



CORPORATION

# **Basel III Standardized Approach Disclosures**

**September 30, 2017**

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## **INTRODUCTION**

The Charles Schwab Corporation (CSC) is a savings and loan holding company, headquartered in San Francisco, California. CSC was incorporated in 1986 and engages, through its subsidiaries (collectively referred to as the Company), in wealth management, securities brokerage, banking, asset management, custody, and financial advisory services. At September 30, 2017, the Company had \$3.18 trillion in client assets, 10.6 million active brokerage accounts, 1.6 million corporate retirement plan participants, and 1.2 million banking accounts.

Significant business subsidiaries of CSC include the following:

- Charles Schwab & Co., Inc. (Schwab), a securities broker-dealer;
- Charles Schwab Bank (Schwab Bank), a federal savings bank; and
- Charles Schwab Investment Management, Inc. (CSIM), the investment advisor for Schwab's proprietary mutual funds, which are referred to as the Schwab Funds<sup>®</sup>, and Schwab's exchange-traded funds (ETFs), which are referred to as the Schwab ETFs<sup>™</sup>.

The Company provides financial services to individuals and institutional clients through two segments – Investor Services and Advisor Services.

The basis of consolidation that CSC uses for regulatory reporting is consistent with the basis used for reporting under generally accepted accounting principles in the U.S. (U.S. GAAP) as established by the Financial Accounting Standards Board.

## **BACKGROUND**

In 2013, the U.S. Federal banking agencies adopted strengthened regulatory capital requirements for U.S. banking organizations consistent with Basel III (Final Regulatory Capital Rules). The Final Regulatory Capital Rules established Common Equity Tier 1 (CET1) Capital as a new capital standard, increased minimum required risk-based capital ratios, narrowed the eligibility criteria for regulatory capital instruments, provided for new regulatory capital deductions and adjustments, and modified methods for calculating risk-weighted assets (the denominator of risk-based capital ratios).

The Final Regulatory Capital Rules provided for a one-time election, which CSC and Schwab Bank made, to exclude accumulated other comprehensive income from the calculation of all capital ratios. The Final Regulatory Capital Rules also introduced a capital conservation buffer that limits a banking organization's ability to make capital distributions and discretionary bonus payments to executive officers if a banking organization fails to maintain a capital conservation buffer of more than 2.5%, on a fully phased-in basis, in excess of all of its minimum risk-based ratio requirements.

## **OVERVIEW**

This document, and certain of CSC's public filings, present the regulatory capital disclosures in compliance with Basel III as set forth in 12 C.F.R. §217.63 - Disclosures by Board-regulated institutions (the Rule). CSC's Annual Report on Form 10-K for the fiscal year ended December 31, 2016 (2016 Form 10-K) and its Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2017 (Form 10-Q) filed with the Securities and Exchange Commission (SEC) contains management's discussion of the overall corporate risk profile of CSC and related management strategies. These Basel III Standardized Approach Disclosures should be read in conjunction with the 2016 Form 10-K, the Form 10-Q, the Consolidated Financial Statements for Bank Holding Companies dated September 30, 2017 (FR Y-9C), and the Consolidated Reports of Condition and Income for a Bank with Domestic Offices Only for the quarter ended September 30, 2017 (FFIEC 041). CSC's Disclosure Matrix (see page 3) specifies where the disclosures required by the Rule are located.

Following are links to the referenced public filings:

<b>Filing</b>	<b>Link to Filing</b>
2016 Form 10-K	<a href="https://www.sec.gov/Archives/edgar/data/316709/000031670917000010/schw-20161231x10k.htm">https://www.sec.gov/Archives/edgar/data/316709/000031670917000010/schw-20161231x10k.htm</a>
September 30, 2017 Form 10-Q	<a href="https://www.sec.gov/Archives/edgar/data/316709/000031670917000061/schw-09302017x10q.htm">https://www.sec.gov/Archives/edgar/data/316709/000031670917000061/schw-09302017x10q.htm</a>
Consolidated Financial Statements for Bank Holding Companies – FR Y-9C dated September 30, 2017	<a href="https://www.ffiec.gov/nicpubweb/nicweb/InstitutionProfile.aspx?parID_Rssd=1026632&amp;parDT_END=99991231">https://www.ffiec.gov/nicpubweb/nicweb/InstitutionProfile.aspx?parID_Rssd=1026632&amp;parDT_END=99991231</a> Note search terms below: Report = Consolidated Financial Statements for BHCs (FR Y-9C) Report Date = 9/30/17
Consolidated Reports of Condition and Income for a Bank with Domestic Offices Only – FFIEC 041 for the quarter ended September 30, 2017	<a href="https://cdr.ffiec.gov/public/ManageFacsimiles.aspx">https://cdr.ffiec.gov/public/ManageFacsimiles.aspx</a> Note search terms below: Report = Call\TFR Report Date = 9/30/17 Institution Name = Charles Schwab Bank

The Rule applies only to the consolidated Company, with the exception that capital ratios for each depository subsidiary must be disclosed.

