

Schwab's Financial Strength

The Charles Schwab Corporation is one of the nation's leading providers of financial services. Through our operating subsidiaries, we provide securities brokerage, banking, money management and financial advisory services to individual investors, independent investment advisors, and corporate and retirement plan sponsors and participants.

The Charles Schwab Corporation is financially strong, and we are committed to our continued financial health. Our capital structure and liquidity are sound, and our internal controls and business standards are designed to keep client assets safe. We maintain a disciplined focus on risk management and operate the firm conservatively to minimize investment risks. We know that our success ultimately depends on how well we serve all our clients, and their confidence in us.

Key financial data as of June 30, 2009

For The Charles Schwab Corporation:

- \$4.6 billion in equity capital¹
- Approximately \$1.5 billion of freely available cash²
- Long-term debt-to-equity ratio of 33.8%¹
- Net income of \$205 million over the prior three months³
- \$1.2 trillion in client assets⁴
- \$17.3 billion in net new assets over the prior three months⁴
- Strong credit ratings from Moody's (A2), S&P (A) and Fitch (A)⁵
- A diversified investment portfolio⁶
- The Corporation maintains an \$800 million committed, unsecured credit facility. Additionally, the Corporation has direct access to \$689 million in uncommitted, unsecured bank credit lines.⁵

While The Charles Schwab Corporation is not subject to specific statutory capital requirements, it is required to maintain capital that is sufficient to support the holding company and its subsidiaries' business activities. Charles Schwab Bank is subject to specific capital requirements specified by federal banking laws and regulations. Charles Schwab Bank is considered well capitalized (the highest category), with a Tier 1 Capital Ratio of 16.8%, a Total Capital Ratio of 17.2% and a Leverage Ratio of 6.8%.⁷

For Charles Schwab & Co., Inc. (the brokerage subsidiary of The Charles Schwab Corporation):

- Net capital of \$1.1 billion (\$909 million in excess of the regulatory minimum)⁵

¹ Consolidated Balance Sheet, The Charles Schwab Corporation Quarterly Report on Form 10-Q for the Quarter Ended June 30, 2009, p. 2.

² Incorporated within "Cash and cash equivalents" in the Consolidated Balance Sheet, The Charles Schwab Corporation Quarterly Report on Form 10-Q for the Quarter Ended June 30, 2009, p. 2.

³ Consolidated Statements of Income, The Charles Schwab Corporation Quarterly Report on Form 10-Q for the Quarter Ended June 30, 2009, p. 1.

⁴ Management's Discussion and Analysis of Financial Condition and Results of Operations, The Charles Schwab Corporation Quarterly Report on Form 10-Q for the Quarter Ended June 30, 2009, p. 21.

⁵ Management's Discussion and Analysis of Financial Condition and Results of Operations, The Charles Schwab Corporation Quarterly Report on Form 10-Q for the Quarter Ended June 30, 2009, p. 33.

⁶ Management's Discussion and Analysis of Financial Condition and Results of Operations, The Charles Schwab Corporation Quarterly Report on Form 10-Q for the Quarter Ended June 30, 2009. pp. 6–9.

⁷ Management's Discussion and Analysis of Financial Condition and Results of Operations, The Charles Schwab Corporation Quarterly Report on Form 10-Q for the Quarter Ended June 30, 2009, p. 35.

For Charles Schwab Bank (the banking subsidiary of The Charles Schwab Corporation):

- \$34.2 billion in assets, including \$6.3 billion in outstanding mortgage and home equity lines of credit (HELOCs).⁸
- Strong credit quality of the Bank's portfolio of mortgages and HELOCs, with credit scores and loan-to-value ratios significantly better than industry averages, reflecting our solid underwriting discipline.⁹
- Payment delinquencies representing a very small fraction of outstanding loan balances (approximately 0.64%)¹⁰ for mortgages and HELOCs combined, substantially less than the national average delinquency rate of over 9.8% for mortgages and approximately 5.0% for HELOCs.⁹
- High-quality investment portfolio with no subprime securities or collateralized debt obligations (CDOs).

Our commitment to our clients

Ongoing developments in the market highlight the importance of choosing wisely among financial services firms. That's just one of the reasons our clients should continue to feel good about doing business with Schwab. We are highly focused on maintaining our financial health. We deeply appreciate and value the trust our clients have placed in us and look forward to continuing to help them achieve their financial goals.

Financial results and more information about The Charles Schwab Corporation's business and financial condition can be viewed at any time at www.aboutschwab.com.

⁸ Quarterly earnings press release for the period ended June 30, 2009, p. 3.

⁹ First American CoreLogic, LoanPerformance data as of May 31, 2009.

¹⁰ Management's Discussion and Analysis of Financial Condition and Results of Operations, The Charles Schwab Corporation Quarterly Report on Form 10-Q for the Quarter Ended June 30, 2009, p. 38.

Charles Schwab & Co., Inc. and Charles Schwab Bank are separate but affiliated companies and subsidiaries of The Charles Schwab Corporation. Brokerage products offered by Charles Schwab & Co., Inc., Member SIPC, are not insured by the FDIC, are not deposits or obligations of Charles Schwab Bank, and are subject to investment risk, including the possible loss of principal invested. Deposit and lending products and services are offered by Charles Schwab Bank, Member FDIC and an Equal Housing Lender.