

Spring Business Update

April 26, 2019

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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

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,” “remain,” “drive,” “lead,” “record,” “investment,” “expand,” “build,” “sustain,” “enhance,” “improve,” “increase,” “outlook,” “likely,” “moderate,” “estimate,” “anticipate,” “sensitivities,” and other similar expressions. These forward-looking statements relate to: growth in the client base, client accounts and assets; investments to fuel and support growth, serve clients, and drive scale and efficiency; disruptive actions; growth in revenues, earnings, and profits; stockholder value; innovative product offerings; capital returns; assumptions and sensitivities for 2019 key macro drivers of revenue; expense growth; capital expenditures; target dividend payout ratio; and priorities for excess capital.

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 and launch new products, services, and capabilities, as well as enhance its infrastructure, in a timely and successful manner; client use of the company’s advisory solutions 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 profit margin; the company’s ability to manage expenses; regulatory guidance; client sensitivity to rates; the timing and amount of spending on buildings, land, equipment and software; 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 26, 2019** (or such earlier date as may be specified herein). The company makes no commitment to update any of this information.

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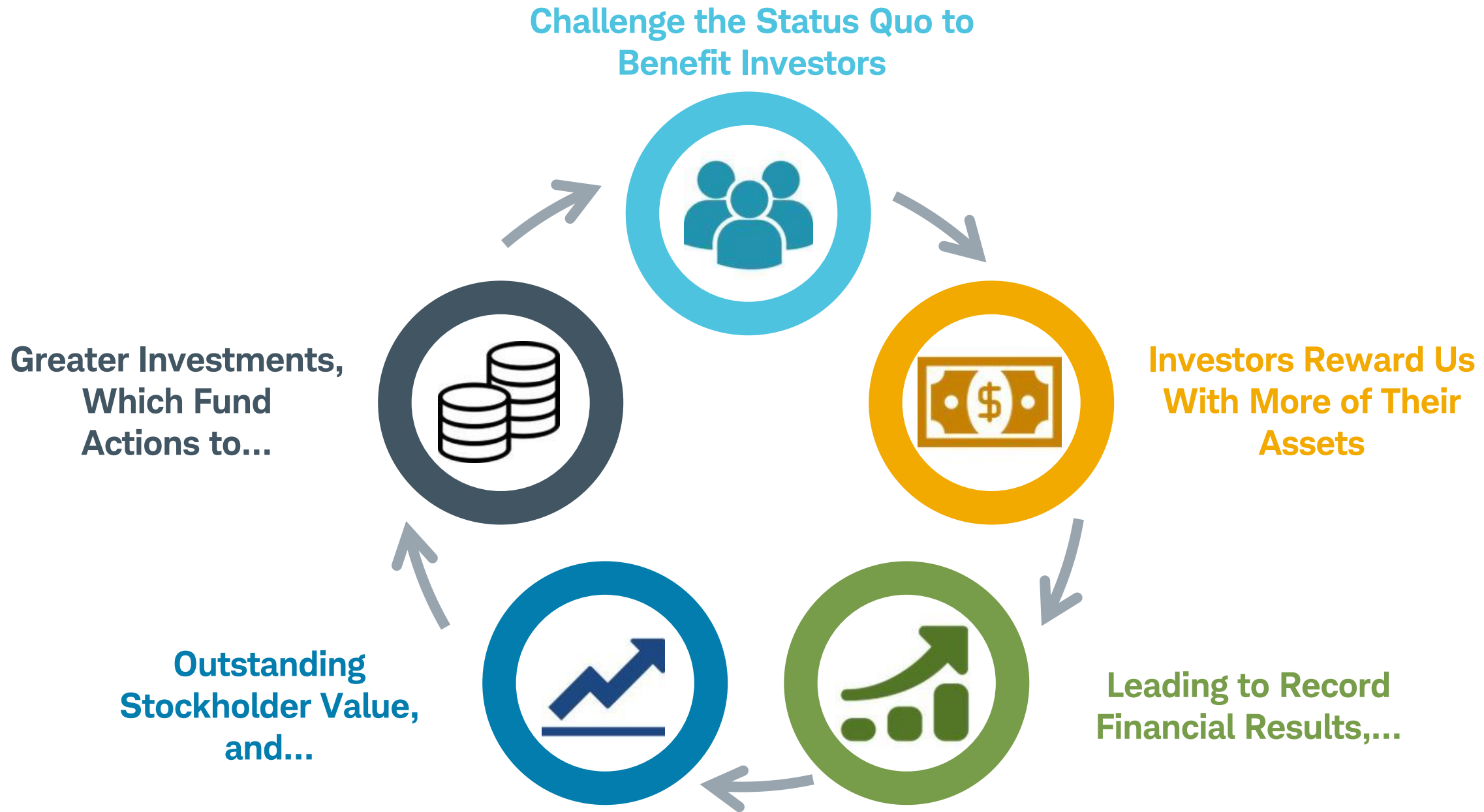
Walt
Bettinger

President and
Chief Executive Officer

2019 is off to a strong start as the Schwab business model continues to deliver growth.

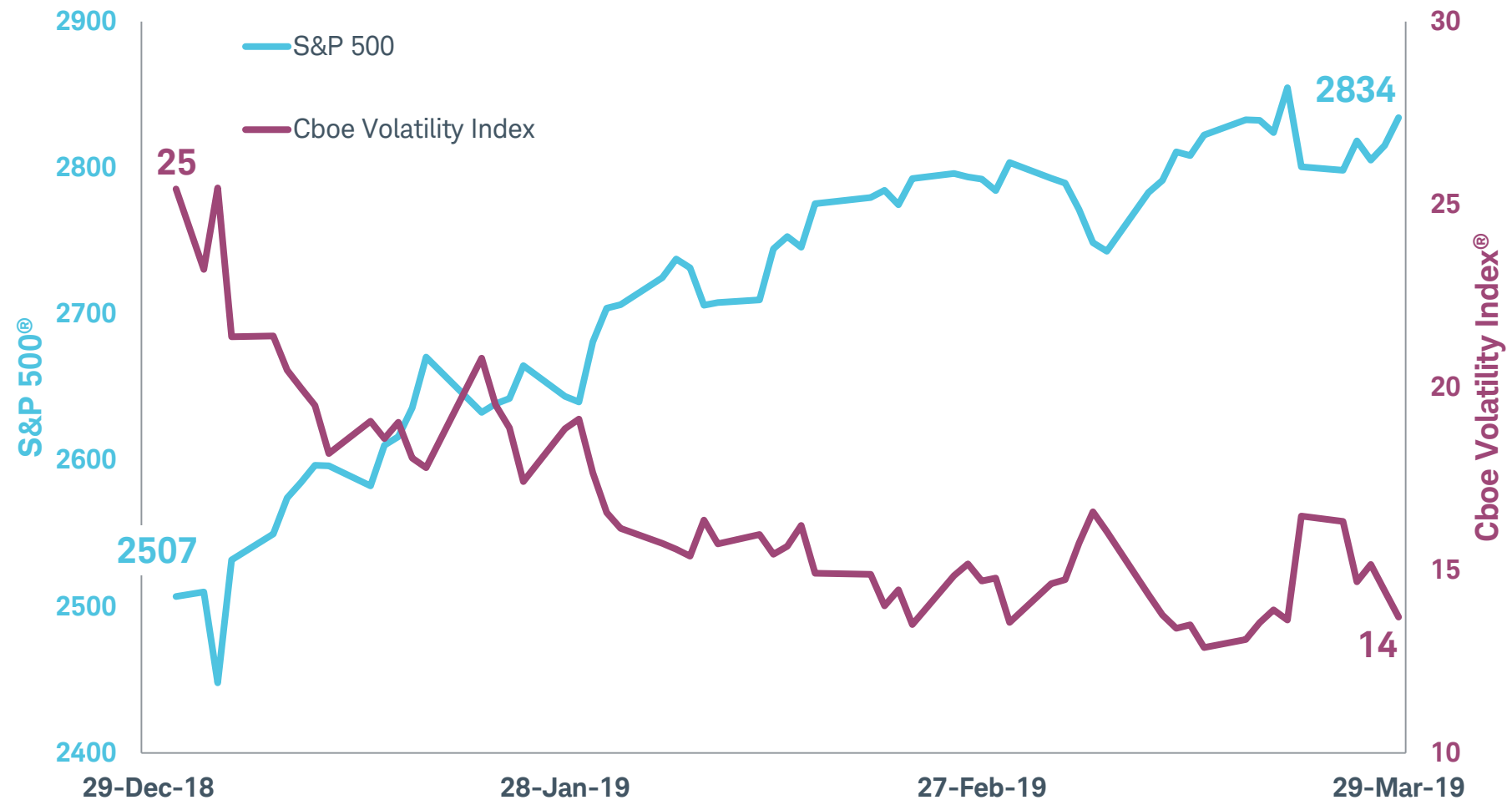
- Our Virtuous Cycle, driven by our **“Through Clients’ Eyes”** strategy, continued to **attract accounts and assets** even as the environment impacted investor sentiment and activity
- Clients took advantage of our capabilities as our **“no trade-offs” approach** to serving them resonated with a **broad investor base**
- We are making **investments across the company** to enhance the client experience, support the growth we have achieved, fuel growth for the future, and drive more efficiency and scale

Our “Virtuous Cycle” carried on...



...while investors faced a dynamic first quarter environment.

The market was up 13% with relatively low volatility...

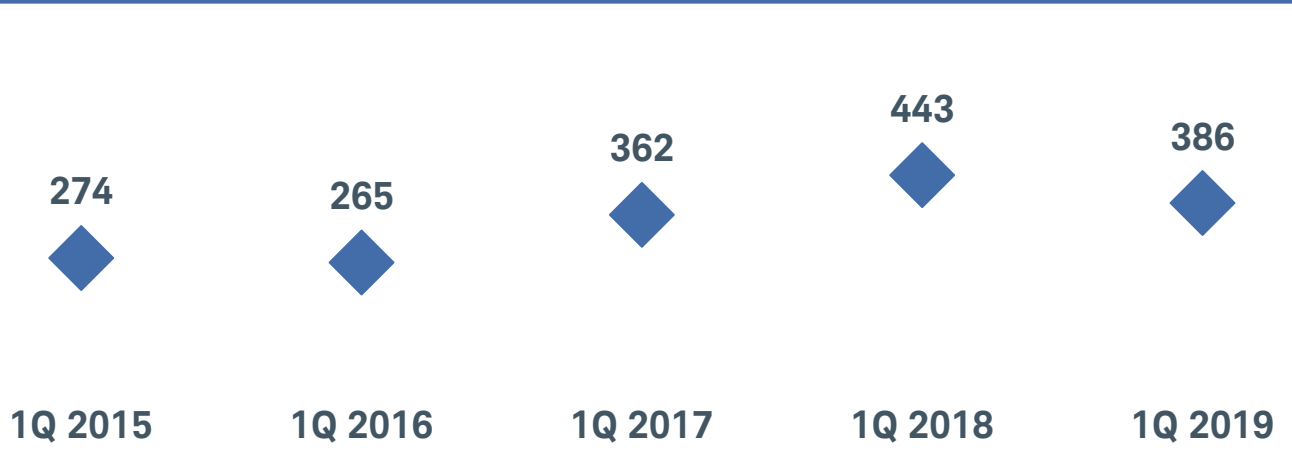


...yet there was much uncertainty across the globe

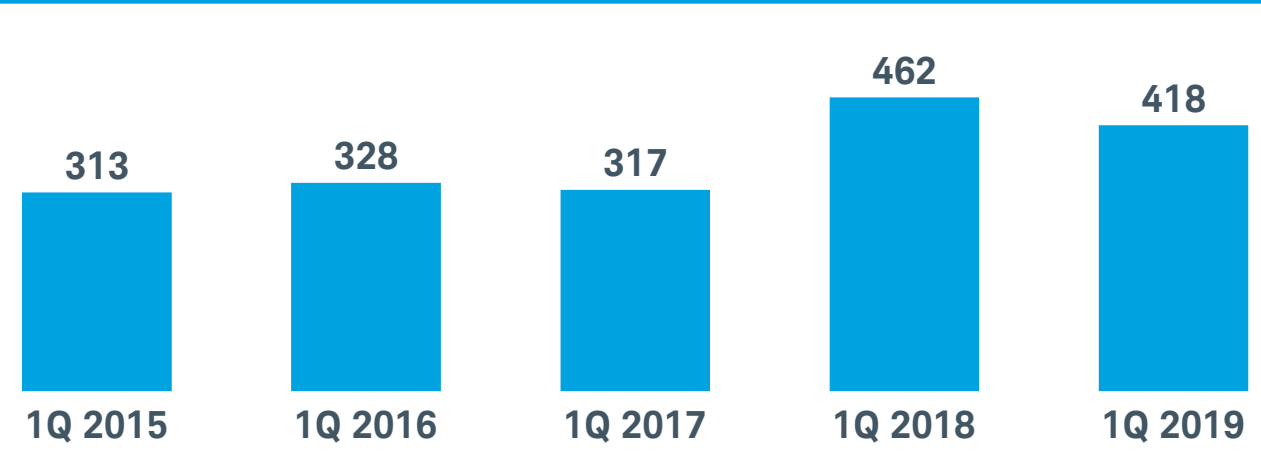
- U.S. / China Trade Negotiation
- Brexit Debate
- ECB Policy
- Fed Policy
- U.S. Government Shutdown

We believe the environment impacted investor engagement; 1Q was still high by historic standards.

