Introduction

Rich Fowler
Senior Vice President, Investor Relations
Agenda

Walt Bettinger, President and Chief Executive Officer

Joe Martinetto, Senior Executive Vice President and Chief Operating Officer

Break

Jonathan Craig, Senior Executive Vice President, Investor Services and Marketing

Bernie Clark, Executive Vice President, Advisor Services

Lunch

Peter Crawford, Executive Vice President and Chief Financial Officer

Close
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," "build," "sustain," "enhance," "estimate," "anticipate," "opportunity," "potential," "position," "target," "commitment," "increase," "enable," "deliver," "improve," "outlook," "intent," "assumption," "maintain," and other similar expressions. These forward-looking statements relate to: Our "Through Clients' Eyes" Strategy and no trade-offs approach; investments to fuel and support growth, serve clients, and drive scale and efficiency; harnessing monetization opportunities and strengthening offerings via client segmentation; stockholder value; digital transformation; the acquisition of certain assets of USAA's Investment Management Company (IMCO), including timing of closing, entering into an exclusive referral agreement, related expenses, and capital requirements; the acquisition of TD Ameritrade, including expense and revenue synergies, timing of closing, integration, including integration planning and spend estimate; growth in balance-based revenue via enhanced asset management solutions; building the RIA experience of the future; growth in the client base, client accounts and assets; growth in revenues, earnings, and profits; disruptive actions; client value and pricing; capital returns to stockholders; market share opportunity; growth levers; 2020 outlook, including macro factor assumptions, balance sheet dynamics and potential financial outcomes; Tier 1 leverage ratio operating objective; net interest margin; expense growth; operating leverage; estimated revenue impact from revenue sensitivities; capital expenditures; target dividend payout ratio; and share repurchases.

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 the company's ability to develop and launch new and enhanced products, services, and capabilities, as well as enhance its infrastructure, in a timely and successful manner; failure of the parties to satisfy the closing conditions in the agreements for the pending acquisitions in a timely manner or at all, including stockholder and regulatory approvals, and the implementation of conversion plans (IMCO) and integration plans (TD Ameritrade); disruptions to the parties' businesses as a result of the announcement and pendency of the acquisitions; the risk that expected revenue, expense and other synergies from the acquisitions may not be fully realized or may take longer to realize than expected; general market conditions, including the level of interest rates, equity valuations, and trading activity; the company's ability to attract and retain clients and RIAs and grow those relationships and client assets; competitive pressures on pricing, including deposit rates; client use of the company's advisory solutions and other products and services; client sensitivity to rates; the level of client assets, including cash balances; the company's ability to monetize client assets; capital and liquidity needs and management; the impact of changes in market conditions on revenues, expenses, and pre-tax profit margin; the company's ability to manage expenses; client cash sorting; net equity sales; investment in software and equipment; regulatory guidance; 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 1, 2020 (or such earlier date as may be specified herein). The company makes no commitment to update any of this information.

Charles Schwab Corporation
Additional Statements

Important Information About the Transaction and Where to Find it

In connection with the proposed transaction between The Charles Schwab Corporation ("Schwab") and TD Ameritrade Holding Corporation ("TD Ameritrade"), Schwab and TD Ameritrade will file relevant materials with the Securities and Exchange Commission (the "SEC"), including a Schwab registration statement on Form S-4 that will include a joint proxy statement of Schwab and TD Ameritrade that also constitutes a prospectus of Schwab, and a definitive joint proxy statement/prospectus will be mailed to stockholders of Schwab and TD Ameritrade. INVESTORS AND SECURITY HOLDERS OF SCHWAB AND TD AMERITRADE ARE URGED TO READ THE REGISTRATION STATEMENT, THE JOINT PROXY STATEMENT/PROSPECTUS AND ANY OTHER RELEVANT DOCUMENTS THAT ARE FILED OR WILL BE FILED WITH THE SEC, AS WELL AS ANY AMENDMENTS OR SUPPLEMENTS TO THESE DOCUMENTS, CAREFULLY AND IN THEIR ENTIRETY BECAUSE THEY CONTAIN OR WILL CONTAIN IMPORTANT INFORMATION ABOUT THE PROPOSED TRANSACTION AND RELATED MATTERS. Investors and security holders may obtain free copies of the registration statement and the joint proxy statement/prospectus (when available) and other documents filed with the SEC by Schwab or TD Ameritrade through the website maintained by the SEC at http://www.sec.gov or by contacting the investor relations department of Schwab or TD Ameritrade at the following:

Schwab, TD Ameritrade, their respective directors and certain of their respective executive officers may be deemed to be participants in the solicitation of proxies in respect of the proposed transaction. Information regarding the directors and executive officers of Schwab, and their direct or indirect interests in the transaction, by security holdings or otherwise, is contained in Schwab’s Form 10-K for the year ended December 31, 2018, its proxy statement filed on March 29, 2019 and its Current Reports on Form 8-K filed on January 31, 2020; January 29, 2020, January 16, 2020, November 29, 2019, November 25, 2019, August 28, 2019, July 26, 2019 and May 16, 2019, which are filed with the SEC. Information regarding the directors and executive officers of TD Ameritrade, and their direct or indirect interests in the transaction, by security holdings or otherwise, is contained in TD Ameritrade’s Form 10-K and Form 10-K/A for the year ended September 30, 2019, and its Current Reports on Form 8-K filed on January 29, 2020, January 21, 2020, November 27, 2019, November 25, 2019, July 22, 2019, May 20, 2019 and February 19, 2019, which are filed with the SEC. Additional information regarding the participants in the proxy solicitations and a description of their direct and indirect interests, by security holdings or otherwise, will be contained in the joint proxy statement/prospectus and other relevant materials to be filed with the SEC when they become available.

No Offer or Solicitation

This communication is not intended to and shall not constitute an offer to sell or the solicitation of an offer to sell or the solicitation of an offer to buy any securities or a solicitation of any vote of approval, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. No offer of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the Securities Act of 1933, as amended.
Schwab’s “Through Clients’ Eyes” strategy helps sustain our long-term success.

- We’re proud of our track record in **building value** for clients and owners, yet we recognize we’re in a **challenging environment** with intensifying competition and ongoing revenue pressure.

- We are on offense, pressing forward to enhance **scale and efficiency**, harness **monetization** opportunities, and reinforce our offerings via needs-based **segmentation**.

- Our **no trade-offs approach** guides our evolution – always **focused on our clients’ needs**, helping serve them **where** and **how** they want to be served.
Over the years, we’ve driven profitable growth through a consistent focus on efficiency and investing in our clients...

We’ve built scale and sustained **efficiency** over time...

...allowing us to **drive value** for clients and owners...

...while taking **bold actions** to benefit individual investors and RIAs for the long-term.