## DISCLOSURE MATRIX

Table	Disclosure Requirement	Disclosure Location	Disclosure Page	Source Reference – if applicable
<b>Scope of Application (Table 1)</b>				
Qualitative: (a)	The name of the top corporate entity in the group to which subpart D of this part applies.	<u><b>Basel III Standardized Approach Disclosures:</b></u> Introduction	Pg. 1	
(b)	A brief description of the differences in the basis for consolidating entities for accounting and regulatory purposes, with a description of those entities: (1) That are fully consolidated; (2) That are deconsolidated and deducted from total capital; (3) For which the total capital requirement is deducted; and (4) That are neither consolidated nor deducted (for example, where the investment in the entity is assigned a risk weight in accordance with this subpart).	<u><b>Basel III Standardized Approach Disclosures:</b></u> Introduction	Pg. 1	
(c)	Any restrictions, or other major impediments, on transfer of funds or total capital within the group.	<u><b>Form 10-Q</b></u> MD&A – Capital Management Note 14 – Regulatory Requirements		<u><b>Form 10-Q</b></u> Pg. 15-16 Pg. 47-48
(d)	The aggregate amount of surplus capital of insurance subsidiaries included in the total capital of the consolidated group.	Not applicable. The Company does not have any insurance subsidiaries.		
(e)	The aggregate amount by which actual total capital is less than the minimum total capital requirement in all subsidiaries, with total capital requirements and the name(s) of the subsidiaries with such deficiencies.	Not applicable. The Company does not have any subsidiaries with total capital requirements where total capital is less than the minimum requirement.		
<b>Capital Structure (Table 2)</b>				
Qualitative: (a)	Summary information on the terms and conditions of the main features of all regulatory capital instruments.	<u><b>Form 10-Q</b></u> MD&A – Capital Management Condensed Consolidated Balance Sheets Note 11 – Stockholders' Equity		<u><b>Form 10-Q</b></u> Pg. 15-16 Pg. 21 Pg. 46
Quantitative: (b)	The amount of common equity tier 1 capital, with separate disclosure of: (1) Common stock and related surplus; (2) Retained earnings; (3) Common equity minority interest; (4) Accumulated other comprehensive income (AOCI); and (5) Regulatory adjustments and deductions made to common equity tier 1 capital.	<u><b>FR Y-9C</b></u> Schedule HC-R – Regulatory Capital		<u><b>FR Y-9C</b></u> Pg. 46-47
(c)	The amount of tier 1 capital, with separate disclosure of: (1) Additional tier 1 capital elements, including additional tier 1 capital instruments and tier 1 minority interest not included in common equity tier 1 capital; and (2) Regulatory adjustments and deductions made to tier 1 capital.	<u><b>FR Y-9C</b></u> Schedule HC-R – Regulatory Capital		<u><b>FR Y-9C</b></u> Pg. 46-47
(d)	The amount of total capital, with separate disclosure of: (1) Tier 2 capital elements, including tier 2 capital instruments and total capital minority interest not included in tier 1 capital; and (2) Regulatory adjustments and deductions made to total capital.	<u><b>FR Y-9C</b></u> Schedule HC-R – Regulatory Capital		<u><b>FR Y-9C</b></u> Pg. 46-47