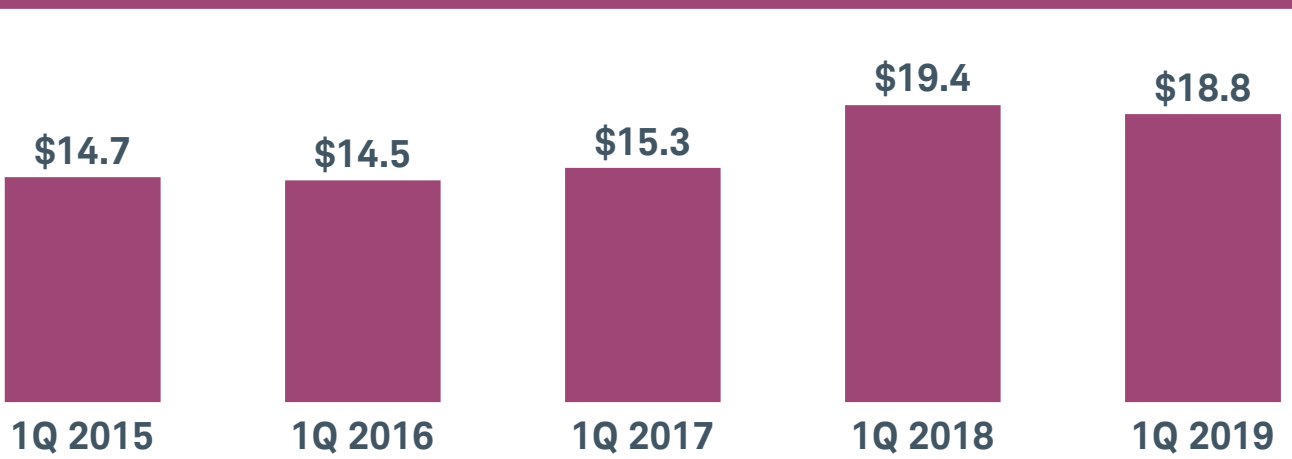
New Brokerage Accounts (K)



DARTs (K)



Margin Balances (\$B)



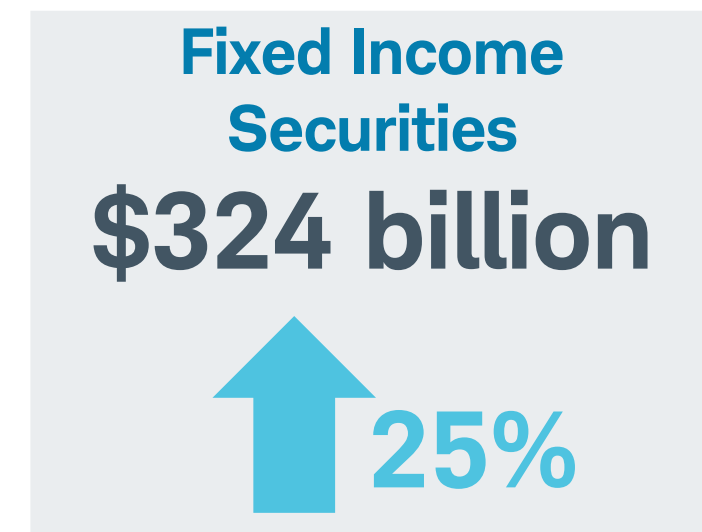
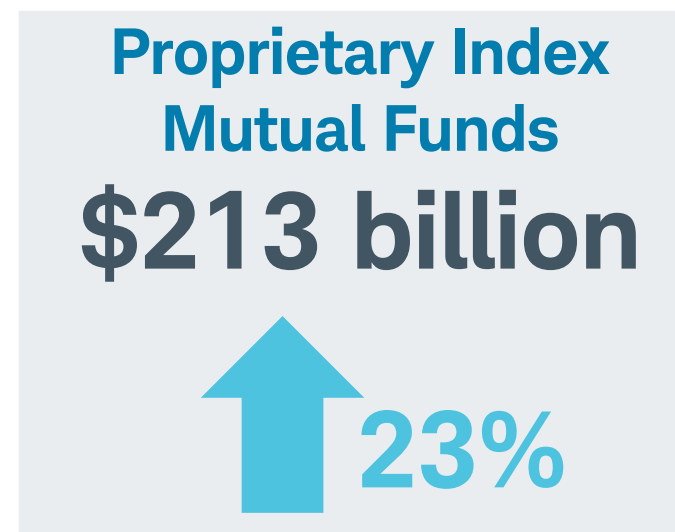
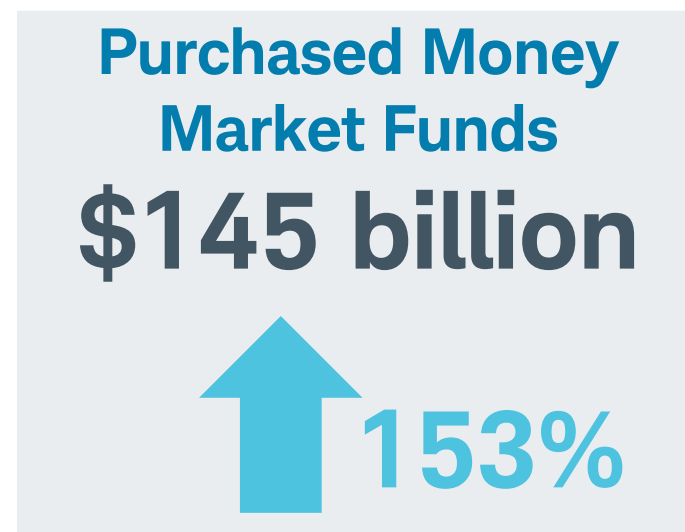
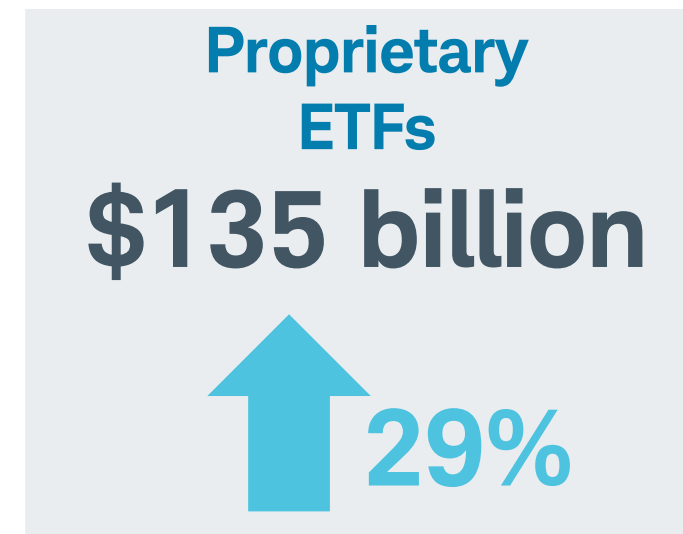
FC Planning Conversations¹



9 Notes: DARTs = daily average revenue trades and include all client trades that generate either commission revenue or revenue from principal markups (i.e., fixed income). FC = Financial Consultant. 1. Beginning with 2018, conversation counts include plans delivered by Wealth Strategy Group and other internal partners where the FC has a relationship with the client.

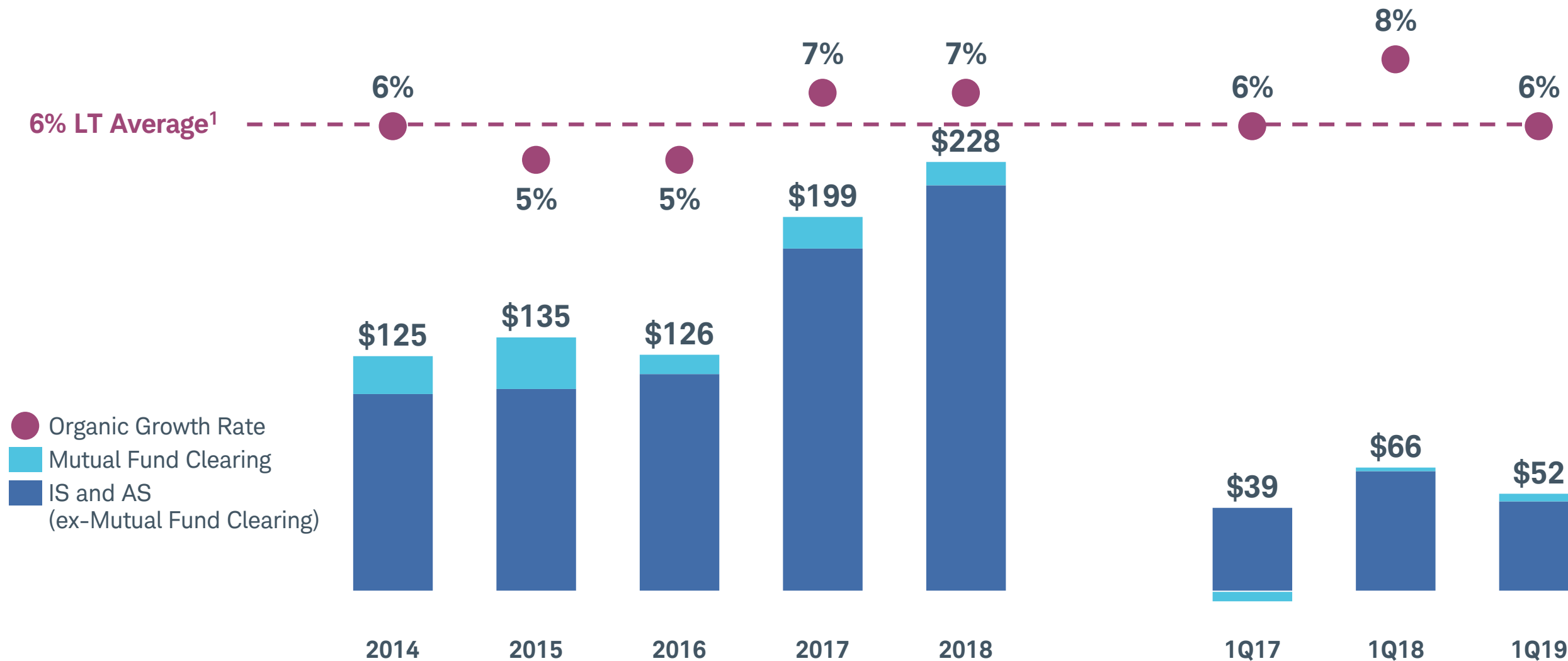
Nevertheless, demand for our wide range of capabilities remained strong.

1Q19 vs. 1Q18 EOP



Firm-wide, we gathered core net new assets consistent with our long-term average.

Core Net New Assets (\$B) and Organic Growth Rate (%)

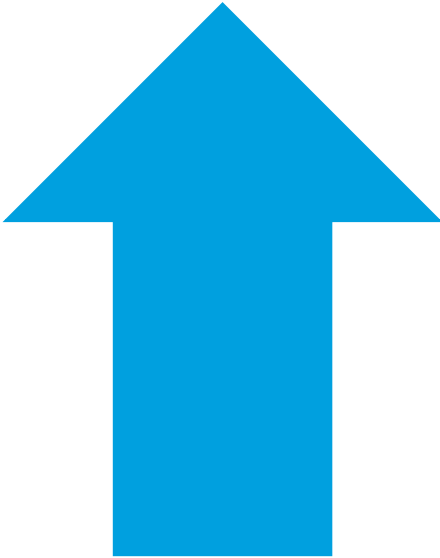


Notes: Core net new assets = net new assets before significant one-time flows, such as acquisitions/divestitures or extraordinary flows (generally greater than \$10 billion) relating to a specific client. These flows may span multiple reporting periods. 1. Long-term average (LT) covers 10 years.