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Client Assets ($T)</th>
<th>ROCA</th>
<th>EPS ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>$1.4 $24 $1.4</td>
<td>$3.4 $4.0</td>
<td>$0.68</td>
</tr>
<tr>
<td>2011</td>
<td>$1.7 $16 $1.7</td>
<td>$2.5 $2.5</td>
<td>[\text{impact of certain non-routine items}]</td>
</tr>
<tr>
<td>2013</td>
<td>$2.2</td>
<td>[\text{impact of certain non-routine items}]</td>
<td></td>
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<tr>
<td>2015</td>
<td>$2.5</td>
<td>[\text{impact of certain non-routine items}]</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>$3.4</td>
<td>[\text{impact of certain non-routine items}]</td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>$4.0</td>
<td>[\text{impact of certain non-routine items}]</td>
<td></td>
</tr>
</tbody>
</table>

**Note:** EOCA = expense on average client assets. ROCA = revenue on average client assets. RIA = Registered Investment Advisor. 1. Commissions for all U.S. and Canadian-listed stocks, ETFs, and options online and mobile trades reduced from $4.95 to $0.00; options trades are still subject to the standard $0.65 per-contract fee. 2. Total impact of certain non-routine items = $87 million, or $0.05 of GAAP EPS for FY19; items included $62 million in severance charges related to position eliminations in 3Q19 and $25 million in acquisition-related expenses associated with the pending USAA and TD Ameritrade transactions.
...yet we recognize longer-term industry trends present challenges for all financial services firms.

**Determined Competitors**

Competitors with different operating models are entering the landscape and challenging Schwab across all business units
- Large integrated banks
- Private companies operating at modest margins
- Venture capital backed startups
- Entities who do not pay corporate income tax

**Pricing Dynamics**

Increased competition has accelerated downward pressure on all undifferentiated revenue streams
- Free online equity and ETF trades are now the norm
- Escalating pressures in certain areas of asset management
- Extraordinary cash offers for client asset transfers

Note: ETF = Exchange-Traded Fund.
Our competitive landscape grows increasingly crowded...

Determined Competitors

Competitors with different operating models are entering the landscape and challenging Schwab across all business units

- Large integrated banks
- Private companies operating at modest margins
- Venture capital backed startups
- Entities who do not pay corporate income tax

Select Digitally Enabled Platform\(^1\) Launches 2009 - 2015

- Merrill Edge\(^\circledast\)
- Vanguard Personal Advisor Services\(^\circledast\)
- Acorns
- Schwab Intelligent Portfolios\(^\circledast\)
- Robinhood
- Wealthsimple
- Wealthfront (originally KaChing)
- Betterment

Note: 1. Exhibit is not intended to be comprehensively inclusive of all digital enabled platforms.
...with new models continuing to appear,...

Determined Competitors

Competitors with different operating models are entering the landscape and challenging Schwab across all business units:

- Large integrated banks
- Private companies operating at modest margins
- Venture capital backed startups
- Entities who do not pay corporate income tax

Select Digitally Enabled Platform\(^1\) Launches 2009 - 2019

- Ally Invest
- SoFI Invest
- Fidelity Go®
- Marcus by Goldman Sachs®
- E*Trade Core Portfolio
- TD Ameritrade Essential Portfolio
- J.P. Morgan You Invest\(^{sm}\)
- Vanguard Personal Advisor Services®
- Schwab Intelligent Portfolios®
- Ellevest
- Wealthsimple
- Wealthfront (originally KaChing)
- Betterment
- Robinhood
- Acorns
- Vanguard Personal Advisor Services®

Note: 1. Exhibit is not intended to be comprehensively inclusive of all digital enabled platforms.
...including the further evolution of larger banking platforms.

Determined Competitors

Competitors with different operating models are entering the landscape and challenging Schwab across all business units:

- Large integrated banks
- Private companies operating at modest margins
- Venture capital backed startups
- Entities who do not pay corporate income tax

Select Digitally Enabled Platform¹ Launches 2009 - 2019

- Fidelity Go®
- Marcus by Goldman Sachs® (ultra-high interest rate yields)
- J.P. Morgan You Invest™ ($0 Commission)
- Merrill Edge® ($0 Commission)
- Vanguard Personal Advisor Services
- Acorns
- Ellevest
- Schwab Intelligent Portfolios®
- Wealthsimple
- Robinhood
- Wealthfront (originally KaChing)
- Betterment
- Ally Invest
- SoFI Invest

¹Note: Exhibit is not intended to be comprehensively inclusive of all digital enabled platforms.
The cost for clients to invest has fallen dramatically over the years...

**Pricing Dynamics**

Increased competition has accelerated downward pressure on all undifferentiated revenue streams:

- Free online equity and ETF trades are now the norm
- Escalating pressures in certain areas of asset management
- Extraordinary cash offers for client asset transfers

Note: See Appendix for additional information regarding data sources and calculation methodology.
...regardless of type, while client expectations continue to rise.

Pricing Dynamics

Increased competition has accelerated downward pressure on all undifferentiated revenue streams

- Free online equity and ETF trades are now the norm
- Escalating pressures in certain areas of asset management
- Extraordinary cash offers for client asset transfers

Cost to Client

<table>
<thead>
<tr>
<th>Embedded $</th>
<th>Explicit $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Index Mutual Fund OERs</td>
<td>Online equity commissions</td>
</tr>
<tr>
<td>ETF OERs</td>
<td>Online options commissions</td>
</tr>
<tr>
<td>Prime money market fund fees</td>
<td>Equity managed accounts</td>
</tr>
</tbody>
</table>

Client Expectations

More than ever before, clients are expecting high quality service at low cost. Making it imperative for us to live by our “no-trade offs” approach

Note: OER = Operating expense ratio.
Competitors are aggressively courting assets.

Pricing Dynamics

Increased competition has accelerated downward pressure on all undifferentiated revenue streams
- Free online equity and ETF trades are now the norm
- Escalating pressures in certain areas of asset management
- Extraordinary cash offers for client asset transfers

While these tactical moves must be addressed, we believe the sustainable path to long-term growth centers on our client strategy

Maximum Cash Award Available

<table>
<thead>
<tr>
<th>Competitor</th>
<th>Previous</th>
<th>Current</th>
<th>Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Competitor A</td>
<td>$2,500</td>
<td>$25,000</td>
<td>10x</td>
</tr>
<tr>
<td>Competitor B</td>
<td>$600</td>
<td>$10,000</td>
<td>17x</td>
</tr>
</tbody>
</table>

Note: 1. Based on published offers. Competitor A new-to-firm asset requirements for cash offer: previous max tier of $1 million versus current max tier of $10 million. Competitor B new-to-firm asset requirements for cash offer: previous max tier of $250,000 versus current max tier of $5 million.
We are on offense, moving to capitalize on these longer-term trends by operating “Through Clients’ Eyes”.

**Scale and Efficiency**
Digital efforts, organic asset growth, disciplined approach to M&A

**Monetization**
Insulated asset-based fees, revenue diversification

**Client Segmentation**
Enhanced product and services capabilities for our Retail and RIA clients

Further **strengthening our offer** to clients **positions us** to continue building long-term stockholder **value**.

Note: M&A = Mergers and acquisitions.
Enhancing incremental scale and efficiency within our existing business model,...

Clients are searching for the best blend of people and technology, highlighting the importance of the Digital Experience.

Digital Advisory Solutions

- 355K Accounts
- $47B AUM

Mobile App Usage

- ~25% increase in mobile users to 1.2M+ per month

#1 J.D. Power 2019 U.S. Wealth Management Mobile App Satisfaction

Digital Transformation efforts drive efficiency for both the client and Schwab.

- Password Reset and Account Recovery
  Driving a ~50% reduction in related call volumes

- Advisor Services Digital Account Open
  Seamless process takes <10 minutes

- Digital Status Request Experience
  Delivering ~15% decrease in status-related call volumes

Ongoing investments in scale and efficiency allows us to lower our cost to serve, while enhancing the client experience

Pending acquisitions provide incremental scale opportunities and supplement current capabilities.

