Summer Business Update

July 19, 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,” “remain,” “drive,” “lead,” “consistent,” “investment,” “expand,” “build,” “sustain,” “enhance,” “outlook,” “estimate,” “anticipate,” “sensitivities,” “opportunity,” “flexibility,” “potential,” “remain,” “position,” and other similar expressions. These forward-looking statements relate to: stockholder value; growth in the client base, client accounts and assets; capital returns; disruptive actions; growth in revenues, earnings, and profits; investments to fuel and support growth, serve clients, and drive scale and efficiency; market share; enhancement of client solutions; revenue diversity; the company’s views of trends relating to client views, growth, competition, and pricing; balancing near-term profitability with reinvestment for growth; expense growth; Tier 1 leverage ratio operating objective; balance sheet growth; client cash sorting; net interest margin; 2019 outlook assumptions and financial expectations; estimated revenue impact from revenue sensitivities; 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 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 **July 19, 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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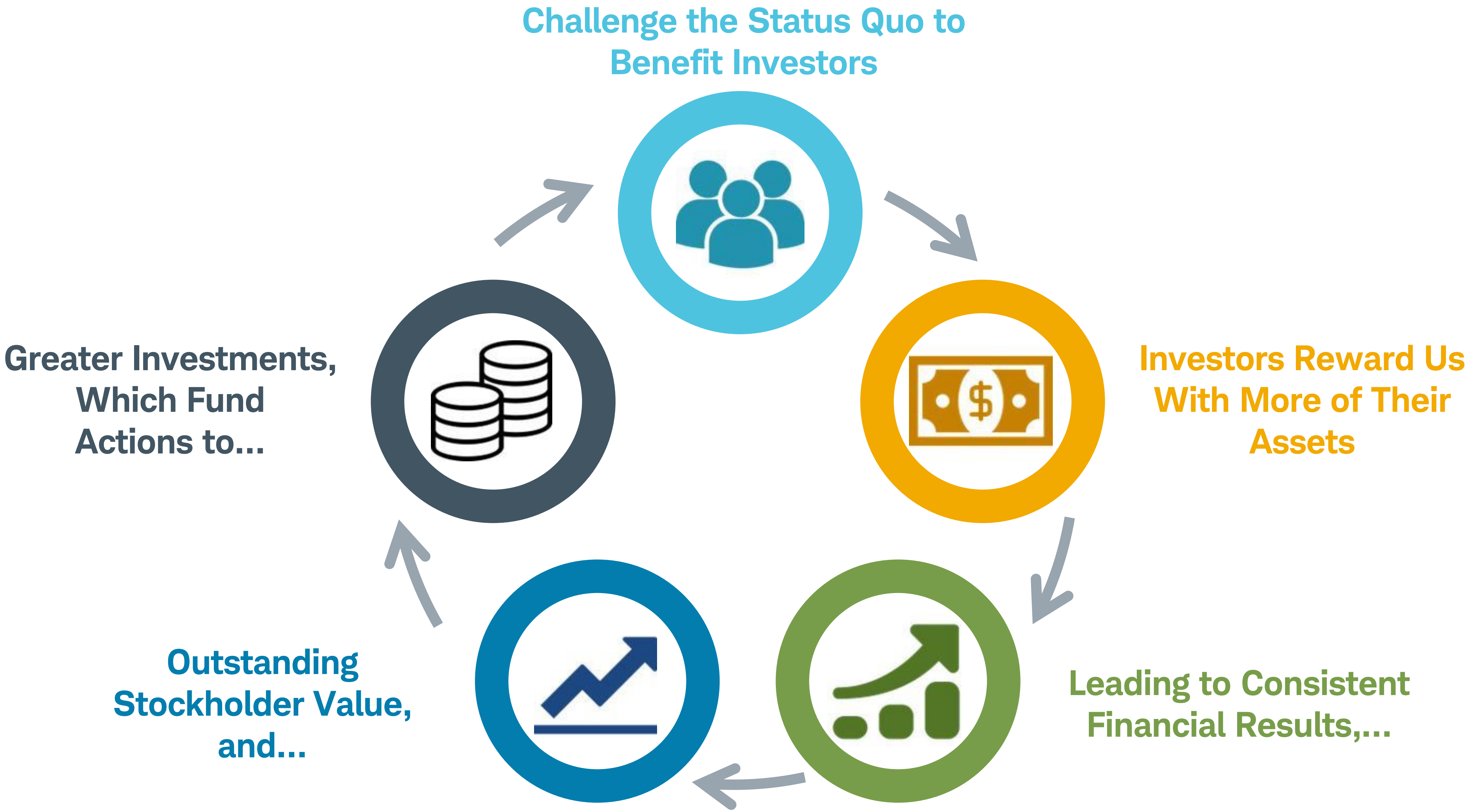
Walt Bettinger

President and
Chief Executive Officer

Powered by our “Through Clients’ Eyes” strategy, core business momentum continued through 2Q19.

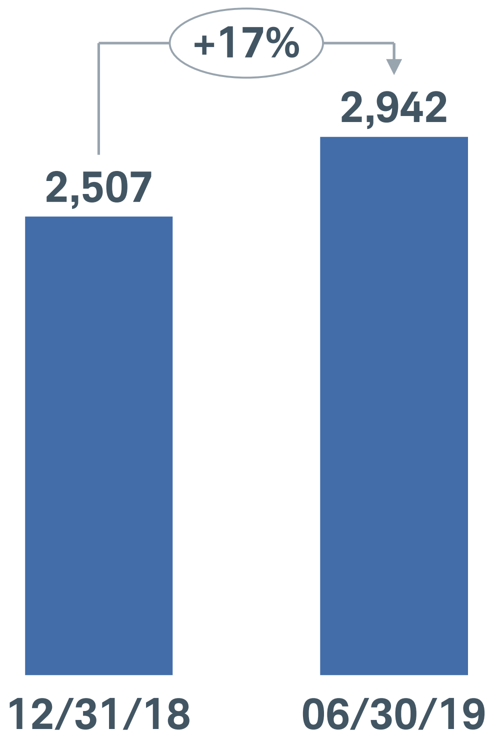
- Against a mixed environment and more tempered investor sentiment, our Virtuous Cycle continued to **attract accounts and healthy asset flows**
- Clients took advantage of our current capabilities as our **“no trade-offs” approach** resonated with a **broad investor base**
- Regardless of the environment, we remain **confident in our ability to build stockholder value** via a combination of sustained business growth and return of excess capital

Our "Virtuous Cycle" continued during the second quarter...



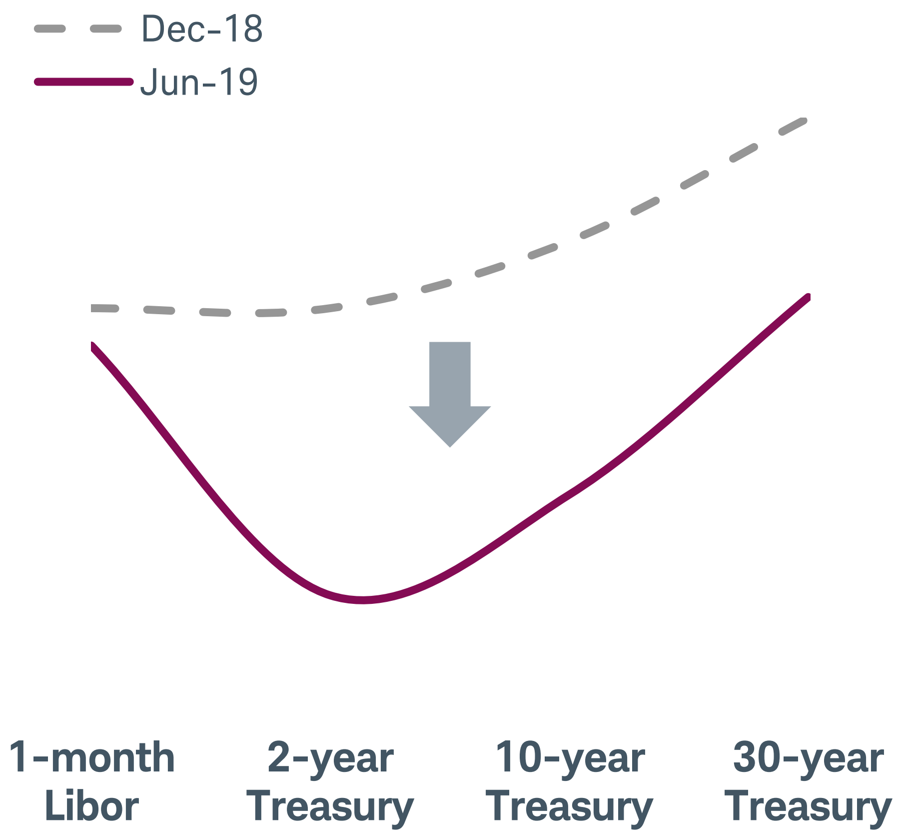
...despite a mixed environment.

Equity markets were up 17% since the start of the year,...

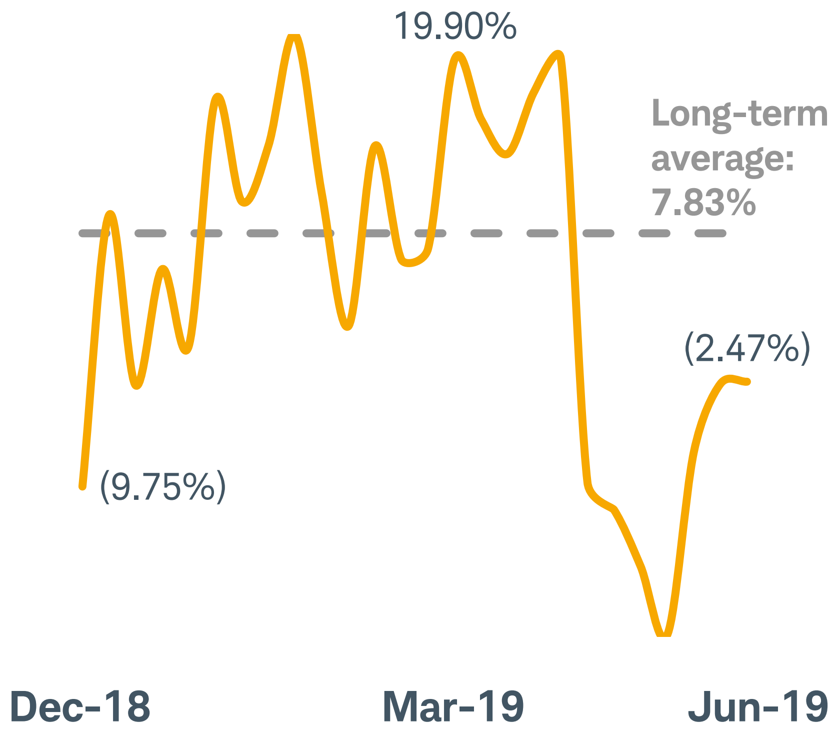


S&P 500®

...while the yield curve inverted...



