



CORPORATION

Basel III Standardized Approach Disclosures

March 31, 2015

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INTRODUCTION

The Charles Schwab Corporation (CSC), headquartered in San Francisco, California, was incorporated in 1986 and engages, through its subsidiaries (together referred to as the Company), in wealth management, securities brokerage, banking, money management, and financial advisory services. At March 31, 2015, the Company had \$2.52 trillion in client assets, 9.5 million active brokerage accounts, 1.5 million corporate retirement plan participants, and 986,000 banking accounts. CSC is a savings and loan holding company.

- Significant business subsidiaries of CSC include:
- Charles Schwab & Co., Inc., which was incorporated in 1971, is a securities broker-dealer with over 325 domestic branch offices in 45 states, as well as a branch in each of the Commonwealth of Puerto Rico and London, England, and serves clients in Hong Kong through one of CSC's subsidiaries;
- Charles Schwab Bank (Schwab Bank), which commenced operations in 2003, is a federal savings bank located in Reno, Nevada; and
- Charles Schwab Investment Management, Inc., which is the investment advisor for Schwab's proprietary mutual funds, referred to as the Schwab Funds®, and Schwab's exchange-traded funds, referred to as the Schwab ETFs™.

The Company provides financial services to individuals and institutional clients through two segments – Investor Services and Advisor Services. The Investor Services segment provides retail brokerage and banking services to individual investors, retirement plan services, and corporate brokerage services. The Advisor Services segment provides custodial, trading, and support services to independent investment advisors (IAs), and retirement business services to independent retirement plan advisors and record keepers whose plan assets are held at Schwab Bank.

The basis of consolidation 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 July 2013, the U.S. banking agencies issued regulatory capital rules that implemented Basel III and relevant provisions of the Dodd-Frank Act (Final Regulatory Capital Rules). The Final Regulatory Capital Rules, among other things, subject savings and loan holding companies to consolidated capital requirements; revise the required minimum risk-based and leverage capital requirements; add a requirement to maintain a minimum capital conservation buffer; and change the definition of capital categories for an insured depository to be considered well-capitalized. The new minimum regulatory capital ratios and changes to the calculation of risk-weighted assets were effective beginning January 1, 2015. The required minimum capital conservation buffer will be phased in incrementally, starting on January 1, 2016 and increasing annually until fully implemented on January 1, 2019.

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, 2014, ("2014 Form 10-K") and its Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2015 ("Form 10-Q") filed with the Securities and Exchange Commission contain 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 2014 Form 10-K, and the Form 10-Q, the Consolidated Financial Statements for Bank Holding Companies - FR Y-9C, and the Consolidated Reports of Condition and Income for a Bank with Domestic Offices Only – FFIEC 041. CSC's Disclosure Matrix (see page 2) specifies where the disclosures required by the Rule are located.

Following are links to the referenced public filings:

Filing	Link to Filing
2014 Form 10-K	http://www.sec.gov/Archives/edgar/data/316709/000031670915000014/schw-20141231x10k.htm
Form 10-Q	http://www.sec.gov/Archives/edgar/data/316709/000031670915000023/schw-20150331x10q.htm
Consolidated Financial Statements for Bank Holding Companies - FR Y-9C	https://www.ffiec.gov/nicpubweb/nicweb/FinancialReport.aspx?parID_RSSD=1026632&parDT=20150331&parRptType=FRY9C&redirectPage=FinancialReport.aspx
Consolidated Reports of Condition and Income for a Bank with Domestic Offices Only – FFIEC 041	https://cdr.ffiec.gov/public/ManageFacsimiles.aspx