Table	Disclosure Requirement	Disclosure Location	Disclosure Page	Source Reference – if applicable
<b>Capital Adequacy (Table 3)</b>				
Qualitative: (a)	A summary discussion of the Board-regulated institution's approach to assessing the adequacy of its capital to support current and future activities.	<u>2016 Form 10-K</u> MD&A – Risk Management MD&A – Capital Management		<u>2016 Form 10-K</u> Pg. 36-45 Pg. 45-47
Quantitative: (b)	Risk-weighted assets for: (1) Exposures to sovereign entities; (2) Exposures to certain supranational entities and MDBs; (3) Exposures to depository institutions, foreign banks, and credit unions; (4) Exposures to PSEs; (5) Corporate exposures; (6) Residential mortgage exposures; (7) Statutory multifamily mortgages and pre-sold construction loans; (8) HVCRE loans; (9) Past due loans; (10) Other assets; (11) Cleared transactions; (12) Default fund contributions; (13) Unsettled transactions; (14) Securitization exposures; and (15) Equity exposures.	<u>Basel III Standardized Approach</u> <u>Disclosures:</u> Capital Adequacy	Pg. 10-11	
(c)	Standardized market risk-weighted assets as calculated under subpart F of this part.	Not applicable. CSC is not subject to the Market Risk Capital Rule.		
(d)	Common equity tier 1, tier 1 and total risk-based capital ratios: (1) For the top consolidated group; and (2) For each depository institution subsidiary.	<u>Basel III Standardized Approach</u> <u>Disclosures:</u> Capital Adequacy <u>FR Y-9C</u> Schedule HC-R – Regulatory Capital <u>FFIEC 041</u> Schedule RC-R Part I – Regulatory Capital	Pg. 10-11	<u>FR Y-9C</u> Pg. 48 <u>FFIEC 041</u> Pg. 65
(e)	Total standardized risk-weighted assets.	<u>Basel III Standardized Approach</u> <u>Disclosures:</u> Capital Adequacy <u>FR Y-9C</u> Schedule HC-R – Regulatory Capital	Pg. 10-11	<u>FR Y-9C</u> Pg. 49-58
<b>Capital Conservation Buffer (Table 4)</b>				
Qualitative: (a)	At least quarterly, the Board-regulated institution must calculate and publicly disclose the capital conservation buffer as described under § 217.11.	<u>Form 10-Q</u> Note 14 – Regulatory Requirements <u>FR Y-9C</u> Schedule HC-R – Regulatory Capital		<u>Form 10-Q</u> Pg. 47-48 <u>FR Y-9C</u> Pg. 48
(b)	At least quarterly, the Board-regulated institution must calculate and publicly disclose the eligible retained income of the Board-regulated institution, as described under § 217.11.	<u>FR Y-9C</u> Schedule HC-R – Regulatory Capital		<u>FR Y-9C</u> Pg. 48
(c)	At least quarterly, the Board-regulated institution must calculate and publicly disclose any limitations it has on distributions and discretionary bonus payments resulting from the capital conservation buffer framework described under § 217.11, including the maximum payout amount for the quarter.	<u>FR Y-9C</u> Schedule HC-R – Regulatory Capital		<u>FR Y-9C</u> Pg. 48