Retail investors have brought strong asset inflows and sought our advisory solutions over time...

1Q19 vs. 1Q14 CAGR

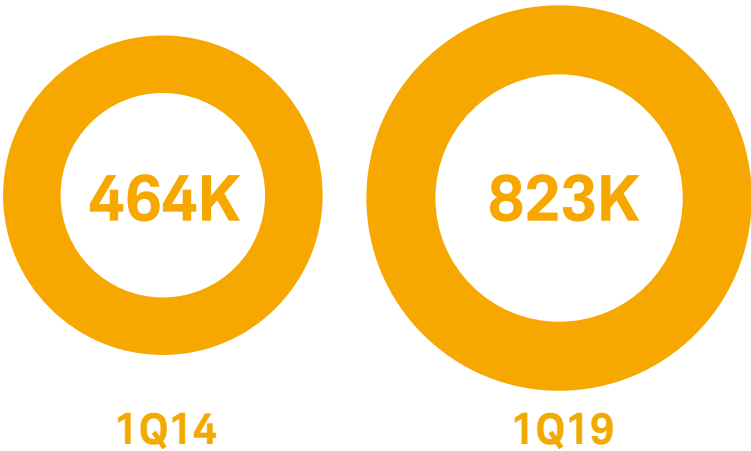
Retail asset gathering remained elevated...



16%

...as more clients enrolled in advised offers...

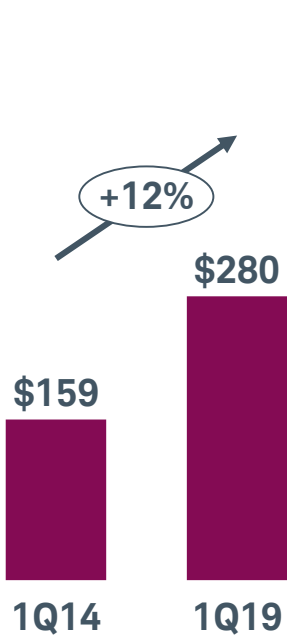
Total Accounts in Retail Advisory Solutions



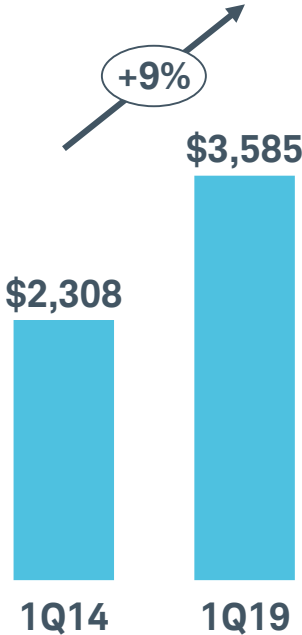
12%

...and total assets in Retail Advisory Solutions grew faster than total company assets.

Assets in Retail Advisory Solutions (\$B)



Total Company Assets (\$T)



...and we continued to attract individual investor clients of all demographics.

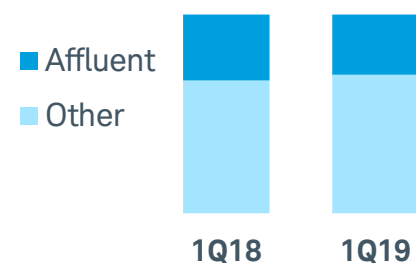
Young investors (<40) make up an important part of our Retail client base

~1 in 5

existing Retail clients is under 40 years old

52%

of our new-to-Retail households are under 40 years old



While we attracted more <40 investors, the proportion of **affluent new Retail clients** remained consistent

Our contemporary, full-service model helps clients build their future with us

\$365K

Average Retail household asset size

874K

Affluent clients

\$1.5M

Average asset size of an affluent client

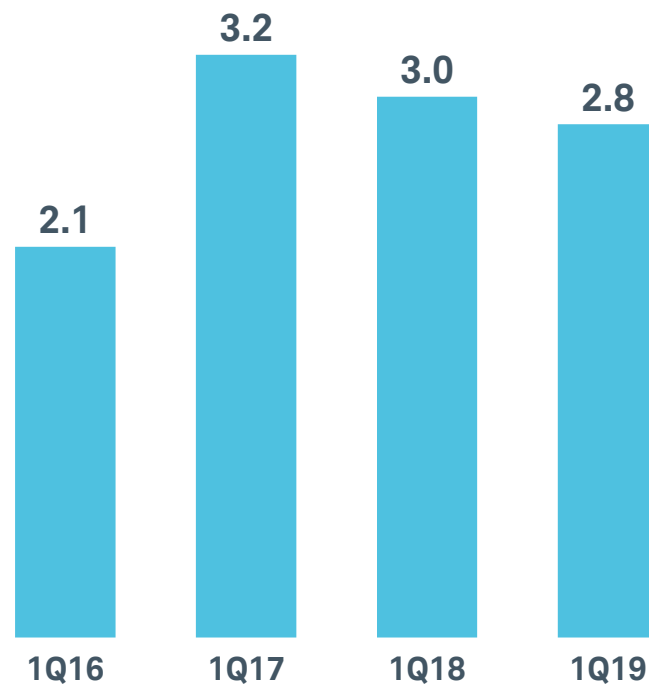
We sustained our leading market share in Advisor Services.

Advisor Services continues to win assets from key competitors...

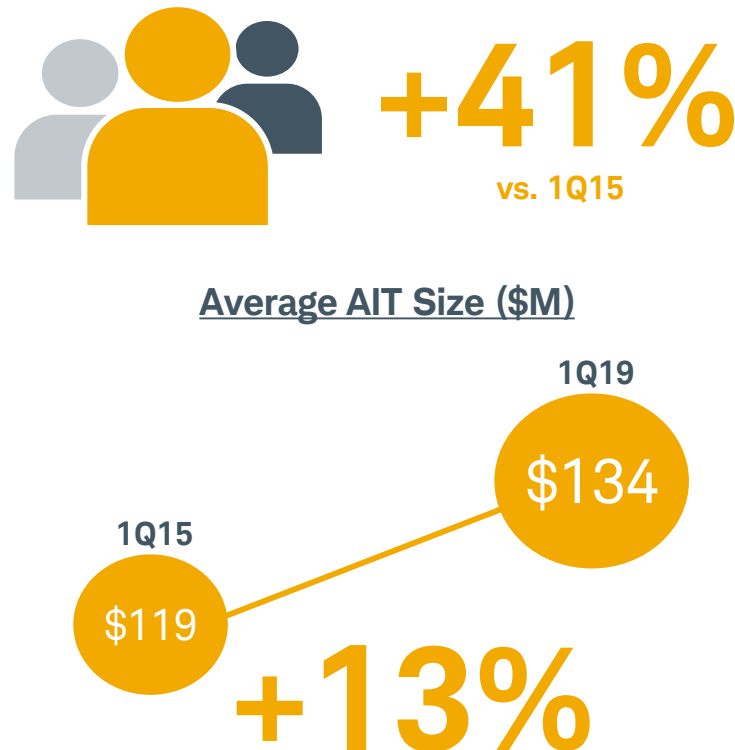
...as more advisors turn independent, deal size and volumes have increased...

...all supporting strong quarterly NNA

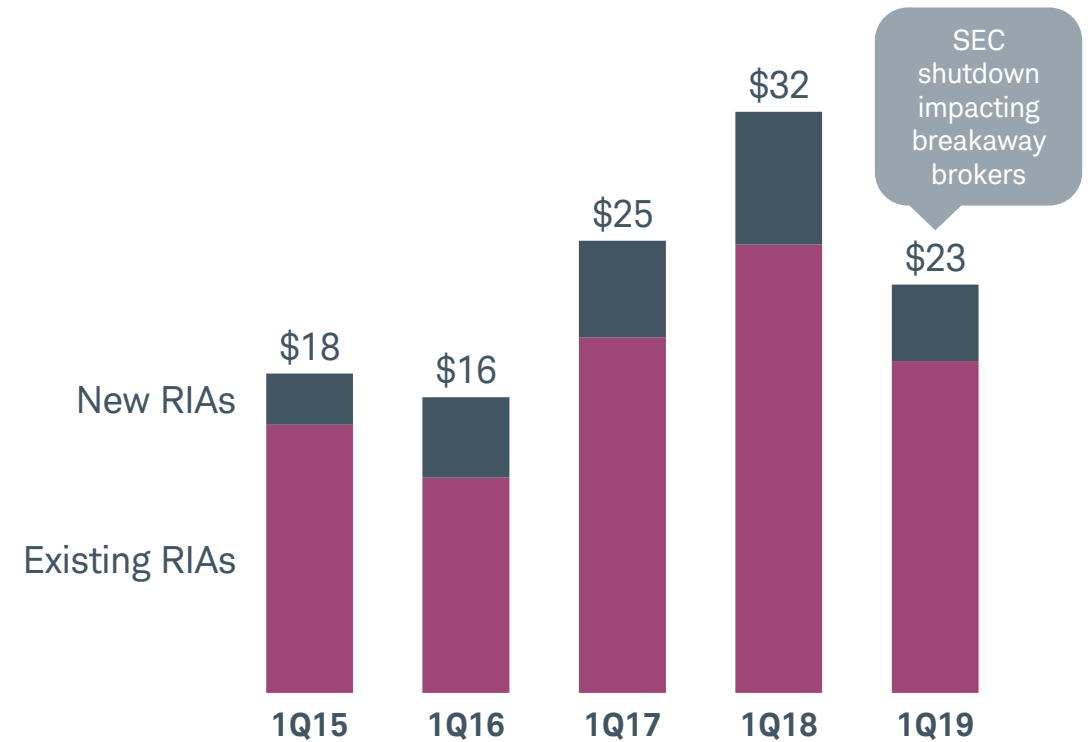
Key Competitor TOA Ratio¹



Advisors in Transition (AIT) Teams



Advisor Services NNA² (\$B)



Notes: 1. Advisor Services Institutional key competitors include wirehouses, banks, regional, and independent broker-dealers. 2. 1Q 2015 excludes an \$11.6 billion outflow relating to the Company's planned resignation from a cash management relationship.

We are investing to both fuel and support growth.

Investor Services and Advisor Services

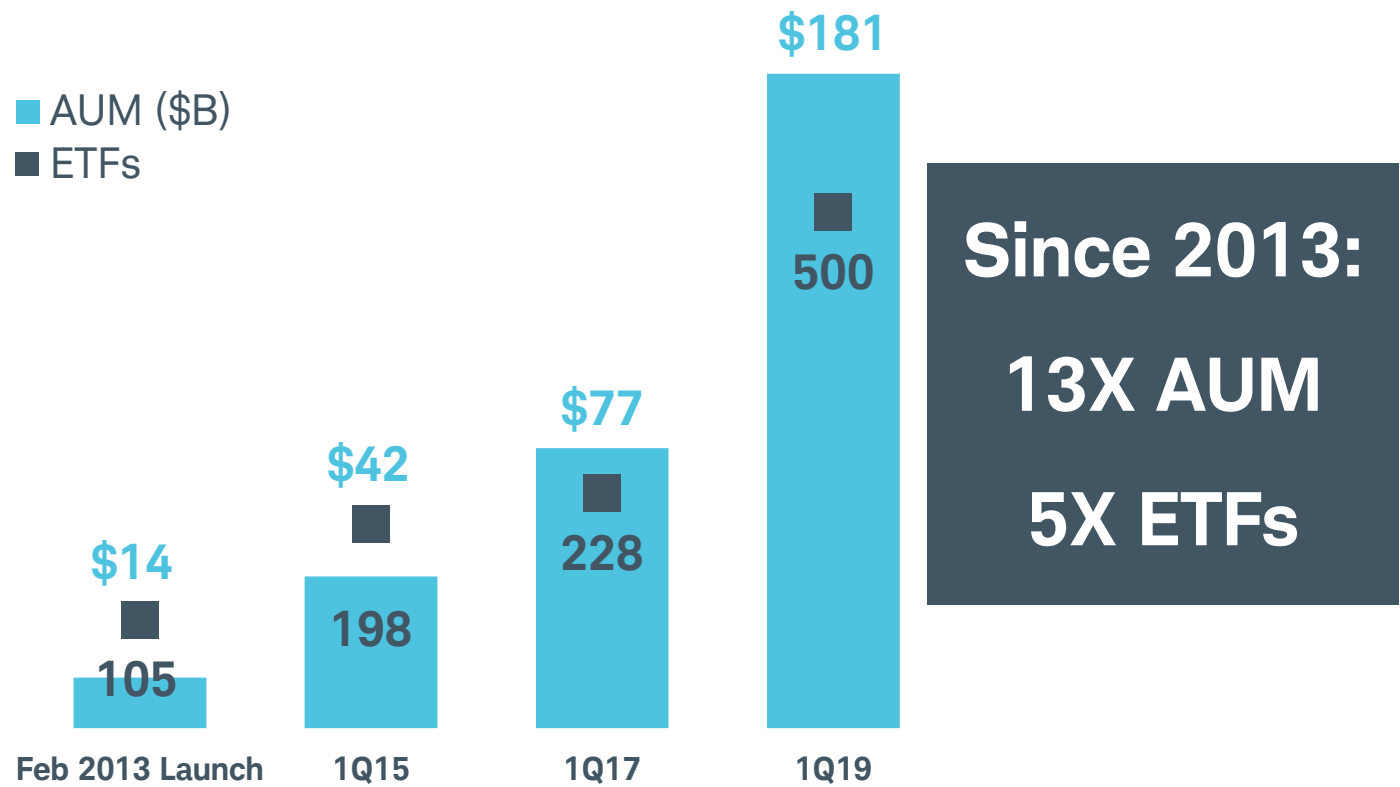
- Continue to offer innovative products at a great value
- Simplify and scale the overall client experience, including planning and service
- Expand retail distribution channels
- Enhance the custody experience to help the RIA industry grow
- Advocate on behalf of the RIA industry
- Attract and develop RIA talent