- 25M+ Brokerage Accounts
- $5T+ Total Client Assets

Enhanced client experience
Deeper resources for RIAs
Increased operating efficiency

...while harnessing new monetization opportunities,...

Utilizing balance-based revenue to drive diversification...

- Annuitized revenue that is not transaction-based
- Available on a standalone basis or embedded in an advisory solution
- Focused on areas of asset management that are growing

...by bolstering differentiated asset management capabilities.

**3rd Party Providers**
Examine current revenues to ensure proper allocation between Schwab and others

**Schwab Intelligent Income™**
Roughly 73% of pre-retirees say they are comfortable using technology to manage their retirement income

**Direct Indexing**
Allows clients to mirror or customize indices by directly owning underlying equities

**Environmental, Social, and Governance**
Net inflows to ESG-related mutual funds and ETFs increased 4x from 2018 to 2019

Note: ESG = Environmental, Social, and Governance. 1. Pre-retiree is defined as someone who indicates they will retire within the next five years, based on Schwab research. 2. Net new money flows of ESG funds sourced from Morningstar.
...will enable our full-service model to support a diverse revenue mix over time.

The evolution of traditional revenue sources such as Commissions, Mutual Fund OneSource® and the shift toward low cost funds/ETFs, have made it important to sustain diversification.

Driving growth in balance-based revenue via enhanced solutions will complement our spread revenue.

Note: Completed client cash transfer strategy in April 2019.
Enhanced, needs-based segmentation allows us to better serve our Retail and RIA clients.

Continuing to grow our existing lending capabilities...

- **Pledged Asset Line®**
  - $5.2 billion
  - 14%

Outstanding mortgage and HELOC

- $12.8 billion
- 8%

...as we build out more capabilities for our Retail High Net Worth clients,...

- Enhanced relationship model for HNW and UHNW
- CSIM-enabled discretionary portfolio management
- Tailored lending solutions

...and provide RIAs with the tools to meet their clients’ evolving needs.

- **Wealth & Legacy Planning**
  - Inheritance and philanthropy
  - Tax and estate planning
  - Trust services

- **Specialized Lending**
  - Pledged asset lines
  - Entity lending

- **Self-directed Offerings**
  - Alternative investments
  - Organizational accounts (e.g., for LLCs)

Note: High Net Worth (HNW) = Clients with $1M - $10M in total AUM, Ultra High Net Worth (UHNW) = Clients with $10M+ in AUM. LLC = Limited liability company.
The power of the Virtuous Cycle is visible in our recent performance, reinforcing our confidence in pressing ahead.

Investors Reward Us With More of Their Assets

Challenge the Status Quo to Benefit Investors

Eliminating Trading Commission for Clients*

Greater Investments, Which Fund Actions to...

19% ROE
9% EPS Growth

Outstanding Stockholder Value, and...

Leading to Consistent Financial Results,...

$211.7B Core NNA
$4.0T Client Assets

$10.7B Revenue, 6% Growth
45.2% Pre-tax Profit Margin

Note: Metrics indicate 2019 performance and growth metrics are 2019 vs. 2018.

*Commissions for all U.S. and Canadian-listed stocks, ETFs, and options online and mobile trades reduced from $4.95 to $0.00; options trades are still subject to the standard $0.65 per-contract fee.
We drove robust organic asset growth...

Last year, core NNA marked the second consecutive year above $200 billion and third consecutive year above our long-term average of 6% organic growth.

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Core NNA ($)</th>
<th>Organic Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>$135</td>
<td>5%</td>
</tr>
<tr>
<td>2016</td>
<td>$126</td>
<td>5%</td>
</tr>
<tr>
<td>2017</td>
<td>$199</td>
<td>7%</td>
</tr>
<tr>
<td>2018</td>
<td>$228</td>
<td>7%</td>
</tr>
<tr>
<td>2019</td>
<td>$212</td>
<td>7%</td>
</tr>
</tbody>
</table>

Note: Core net new assets = net new assets before significant one-time inflows or outflows, such as acquisitions/divestitures or extraordinary flows (generally greater than $10 billion) relating to a specific client. These flows may span multiple reporting periods.
...while client utilization of our full-service capabilities increased.

Clients remained actively engaged...

New Brokerage Accounts (K)
- 2015: 1,070
- 2016: 1,093
- 2017: 1,441
- 2018: 1,576
- 2019: 1,568

Daily Average Trades (K)
- 2015: 537
- 2016: 562
- 2017: 609
- 2018: 765
- 2019: 749

...across our broad spectrum of product offerings:

- Proprietary ETFs
  - $163.8 billion, up 42%

- Total Advised Assets
  - $2.1 trillion, up 23%

- Fixed Income Securities
  - $327.1 billion, up 7%

Note: Growth metrics are 2019 vs. 2018.
Our success with clients helped deliver solid financial performance.

### Revenue ($B)

- **2015**: $6.4
- **2016**: $7.5
- **2017**: $8.6
- **2018**: $10.1
- **2019**: $10.7

+68% growth from 2015 to 2019.

### Pre-tax Profit Margin (%)

- **2015**: 35.7%
- **2016**: 40.0%
- **2017**: 42.4%
- **2018**: 45.0%
- **2019**: 45.2%

Impact of certain non-routine items

### Return on Equity (%)

- **2015**: 12%
- **2016**: 14%
- **2017**: 15%
- **2018**: 19%
- **2019**: 19%

### Diluted Earnings Per Share ($)

- **2015**: $1.03
- **2016**: $1.31
- **2017**: $1.61
- **2018**: $2.45
- **2019**: $2.67

Impact of certain non-routine items

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Note: 1. Total impact of certain non-routine items = $87 million, or $0.05 of GAAP EPS for FY19; items included $62 million in severance charges related to position eliminations in 3Q19 and $25 million in acquisition-related expenses associated with the pending USAA and TD Ameritrade transactions.
Schwab’s “Through Clients’ Eyes” strategy helps sustain our long-term success.

To drive growth in a challenging environment, we will press ahead to enhance **scale and efficiency**, harness **monetization** opportunities, and reinforce our offerings via needs-based **segmentation**...

...while our no trade-offs approach guides the way.

**Value**
- Deliver industry-leading pricing to all of our clients

**Service**
- Deliver world-class service to investors and advisors

**Transparency**
- Ensure every client interaction is clear, simple, and easy

**Trust**
- Treat clients the way we would like to be treated
Appendix

Slide 12

Cost of Managing $250k Portfolio: Source: Morningstar Direct; Bloomberg; Strategic Management: An Integrated Approach (Hill, Jones, Schilling); industry conversations. Assumes a $250,000 portfolio. Portfolio composition (1976, 1998) – 60% equities (represented by stocks, assumes 50 stocks in the portfolio and 50% annual turnover; cost reflects estimated stock trade commission rate at Schwab), 30% fixed income (represented by fixed income mutual funds; cost reflects asset-weighted net expense ratio), 10% cash (represented by money market funds; cost reflects asset-weighted net expense ratio); also assumes an advisory fee of 2.25% (1976) and 1.75% (1998). Portfolio composition (Today) – equities, fixed income, cash (represented by Schwab Intelligent Portfolio (SIP); cost reflects asset-weighted net expense ratio of a Moderate portfolio); also assumes ongoing cost of SIP Premium monthly subscription pricing model. Mutual funds (excludes mutual funds not reporting an annual report; includes obsolete funds) reflect those domiciled in the U.S. Mutual fund expenses based on asset-weighted average of calendar year-end assets and net expense ratio stated in that calendar year’s fund’s annual report.