Table	Disclosure Requirement	Disclosure Location	Disclosure Page	Source Reference – if applicable
<b>Credit Risk: General Disclosures (Table 5)</b>				
Qualitative: (a)	The general qualitative disclosure requirement with respect to credit risk (excluding counterparty credit risk disclosed in accordance with Table 6), including the: (1) Policy for determining past due or delinquency status; (2) Policy for placing loans on nonaccrual; (3) Policy for returning loans to accrual status; (4) Definition of and policy for identifying impaired loans (for financial accounting purposes); (5) Description of the methodology that the Board-regulated institution uses to estimate its allowance for loan and lease losses, including statistical methods used where applicable; (6) Policy for charging-off uncollectible amounts; and (7) Discussion of the Board-regulated institution's credit risk management policy.	<u>2016 Form 10-K</u> MD&A – Critical Accounting Estimates Note 2 – Summary of Significant Accounting Policies  <u>Form 10-Q</u> MD&A – Risk Management Note 4 – Bank Loans and Related Allowance for Loan Losses		<u>2016 Form 10-K</u> Pg. 48-50 Pg. 58-66  <u>Form 10-Q</u> Pg. 13-15 Pg. 31-35
Quantitative: (b)	Total credit risk exposures and average credit risk exposures, after accounting offsets in accordance with GAAP, without taking into account the effects of credit risk mitigation techniques (for example, collateral and netting not permitted under GAAP), over the period categorized by major types of credit exposure. For example, Board-regulated institutions could use categories similar to that used for financial statement purposes. Such categories might include, for instance (1) Loans, off-balance sheet commitments, and other non-derivative off-balance sheet exposures; (2) Debt securities; and (3) OTC derivatives.	<u>2016 Form 10-K</u> Note 3 – Receivables from and Payables to Brokerage Clients Note 15 – Financial Instruments Subject to Off-Balance Sheet Credit Risk or Concentration Risk  <u>Form 10-Q</u> MD&A – Risk Management Note 4 – Bank Loans and Related Allowance for Loan Losses Note 9 – Offsetting Assets and Liabilities		<u>2016 Form 10-K</u> Pg. 67  Pg. 81-83  <u>Form 10-Q</u> Pg. 13-15 Pg. 31-35  Pg. 38-40
(c)	Geographic distribution of exposures, categorized in significant areas by major types of credit exposure.	<u>Form 10-Q</u> MD&A – Risk Management MD&A – Foreign Holdings Note 4 – Bank Loans and Related Allowance for Loan Losses		<u>Form 10-Q</u> Pg. 13-15 Pg. 17 Pg. 31-35
(d)	Industry or counterparty type distribution of exposures, categorized by major types of credit exposure	<u>Form 10-Q</u> MD&A – Risk Management Note 4 – Bank Loans and Related Allowance for Loan Losses		<u>Form 10-Q</u> Pg. 13-15 Pg. 31-35
(e)	By major industry or counterparty type: (1) Amount of impaired loans for which there was a related allowance under GAAP; (2) Amount of impaired loans for which there was no related allowance under GAAP; (3) Amount of loans past due 90 days and on nonaccrual; (4) Amount of loans past due 90 days and still accruing; (5) The balance in the allowance for loan and lease losses at the end of each period, disaggregated on the basis of the Board-regulated institution's impairment method. To disaggregate the information required on the basis of impairment methodology, an entity shall separately disclose the amounts based on the requirements in GAAP; and (6) Charge-offs during the period.	<u>Form 10-Q</u> Note 4 – Bank Loans and Related Allowance for Loan Losses		<u>Form 10-Q</u> Pg. 31-35
(f)	Amount of impaired loans and, if available, the amount of past due loans categorized by significant geographic areas including, if practical, the amounts of allowances related to each geographical area, further categorized as required by GAAP.	<u>FR Y-9C</u> Schedule HC-N – Past Due and Nonaccrual Loans, Leases, and Other Assets		<u>FR Y-9C</u> Pg. 37-38

Table	Disclosure Requirement	Disclosure Location	Disclosure Page	Source Reference – if applicable
<b>Credit Risk: General Disclosures (Table 5) – continued</b>				
(g)	Reconciliation of changes in ALLL.	<u><b>Form 10-Q</b></u> Note 4 – Bank Loans and Related Allowance for Loan Losses <u><b>FR Y-9C</b></u> Schedule HI-B – Charge-Offs and Recoveries on Loans and Leases and Changes in Allowance for Loan and Lease Losses		<u><b>Form 10-Q</b></u> Pg. 31-35  <u><b>FR Y-9C</b></u> Pg. 8
(h)	Remaining contractual maturity delineation (for example, one year or less) of the whole portfolio, categorized by credit exposure.	<u><b>Form 10-Q</b></u> Note 4 – Bank Loans and Related Allowance for Loan Losses		<u><b>Form 10-Q</b></u> Pg. 31-35
<b>General Disclosure for Counterparty Credit Risk-Related Exposures (Table 6)</b>				
Qualitative: (a)	The general qualitative disclosure requirement with respect to OTC derivatives, eligible margin loans, and repo-style transactions, including a discussion of: (1) The methodology used to assign credit limits for counterparty credit exposures; (2) Policies for securing collateral, valuing and managing collateral, and establishing credit reserves; (3) The primary types of collateral taken; and (4) The impact of the amount of collateral the Board-regulated institution would have to provide given a deterioration in the Board-regulated institution’s own creditworthiness.	<u><b>2016 Form 10-K</b></u> MD&A – Risk Management Note 15 – Financial Instruments Subject to Off-Balance Sheet Credit Risk or Concentration Risk  <u><b>Form 10-Q</b></u> Note 9 – Offsetting Assets and Liabilities  (4) Not applicable. CSC does not have any contingent payment obligations that would result from a ratings downgrade.		<u><b>2016 Form 10-K</b></u> Pg. 36-45 Pg. 81-83  <u><b>Form 10-Q</b></u> Pg. 38-40
Quantitative: (b)	Gross positive fair value of contracts, collateral held (including type, for example, cash, government securities), and net unsecured credit exposure.  A Board-regulated institution must disclose the notional value of credit derivative hedges purchased for counterparty credit risk protection and the distribution of current credit exposure by exposure type.	<u><b>2016 Form 10-K</b></u> Note 15 – Financial Instruments Subject to Off-Balance Sheet Credit Risk or Concentration Risk  <u><b>Form 10-Q</b></u> Note 9 – Offsetting Assets and Liabilities  Not applicable. CSC does not hold credit derivatives.		<u><b>2016 Form 10-K</b></u> Pg. 81-83  <u><b>Form 10-Q</b></u> Pg. 38-40
(c)	Notional amount of purchased and sold credit derivatives, segregated between use for the Board-regulated institution’s own credit portfolio and in its intermediation activities, including the distribution of the credit derivative products used, categorized further by protection bought and sold within each product group.	Not applicable. The Company does not transact in credit derivatives.		
<b>Credit Risk Mitigation (Table 7)</b>				
Qualitative: (a)	The general qualitative disclosure requirement with respect to credit risk mitigation, including: (1) Policies and processes for collateral valuation and management; (2) A description of the main types of collateral taken by the Board-regulated institution; (3) The main types of guarantors/credit derivative counterparties and their creditworthiness; and (4) Information about (market or credit) risk concentrations with respect to credit risk mitigation.	<u><b>2016 Form 10-K</b></u> MD&A – Risk Management MD&A – Critical Accounting Estimates Note 2 – Summary of Significant Accounting Policies Note 15 – Financial Instruments Subject to Off-Balance Sheet Credit Risk or Risk Concentration  <u><b>Form 10-Q</b></u> Note 3 – Investment Securities Note 4 – Bank Loans and Related Allowance for Loan Losses Note 9 – Offsetting Assets and Liabilities Note 10 – Fair Values of Assets and Liabilities		<u><b>2016 Form 10-K</b></u> Pg. 36-45 Pg. 48-50 Pg. 58-66 Pg. 81-83  <u><b>Form 10-Q</b></u> Pg. 27-30 Pg. 31-35  Pg. 38-40 Pg. 40-45