...and investor sentiment grew increasingly bearish.



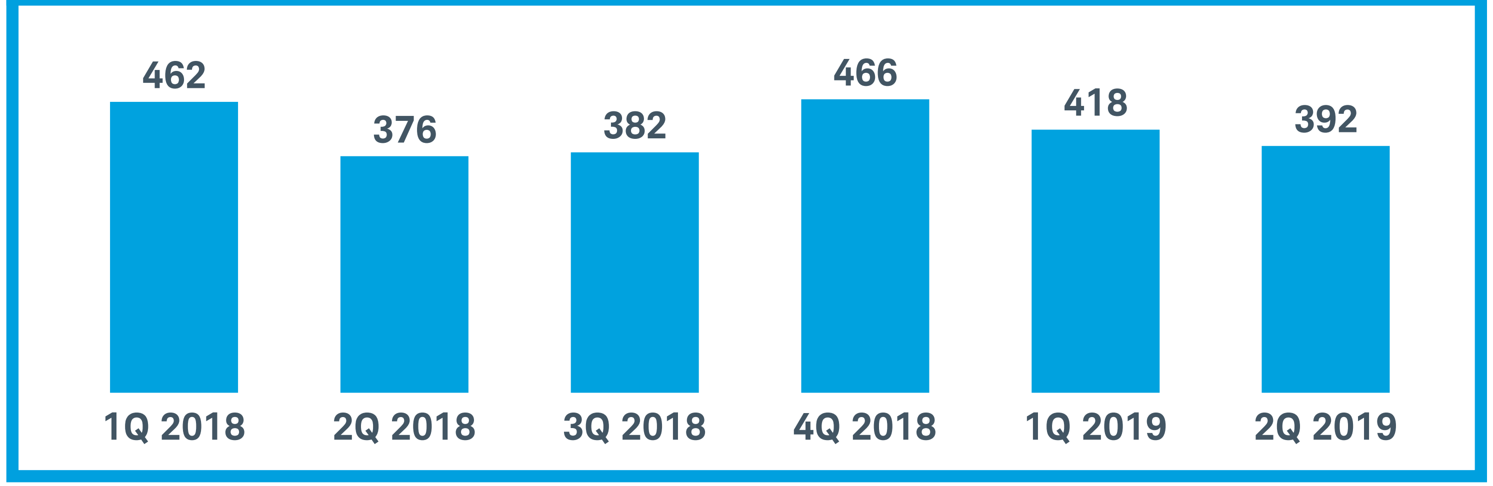
AAII® Bull-Bear Spread Sentiment Survey[1]

Notes: Equity market and benchmark rate data sourced from Factset; 1. AAII ® represents American Association of Individual Investors; Bull-Bear Spread is calculated as % of surveyed investors with a positive outlook on the stock market over the next six months versus % of surveyed investors with a more negative outlook (excludes investors with a neutral outlook).

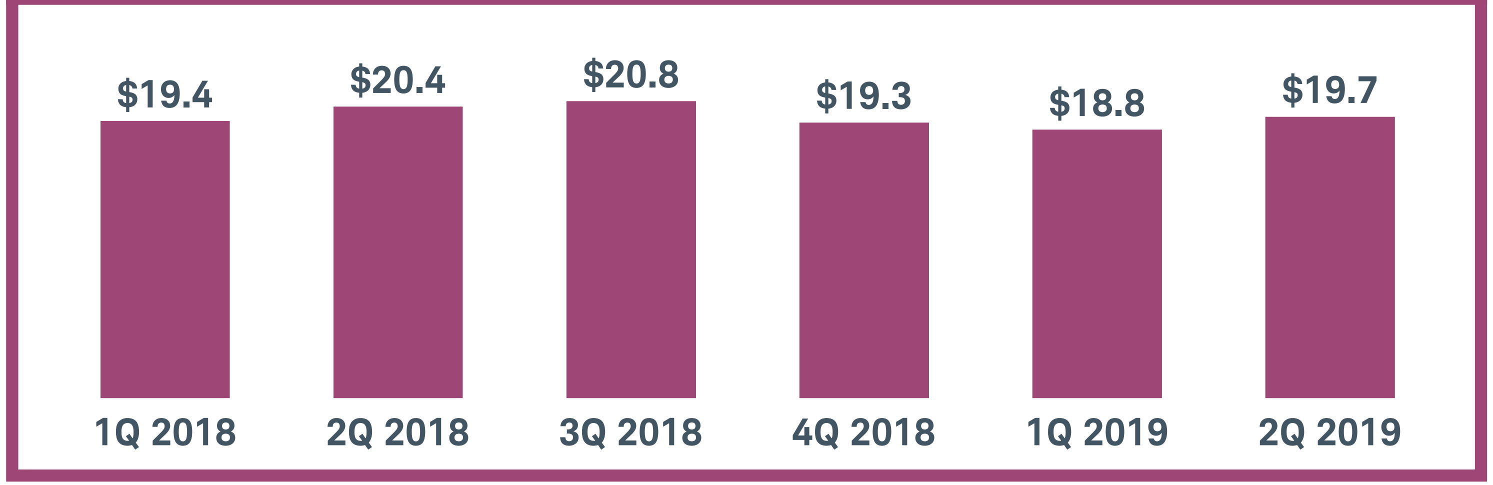
While we believe the environment continued to impact investor engagement…

New Brokerage Accounts (K)

DARTs (K)



Margin Balances ($B)



Net Advised Flows ($B)

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).

...demand for our wide range of capabilities remained robust.

2Q19 vs. 2Q18 EOP

Pledged Asset Line®
$4.7 billion
↑ 3%

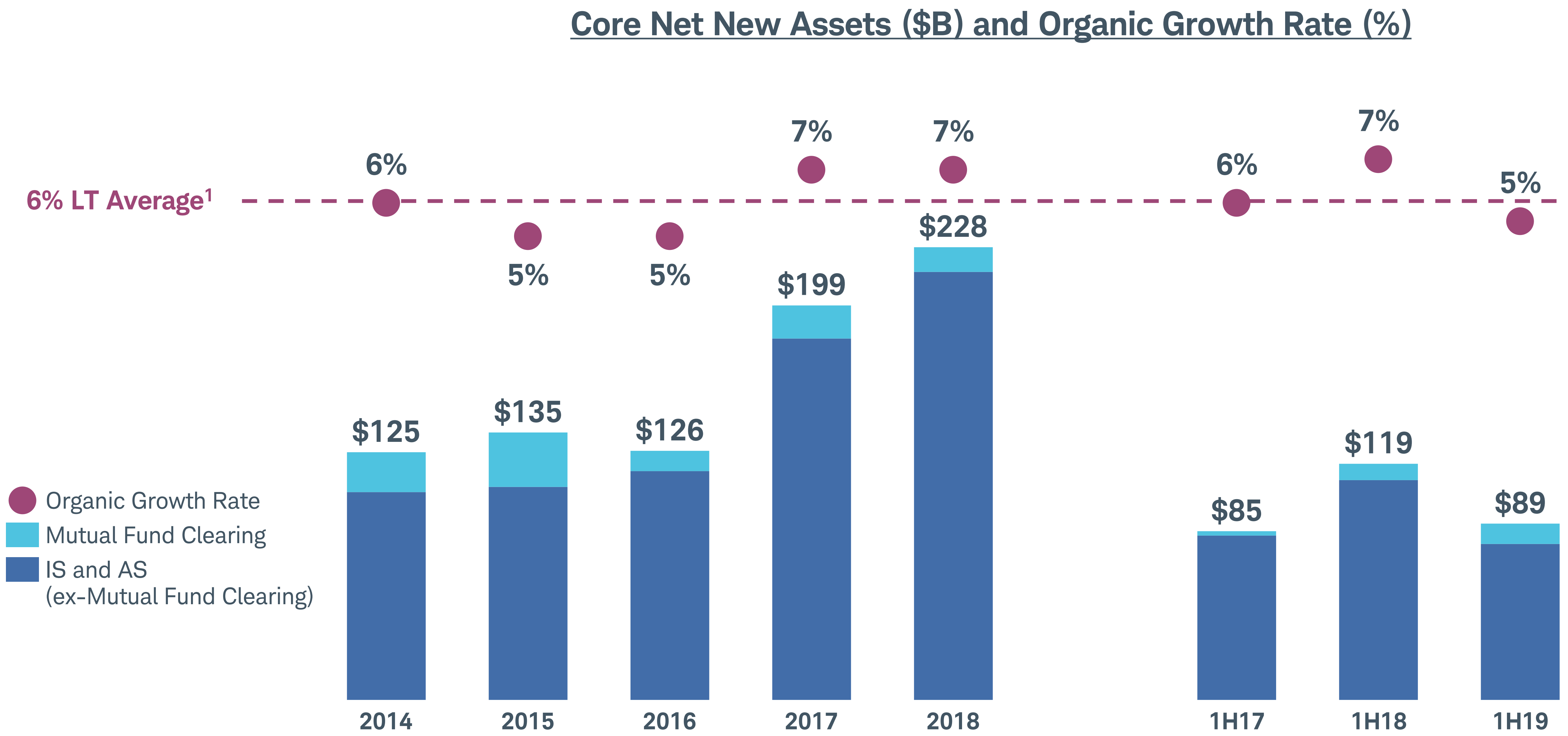
Proprietary ETFs
$144 billion
↑ 25%

Purchased Money Market Funds
$155 billion
↑ 104%

Proprietary Index Mutual Funds
$226 billion
↑ 21%

Fixed Income Securities
$332 billion
↑ 21%

During 1H19, we gathered core net new assets consistent with our long-term average.