Healthcare Costs per Person: Source: Centers for Medicare & Medicaid Services, Office of the Actuary, National Health Statistics Group; U.S. Department of Commerce, Bureau of Economic Analysis; and U.S. Bureau of the Census. Today reflects data for 2018; most recent year of available historical data. Dollar amounts shown are in current dollars.
Joe Martinetto
Senior Executive Vice President and Chief Operating Officer
I’ll focus on two areas today:

1. Update on the TD Ameritrade transaction
2. Update on how we’ve progressed our digital transformation over the past year
This transaction enables Schwab to press forward on behalf of clients while building the future of modern wealth management.
The combined firm will be positioned to meet the needs of investors and to support the independent advisors who serve them...

- Enhances scale and efficiency while helping to drive profitable growth
- Leverages merits of both platforms to further improve client experience
- Unlocks attractive long-term stockholder value via potential synergy opportunities

Note: Combined business and financial metrics shown represent annualized figures as of period-end September 2019; these metrics exclude the impact of recently announced commission reductions and any potential transaction synergies.
...and will create opportunity for significant expense synergies and revenue lift.

### Potential Opportunities

- **Expense Synergies**
  - Potential cost savings of $1.8–2.0 billion
  - Approximately 60-65% of AMTD’s expense base or 18-20% of blended cost base
  - Expected to achieve full run-rate by the end of Year 3

- **Revenue Synergies**
  - IDA restructuring offers improved net cash yields and balance sheet growth
  - Opportunity to introduce AMTD customers to Schwab’s breadth and depth of capabilities
  - Opportunity for Schwab clients to leverage AMTD’s trading capabilities
  - Offer Schwab's high-quality, low-cost investment products and solutions across an expanded client base

### Illustrative Sources

- `Technology and Marketing Spend`
- `Geographic Footprint Rationalization`
- `Workforce Overlap`
- `Full Suite of Advisory Solutions`
- `Fund Products and Integrated Trading Platforms`
- `Bank / IDA Restructuring`

Currently estimating integration spend of $1.6 billion over 3 years post closing to support synergies

Note: IDA = Insured Deposit Account.
We have committed to a set of guiding principles that will govern our approach to the integration.

1. Minimize client disruption through all phases of the integration to build trust and help meet or exceed retention targets.

2. Capture identified synergies as soon as possible, across both revenue and expense, in order to meet or exceed targets.

3. Make decisions quickly, even at the risk that some work may need to be revisited.

4. Implement Schwab as the default choice for systems and solutions except where there is clear material advantage in the TD Ameritrade approach (potential examples: client trading capabilities, open API model for RIAs).

5. Evolve or accelerate existing efforts to support scale versus starting up new programs; reprioritize resources where needed.

6. Reinforce aspects of the Schwab culture through the integration: through clients' eyes, leadership imperatives, talent development, diversity, communication, transparency, and prudent risk management.

Note: API = Application Programming Interface.
And we’ve created an Integration Management Office (IMO) that will provide governance over the entire process.

We're near complete with “Phase Zero” of integration planning, including standing up and staffing the IMO, establishing “clean room” protocols, and engaging Boston Consulting Group (BCG) for consulting and process support.

The work is organized into 14 tracks, with a substantial number of sub-tracks given the breadth of the effort. We have identified business leads for the major work tracks.

While we have started some preliminary conversations with our counterparts at TD Ameritrade, our formal launch will be held in early February.
We’ve progressed our digital transformation through a keen focus and continued investment in our original multi-year objectives...

...which will enable our success in meeting the goals of the integration.

Create a **seamless, multi-channel experience**, removing friction and making Schwab “**easy to do business with**”

Reduce the cost of serving our clients, to allow us to **continue to reduce prices and make disruptive investments**

Drive growth and innovation that **widens our scale advantage** and allows us to reinvest in the business, while also rewarding employees and stockholders

Enhance scale and efficiency while helping to drive profitable growth

Leverage merits of both platforms to further improve client experience

Unlock attractive long-term stockholder value via potential synergy opportunities
The cross-enterprise, multi-channel approach we instituted in 2018 bore fruit in 2019 as we began or accelerated delivery on our objectives.

Select example initiatives

- 1099 Client Tax Dashboard
- Google Assistant Action
- Intelligent Assistant Pilot
- Schwab.com Investment Income View
- Schwab Advisor Portfolio Connect™
- Digital Account Open
- Advisor Onboarding MVP
- Institutional Intelligent Portfolios® Enhancements
- Schwab Intelligent Portfolios Premium™ and Subscription Pricing
- Schwab Intelligent Income™

Note: MVP = Minimal viable product.
A few examples of the impact our transformation efforts have had on the advisor and investor experience in 2019 alone:

- Digital workflows and status for advisors
- Schwab Mobile app experience enhancements
- Digital experience for clients nearing or in retirement
We’ve launched new digital workflows for advisors that eliminate paper from the process.

For opening accounts...
- Key in data only once or import it from leading third-party systems
- Smart application helps reduce or eliminate errors
- Drag and drop recent contact information

...changing addresses...
- Smart application helps reduce or eliminate errors
- Change an address across many accounts at one time
- Most address changes initiated and completed the same day

...and moving money
- Guided workflows for wire, journals, check, and Schwab MoneyLink®/ACH requests
- Initiate the request in minutes

Note: ACH = Automated Clearing House.
And the fully digital workflows make on-the-go end-client approvals easy.

Opening accounts, changing addresses, and moving money can be fully approved by an advisor’s end-client in seconds.
Our focus on digital workflows has enabled a Status experience that gives advisors better insight into and tracking of submitted requests.

“Did you get it?”
Your request has been received by Schwab.

“Are you working on it?”
It is being actively processed.

“How do I fix any issues?”
There are errors that need to be addressed.

“Is it done?”
Your request has been completed.

- View more detail and history
- Update requests that require action
- Insert documents and add notes
- Requests update in real time
- Dynamically search requests using any keyword
- Detailed confirmation for completed requests
These new digital workflows and status capabilities launched in 2019 are already driving client and operational impact.

- Over 50% of advisor firms are actively using the new Status experience, causing status-related call volumes into our Service teams to decline by 15%.
- Since its launch in June, the number of firms using our digital account open experience has more than doubled with over 20% of advisors leveraging it today.
- While roughly 30% of new accounts processed via paper result in some “not in good order” (NIGO) errors, only 3% of accounts opened via our digital account open workflow had such errors.
- Advisors utilizing our new digital account open workflow can now open a new account in less than 10 minutes.
- The weighted processing minutes per account open for our Operational teams is only 6 minutes for accounts opened via our digital workflows, compared to 19 minutes for accounts opened via other channels.
What’s next for advisor-focused digital workflows? Acceleration.

- **Phase 1 (Complete)**: Open new accounts in less than 10 minutes
- **Phase 2 (In progress)**: Onboard new households using guided workflows
- **Phase 3 (Future state)**: Eliminate paper for every new client

Additional features include:

- **Additional Account Types**
- **Time-Saving Features**
- **Additional Forms**
- **Third-Party Integration**
We enhanced our Schwab Mobile app with new capabilities to enable better personalization, streamline functionality, and drive self-service.