Table	Disclosure Requirement	Disclosure Location	Disclosure Page	Source Reference – if applicable
<b>Credit Risk Mitigation (Table 7) – continued</b>				
Quantitative: (b)	For each separately disclosed credit risk portfolio, the total exposure that is covered by eligible financial collateral, and after the application of haircuts.	<u>2016 Form 10-K</u> Note 15 – Financial Instruments Subject to Off-Balance Sheet Credit Risk or Concentration Risk  <u>Form 10-O</u> Note 9 – Offsetting Assets and Liabilities		<u>2016 Form 10-K</u> Pg. 81-83  <u>Form 10-O</u> Pg. 38-40
(c)	For each separately disclosed portfolio, the total exposure that is covered by guarantees/credit derivatives and the risk-weighted asset amount associated with that exposure.	Not applicable. CSC does not hold credit derivatives.		
<b>Securitization (Table 8)</b>				
Qualitative: (a)	The general qualitative disclosure requirement with respect to a securitization (including synthetic securitizations), including a discussion of: (1) The Board-regulated institution’s objectives for securitizing assets, including the extent to which these activities transfer credit risk of the underlying exposures away from Board-regulated institution to other entities and including the type of risks assumed and retained with resecuritization activity; (2) The nature of the risks (e.g. liquidity risk) inherent in the securitized assets; (3) The roles played by the Board-regulated institution in the securitization process and an indication of the extent of the Board-regulated institution’s involvement in each of them; (4) The processes in place to monitor changes in the credit and market risk of securitization exposures including how those processes differ for resecuritization exposures; (5) The Board-regulated institution’s policy for mitigating the credit risk retained through securitization and resecuritization exposures; and (6) The risk-based capital approaches that the Board-regulated institution follows for its securitization exposures including the type of securitization exposure to which each approach applies.	Not applicable. CSC does not securitize assets.		
(b)	A list of: (1) The type of securitization SPEs that the Board-regulated institution, as sponsor, uses to securitize third-party exposures. The Board-regulated institution must indicate whether it has exposure to these SPEs, either on- or off-balance sheet; and (2) Affiliated entities: (i) That the Board-regulated institution manages or advises; and (ii) That invest either in the securitization exposures that the Board-regulated institution has securitized or in securitization SPEs that the Board-regulated institution sponsors.	Not applicable. CSC does not securitize assets.		
(c)	Summary of the Board-regulated institution’s accounting policies for securitization activities, including: (1) Whether the transactions are treated as sales or financings; (2) Recognition of gain-on-sale; (3) Methods and key assumptions applied in valuing retained or purchased interests; (4) Changes in methods and key assumptions from the previous period for valuing retained interests and impact of the changes; (5) Treatment of synthetic securitizations; (6) How exposures intended to be securitized are valued and whether they are recorded under subpart D of this part; and (7) Policies for recognizing liabilities on the balance sheet for arrangements that could require the Board-regulated institution to provide financial support for securitized assets.	Not applicable. CSC does not securitize assets.		