Technology, Infrastructure, and Regulation

- Continue progress on multiple fronts:
 - **Application Modernization:** untethering from the legacy mainframe environment
 - **Business Process Transformation:** streamlining the way we do business
 - **Digital Accelerator:** leading disruption on behalf of our clients
 - **Cybersecurity**
 - **Regulatory**

We are providing investors with more choice and great value with innovative product offerings...

Schwab ETF OneSource™ marked its 6th anniversary by doubling its lineup of commission-free ETFs



In 1Q19, we lowered OERs on three ETFs, won three Lipper Fund Awards, and gathered \$8.2B in Schwab Index Product Flows

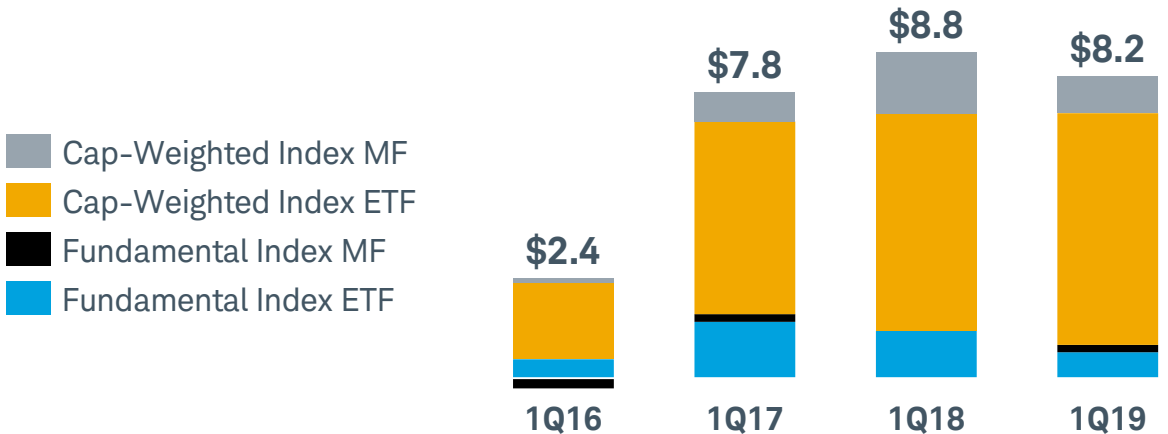


Lowered OERs on Schwab U.S. Mid-Cap ETF, Small-Cap ETF, and Dividend Equity ETF by 1bp



Three 2019 Lipper Fund Awards for Fundamental Index Mutual Funds

Schwab Index Product Net Flows (\$B)

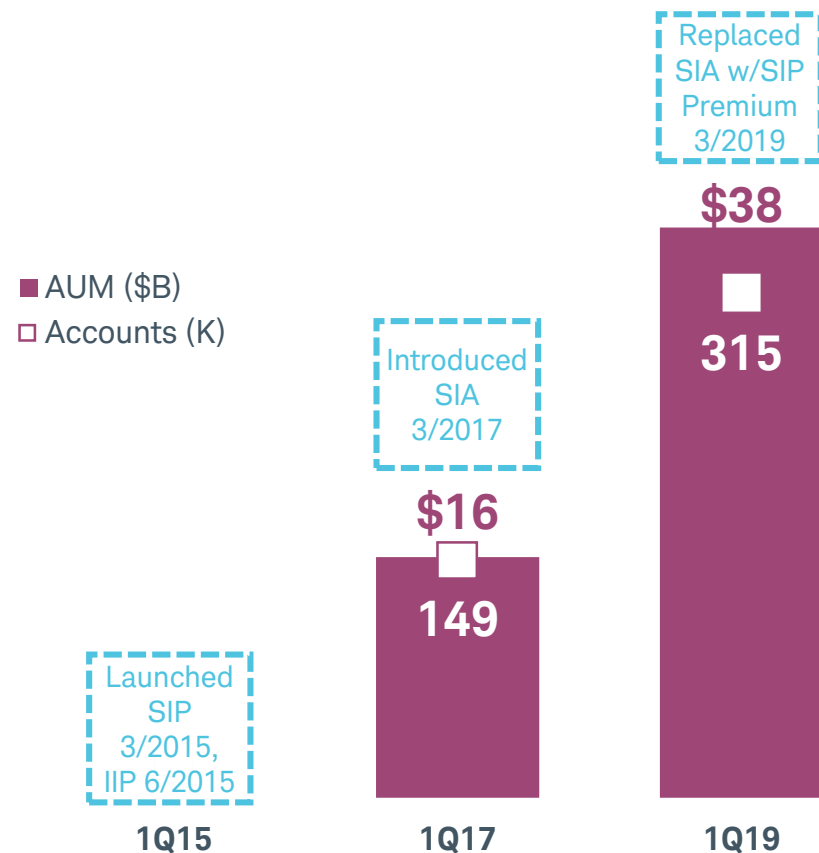


Note: OER = Operating Expense Ratio.

...and simplifying how we deliver digital advice through Schwab Intelligent Portfolios Premium™.

Our digital advisory solutions have grown to over \$38B in four years

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



Expectations of modern consumers reflect importance of simplicity, transparency, and value¹

60%

of Americans would spend more time investing if smaller tasks were **automated** and **smarter** online tools existed

57%

of Schwab clients prefer a platform that combines **human advice with technology**

71%

of Schwab clients say **cost** is extremely/very important

New SIP Premium pricing model delivers a modern approach to planning

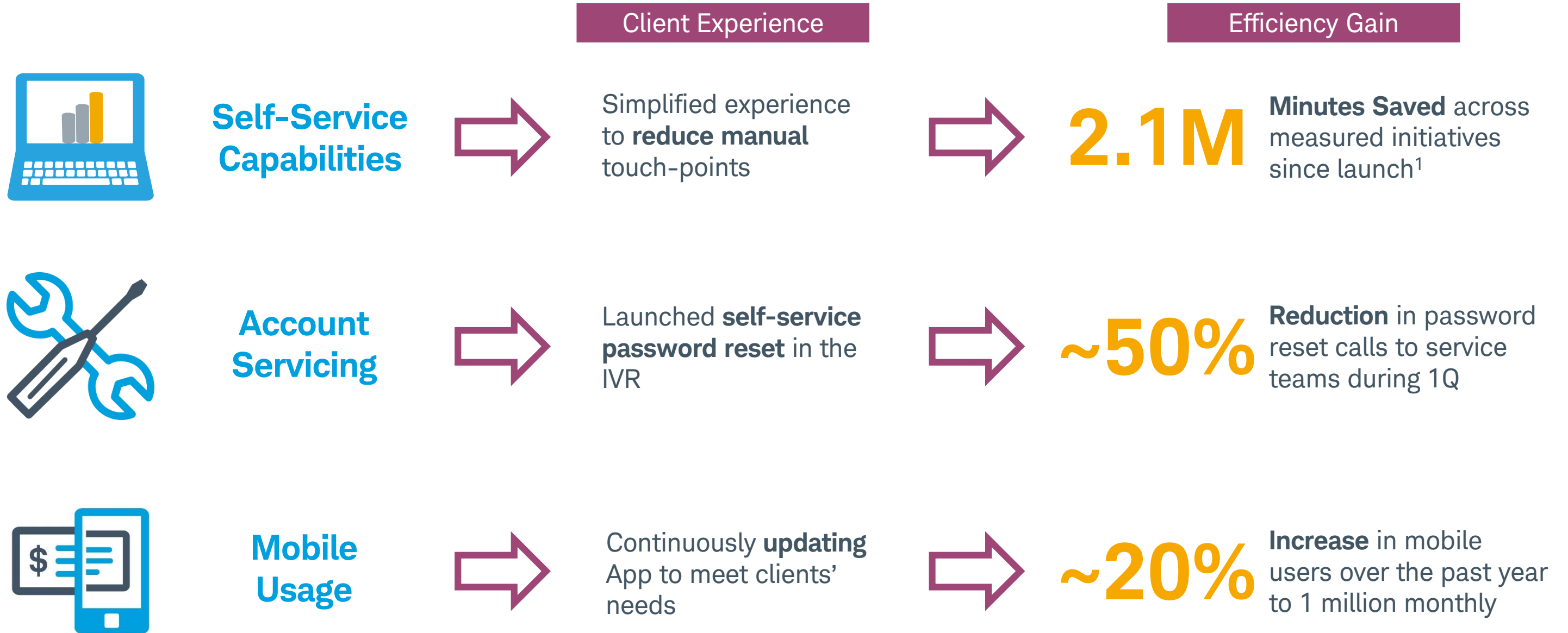
Schwab Intelligent Portfolios®

- Provides a fully automated portfolio and 24/7 live-support from financial professionals
- No advisory fees or commissions
- \$5,000 minimum

Schwab Intelligent Portfolios Premium™

- All the benefits of SIP, plus unlimited 1:1 guidance from a CFP® professional and interactive online tools
- One-time planning fee of \$300 and \$30 a month subscription fee
- \$25,000 minimum

Our key efficiency investments are already realizing benefits and improving the client experience.



Notes: 1. Numbers are preliminary and do not capture all minutes potentially saved from Digital initiatives. Measured initiatives include Advisor Services Requirement Minimum Distribution launched July 2018, Advisor Services Status launched December 2018, Investor Services Password Reset launched November 2018. IVR = Automated Voice Response

We are also making enhancements to the AS Platform to drive efficiency and support RIA growth.