Examples of the over 100 new features we released in 2019

- Tax Dashboard
  View and see expected delivery of all 1099 tax forms

- Document Uploader
  Securely send documents to Schwab

- Market Reports
  Gain deeper insight into the markets via in-app market reports

- Visa Debit Alerts
  Set alerts for debit cards

- Bank to IRA Transfers
  Make transfers directly from bank accounts to an IRA

- Me Menu
  Increase ease of navigation by moving personal setting to an easy-to-find location

- Trade Recent Symbols
  See recently searched symbols when inputting a trade

- Short Sale Automation
  Clients who wish to trade Hard to Borrow securities now have an automated experience

- Markets Settings
  Rearrange content on the “Markets” screen via drag/drop functionality

- Balance Letters
  Instantly generate a balance letter to verify the status and balance of accounts

- Edit Travel Notice
  Edit previously submitted travel notices

- New Deeplinks
  Seamlessly link to your end destination within the app

We prioritized the development of capabilities that would lead to:

- Improved navigation and ease of use
- Reduced call volumes in our contact centers
- Mobile parity with our Schwab.com experience
- Increased client engagement
And while clients and the industry are already taking notice, we have work underway in 2020 to further improve the experience and drive scale.

By the numbers

- **>1.2 MM** unique customers now using Schwab Mobile, up 25% year-over-year
- **30% - 40%** of these unique customers on any given month are “mobile only” users
- **4.8** star rating out of five in the iOS App Store
- **#1** J.D. Power 2019 U.S. Wealth Management Mobile App Satisfaction

Select mobile capabilities on the 2020 roadmap

- Full rollout of Schwab Intelligent Assistant, a chat-bot experience aimed at reducing transactional call volume into our contact centers
- Further drive for parity between Schwab’s web and mobile experiences, progressing clients’ ability to self-serve in their channel of choice
- Enhance the pre-login mobile experience, including more integration of Schwab’s help and guidance and thought leadership content

Note: For J.D. Power 2019 award information, visit jdpower.com/awards.
We’ve also significantly enhanced our digital experience for clients in or nearing retirement with a range of new multi-channel capabilities.

**Investment income reporting and projection**

- Gives clients the ability to view the dividends and interest income generated by their Schwab accounts
- Simple export of robust investment income details
- Lays the groundwork for next-generation performance reporting experiences

**Streamlined digital retirement journey**

- Easy required minimum distribution (RMD) set-up provides RMD status and ability to modify RMD amount, tax withholding elections, and distribution method within the tool
- For inheritors, ability to digitally upload a death certificate using their mobile device or desktop, no login credentials required

**Schwab Intelligent Income**

- Enables clients to project, manage, and automate the creation of income in a tax-smart way
- Maximum flexibility to stop or liquidate investments at any time without penalties
Key takeaways

Schwab’s acquisition of TD Ameritrade enables Schwab to press forward on behalf of clients while building the future of modern wealth management:

» Enhances scale and efficiency while helping to drive profitable growth

» Leverages merits of both platforms to further improve client experience

» Unlocks attractive long-term stockholder value via potential synergy opportunities

While we’ve been moving quickly to get the integration planning effort up and running, we’ve also been accelerating our major digital initiatives – which we began as part of our broader digital transformation aimed at helping to manage the ongoing growth of the company

We’re confident that many of the capabilities we’ve built as part of this digital transformation – particularly those focused on increasing automation – will contribute to making the integration process smooth and enable us to manage significant jumps in volume
Jonathan Craig
Senior Executive Vice President, Investor Services and Marketing
2019 was a year of significant marketplace actions.

- First major brokerage to offer zero commissions
- First in industry to launch subscription pricing
- Substantially enhanced bank relationship pricing
- Announced breakthrough portfolio “paycheck” solution
- Expansion of independent branches

All of these actions are aimed at staying on offense, ensuring we continue our robust organic growth in the face of a strong competitive environment.
The result is a very healthy Retail business.

Strong multi-year growth in assets, households, and client satisfaction

Total Net New Assets

<table>
<thead>
<tr>
<th>Year</th>
<th>Value</th>
<th>Change</th>
<th>CAGR</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>$36B</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>$39B</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>$62B</td>
<td>+18%</td>
<td>+18%</td>
</tr>
<tr>
<td>2018</td>
<td>$84B</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>$70B</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Total New to Retail Households

<table>
<thead>
<tr>
<th>Year</th>
<th>Value</th>
<th>Change</th>
<th>CAGR</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>249K</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>265K</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>393K</td>
<td>+18%</td>
<td>+18%</td>
</tr>
<tr>
<td>2018</td>
<td>472K</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>477K</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Client Promotor Score

<table>
<thead>
<tr>
<th>Year</th>
<th>Value</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td></td>
<td></td>
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<tr>
<td>2017</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

We are attracting young, affluent clients who want advice

<table>
<thead>
<tr>
<th>Client</th>
<th>% of NTR HHs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Young</td>
<td>55%</td>
</tr>
<tr>
<td>Affluent</td>
<td>33%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Parameter</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Young clients</td>
<td>55% of NTR HHs are 40 years old or younger</td>
</tr>
<tr>
<td>Affluent clients</td>
<td>33% of NTR HHs are Affluent¹</td>
</tr>
<tr>
<td>Client assets engaged in advice solutions</td>
<td>1.3x more likely to engage in advice</td>
</tr>
</tbody>
</table>

We continued to receive strong industry recognition²

#1 in Investor Satisfaction for Self-Directed Investors (DIY), Direct Retail Banks³, and Large Retirement Plan Participants⁴

Other industry accolades:

Note: NTR = New to Retail. HH = Households. Growth metrics are 2019 vs. 2015. 1. Refers to New to Retail Households with $250K+ in investable assets. 2. Please refer to Appendix for all disclosures. For J.D. Power 2019 award information, visit jdpower.com/awards. 3. Among branchless banks. 4. For large plan segment.
Despite our strength, we have only just scratched the surface of a big opportunity.

We have significant market share opportunity...

...and strong positioning against key trends.

- **Low cost**: $0 commissions, low cost / no-fee advisory offers, relationship pricing
- **Transparency**: Industry’s only Satisfaction Guarantee
- **Omni-channel**: Serving clients in their channel of choice across physical and digital
- **Scale**: Operating with highly efficient cost structure, continuing Virtuous Cycle

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Note: 1. Total U.S. Retail Assets based on Schwab estimates from Federal Reserve Flow of Funds. 2. Schwab total client assets as of December 31, 2019. 3. Schwab Investor Services includes retail and retirement plan services assets. 4. Please visit schwab.com/satisfaction-guarantee for more details.
We have a number of levers to drive net new assets and new households...

**Inorganic growth levers**

**Announced intent to acquire:**

**USAA’s investment management business**
- 1M brokerage accounts and $90B client assets
- Exclusive referral agreement to serve USAA members

**TD Ameritrade**
- 12M client accounts and $1.3T client assets across both the retail and advisor businesses
- Potential access to award-winning technology

**Select organic asset and household growth levers**

- **Client segmentation**
  - New relationship and service models
  - Enhanced Chairman's Circle

- **B2B2C\(^1\) relationships**
  - New dedicated B2B2C\(^1\) conversion team
  - Financial wellness

- **Distribution and marketing**
  - Additional franchises
  - Stop competitors from “buying” client assets with cash offers
  - Continue strong, insights-driven marketing

- **Service and simplification**
  - Great service through simplicity and respect for people's time
  - “Client Easy Score”

---

Note: 1. Business to business to customer.
...in addition to monetization via new solutions.

Clients have proven a strong willingness to embrace new Schwab products...