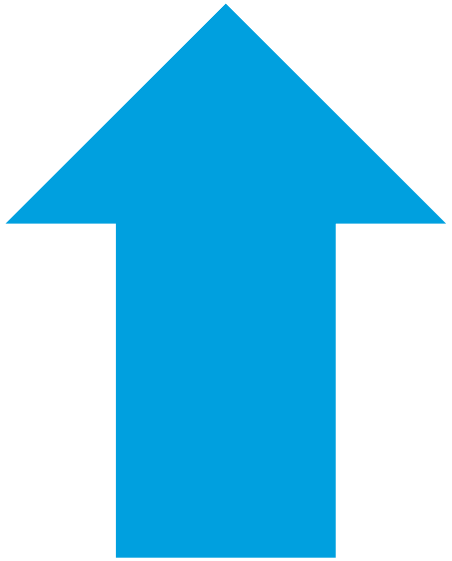


Notes: Core net new assets = net new assets before significant one-time flows, such as acquisitions/divestitures or extraordinary flows (generally greater than $10 billion) relating to a specific client. These flows may span multiple reporting periods. 1. Long-term average (LT) covers 10 years.

Retail investors continued to bring strong asset inflows and sought our advisory solutions…

2Q19 vs. 2Q14 CAGR

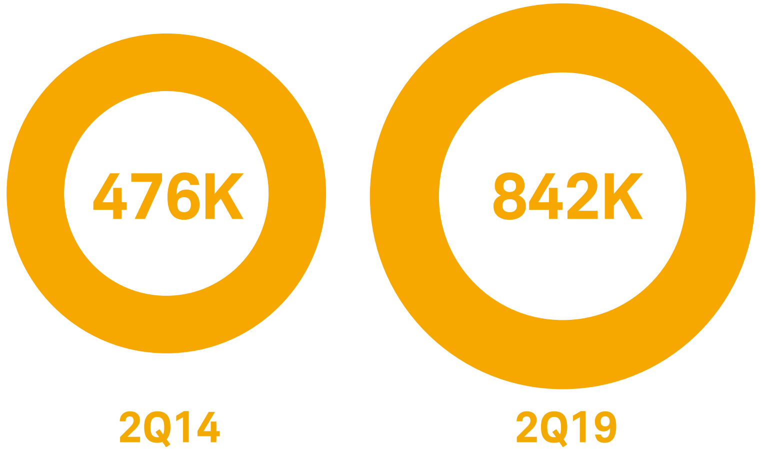
Retail asset gathering remained elevated…



20%

…as more clients enrolled in advised offers…

Total Accounts in Retail Advisory Solutions

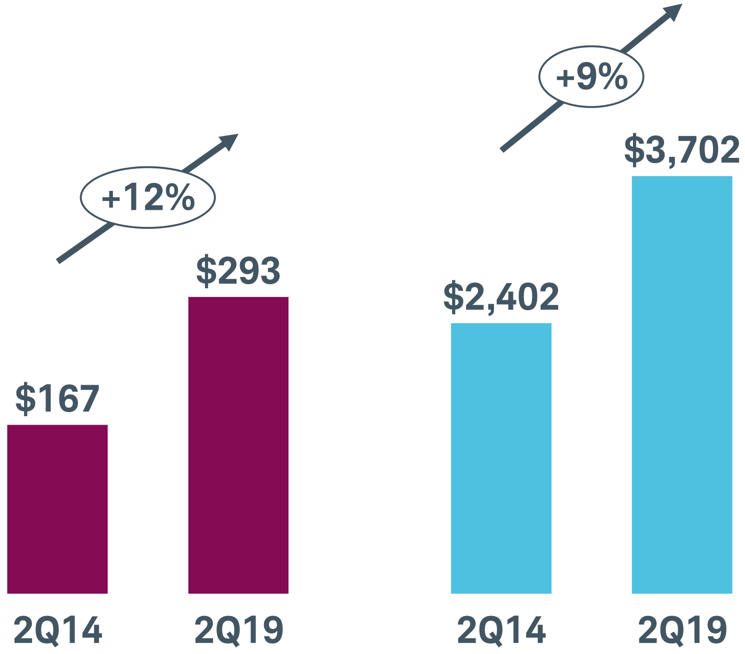


12%

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

Assets in Retail Advisory Solutions ($B)

Total Company Assets ($B)

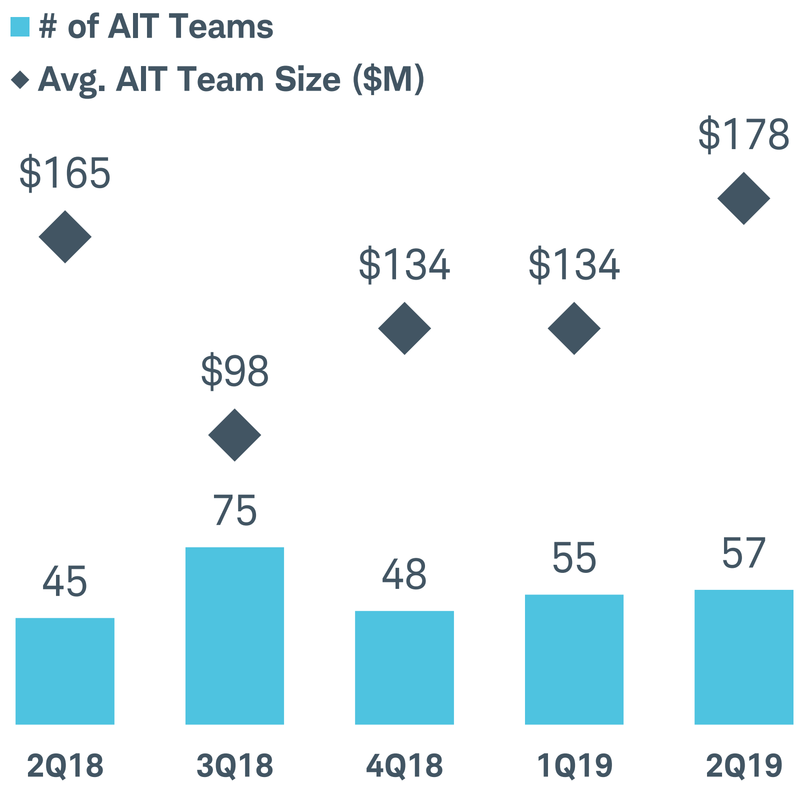


Notes: CAGR = compounded annual growth rate.

...and we sustained our leading market share in Advisor Services, helped by a pick-up in breakaway advisor activity.

Transition volumes have pushed higher...

of AIT Teams and Average AIT Size ($M)



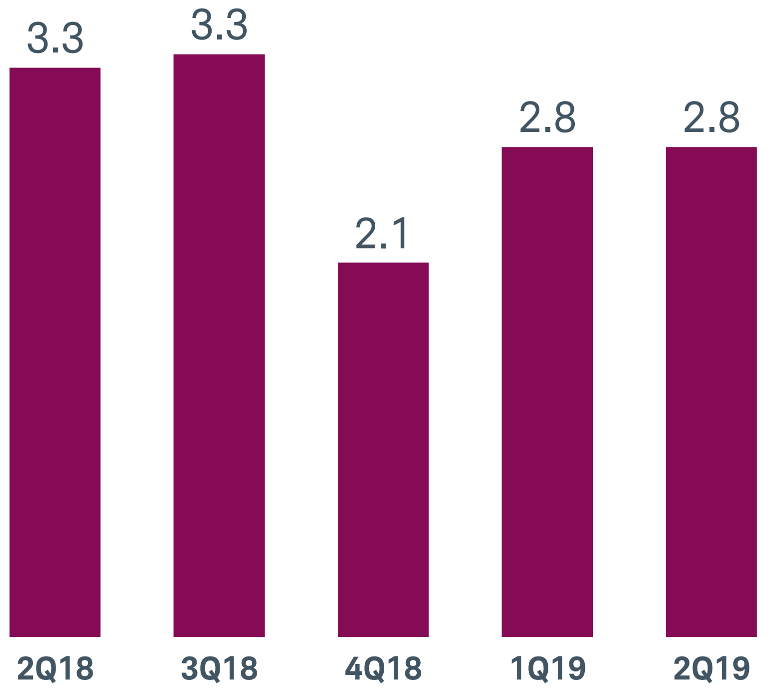
...including a number of significant wins with larger advisors.

4

wins with $500M+ advisors during Q2

Advisor Services continues to win assets from key competitors.