Table	Disclosure Requirement	Disclosure Location	Disclosure Page	Source Reference – if applicable
<b>Securitization (Table 8) – continued</b>				
(d)	An explanation of significant changes to any quantitative information since the last reporting period.	Not applicable. CSC does not securitize assets.		
Quantitative: (e)	The total outstanding exposures securitized by the Board-regulated institution in securitizations that meet the operational criteria provided in § 217.41 (categorized into traditional and synthetic securitizations), by exposure type, separately for securitizations of third-party exposures for which the bank acts only as sponsor.	Not applicable. CSC does not securitize assets.		
(f)	For exposures securitized by Board-regulated institution in securitizations that meet the operational criteria in § 217.41: (1) Amount of securitized assets that are impaired/past due categorized by exposure type; and (2) Losses recognized by Board-regulated institution during the current period categorized by exposure type.	Not applicable. CSC does not securitize assets.		
(g)	The total amount of outstanding exposures intended to be securitized categorized by exposure type.	Not applicable. CSC does not securitize assets.		
(h)	Aggregate amount of: (1) On-balance sheet securitization exposures retained or purchased categorized by exposure type; and (2) Off-balance sheet securitization exposures categorized by exposure type.	<b><u>Basel III Standardized Approach Disclosures:</u></b> Securitizations	Pg. 11-12	
(i)	(1) Aggregate amount of securitization exposures retained or purchased and the associated capital requirements for these exposures, categorized between securitization and resecuritization exposures, further categorized into a meaningful number of risk weight bands and by risk-based capital approach (e.g., SSFA); and (2) Exposures that have been deducted entirely from tier 1 capital, CEIOs deducted from total capital (as described in § 217.42(a)(1), and other exposures deducted from total capital should be disclosed separately by exposure type.	<b><u>Basel III Standardized Approach Disclosures:</u></b> Securitizations	Pg. 11-12	
(j)	Summary of current year’s securitization activity, including the amount of exposures securitized (by exposure type), and recognized gain or loss on sale by exposure type.	Not applicable. CSC does not securitize assets.		
(k)	Aggregate amount of resecuritization exposures retained or purchased categorized according to: (1) Exposures to which credit risk mitigation is applied and those not applied; and (2) Exposures to guarantors categorized according to guarantor creditworthiness categories or guarantor name.	Not applicable. CSC does not have any resecuritization exposures.		
<b>Equities Not Subject to Subpart F of This Part (Table 9)</b>				
Qualitative: (a)	The general qualitative disclosure requirement with respect to equity risk for equities not subject to subpart F of this part, including: (1) Differentiation between holdings on which capital gains are expected and those taken under other objectives including for relationship and strategic reasons; and (2) Discussion of important policies covering the valuation of and accounting for equity holdings not subject to subpart F of this part. This includes the accounting techniques and valuation methodologies used, including key assumptions and practices affecting valuation as well as significant changes in these practices.	<b><u>Basel III Standardized Approach Disclosures:</u></b> Equity Securities Not Subject to the Market Risk Capital Rule	Pg. 12	
Quantitative: (b)	Value disclosed on the balance sheet of investments, as well as the fair value of those investments; for securities that are publicly traded, a comparison to publicly-quoted share values where the share price is materially different from fair value.	<b><u>Basel III Standardized Approach Disclosures:</u></b> Equity Securities Not Subject to the Market Risk Capital Rule	Pg. 12	