- **Schwab Intelligent Portfolios Solutions™**
  - $47B AUM¹
    - Became largest pure robo just 10 months after launch

- **Schwab ETFs**
  - $164B AUM²
    - 10 years after launch, became #5 ETF manager by assets and #3 by net flows (for 2019)

- **ThomasPartners**
  - $17B AUM
    - vs. $1.5B AUM in 2013 (more than 10.7x growth)

We will leverage our brand equity and seek opportunities that build new solutions that...

- Deliver great value to clients
- Improve firm’s economics
- Fit with firm’s risk appetite

Potential new product areas include...

- Income generation and planning
- More discretionary solutions
- Additional lending products

---

Note: 1. Includes all digital advisory solutions: Schwab Intelligent Portfolios® (SIP), Schwab Intelligent Portfolios Premium™ (SIPP), and Institutional Intelligent Portfolios™ (IIP). 2. Represents total assets.
Finally, we continue to invest in scaling our service model to support future growth.

In 2019, we launched a multi-year, franchise-wide effort to enhance scale and improve service.

2019 key service transformation areas and initiatives

- **Digital**: Launched broad set of capabilities to lower call volumes and allow clients to contact us in their channel of choice.
- **Voice technology**: Significant upgrade to IVR and launched virtual callback functionality.
- **Risk management**: Strengthened client authentication across digital and voice channels.
- **Employees**: Launched frontline development program and began rollout of cloud-based service desktop.

Robust results to date

- **Call volume**: \(\downarrow 8\%\)
- **Hold time saved**: 4K+ hours
- **Service levels**: \(\uparrow 15\%\)
- **Cost per household**: \(\downarrow 6\%\)

Note: IVR = Interactive voice response. 1. As of mid-December 2019. 2. Represents total call volume.
In summary, our business is healthy and we’re focused on creating more client value in 2020.

We have strong momentum in the marketplace and remain well positioned for growth.

We are making significant investments to drive continued growth in assets and households.

Segmentation, monetization, as well as USAA / TD Ameritrade integration will be critical new focus areas in 2020.
Appendix

Disclosures: Charles Schwab received the highest numerical score in the J.D. Power 2019 Self-Directed Investor Satisfaction Study. 2019 study based on responses from 5,418 investors who make all their investment decisions without the counsel of a personal financial advisor, surveyed between November 2018 and January 2019. Your experiences may vary. Visit jdpower.com/awards. | Charles Schwab received the highest numerical score in the J.D. Power 2019 Direct Banking Satisfaction Study, among branchless banks. 2019 study based on responses from 2,138 direct bank customers, surveyed between January 2019 and February 2019. Your experiences may vary. Visit jdpower.com/awards. | Charles Schwab received the highest numerical score in the J.D. Power 2019 U.S. Retirement Plan Participant Satisfaction Study, in the large plan segment. 2019 study based on responses from 8,332 retirement plan participants, surveyed between February 2019 and March 2019. Your experiences may vary. Visit jdpower.com/awards. | From FORTUNE, ©2019 FORTUNE Media IP Limited. All rights reserved. Used under license. FORTUNE and FORTUNE World's Most Admired Companies are registered trademarks of FORTUNE Media IP Limited and are used under license. FORTUNE is not affiliated with and does not endorse the products or services of, Charles Schwab | From Investors' Business Daily, January 28, 2019, © 2000-2020 Investor's Business Daily, Inc. All rights reserved. Used by permission and protected by the Copyright Laws of the United States. The printing, copying, redistribution, or retransmission of this Content without express written permission is prohibited. Results based on a two-step process, with the first step involving survey respondents being asked which attributes of an online broker were most and least important to them, and the second step involving survey respondents rating their primary broker in the 14 most important criteria, with the top 3 overall and in each category being recognized. | From StockBrokers.com, February 18, 2019, © 2019 Reink Media Group LLC. All rights reserved. Used by permission and protected by the Copyright Laws of the United States. The printing, copying, redistribution, or retransmission of this Content without express written permission is prohibited. Results based on 4,544 data points collected over 6 months, including 284 different variables across 9 core areas: Commissions & Fees, Customer Service, Platforms & Tools, Research, Ease of Use, Offering of Investments, Education, Mobile Trading, and Banking.
Bernie Clark
Executive Vice President, Advisor Services
Agenda

Our Industry

Independent Registered Investment Advisors (RIAs) continue to represent a rapidly growing and increasingly sophisticated profession within financial services.

Our 2019 Results

Schwab Advisor Services attracted over $100B in NNA for the third year running, and on-boarded a record 235 Advisors in Transition (AITs).

Our Vision for 2020

The advisor experience of the future is simple, scalable, and consultative. We are focused on the three pillars of building that experience: digitization, specialization, and service evolution.
Assets managed by independent advisors have tripled in the last decade...

Source: The Cerulli Report, U.S. RIA Marketplace 2019. 1. Includes both independent and hybrid RIAs.
...contributing to an increasingly sophisticated ecosystem,...

**Platforms**
Allow RIAs to "rent" an end-to-end operating and support platform, and do not take an equity stake in affiliates

**Financial Acquirers**
Systematically acquire RIAs to aggregate individual firms in a fragmented market and realize financial gains through a liquidity event or cash flow distributions

**Strategic Acquirers**
Large RIAs that systematically acquire advisory firms to grow market share, enter new geographic regions, and achieve other growth-oriented strategic objectives

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*Source: The Cerulli Report, U.S. RIA Marketplace 2019.* 1. The size of each circle represents that consolidator firm's assets custodied under the firm's RIA as of year-end 2018. Average AUM per affiliate firm and the number of affiliate firms added are evaluated over a three-year period from 2016 to 2018. Recruited AUM is based on assets announced at the time of affiliation.*
...which is set up to address key objectives from scale to succession.

Trends among $1B+ advisors

“Traditional” large firm
(could be multi-office, multi-offer, etc.)

Become consolidator

Join consolidator

Source: The Cerulli Report, U.S. RIA Marketplace 2019. 1. Circle size represents consolidator firm’s assets custodied under the firm’s RIA as of year-end 2018. Average acquisition size is based on recruited assets at announcement. Exhibit is not intended to be comprehensively inclusive of all emerging consolidators.
Firms continue to expand their offerings, to address client needs and differentiate,…
...while all-in pricing holds steady.

Advisory fee in basis point by client relationship size

<table>
<thead>
<tr>
<th>Client relationship size</th>
<th>2014</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>$250K</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>$500K</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>$1M</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>$2M</td>
<td>90</td>
<td>90</td>
</tr>
<tr>
<td>$5M</td>
<td>75</td>
<td>75</td>
</tr>
<tr>
<td>$10M</td>
<td>60</td>
<td>60</td>
</tr>
<tr>
<td>$25M</td>
<td>49</td>
<td>50</td>
</tr>
</tbody>
</table>

Advisory fees often include more than asset management

1. Asset Management
2. Tax planning and strategy, Charitable planning, Bank deposits
3. Lifestyle management, Family education, Annuity products, Life insurance products

Source: Results from the 2015 and 2019 RIA Benchmarking Study from Charles Schwab. Median results for all firms with $250 million or more in AUM.
Source: 2019 RIA Benchmarking Study from Charles Schwab, fielded January to March 2019. Study contains self-reported data from 1,310 firms. Participant firms represent various sizes and business models categorized into 12 peer groups — 7 wealth manager groups and 5 money manager groups — by AUM size.
Advisor Services attracted over $100B in NNA for the third year running...