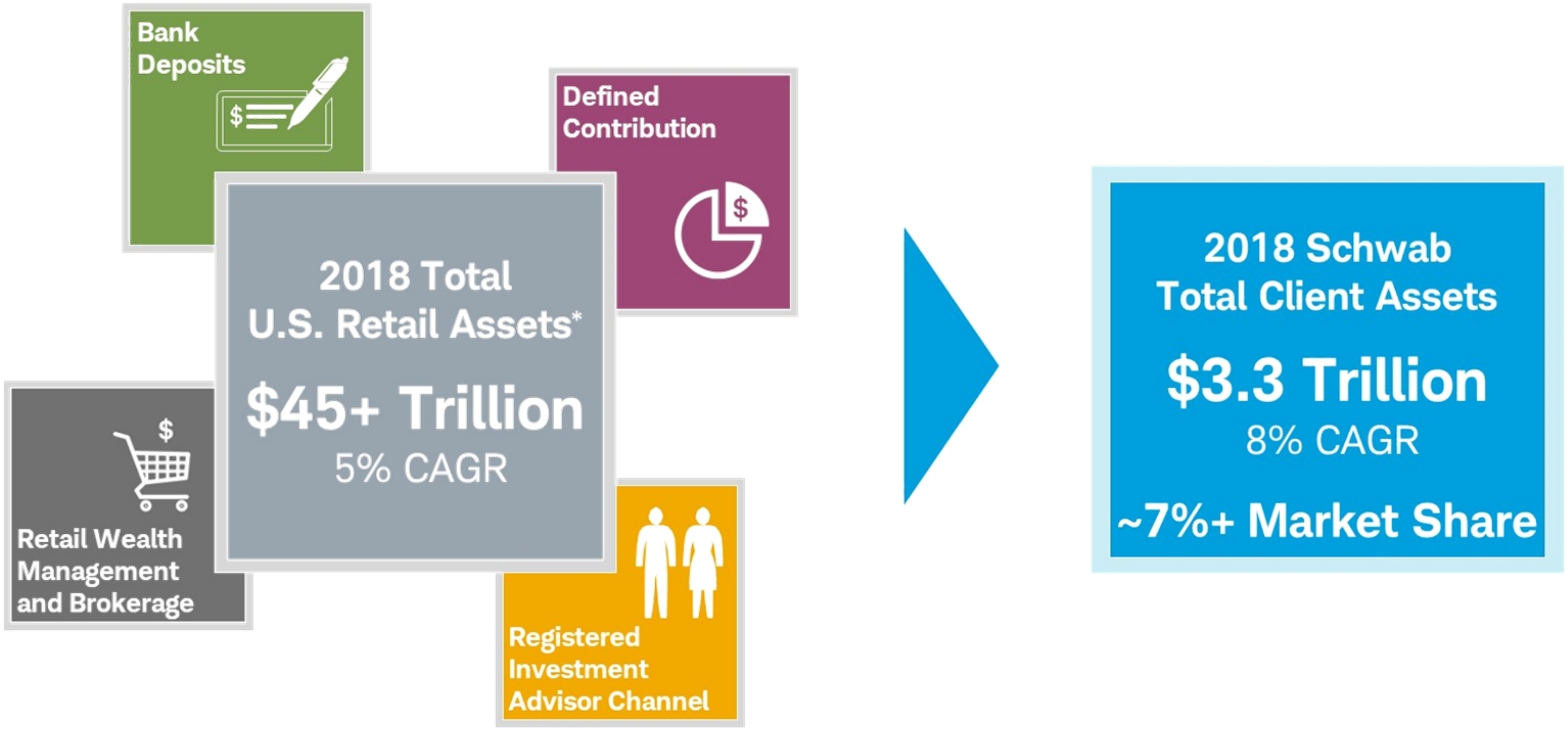
Key Competitor TOA Ratio[1]



Notes: AIT = Advisors in Transition. 1. Advisor Services Institutional key competitors include wirehouses, banks, regional, and independent broker-dealers.

Our long-term orientation enables us to look beyond the current environment and remain focused on driving sustained growth.

As we have under 10% market share, there is still ample opportunity to grow…



…as we continue to execute our "Through Clients' Eyes" strategy.

- Serve our clients' evolving needs where and how they prefer
- "No trade-offs" approach to combining value, service, transparency, and trust
- Leverage our strong positioning within the two fastest growing financial services channels: online brokerage and RIA

Notes: *Total U.S. Retail Assets based on Schwab estimates from Federal Reserve Flow of Funds. CAGR is the compounded annual growth rate from 2013.

Continuous enhancement of our diverse array of client solutions will be a catalyst for growth.

Wealth Management

- Focus on deepening relationships
- Enable FCs to engage in more holistic client conversations
- Enhance specialized solutions to meet evolving client needs, including select lending solutions (e.g., Pledged Asset Line®)

Fixed Income

- Broad product access and low transaction costs
- New beta-oriented fund options
- Expanded advice and guidance
- Enhanced solutions (e.g., CD and Bond Ladders)

Retirement

- More robust planning tools and perspectives
- Work to meet key client needs such as retirement income paycheck

In addition to meeting clients' needs, these opportunities can help support revenue diversity

Notes: FC = Financial Consultant. CD = Certificates of deposits.

Key trends will continue to inform our long-term strategy.

Client Views

- Traditional expectations of price/quality trade-offs are breaking down all across our economy. Firms offering world-class **relationships, digital experiences, service, and pricing will achieve market share gains**
- The concept of "beating the market" has given way to a client **focus on financial planning, asset allocation, tax efficiency, and low-cost investing**
- Clients view robo-advice as a credible investment product, but investors of all ages will place their long-term trust in firms that offer **a combination of people and digital experiences**

Growth

- Independent **Registered Investment Advisors (RIAs) will continue to grow faster than the industry overall** due to an acceleration of brokers turning independent and affluent consumers' expectations for transparency and a fiduciary-standard experience
- Though active management will still gather flows in certain asset classes, **market cap and fundamental indexing will capture the majority of client asset flows**
- **Long-term growth in retail investor trading volumes will continue to be modest** and likely coupled with strategic pricing pressure

Competition

- **Fiduciary-standard advice, fee transparency, and increasingly lower advisory fees** will become "cost of entry" and represent an increasing challenge to traditional brokerage firms' growth and retention of their top brokers
- **Scale will play an increasingly large role** in determining the "winners," as costs related to cybersecurity, compliance, and regulatory oversight challenge the operational efficiency of sub-scale firms
- Although brand matters, **brand loyalty won't ensure retention** as consumers are more willing than ever to change providers in search of lower cost, greater transparency, and more objectivity

Pricing

- Higher profit margins and scale-driven operational efficiency will make **competition for self-directed investors and RIA custody services** more intense
- As a result of corporate fiduciary risks, 401(k) plan sponsors will grow ever more **fee conscious** while their paternalistic drive will ensure they look for ways to deliver more **personalized advice** to their employees

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- Regardless of the environment, we remain **confident in our ability to build stockholder value** via a combination of sustained business growth and return of excess capital

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Peter Crawford

Executive Vice President and Chief Financial Officer

Our second quarter results demonstrate the resilience of our model.

- Our sustained business momentum helped us achieve our strongest second quarter ever
- We will be flexible as we manage the operating levers under our control to balance near-term results vs. long-term growth
- As we move beyond our cash transfer strategy, our focus shifts to managing closely to our Tier 1 Leverage operating objective – balance sheet growth vs. capital return

Today we'll discuss:

Q2 2019 results

2019 financial outlook

Capital picture

Core business momentum persisted,...

1H19 vs. 1H18 EOP

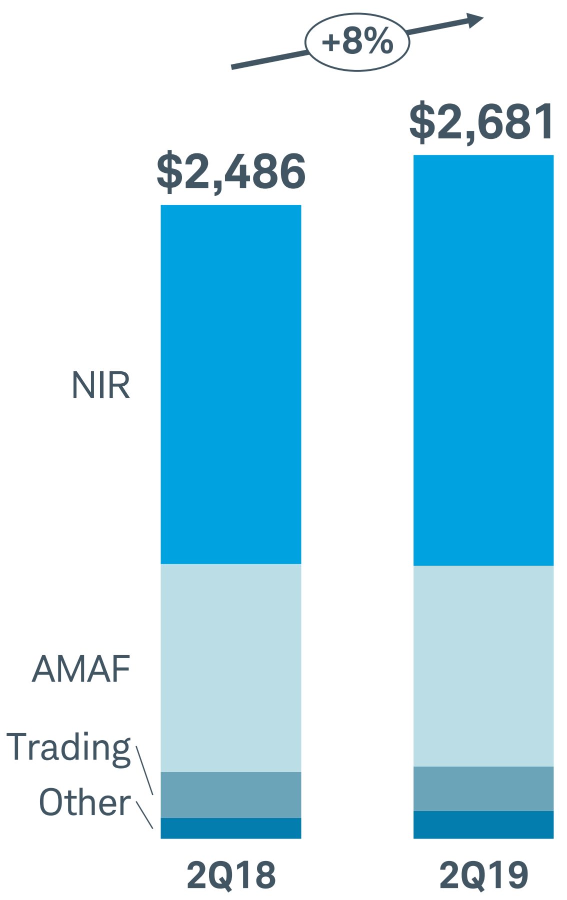
Total Active Brokerage Accounts	Total Client Assets	Total Advised Assets
12.0 million	$3.7 trillion	$1.9 trillion
↑ 7%	↑ 9%	↑ 10%

...despite headwinds from certain key macro drivers,...

	Market	Short-term Rates	Long-term Rates	Trading
FY2019 Key Drivers:	S&P appreciates 6.5% from mid-January	One rate hike in June 2019 to 2.50%-2.75%	Average 10-year Treasury at 2.80%	DARTs up ~5% year-over-year
1H19 Actuals:	S&P up 13% from 1/15/19	No rate hike and increasing likelihood of rate cuts	Average 10-year Treasury at 2.49%	DARTs down 3% from 1H18