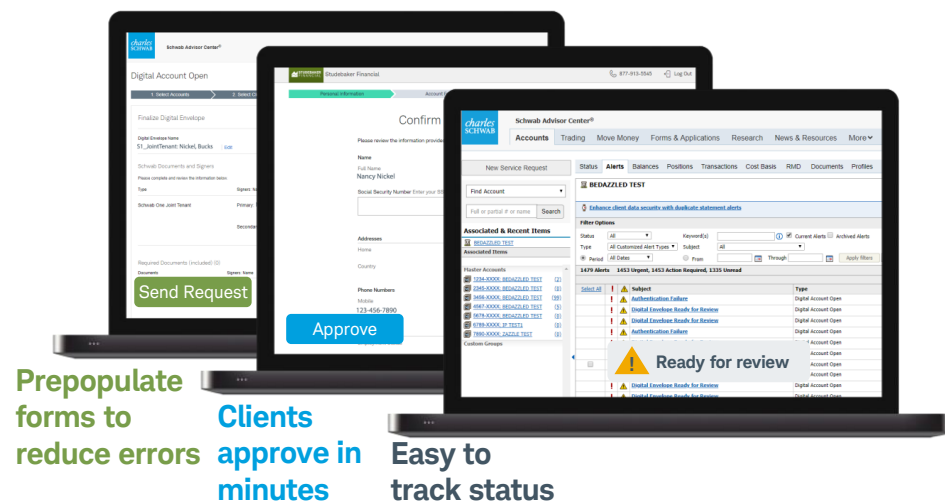
Status Hub and Digital Account Open

View status for new workflows including:

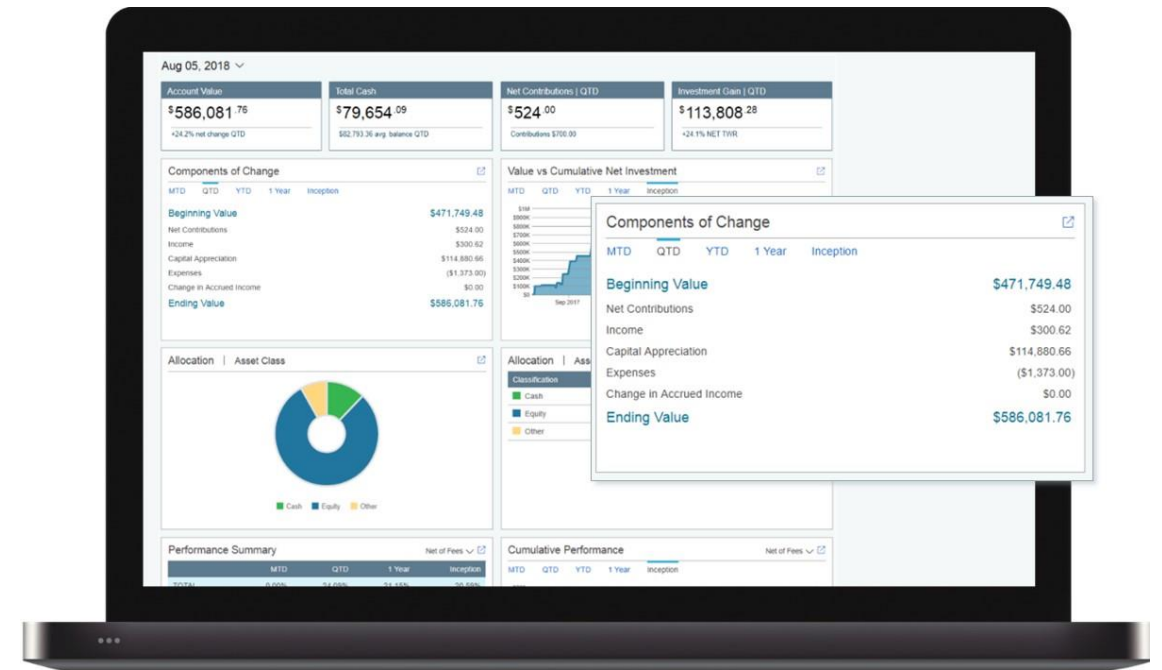
- Wires
- Account maintenance
- Cost basis
- Messages to service team

Account Name	Request ID	Status	Last Updated
1234-XXXX Nancy Nickel	AB-1234567	In Process Pending client eAuth c...	09/11/2018 03:16 PM ET
2345-XXXX Bill Bucks	AB-2345678	Pending client eAuth c...	09/12/2018 11:50 AM ET
3456-XXXX Dore Dollar	AB-3456789	In Process	09/12/2018 01:53 PM ET
4567-XXXX Harry Hallidollar	AB-4567890	In Process Pending client eAuth c...	09/12/2018 02:32 PM ET
5678-XXXX Chris Cashmoney	AB-5678901	Resolved	09/12/2018 04:44 AM ET
6789-XXXX Quentin Quarter	AB-6789012	Resolved	09/12/2018 04:43 AM ET
7890-XXXX Patty Penny	AB-7890123	Resolved	09/12/2018 04:28 AM ET

New end-to-end digital account open process – via our platform and select 3rd party solutions



Schwab Advisor Portfolio Connect[®]



- ✓ Schwab data direct: no data download or reconciliation
- ✓ Dashboards, performance, billing, and reporting
- ✓ Accessible from Schwab Advisor Center[®]
- ✓ Free of charge

2019 is off to a strong start as the Schwab business model continues to deliver growth.

- Our Virtuous Cycle, driven by our **“Through Clients’ Eyes”** strategy, continued to **attract accounts and assets** even as the environment impacted investor sentiment and activity
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Peter Crawford

Executive Vice President and
Chief Financial Officer

In 1Q19, we achieved both strong business growth and financial performance.

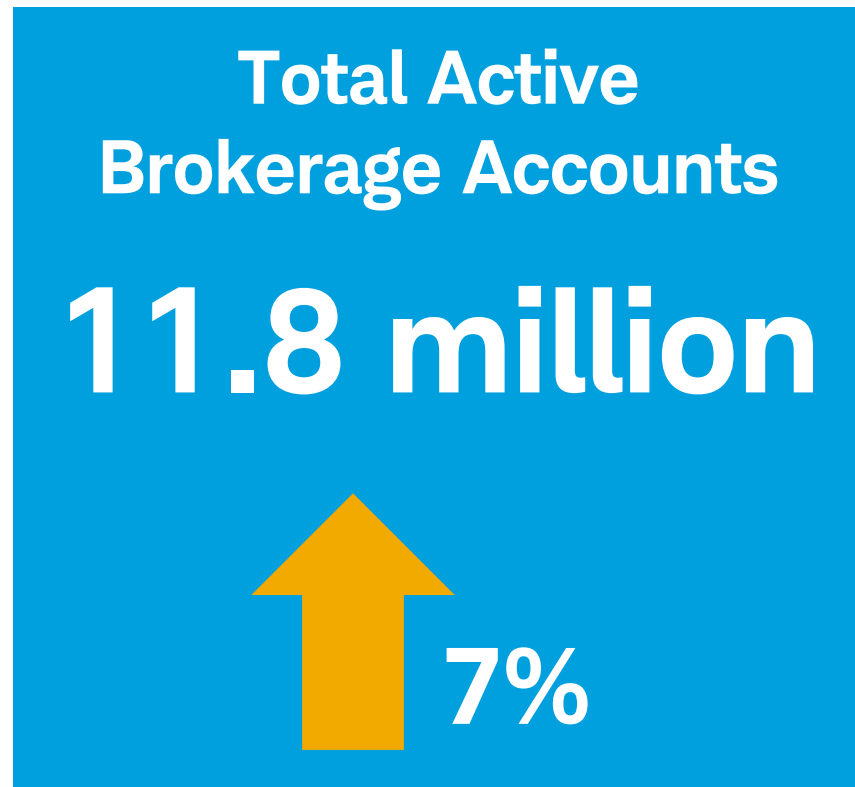
- Healthy asset gathering and client engagement helped drive our first quarter results
- We continue to monitor the key macro drivers of our revenue outlook
- We have completed our cash transfer strategy and anticipate more meaningful capital return in 2019

Today we'll discuss:

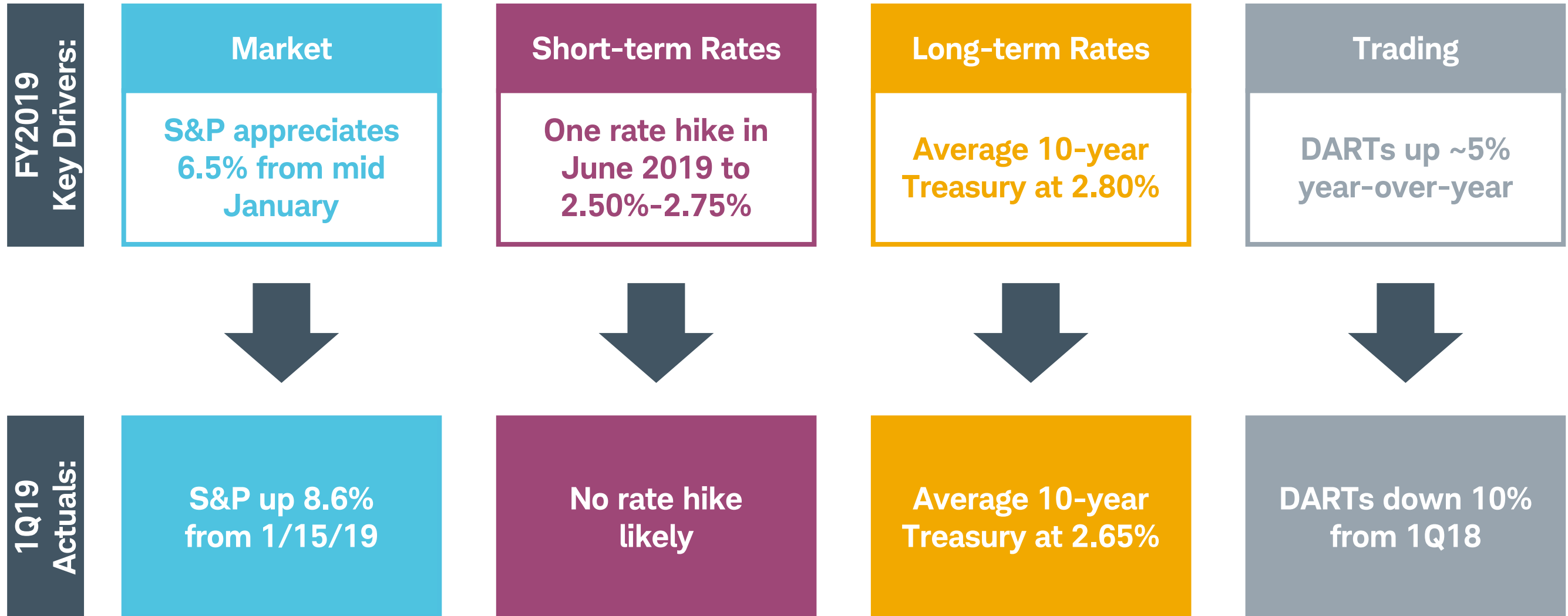
Q1 2019 results
2019 financial outlook
Capital picture

Our success with clients persisted...

1Q19 vs. 1Q18 EOP

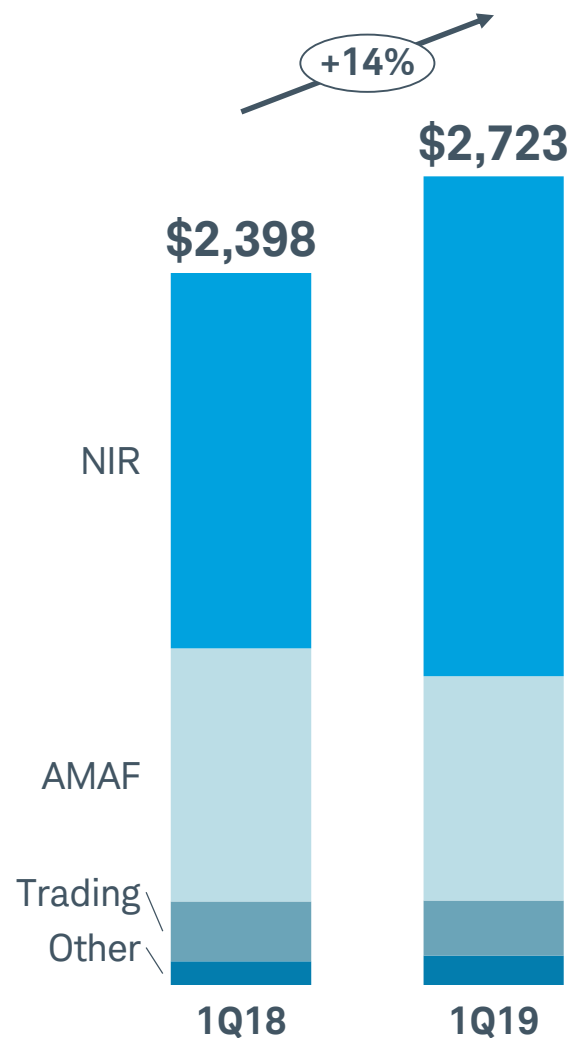


...at the same time key macro drivers were mixed.