Inflows from new and existing RIAs were solid despite environmental headwinds in 1Q 2019.

A record high number of AIT teams became independent with Schwab.
...as the open-architecture, client-centric model continued to resonate.

Source of Advisors in Transition (AIT)

<table>
<thead>
<tr>
<th>Year</th>
<th>Other</th>
<th>Regional Broker Dealer</th>
<th>Wirehouse</th>
<th>Independent Broker Dealer</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>170</td>
<td>38%</td>
<td>44%</td>
<td>15%</td>
</tr>
<tr>
<td>2016</td>
<td>166</td>
<td>54%</td>
<td>30%</td>
<td>9%</td>
</tr>
<tr>
<td>2017</td>
<td>227</td>
<td>53%</td>
<td>37%</td>
<td>5%</td>
</tr>
<tr>
<td>2018</td>
<td>231</td>
<td>54%</td>
<td>29%</td>
<td>7%</td>
</tr>
<tr>
<td>2019</td>
<td>235</td>
<td>42%</td>
<td>44%</td>
<td>7%</td>
</tr>
</tbody>
</table>

Record number of deals from AITs in 2019

- Strong results from the wirehouse channel, with number of deals up 70% year-over-year
- Schwab has won 1,000+ AITs over the past 5 years

Source: Charles Schwab.
Note: Percentages do not add up to 100% due to rounding. Other includes Banks, Institutional Broker-Dealers, Trusts, and Insurance.
In 2020, we will continue on a multi-year journey to build the RIA experience of the future.

**Digitization**
Enhance digital tools that make it easier to do business, with an emphasis on increasing adoption of paperless workflows

**Specialization**
Continue developing specialized offers for an increasingly diverse client set based on size, complexity and volume needs

**Service Evolution**
Deliver technologies and structural enhancements focused on providing advisors with first call resolution
Tailoring our offerings across the spectrum of advisor size and need has delivered strong results.

The **Core Solutions Group** serves over 4,500 advisors with up to $100M in assets under management.

**NNA $11.6B**
+47% Y/Y organic growth

**Advisors 4,559**
+4% Y/Y organic growth

**Assets $153.0B**
+25% Y/Y organic growth

**Schwab Advisor Family Office** has grown into an organization of 40 professionals and 20 additional dedicated support roles throughout Advisor Services and Schwab Bank.

**NNA $17.0B**
From advisors serving ultra-high net worth households

**Advisors 288**
Single and multi-family offices custody with Schwab

**Assets $378.0B**
in ultra high net worth
Q&A

Jonathan Craig
Senior Executive Vice President, Investor Services and Marketing

Bernie Clark
Executive Vice President, Advisor Services
Lunch
Winter Business Update

February 4, 2020
Peter Crawford
Executive Vice President and Chief Financial Officer
We achieved impressive 2019 results in the face of a mixed environment and our own pricing decisions.

- During 2019, Schwab reached new records – in total client assets, revenue, net income, and EPS
- Our 2020 outlook puts the focus on efficiency and execution as we press ahead to build the future of wealth management
- We will remain on offense by continuing to prudently invest for the future while delivering on our near-term commitments
Though equity markets were strong, lower interest rates and our own pricing actions created headwinds...

<table>
<thead>
<tr>
<th>Key Scenario Drivers:</th>
<th>2019 Actual</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Market</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>S&amp;P appreciates 6.5% from mid-January 2019</td>
<td>S&amp;P up 29%</td>
<td></td>
</tr>
<tr>
<td><strong>Short-term Rates</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>One rate hike in June to 2.50% - 2.75%</td>
<td>Three rate cuts in July, September, and October to 1.50%-1.75%</td>
<td></td>
</tr>
<tr>
<td><strong>Long-term Rates</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average 10-year Treasury at 2.80%</td>
<td>Average 10-year Treasury at 2.14%</td>
<td></td>
</tr>
<tr>
<td><strong>Trading</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DARTs up ~5% year-over-year</td>
<td>DARTs down 20% year-over-year</td>
<td></td>
</tr>
<tr>
<td><strong>Balance Sheet¹</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8%-9% decline to 3%-4% growth</td>
<td>Contracted by 1%</td>
<td></td>
</tr>
</tbody>
</table>

**Note:** 1. Based on end-of-period total balance sheet assets.
...yet strong asset gathering and expense discipline enabled us to deliver strong results.

<table>
<thead>
<tr>
<th>Revenue Growth</th>
<th>Expense Growth</th>
<th>Pre-tax Profit Margin</th>
<th>EPS ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019 One Rate-hike Scenario: 7%-11%</td>
<td>2019 Actual Results: 6%</td>
<td>6%-7% 5%</td>
<td>45%+ 45%</td>
</tr>
<tr>
<td>$2.67 $v$ vs. 2018 +9%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Impact of certain non-routine items: $87 million, or $0.05 of GAAP EPS for FY19; items included $62 million in severance charges related to position eliminations in 3Q19 and $25 million in acquisition-related expenses associated with the pending USAA and TD Ameritrade transactions.
The balance sheet contracted 1%, which was within the anticipated range for the year.

<table>
<thead>
<tr>
<th>($M, EOP)</th>
<th>4Q18</th>
<th>4Q19*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Assets</td>
<td>$296,482</td>
<td>$294,005</td>
</tr>
<tr>
<td>Bank Deposits</td>
<td>$231,423</td>
<td>$220,094</td>
</tr>
<tr>
<td>Payables to Brokerage Clients</td>
<td>$32,726</td>
<td>$39,220</td>
</tr>
<tr>
<td>Long-term Debt</td>
<td>$6,878</td>
<td>$7,430</td>
</tr>
<tr>
<td>Stockholders' Equity</td>
<td>$20,670</td>
<td>$21,745</td>
</tr>
<tr>
<td>Parent Liquidity</td>
<td>$4,070</td>
<td>$4,834</td>
</tr>
<tr>
<td>Tier 1 Leverage Ratio</td>
<td>7.1%</td>
<td>7.3%</td>
</tr>
</tbody>
</table>

- **Balance sheet decline** was driven by lower bank deposits as client cash sorting continued throughout the year, albeit at a slowing pace.
- We completed a 12-year process of transferring approximately $130 billion of sweep money market funds to our bank and broker-dealer balance sheets.
- We issued $600 million in debt during 2Q19 for general corporate purposes.
- During the year, we repurchased more than 55 million shares for $2.2 billion, utilizing just over half of our outstanding $4 billion authorization.
- As we manage through seasonal client cash flows and prepare for pending transactions, our intent to return excess capital above our long-term Tier 1 Leverage Ratio operating objective remains in place.

Note: 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. 1. Tier 1 Leverage Ratio long-term operating object of 6.75% - 7.00%.
Net flows to the balance sheet from clients reducing equity market exposure partially offset other outflows.

![2019 Quarterly Organic Net Flows for Bank Sweep and Schwab One Balances ($B)\(^1\)]

<table>
<thead>
<tr>
<th>Total Net Quarterly Flows</th>
<th>Net Equity Sales</th>
<th>Other Flows(^2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>$23</td>
<td>($6)</td>
<td>($17)</td>
</tr>
<tr>
<td>($9)</td>
<td>$8</td>
<td>($17)</td>
</tr>
<tr>
<td>$4</td>
<td>$15</td>
<td>($11)</td>
</tr>
<tr>
<td>$13</td>
<td>$12</td>
<td>$1</td>
</tr>
</tbody>
</table>

1Q19  | 2Q19  | 3Q19  | 4Q19  |

Note: 1. Excludes the impact of bulk transfer. 2. "Other Flows" includes net new asset flows, dividends and interest as well as net movements of balance sheet client deposits to other alternatives, including Purchased Money Market Funds (PMMFs), Certificates of Deposit (CDs), fixed income securities, and other income oriented investments.
As we look at 2020, there is, as always, much environmental uncertainty...