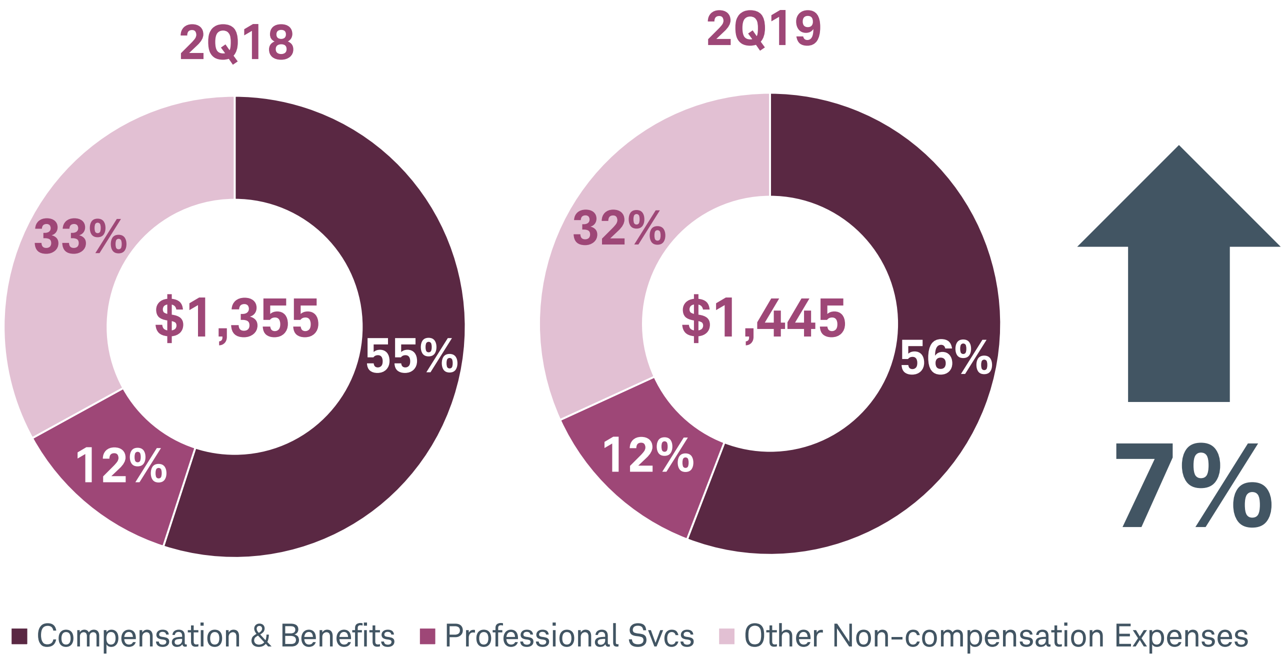
...helping to deliver healthy top-line growth while leaving room for investment in the business.

Total Net Revenues ($M)



- **Net interest revenue rose 14%,** driven by an increase in interest earning assets
- **Asset management and administration fees decreased 3%** due to lower money market fund revenue and ongoing declines in Mutual Fund OneSource® balances
- **Trading revenue declined 3%** as a result of a decrease in average revenue per trade, which more than offset higher activity

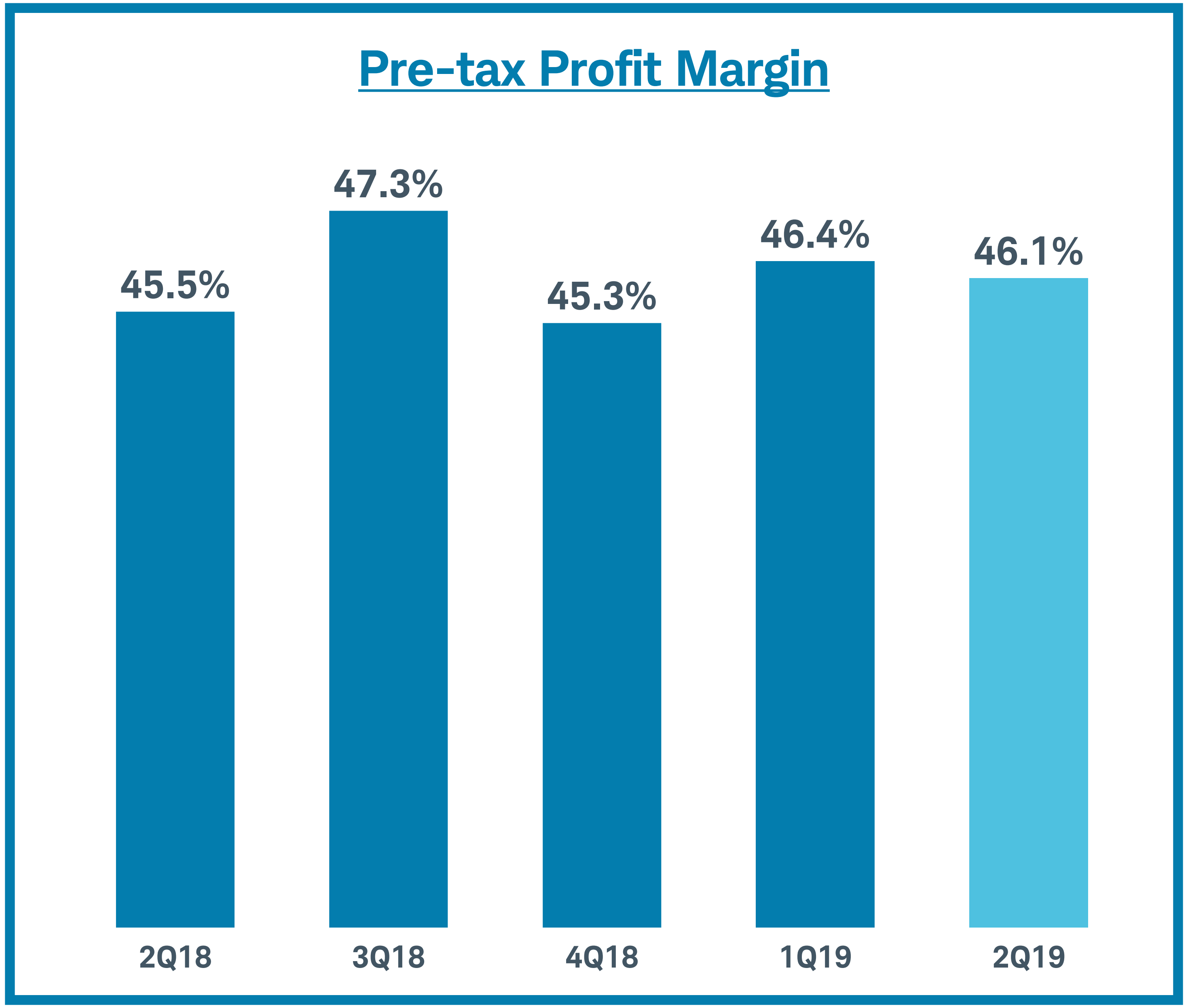
Total Expenses ($M)

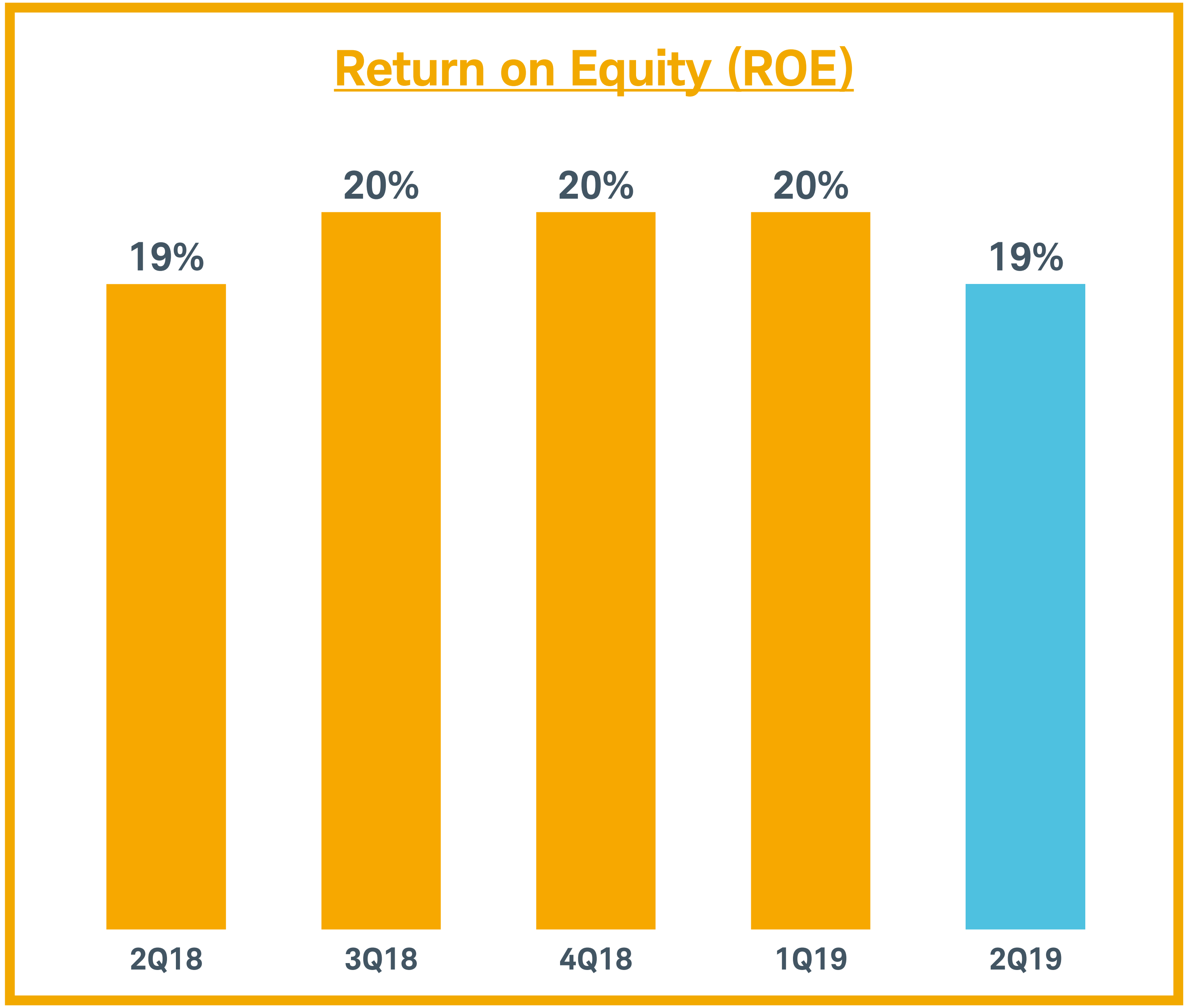


- Compensation and benefits grew 8%, driven by planned growth in staffing to **support our expanding client base**
- Non-compensation expenses reflect **ongoing investments to drive further efficiency and scale**

Net interest revenue, total revenue, and net income all represent 1H records

We delivered both a 45%+ pre-tax profit margin and a 19%+ ROE for the fifth consecutive quarter.