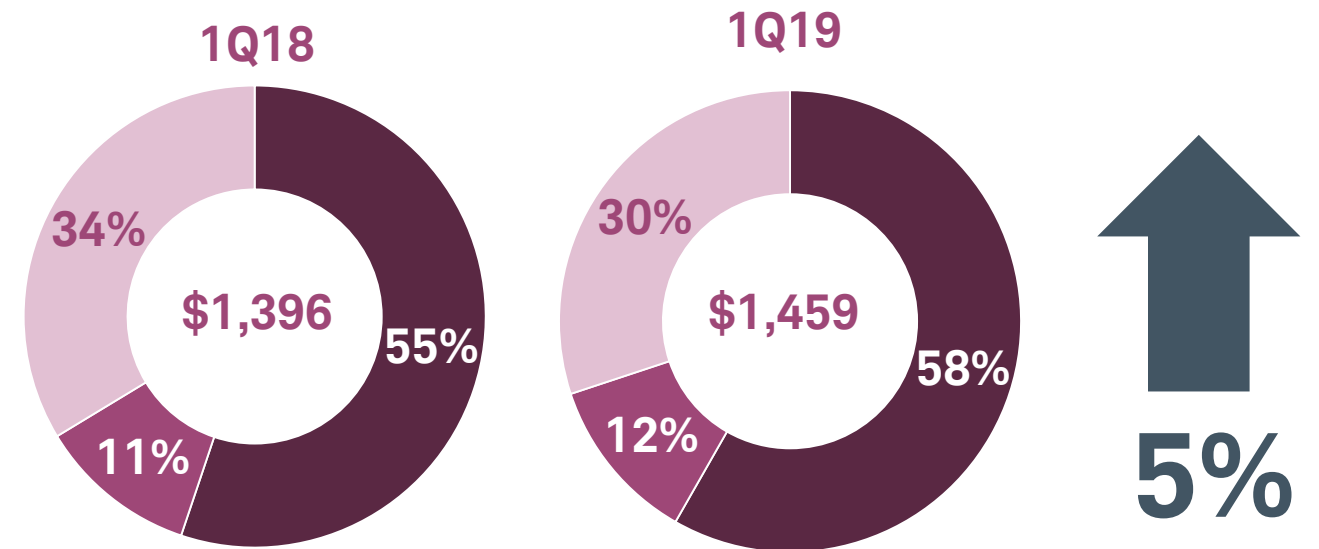
The result: A 14% increase in revenues and sustained investment in our business.

Total Net Revenues (\$M)



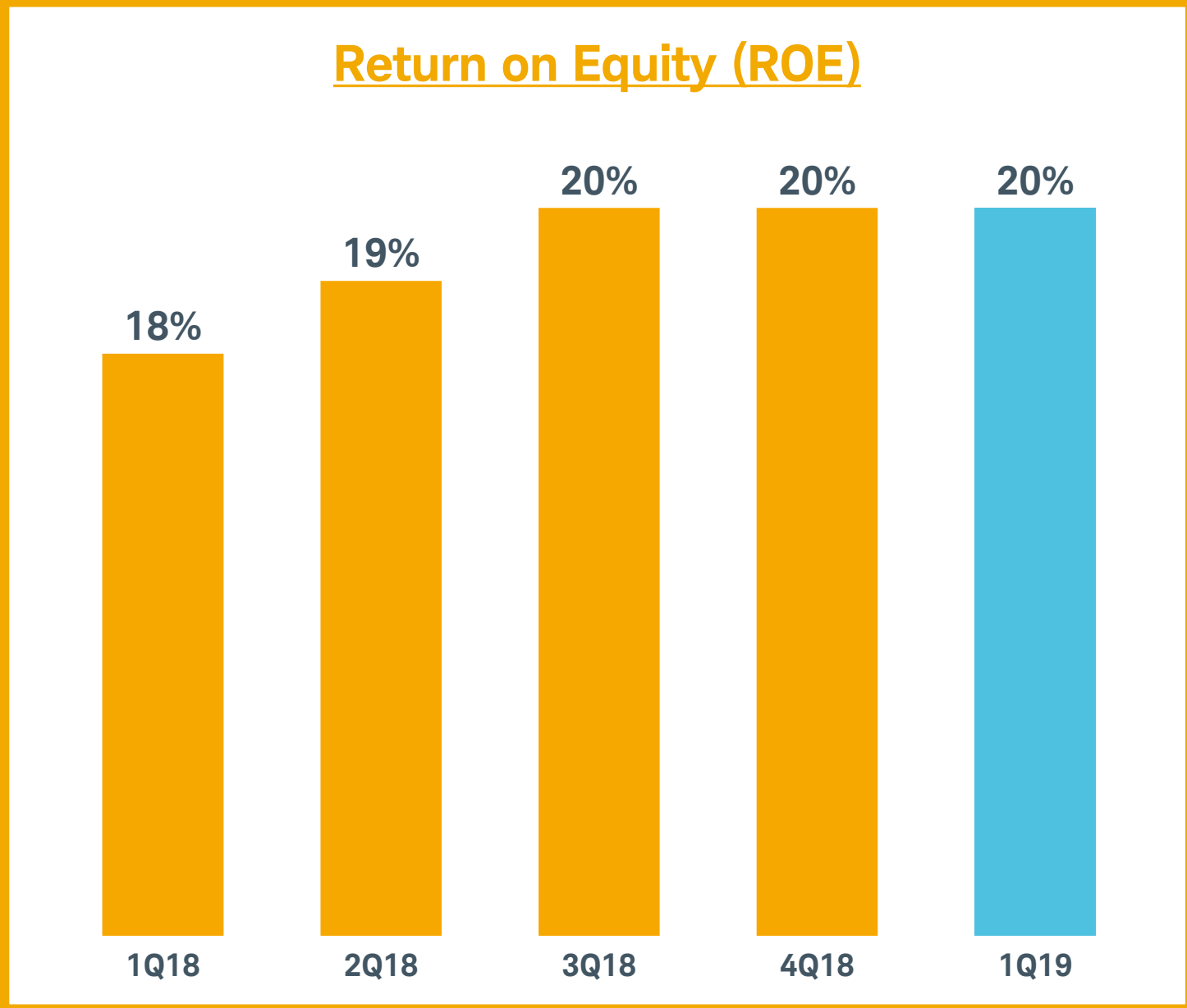
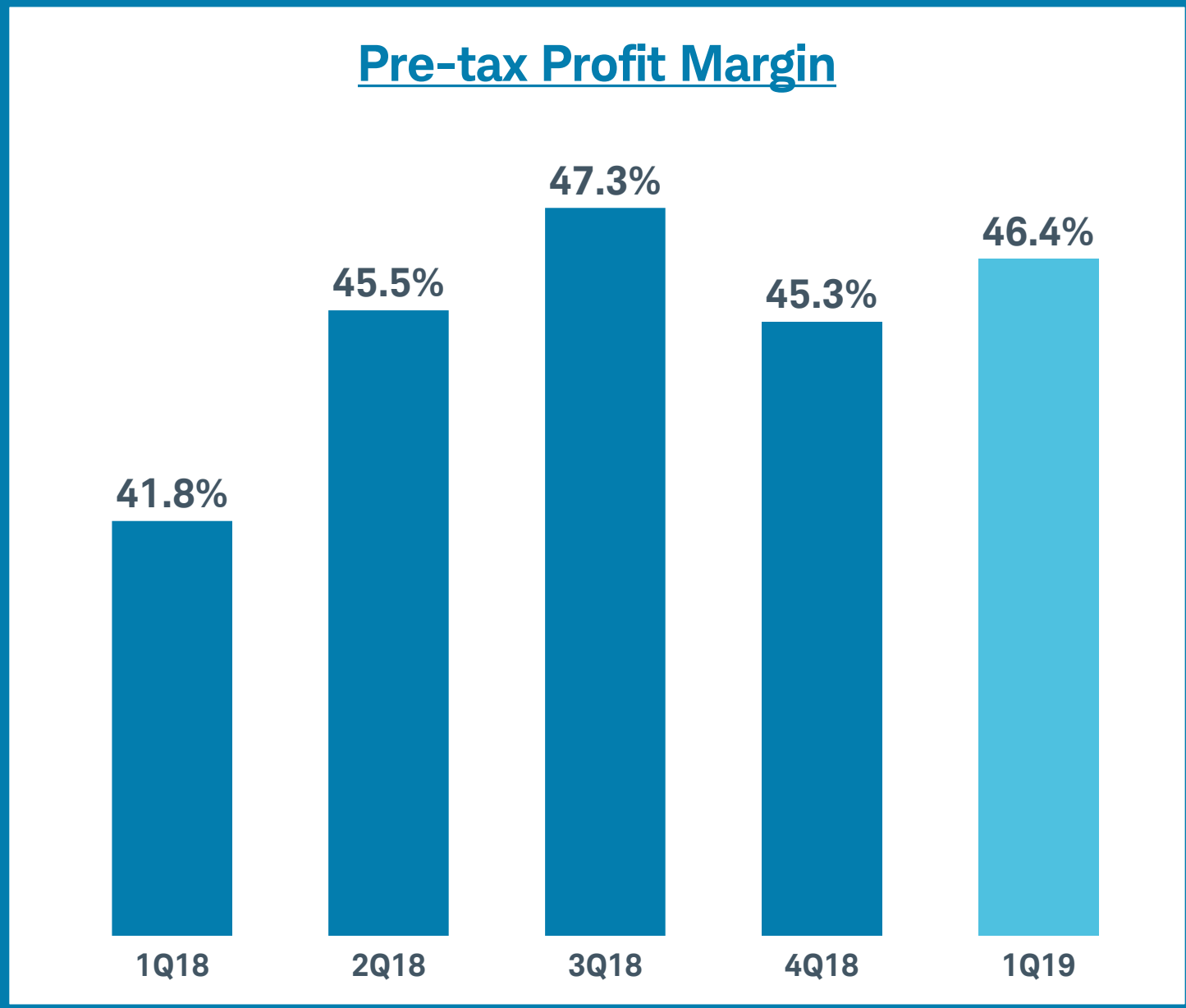
- **15th consecutive quarter of record** revenues
- **Net interest revenue rose 33% to a record \$1.7 billion**, driven by the December interest rate hike and larger client cash sweep balances
- **Asset management and administration fees decreased 11%** due to lower money market fund revenue as a result of transfers to bank sweep and client asset allocation choices
- **Trading revenue declined 8%** largely due to easing from record activity levels

Total Expenses (\$M)



- Spending was generally **consistent** with our expectations
- Compensation and benefits grew 10% as a result of **hiring to support our expanding client base**
- Non-compensation expenses reflected **ongoing investments for fueling growth and driving efficiency**

We delivered both a 45%+ pre-tax profit margin and a 20% ROE for the third consecutive quarter.



The balance sheet contracted 5%, amid cash sorting and sweep transfers.

(\$M, EOP)	1Q18	4Q18	1Q19*
Total Assets	\$248,320	\$296,482	\$282,815
Bank Deposits	\$190,184	\$231,423	\$219,454
Payables to Brokerage Clients	\$31,088	\$32,726	\$29,701
Long-term Debt	\$4,128	\$6,878	\$6,829
Stockholders' Equity	\$19,330	\$20,670	\$21,625
Parent Liquidity	\$3,049	\$4,005	\$4,871
Tier 1 Leverage Ratio	7.5%	7.1%	7.2%

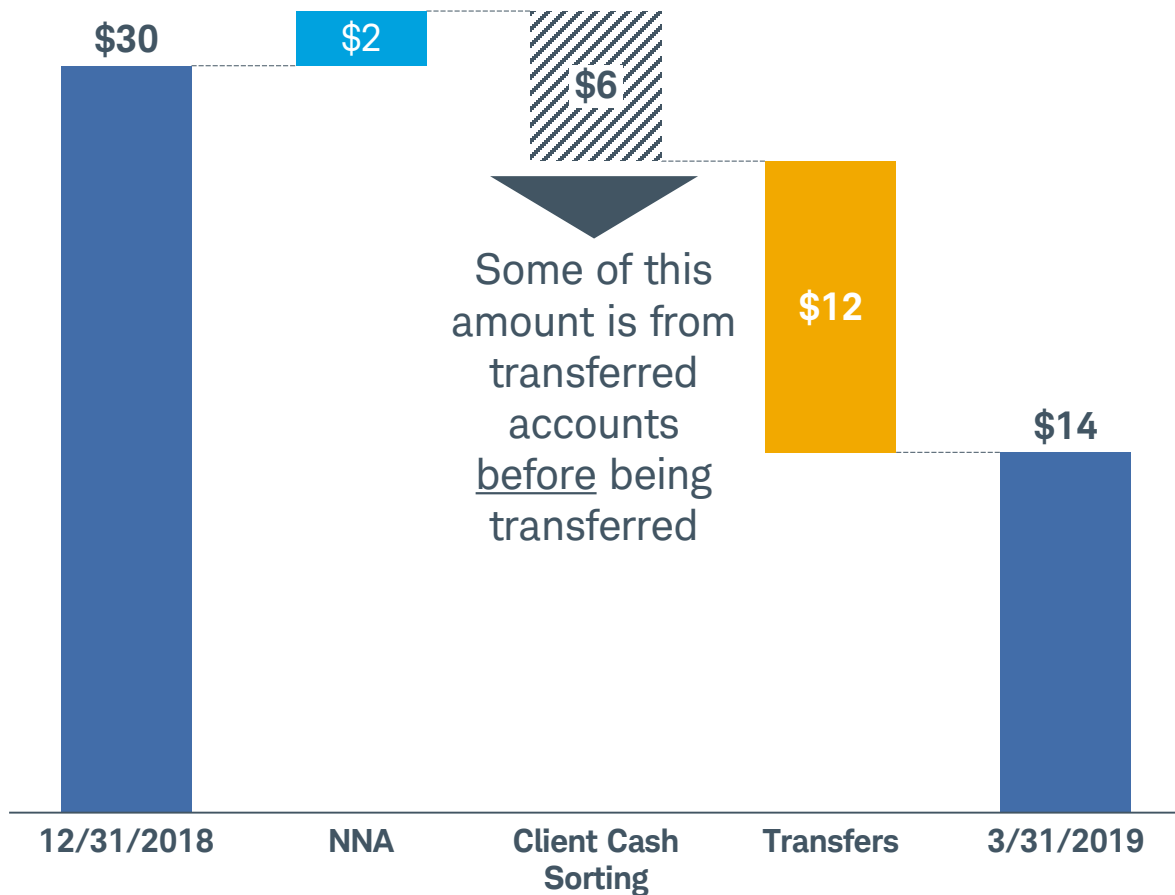
- **Balance sheet** was impacted by lower sweep cash levels
- We completed **\$11.6 billion in sweep transfers** from sweep money market funds (SMMFs) in the first quarter
- As of 3/31/19, we had **~\$14 billion** remaining in SMMFs; we have completed approximately \$189M in transfers to bank and broker-dealer sweep during April
- **We increased our dividend 4 cents to \$0.17 on 1/30/19** and announced a Board authorization for up to **\$4 billion of stock repurchases**
- While average assets rose sequentially, our growing capital base **moved our Tier 1 Leverage Ratio a bit above our operating objective**

Notes: 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.