**Market**
- Sustained market momentum vs. return of volatility

**Interest Rate Outlook**
- Monetary policy decisions

**Trading**
- Client behavior post price cuts

**Client Cash Allocation**
- Pace of client sorting behavior, as well as net equity selling activity

Today’s financial outlook discussion excludes any potential impact of the pending TD Ameritrade transaction
A stable rate environment implies baseline NIM should average in the mid-to-upper 220s.

**Assumptions**

- Anticipate fixed investments to represent approximately 80% of the bank portfolio mix
- Plan to extend duration of fixed investments, given longer duration of Bank Sweep post sorting
- Expect to utilize some FHLB funding in advance of USAA closing targeted for late 2Q / early 3Q
- Our approach to deposit pricing will remain consistent in 2020
- All HTM bank portfolio investments reclassified as AFS securities effective 1/1/20

**Net Interest Margin (NIM)**

*Illustrative*

- Baseline NIM could average in the mid-to-upper 220s for the year

---

Note: FHLB = Federal Home Loan Bank. AFS = Available for Sale. HTM = Held to Maturity.
We expect underlying operating expense growth to continue trending towards a low-to-mid single digit long-run rate.

Composition of 2020 GAAP Expense Growth\(^1\) ($M, %)

<table>
<thead>
<tr>
<th></th>
<th>2019A</th>
<th>2019 Non-routine Expenses(^2)</th>
<th>Underlying Schwab Expenses</th>
<th>Acquisition-related USAA Expenses</th>
<th>Ongoing USAA Expenses</th>
<th>2020E GAAP Expense Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenses</td>
<td>$5,873</td>
<td>(1.5%)</td>
<td>4.0%-5.0%</td>
<td>1.7%</td>
<td>1.8%</td>
<td>6.0%-7.0%</td>
</tr>
</tbody>
</table>

Expenses relating to the pending USAA acquisition add 3%-4% to our 2020 expense growth rate

Note: 1. Excludes any potential impact of pending TD Ameritrade transaction. 2. Certain non-routine expenses totaled $87 million; items included $62 million in severance charged related to the position eliminations announced in 3Q19 and $25 million in acquisition-related costs.
Client cash dynamics will affect our 2020 outlook...

<table>
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<th>Macro Factor Assumptions</th>
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<td>Market</td>
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<tr>
<td>S&amp;P appreciates 6.5% from 1/10/20 close</td>
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<td>Short-term Rates</td>
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</tr>
<tr>
<td>Average 10-year Treasury at 1.93%</td>
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Note: Excludes any potential impact of pending TD Ameritrade transaction.
### Macro Factor Assumptions

#### Market
- S&P appreciates 6.5% from 1/10/20 close

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- Fed Funds rate stays at 1.50%-1.75%

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1. Macro Factor Assumptions

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   - **Short-term Rates**
     - Fed Funds rate stays at 1.50%-1.75%

   - **Long-term Rates**
     - Average 10-year Treasury at 1.93%

2. Balance Sheet Dynamics

   - Cash sorting stops (+) and Net equity sales continue (+)
   - Cash sorting continues (-) and Net equity sales stop (-)

   ~ Flat

   +12% Growth

Note: Excludes any potential impact of pending TD Ameritrade transaction.
Client cash dynamics will affect our 2020 outlook...

**Macro Factor Assumptions**

- **Market**
  - S&P appreciates 6.5% from 1/10/20 close

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- **Long-term Rates**
  - Average 10-year Treasury at 1.93%

**Balance Sheet Dynamics**

- Cash sorting stops (+) and Net equity sales continue (+)
- Cash sorting continues (-) and Net equity sales stop (-)

**Range of GAAP Financial Outcomes**

- Revenue Growth: 0%-4%
- Expense Growth: 6%-7%
- Pre-tax Profit Margin: 41%+

Note: Excludes any potential impact of pending TD Ameritrade transaction.
...with the potential for positive operating leverage as the year progresses.

Note: Operating leverage represents the difference between GAAP revenue growth and expense growth.
Revenue sensitivities:

Key levers and estimated first year revenue impact:

- **Target Fed Funds +/-25bps** = $75-$175M
- **10-year Treasury +/-10bps** = $40M
- **Bank Sweep Balances +/-$1B** = $20M
- **S&P +/-1%** = $15M
- **Revenue Trades +/-10%** = $35M
- **Sweep Pricing +/-1bp** = $25M

Note: Excludes any potential impact of pending TD Ameritrade transaction. For Fed Funds and Treasury sensitivities, assumes static interest earning asset balances as of December 31, 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. Sweep pricing includes impact to bank sweep deposits and Schwab One balances.
With both the Dallas campus and new data center in service, 2020 Capex should trend towards our long-run average.

Capital Expenditures as a % of Revenue

- 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 2020, we expect software and equipment to represent a relatively larger proportion of capex dollars than in recent years

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

Note: Excludes any potential impact of pending TD Ameritrade transaction.
We delivered meaningful capital return during 2019.

Supporting long-term growth remains our top priority, but we anticipate excess capital return to continue to play an important role in our financial story going forward.

2019 Capital Management Highlights
- Increased dividend by 31% to $0.17 (in-line with 20-30% target payout ratio)¹
- Completed $2.2 billion of share repurchases, utilizing just over half of Board authorization
- Began building excess capital to support USAA acquisition

2020 Capital Management Dynamics
- Prepare for closing of USAA and TD Ameritrade transactions (repurchase window considerations)
- Push forward on key business investments
- Execute on $1.8 billion in remaining buyback capacity under authorized plan (as appropriate)

Note: 1. Declared a one cent, or 6%, incremental increase in the quarterly cash dividend to $0.18 per common share on January 29, 2020.
Following the close of our two pending acquisitions, our financial reporting will reflect a significant increase in Goodwill and intangibles.

To enhance tracking of fundamental operating and capital efficiency, we expect to introduce certain measures such as Return on Tangible Common Equity (ROTCE) as a complement to GAAP reporting.

2019 ROE vs. ROTCE\(^1\) (%)

- ROE: 19%
- ROTCE: 19%

Other Potential Measures (Illustrative)
- Core operating expense
- Adjusted pre-tax margin
- Adjusted Earnings per Share

Note: 1. All non-GAAP measures are illustrative estimates. ROTCE = Net Income Available to Common Stockholders divided by average Tangible Common Equity (TCE); TCE = Total Stockholders' Equity less preferred stock, Goodwill, intangible assets, and deferred tax liabilities related to Goodwill and intangible assets.
We will continue to press forward on behalf of our clients.

- Our 2019 results emphasized the enduring nature of Schwab’s financial model.
- Going forward, we will apply judgment in maintaining appropriate investment levels to support our strong business momentum, while also implementing a thoughtful approach to transaction integration efforts.
- Consistency is key – our commitment to operating efficiency, solid capital, strong liquidity, and managing risk spans all environments.

Our priorities remain unchanged:

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