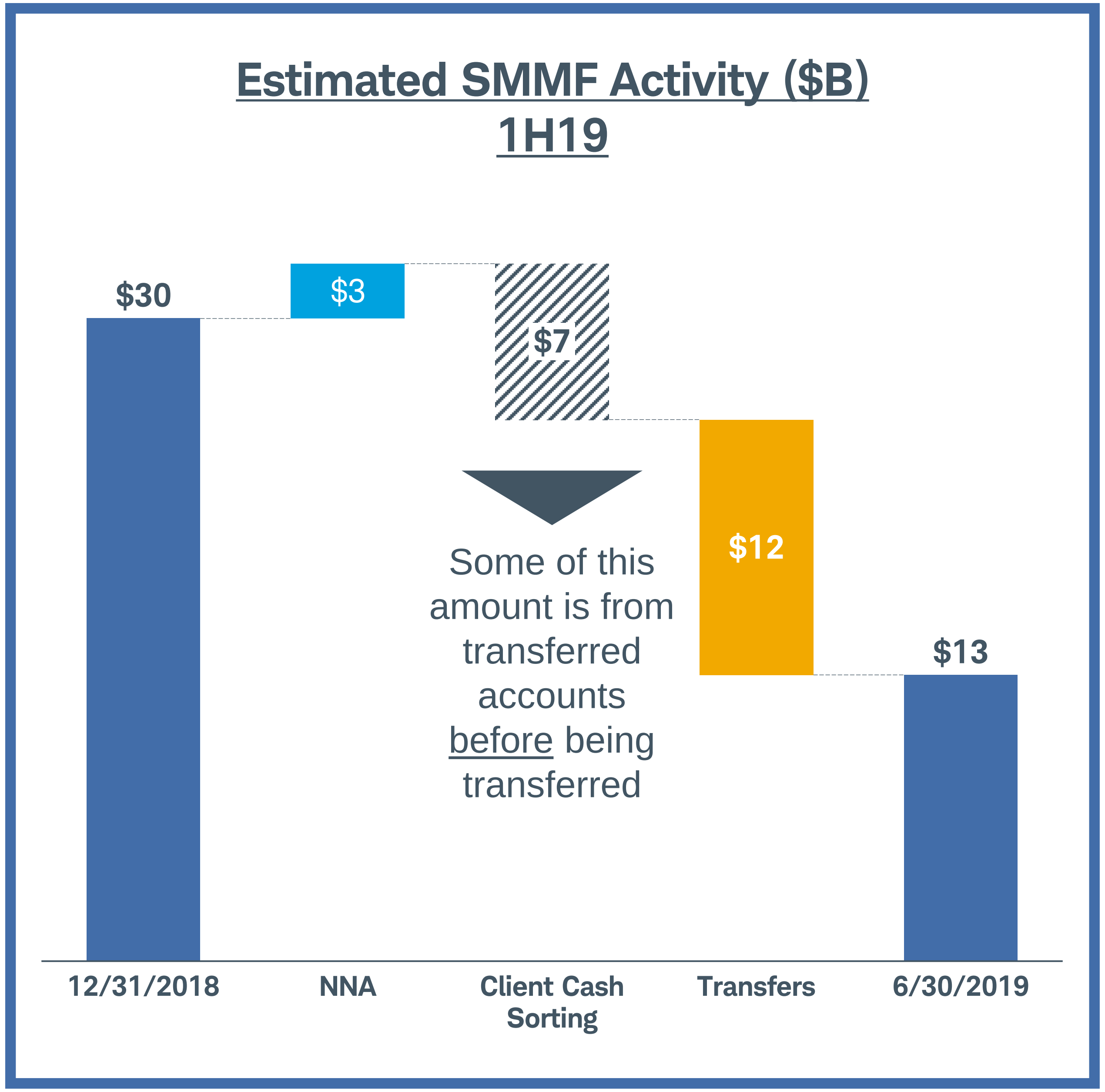
The balance sheet contracted by 2% during 2Q, amid tax season, client cash allocation decisions, and lingering cash sorting.

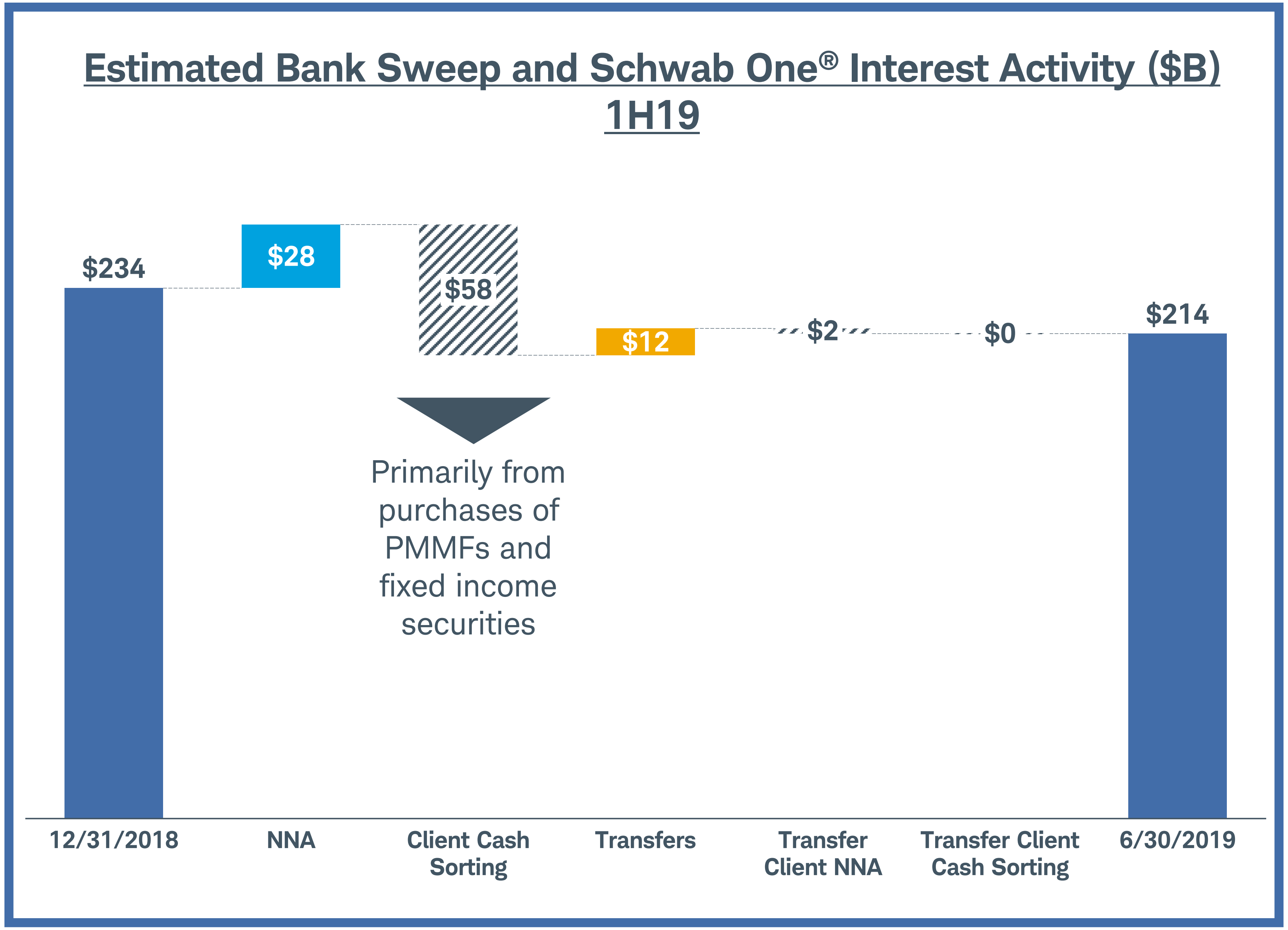
($M, EOP)	2Q18	1Q19	2Q19*
Total Assets	$261,882	$282,815	$276,321
Bank Deposits	$199,922	$219,454	$208,375
Payables to Brokerage Clients	$30,347	$29,701	$31,013
Long-term Debt	$5,789	$6,829	$7,424
Stockholders' Equity	$20,097	$21,625	$21,320
Parent Liquidity	$4,693	$4,871	$4,845
Tier 1 Leverage Ratio	7.6%	7.2%	7.3%

- Balance sheet was **impacted by lower sweep cash** levels
- We **completed the remaining $0.2 billion in sweep transfers** from sweep money market funds (SMMFs), bringing our 1H 2019 total to $11.8 billion
- We **issued $600 million of senior notes** for general corporate purposes, including the repurchase of common stock
- We **repurchased 29.1 million shares** for $1.2 billion
- Further balance sheet contraction, coupled with strong capital formation and a positive AOCI adjustment, kept the **Tier 1 Leverage Ratio somewhat above our operating objective**

Notes: AOCI = Accumulated Other Comprehensive Income. FHLB = 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 certain regulatory adjustments) divided by Average Total Consolidated Assets (less certain regulatory adjustments). Prior to 2019, CSC elected to opt-out of the requirement to include most components of Accumulated Other Comprehensive Income in Common Equity Tier 1 Capital. The Tier 1 Leverage Ratio for 2018 is presented on this basis. * Preliminary.

Our clients continued to sort through their "invested" vs. "transactional" cash,...