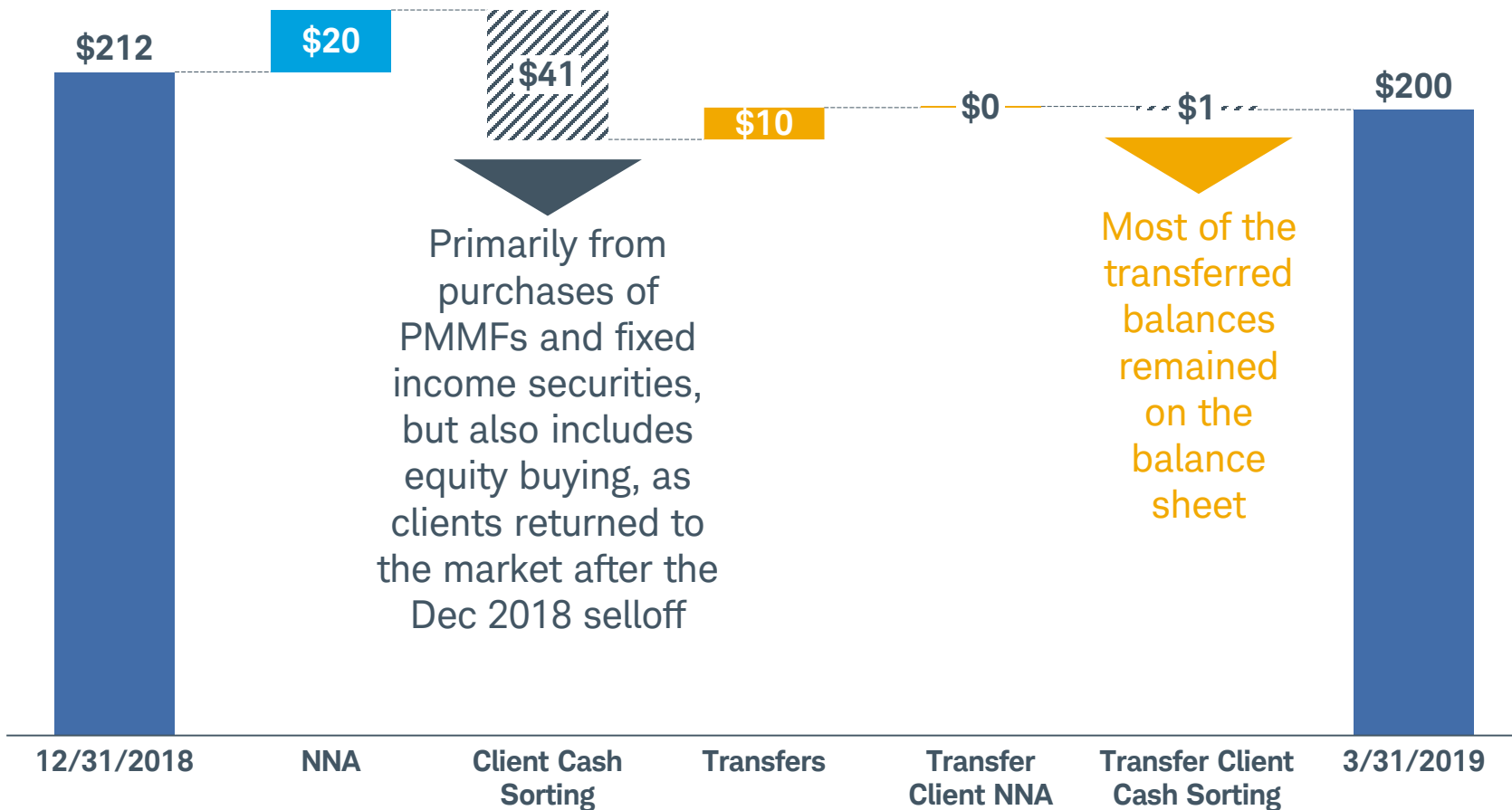
* Preliminary.

Our clients continued to sort through their “invested” vs. “transactional” cash.

Estimated SMMF Activity (\$B)
1Q19



Estimated Bank Sweep Activity (\$B)
1Q19



With strong 1Q19 financial performance, we'll continue to monitor key drivers.

2019 Key Macro Drivers:

Market

S&P appreciates
6.5% from mid
January

Short-term Rates

One rate hike in
June 2019 to 2.50%-
2.75%

Long-term Rates

Average 10-year
Treasury at 2.80%

Trading

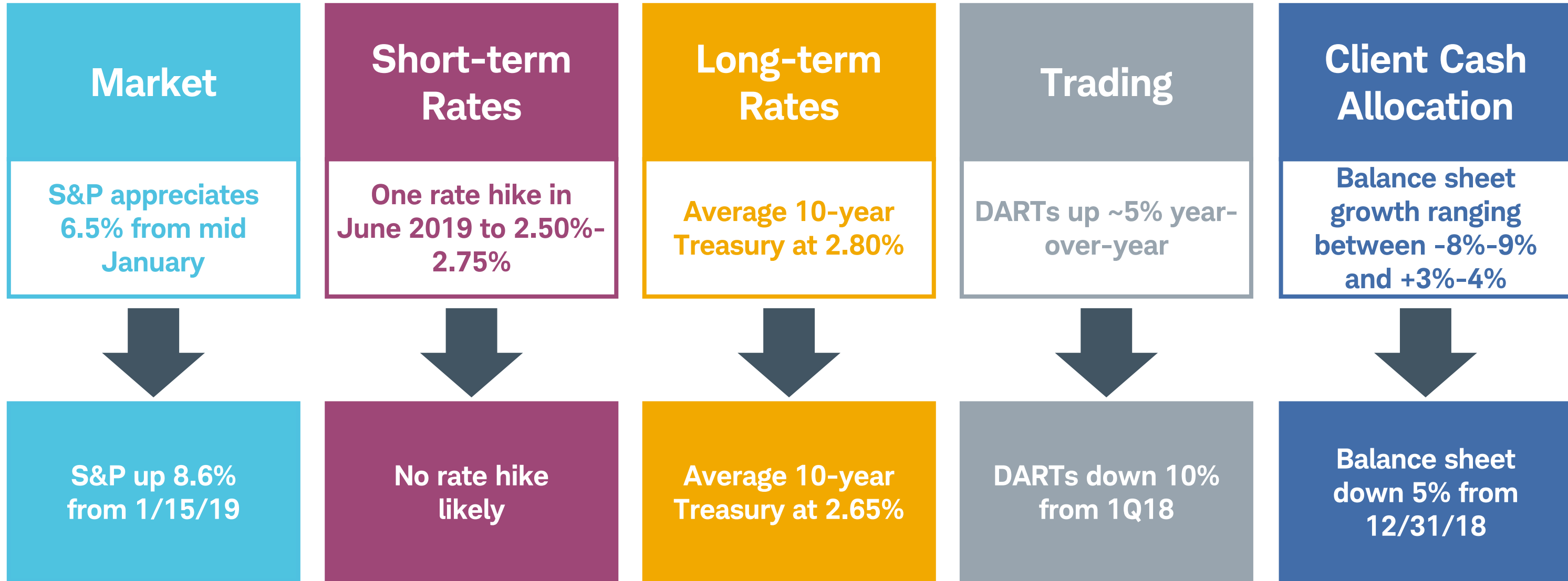
DARTs up ~5% year-
over-year

Client Cash Allocation

Balance sheet
growth ranging
between -8%-9%
and +3%-4%

With strong 1Q19 financial performance, we'll continue to monitor key drivers.

2019 Key Macro Drivers and 1Q Results:



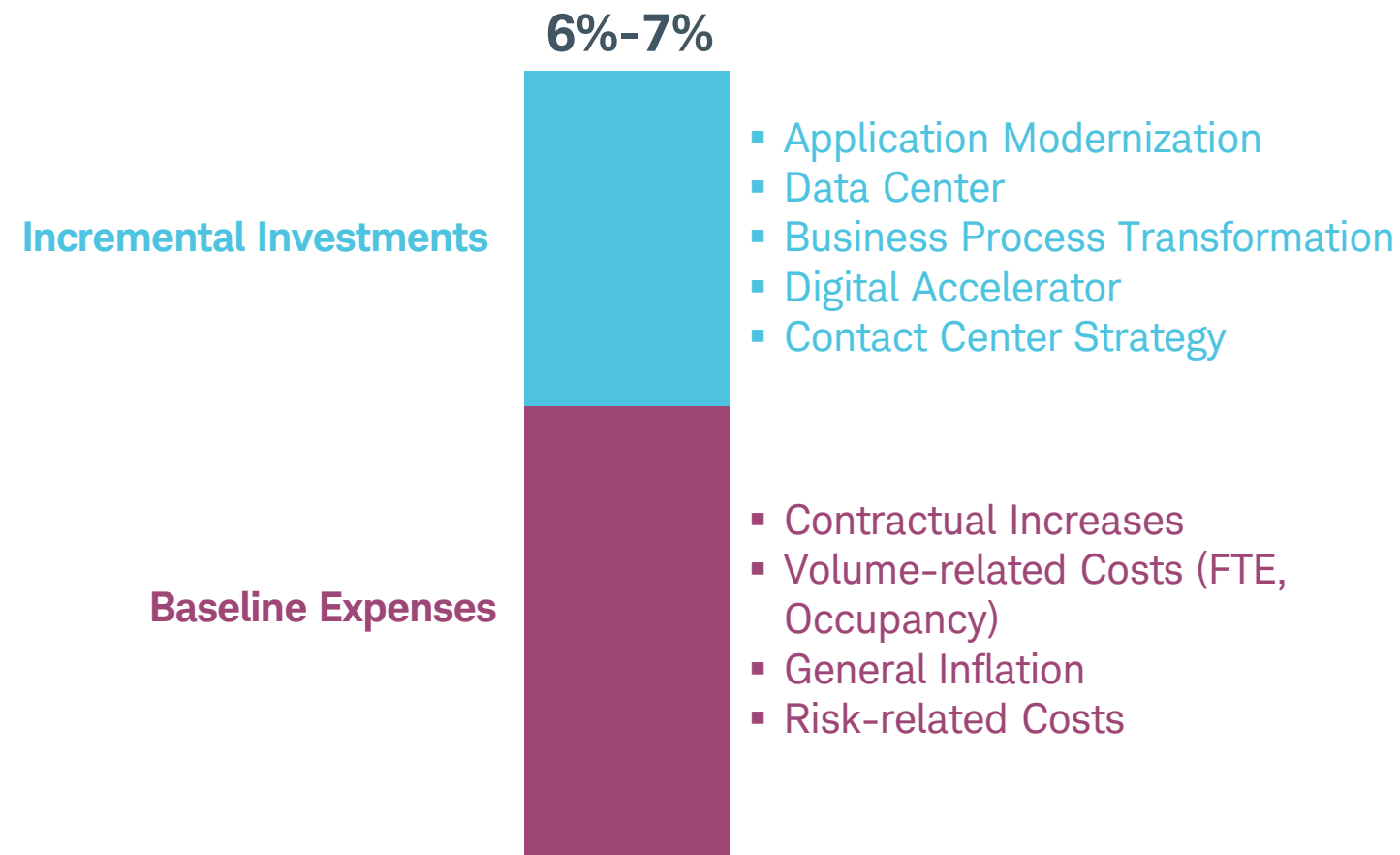
With strong 1Q19 financial performance, we'll continue to monitor key drivers.