Table	Disclosure Requirement	Disclosure Location	Disclosure Page	Source Reference – if applicable
<b>Equities Not Subject to Subpart F of This Part (Table 9) - continued</b>				
(c)	The types and nature of investments, including the amount that is: (1) Publicly traded; and (2) Non-publicly traded.	<b><u>Basel III Standardized Approach Disclosures:</u></b> Equity Securities Not Subject to the Market Risk Capital Rule	Pg. 12	
(d)	The cumulative realized gains (losses) arising from sales and liquidations in the reporting period.	Not applicable. There were not any sales or liquidations in the reporting period.		
(e)	(1) Total unrealized gains (losses). (2) Total latent revaluation gains (losses). (3) Any amounts of the above included in tier 1 or tier 2 capital.	Not applicable. There are not any unrealized gains (losses) in the reporting period.		
(f)	Capital requirements categorized by appropriate equity groupings, consistent with the Board-regulated institution's methodology, as well as the aggregate amounts and the type of equity investments subject to any supervisory transition regarding regulatory capital requirements.	<b><u>Basel III Standardized Approach Disclosures:</u></b> Equity Securities Not Subject to the Market Risk Capital Rule	Pg. 12	
<b>Interest Rate Risk for Non-Trading Activities (Table 10)</b>				
Qualitative: (a)	The general qualitative disclosure requirement, including the nature of interest rate risk for non-trading activities and key assumptions, including assumptions regarding loan prepayments and behavior of non-maturity deposits, and frequency of measurement of interest rate risk for non-trading activities.	<b><u>2016 Form 10-K</u></b> MD&A – Risk Management MD&A – Critical Accounting Estimates  <b><u>Form 10-Q</u></b> MD&A – Risk Management Note 4 – Bank Loans and Related Allowance for Loan Losses		<b><u>2016 Form 10-K</u></b> Pg. 36-45 Pg. 48-50  <b><u>Form 10-Q</u></b> Pg. 13-15 Pg. 31-35
Quantitative: (b)	The increase (decline) in earnings or economic value (or relevant measure used by management) for upward and downward rate shocks according to management's method for measuring interest rate risk for non-trading activities, categorized by currency (as appropriate).	<b><u>2016 Form 10-K</u></b> MD&A – Risk Management		<b><u>2016 Form 10-K</u></b> Pg. 36-45

## COMPONENTS OF CAPITAL

A reconciliation of total stockholders' equity to CET1 capital, additional Tier 1 capital, Tier 2 capital, and Total capital is as follows:

<i>(Dollars in Millions, Unaudited)</i>	September 30, 2017	
<b>Total stockholders' equity</b>	\$	<b>18,027</b>
Less:		
Preferred Stock		2,783
<b>CET1 capital before regulatory adjustments</b>		<b>15,244</b>
Less:		
Goodwill, net of associated deferred tax liabilities		1,175
Other intangible assets, net of associated deferred tax liabilities		46
Deferred tax assets, net of valuation allowances and deferred tax liabilities		1
AOCI adjustment <sup>(1)</sup>		(106)
<b>CET1 Capital</b>		<b>14,128</b>
Additional Tier 1 Capital Preferred stock		2,783
<b>Tier 1 capital</b>		<b>16,911</b>
Allowance for loan losses		28
<b>Tier 2 capital</b>		<b>28</b>
<b>Total capital</b>	\$	<b>16,939</b>

<sup>(1)</sup> CSC made a one-time election to opt-out of the requirement to include most components of AOCI in CET1 Capital. The year after CSC surpasses \$250 billion in consolidated assets, it can no longer exclude AOCI from regulatory capital.

## CAPITAL ADEQUACY

### STANDARDIZED RISK-WEIGHTED ASSETS (RWA)

The Basel III standardized approach RWA is calculated based on the Rule. The following table provides CSC's distribution of RWA by exposure categories prescribed by the applicable regulations. For a distribution of CSC's RWA by balance sheet categories, see Schedule HC-R of the FR Y-9C for the period ended September 30, 2017.

The following details the Company's RWA under the standardized approach.

<i>(Dollars in Millions, Unaudited)</i>	September 30, 2017	
<b>RWA by applicable Basel exposure category:</b>		
Exposures to sovereign entities	\$	13,270
Exposures to depository institutions, foreign banks, and credit unions		1,778
Exposures to public sector entities		576
Corporate exposures		11,103
Residential mortgage exposures		7,120
Past due loans		26
Other assets		9,089
Securitization exposures		23,586
Equity exposures		758
<b>RWA for balance sheet asset categories</b>		<b>67,306</b>
Off-balance sheet items		4,731
<b>Total RWA under standardized approach</b>	\$	<b>72,037</b>

## CAPITAL RATIOS

The following table details the Company's capital ratios.