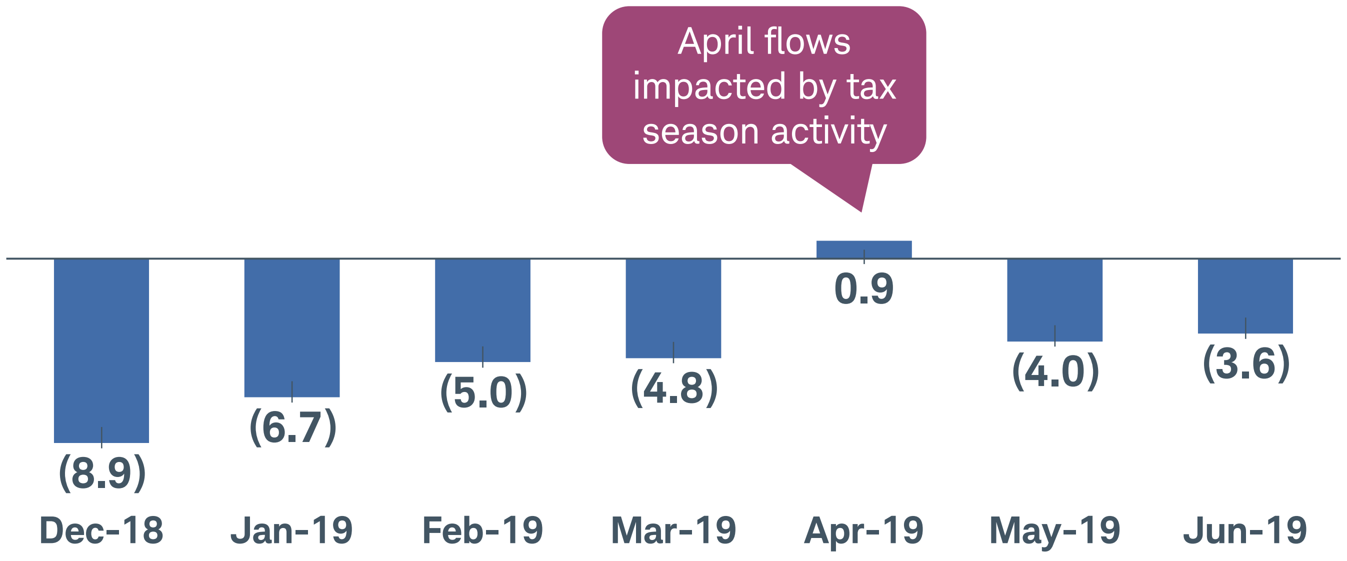




Notes: PMMF = purchased money market funds. Some numbers may not total due to rounding. NNA refers to the net of all transactions that are not trades or redemptions.

...but recent trends in cash activity suggest we are potentially approaching an inflection point.

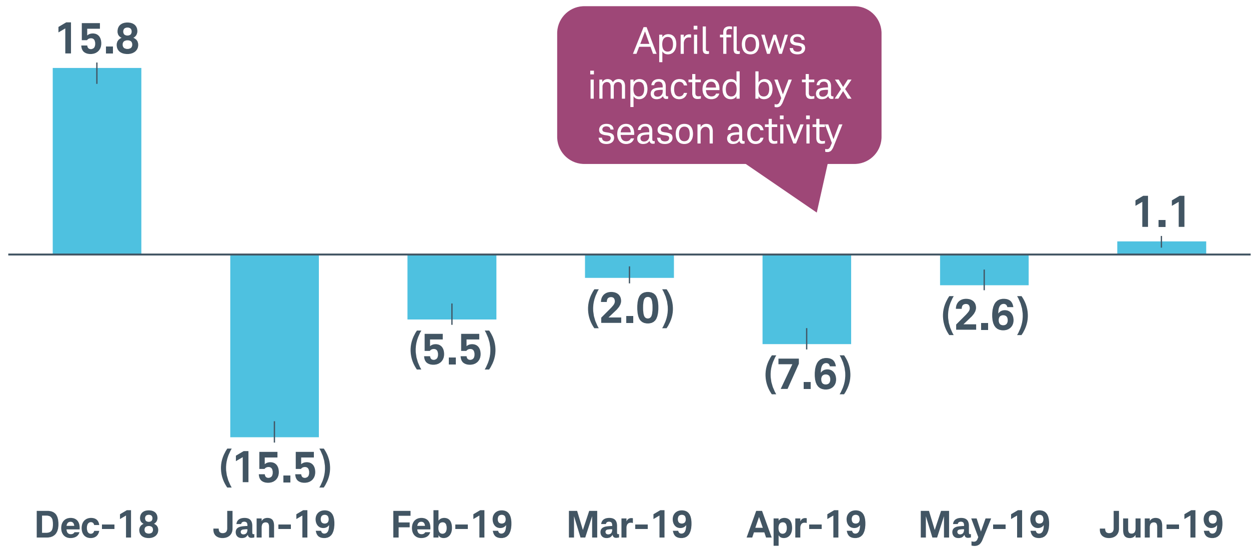
Monthly net flows from bank sweep to PMMFs are abating...



30%	33%	34%	36%	36%	37%	38%

PMMF as % total client cash

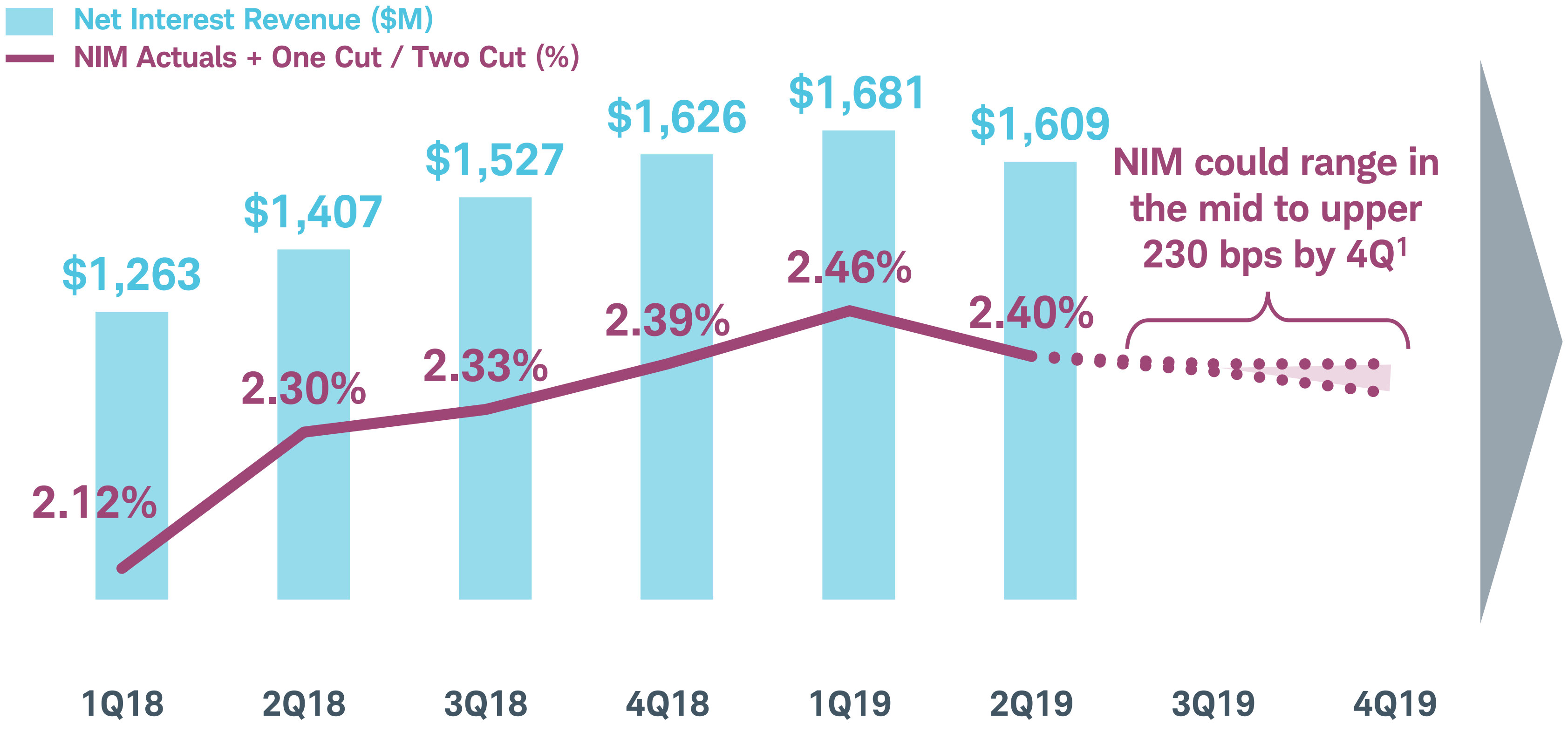
...while organic net flows to bank sweep and Schwab One® Interest turned positive.[1]



Notes: 1. Excludes impact of bulk transfers.

The current interest rate outlook makes further NIM improvement challenging.