2019 Sensitivities:

Market	Short-term Rates	Long-term Rates	Trading	Client Cash Allocation
S&P +/-1%	Target Fed Funds +/-25bps	10-year Treasury +/-10bps	DARTs +/-10%	Bank Sweep Balances +/- \$1B
\$15M	\$200-\$300M	\$25M	\$75M	\$20M

We currently expect that our 2019 spending growth will reach the 6-7% range shared at the Winter Update.

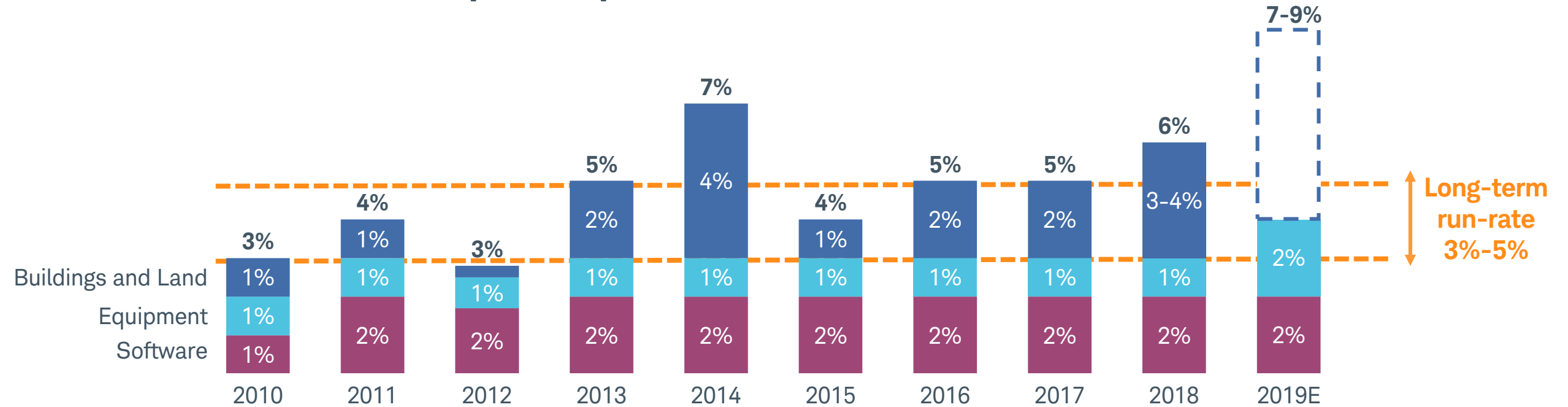
Composition of 2019 GAAP Expense Growth



- We are in a position to moderate spending growth from recent years, while still supporting business expansion
- Our investments should help drive efficiency and scale going forward, as measured by our EOCA
- Over time, we expect our long-run expense growth rate in the low-to-mid single digits

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

Capital Expenditures as a % of Revenue

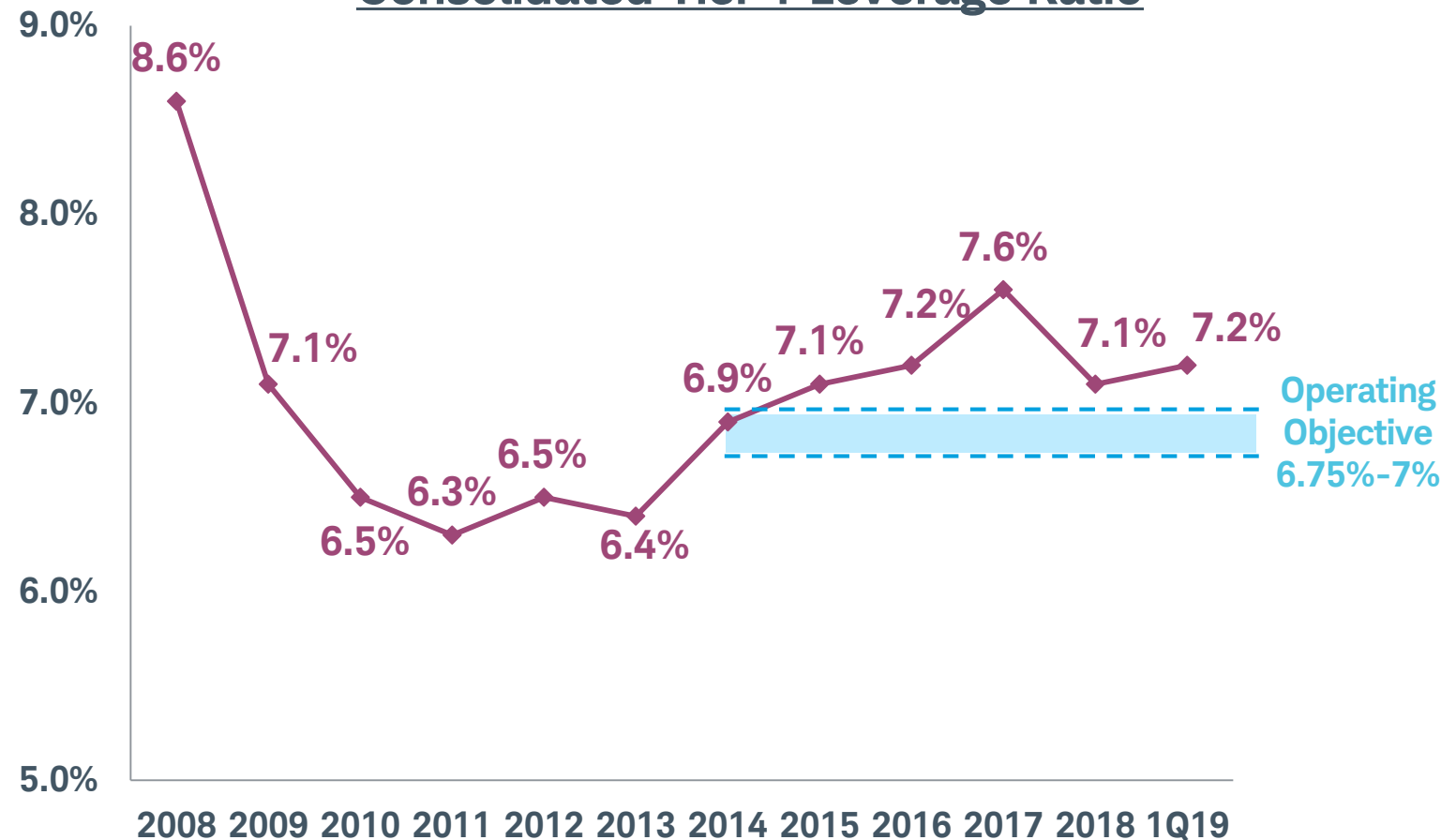


Key Land/Building Projects:	Phoenix	Denver	Denver & Austin	Phoenix, Denver, & Austin	Austin & Dallas	Austin & Dallas	Denver, Austin, & Dallas	Denver & Dallas
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- We adjust our CapEx as business conditions change, with a **long-term run-rate of 3%-5% of revenue**
- Since 2013, we have been **investing in our geographic strategy**, purchasing land and constructing buildings in Phoenix, Denver, Austin, and Dallas
- In 2019, we expect increased CapEx for build-out in **Denver and Dallas** (including the data center)

We have laid the groundwork for more meaningful capital return in 2019 and beyond.

Consolidated Tier 1 Leverage Ratio



2019 Capital Management Considerations

- Completion of sweep transfers in April
- Dividends (in line with our 20%-30% target payout ratio): raised 4 cents to \$0.17 on 1/30/19
- Buybacks will be the initial focus for returning excess capital to stockholders - Board authorization of up to \$4 billion
- Approach in place for accommodating client cash surges
- 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

In 1Q19, we achieved both strong business growth and financial performance.

- Healthy asset gathering and client engagement helped drive our first quarter results
- We continue to monitor the key macro drivers of our revenue outlook
- We have completed our cash transfer strategy and anticipate more meaningful capital return in 2019

Our overall priorities are simple:



Continued business growth through our client-first strategy



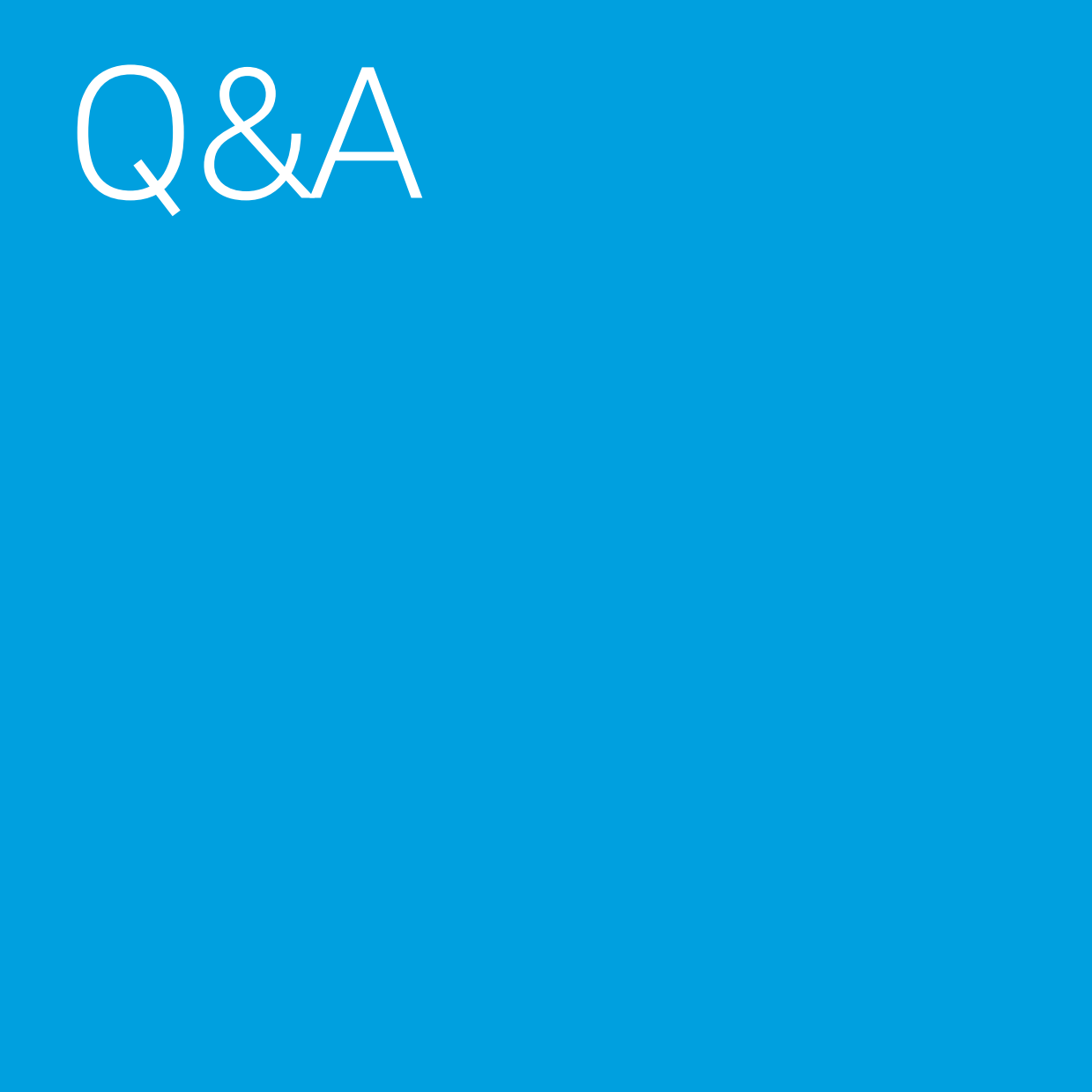
Solid revenue growth through multiple sources



Expense discipline leading to enhanced performance



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Spring Business Update

April 26, 2019

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