<i>(Dollars in Millions, Unaudited)</i>	September 30, 2017					
	Actual		Minimum Required		Minimum to be Well Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
<b>CSC</b>						
Common Equity Tier 1 Risk-Based Capital	\$ 14,128	19.6%	\$ 3,242	4.5%		N/A
Tier 1 Risk-Based Capital	16,911	23.5%	4,322	6.0%		N/A
Total Risk-Based Capital	16,939	23.5%	5,763	8.0%		N/A
<b>Schwab Bank</b>						
Common Equity Tier 1 Risk-Based Capital	\$ 12,862	20.0%	\$ 2,888	4.5%	\$ 4,171	6.5%
Tier 1 Risk-Based Capital	12,862	20.0%	3,850	6.0%	5,134	8.0%
Total Risk-Based Capital	12,889	20.1%	5,134	8.0%	6,417	10.0%

N/A Not applicable

## SECURITIZATIONS

The disclosures in this section refer to securitizations held in the Company's investment portfolio and the regulatory capital related to these exposures calculated according to the Rule. Under the Rule, a securitization is a transaction in which credit risk of one or more underlying exposures has been transferred to one or more third parties, where the credit risk associated with the underlying exposures has been separated into at least two tranches reflecting different levels of seniority, where performance of the securitization exposures depends on the performance of the underlying exposures and substantially all of the underlying exposures are financial exposures. Securitizations therefore exclude CSC's investment in pass-through securities issued by government agencies. A participant in the securitization market is typically an originator, investor, or sponsor. CSC's securitization-related activity is investing in products created by third parties. Securitization exposures held in the Company's investment portfolio include traditional agency and non-agency ABS and MBS securitizations. The Company does not have any synthetic securitization exposure and does not act as a sponsor; therefore, the following tables relate to the Company as an investor.

The Company utilizes the gross-up approach to determine RWA for its securitization exposures. This approach considers the Company's seniority in the securitization structure and risk factors inherent in the underlying assets.

Securitizations by exposure type are shown below.

<i>(Dollars in Millions, Unaudited)</i>	September 30, 2017	
	Carrying Value	Risk-weighted Asset Value
Mortgage-backed securities:		
Agency – Commercial	\$ 27,824	\$ 5,564
Agency – Residential	10,406	2,076
Non-agency – Commercial	1,039	1,039
Asset-backed securities:		
Auto	456	456
Credit Card	9,155	9,129
Student loan	9,148	1,845
Dealer floor plan	3,091	3,082
Mobile	395	395
Total securitizations	\$ 61,514	\$ 23,586

Securitizations by capital requirement and risk-weight bands are summarized below.

<i>(Dollars in Millions, Unaudited)</i>	September 30, 2017		
	Carrying Value	Risk-weighted Asset	Capital Impact of RWA <sup>(1)</sup>
20%	\$ 47,413	\$ 9,485	\$ 759
100%	14,101	14,101	1,128
Total Securitizations	\$ 61,514	\$ 23,586	\$ 1,887

<sup>(1)</sup> The capital impact of RWA is calculated by multiplying risk-weighted assets by the minimum total risk-based capital ratio of 8%.

## **EQUITIES NOT SUBJECT TO THE MARKET RISK CAPITAL RULE**

The Company has total equity exposures of approximately \$758 million at September 30, 2017. The majority are classified as trading assets totaling \$307 million held for operational customer accommodation purposes and investments made relating to the Company's deferred compensation plan. These are recorded at fair value. Other individual investments are related to the Company's Low-Income Housing Tax Credit (LIHTC) investments of \$253 million, investment in Federal Home Loan Bank of San Francisco (FHLB) stock totaling \$135 million, and community reinvestment activities totaling \$63 million. The LIHTC investments are accounted for using the proportional amortization method. The Company uses the Simple Risk-Weight Approach for its individual equity investments.

Non-marketable equity securities are generally recorded either at historical cost or using the equity method. Details of the Company's accounting policy for these investments are provided in Note 2 – Summary of Significant Accounting Policies in the 2016 Form 10-K.

## **SUBSEQUENT EVENT**

On October 31, 2017, the Company issued and sold 500,000 depositary shares, each representing a 1/100<sup>th</sup> ownership interest in a share of fixed-to-floating rate non-cumulative perpetual preferred stock, Series F, \$0.01 par value, with a liquidation preference of \$100,000 per share (equivalent to \$1,000 per depositary share). The Series F Preferred Stock has a fixed dividend rate of 5.00% through November 30, 2027, payable semi-annually, and thereafter a floating rate of three-month LIBOR plus a fixed spread of 2.575%, payable quarterly. The net proceeds received from the sale were \$492 million after deducting related expenses and fees.

Also on October 31, 2017, the Company announced that it will redeem on December 1, 2017, all of the outstanding shares of its 6.00% non-cumulative perpetual preferred stock, Series B, and the corresponding depositary shares. The redemption will be funded with the net proceeds from the Series F offering.