Net Interest Revenue

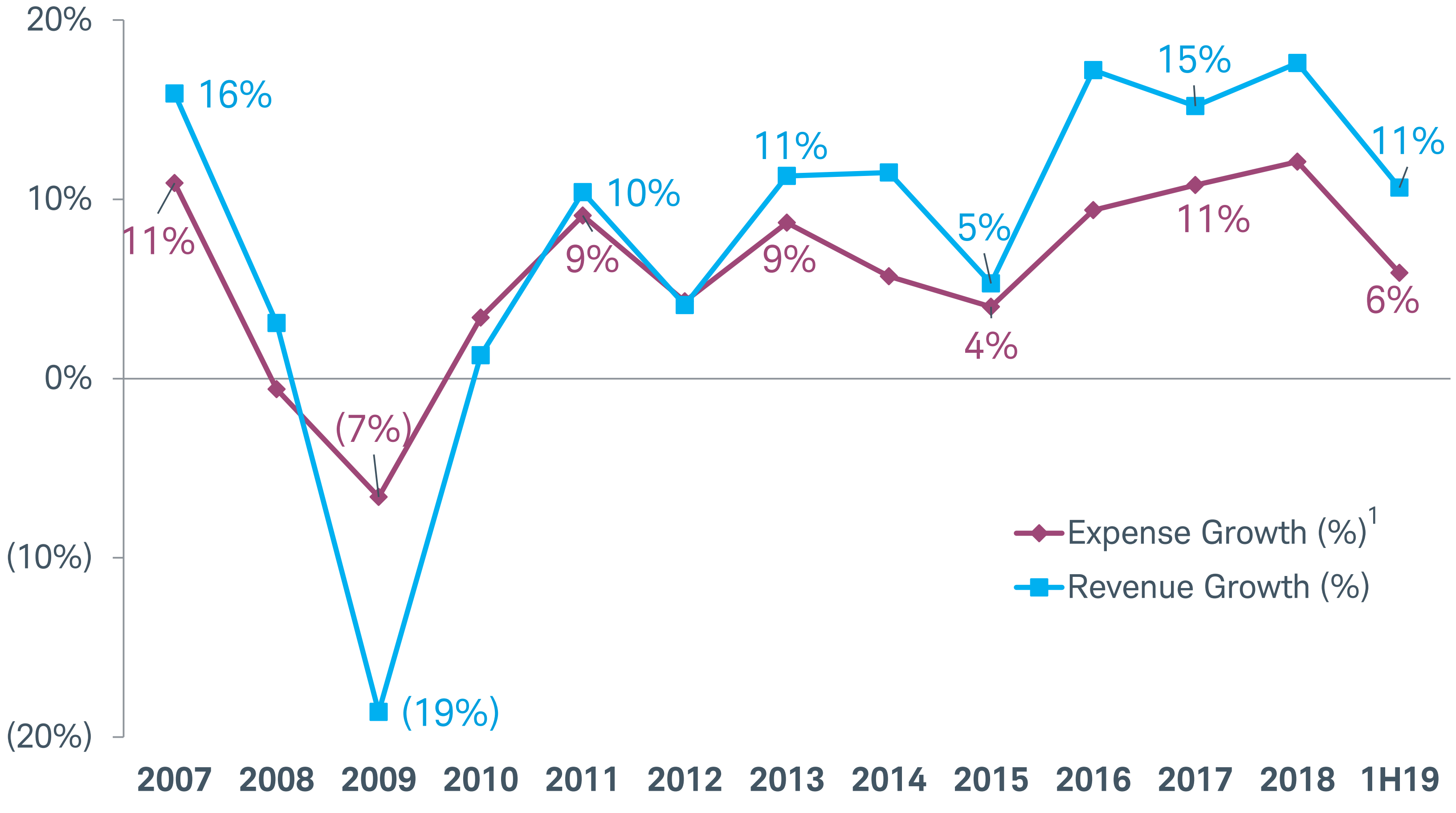


- Our 2Q19 NIM reflected the impact of lower rates along the curve
- The rate environment, along with deposit pricing dynamics and asset pre-payment speeds, will influence full year NIM results
  - Careful management of deposit betas and asset duration within our ALM guidelines could help mitigate pressure

Notes: NIM = Net interest margin. ALM = Asset Liability Management. 1. Based on two rate scenarios: a single 25 bps cut in July 2019; and cuts in July and September 2019.

We continue to maintain flexibility in our expense structure to adapt to conditions as they evolve.

We have a track record of managing our spending to balance near-term profitability with investing for sustained growth.



Based on the environment, we anticipate 2019 spending growth in the 5–6% range.

- In addition to harnessing efficiency gains, further management expense actions may include:
  - Adjust staffing growth trajectory
  - Prioritize portfolio spend
  - Review other discretionary expenses
- We expect to continue our progression into mid-single digit annual expense growth
- “Through Clients’ Eyes” remains paramount: we won’t jeopardize the client experience or long-term growth

Notes: 1. Annual expense growth rates exclude non-recurring charges.

Given the fluid nature of the current environment, we will continue to monitor key drivers.

2019 Key Macro Drivers:

Market	Short-term Rates	Long-term Rates	Trading	Client Cash Allocation
S&P appreciates 6.5% from mid-January	One rate hike in June 2019 to 2.50%-2.75%	Average 10-year Treasury at 2.80%	DARTs up ~5% year-over-year	Balance sheet growth ranging between -8%-9% and +3%-4%

Given the fluid nature of the current environment, we will continue to monitor key drivers.

2019 Key Macro Drivers and 1H Results:

Market	Short-term Rates	Long-term Rates	Trading	Client Cash Allocation
S&P appreciates 6.5% from mid-January	One rate hike in June 2019 to 2.50%-2.75%	Average 10-year Treasury at 2.80%	DARTs up ~5% year-over-year	Balance sheet growth ranging between -8%-9% and +3%-4%
S&P up 13% from 1/15/19	No rate hike and increasing likelihood of rate cuts	Average 10-year Treasury at 2.49%	DARTs down 3% from 1H18	Balance sheet down 7% from 12/31/18

Changes in macro drivers will impact 2019 results.

1

If you assume for the remainder of 2019...

Market	Short-term Rates	Long-term Rates	Trading
S&P appreciates at a 6.5% rate from the end of June	One rate cut in July 2019 to 2.00%-2.25%	Average 10-year Treasury at 2.05%	DARTs up ~1% year-over-year

2

...and client cash sorting...

...resumes
<u>OR</u>
stops after Jul-19...

...the balance sheet could...

...decline 6%-7%
<u>OR</u>
grow 0%–1% from 12/31/18

3

Then revenue growth could range from...

5%-7%

...and with expense growth revised to...

5%-6%

...pre-tax profit margin would be at least 45%

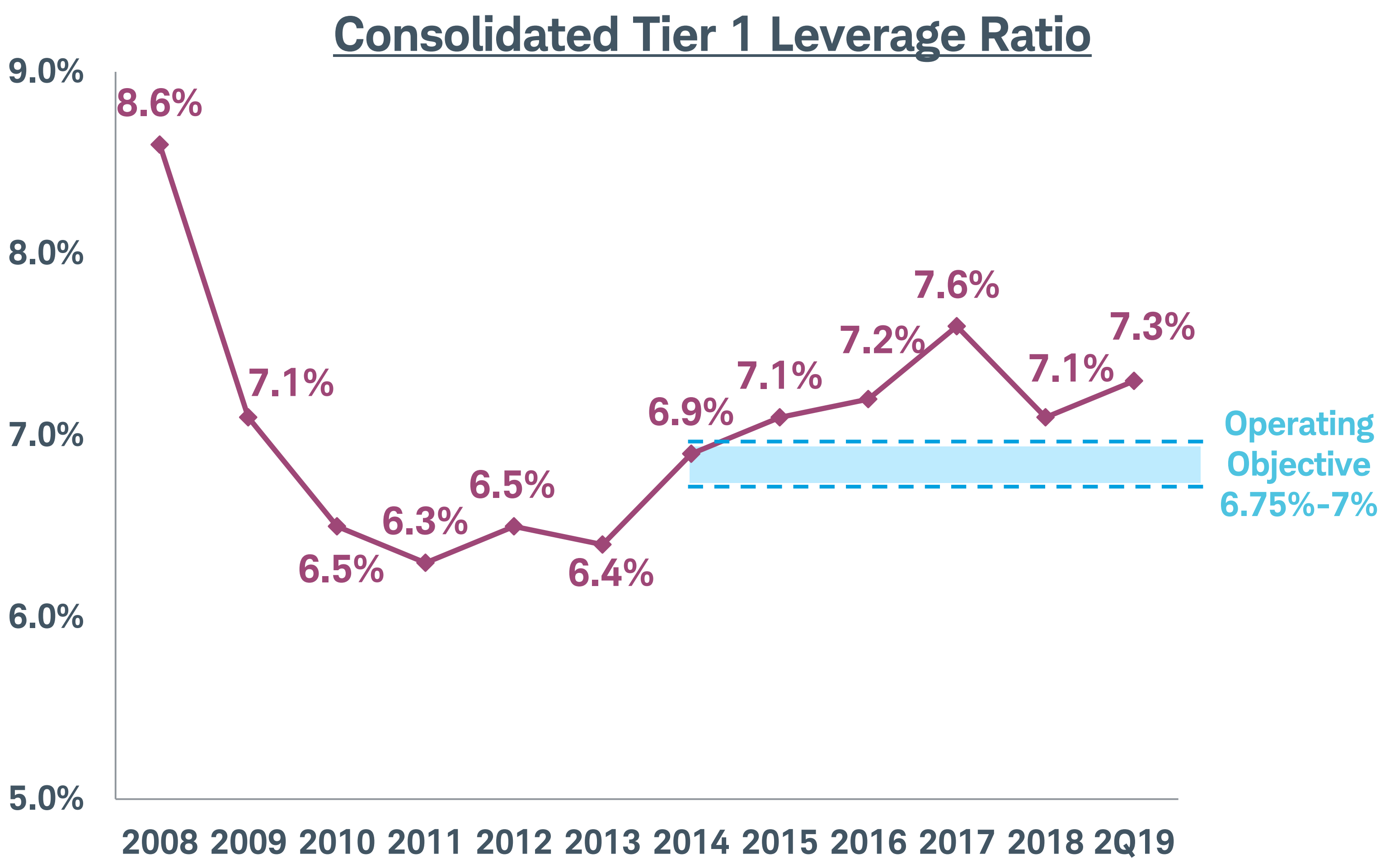
Revenue sensitivities:

Key levers and estimated first year revenue impact:

Target Fed Funds -25bps	= $75-$150M
10-year Treasury +/-10bps	= $30M
Bank Sweep Balances +/-$1B	= $20M
S&P +/-1%	= $15M
DARTs +/-10%	= $70M
Deposit Pricing -1bp	= $20M

Notes: For Fed Funds and Treasury sensitivities, assumes static interest earning asset balances as of June 30, 2019 and depends on the Bank investment portfolio mix and duration, to the extent there is a parallel shift in the yield curve, how quickly the fixed portfolio will reprice, and deposit betas.

We remain focused on opportunistic capital return.



2019 Capital Management Considerations

- Completed sweep transfers in April
- Dividends (in line with our 20%-30% target payout ratio)
- Repurchased 29.1M of shares for $1.2B during 2Q19 leaving us with an outstanding authorization of $2.8B
- 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

We are well positioned to weather a shifting environment.

- Our sustained business momentum helped us achieve our strongest second quarter ever
- We will be flexible as we manage the operating levers under our control to balance near-term results vs. long-term growth
- As we move beyond our cash transfer strategy, our focus shifts to managing closely to our Tier 1 Leverage operating objective – balance sheet growth vs. capital return

Our priorities remain unchanged:

- 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

Summer Business Update

July 19, 2019

charles SCHWAB
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