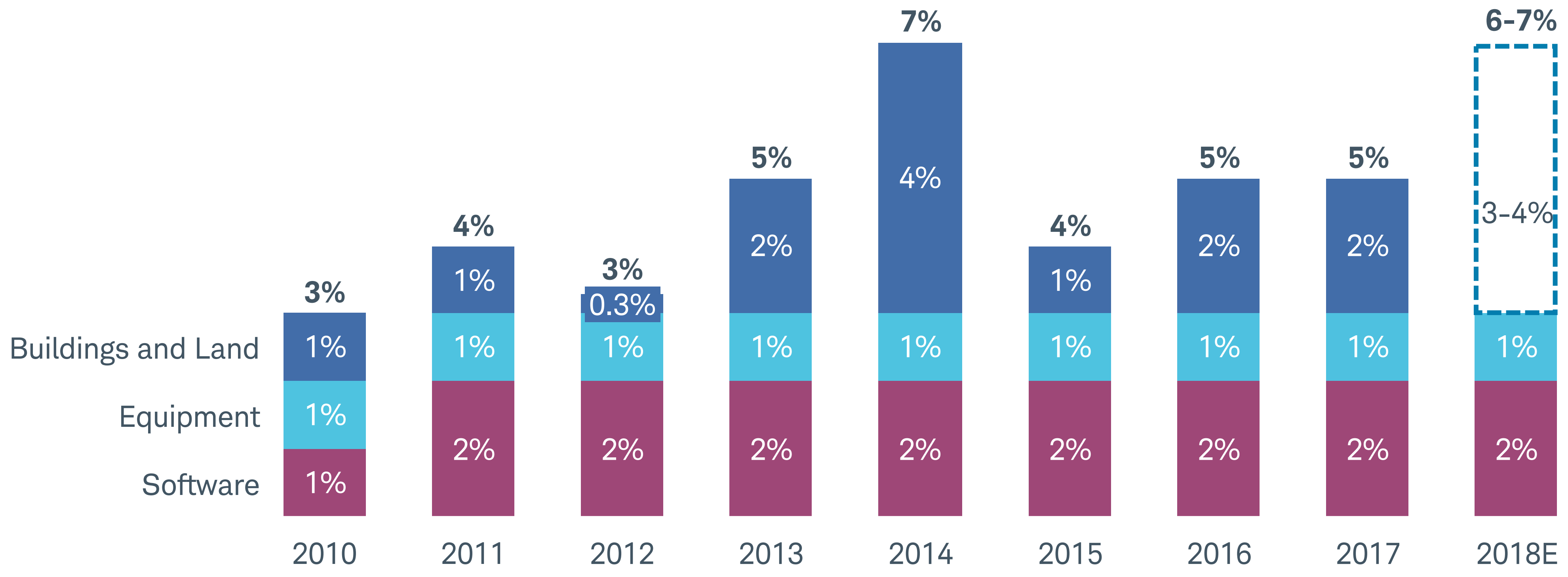
Fed Funds Target Upper Limit Range	Beta
0.25% - 1.75%	<15%
1.00% - 1.75%	<25%

- We see **no indications** to date that **overall beta will be higher** than the prior rate cycle

Note: *Represents highest blended rate at each Fed Funds limit.

As we build out our geographic strategy, we expect capital expenditures to increase in the near-term.

Capital Expenditures as a % of Revenue



Key Land/Building Projects:		Phoenix		Denver	Denver & Austin	Phoenix, Denver, & Austin	Austin & Dallas	Austin & Dallas	Denver, Austin, & Dallas

- We adjust our CapEx as business conditions change, with a typical range from 3-5% of revenue
- Since 2013, we have been investing in our geographic strategy, purchasing land and constructing buildings in Phoenix, Denver, Austin, and Dallas
- In 2018, we expect increased CapEx for build-out in Denver, Austin, and Dallas, returning to more normalized levels in the future

Bulk transfer activity will continue to depend on several factors.

We will continue to monitor client cash and supplement with bulk transfers

Illustrative

Determining Factors

New Client Activity + **Existing Client Activity**

We will continue to gather assets and clients will allocate some amount to cash

Clients will decide:
- how much to engage in the market
- how much cash to put in non-bank alternatives

+

Resulting Action

Bulk Transfers

- ~$25 billion in gross 1Q18 bulk transfers

=

Expected Outcomes

We expect the balance sheet to **grow by at least 15%** in 2018

- **Up 2% through 1Q18 to $248 billion**
- **Anticipate crossing $250 billion in 2Q18**

We will pace the deployment of capital so that our Tier 1 Leverage Ratio **gets closer to but remains above our operating objective of 6.75%-7% by year end**

We expect to bulk transfer the strong majority of the ~**$88 billion** remaining in sweep money market funds

Post bulk transfers, we will evaluate options for any capital in excess of our growth investment needs.

Near-term Excess Capital Priorities

Maintaining our 20%-30% Target Dividend Payout Ratio

Bulk Transfers

Considerations for Longer-term Excess Capital Priorities

Maintaining/Increasing our Dividend (in line with our target payout ratio)

Special Dividends

Opportunistic Buybacks

Disciplined M&A (consistent with our strategy)

We will continue to prioritize sustained investments to drive long-term growth for the next decade and beyond

First quarter results demonstrate that our model is working as designed.

- Strong asset gathering, client engagement, and the 2017 and March 2018 rate hikes helped lift our first quarter results
- We are actively utilizing capital to pursue our bulk transfer strategy, and anticipate crossing the $250 billion consolidated asset threshold in 2Q18
- Our approach to 2018 spending implies more variability in margin than expenses as macro events unfold

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

CORPORATION

Q&A

Rich Fowler

Senior Vice President
Investor Relations

Spring Business Update

April 20, 2018

charles SCHWAB

CORPORATION

Own your tomorrow®