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
Scope of Application (Table 1)				
Qualitative: (a)	The name of the top corporate entity in the group to which subpart D of this part applies.	<u>Basel III Standardized Approach Disclosures:</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>Basel III Standardized Approach Disclosures:</u> Introduction	Pg. 1	
(c)	Any restrictions, or other major impediments, on transfer of funds or total capital within the group.	<u>Basel III Standardized Approach Disclosures:</u> Capital Adequacy <u>Form 10-Q</u> Note 11—Regulatory Requirements MD&A -- Liquidity and Capital Resources	Pg. 8	<u>Form 10-Q</u> Note 11, Pg. 19-20 MD&A, Pg. 32-35
(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.		
Capital Structure (Table 2)				
Qualitative: (a)	Summary information on the terms and conditions of the main features of all regulatory capital instruments.	<u>2014 Form 10-K</u> Note 17—Stockholders Equity		<u>2014 10K</u> Pg. 81-82
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) AOCI; and (5) Regulatory adjustments and deductions made to common equity tier 1 capital.	<u>FR Y-9C</u> Schedule HC-R – Regulatory Capital		<u>FR Y-9C</u> Schedule HC-R – Regulatory Capital 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>FR Y-9C</u> Schedule HC-R – Regulatory Capital		<u>FR Y-9C</u> Schedule HC-R – Regulatory Capital 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>FR Y-9C</u> Schedule HC-R – Regulatory Capital		<u>FR Y-9C</u> Schedule HC-R – Regulatory Capital Pg. 46-47
Capital Adequacy (Table 3)				
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>Basel III Standardized Approach Disclosures:</u> Capital Adequacy <u>Form 10-Q</u> Liquidity and Capital Resources	Pg. 8	<u>Form 10-Q</u> Liquidity and Capital Resources Pg. 32-36

Table	Disclosure Requirement	Disclosure Location	Disclosure Page	Source Reference – if applicable
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. 8	
(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 – Regulatory Capital	Pg. 8	<u>FR Y-9C</u> Schedule HC-R – Regulatory Capital Pg. 48 <u>FFIEC 041</u> Schedule RC-R – Regulatory Capital 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. 8	<u>FR Y-9C</u> Schedule HC-R – Regulatory Capital Pg. 49-58
Capital Conservation Buffer (Table 4)				
Qualitative: (a)	At least quarterly, the Board-regulated institution must calculate and publicly disclose the capital conservation buffer as described under § 217.11.	<u>Basel III Standardized Approach</u> <u>Disclosures:</u> Capital Buffer	Pg. 8	
(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>Basel III Standardized Approach</u> <u>Disclosures:</u> Capital Buffer	Pg. 8	
(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>Basel III Standardized Approach</u> <u>Disclosures:</u> Capital Buffer	Pg. 8	
Credit Risk: General Disclosures (Table 5)				
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	<u>2014 Form 10-K</u> MD&A – Risk Management MD&A – Critical Accounting Estimates Note 1 – Significant Accounting Policies Note 3 – Receivables from Brokerage Clients Note 6 – Loans to Banking Clients & Related Allowance for Loan Losses <u>Form 10-Q</u> Note 4 – Bank Loans and Related Allowance for Loan Losses		<u>2014 Form 10-K</u> Pg. 37-45 Pg. 45-47 Pg. 56-62 Pg. 62 Pg. 66 – 69 <u>Form 10-Q</u> Pg. 8-11

Table	Disclosure Requirement	Disclosure Location	Disclosure Page	Source Reference – if applicable
	(7) Discussion of the Board-regulated institution's credit risk management policy.			
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>2014 Form 10-K</u> MD&A – Risk Management Note 6 – Loans to Banking Clients & Related Allowance for Loan Losses 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 7 – Offsetting Assets and Liabilities		<u>2014 Form 10-K</u> Pg. 37-45 Pg. 66 – 69 Pg. 75 - 77 <u>Form 10-Q</u> Pg. 36-39 Pg. 8-11 Pg. 13-14
(c)	Geographic distribution of exposures, categorized in significant areas by major types of credit exposure.	<u>Basel III Standardized Approach Disclosures:</u> Credit Risk	Pg. 11	
(d)	Industry or counterparty type distribution of exposures, categorized by major types of credit exposure	<u>Basel III Standardized Approach Disclosures:</u> Credit Risk	Pg. 11	
(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. 8-11
(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 RC-N – Past Due and Nonaccrual Loans, Leases, and Other Assets		<u>FR Y-9C</u> Pg. 38-39
(g)	Reconciliation of changes in ALLL.	<u>Form 10-Q</u> Note 4 – Bank Loans and Related Allowance for Loan Losses <u>FR Y-9C</u> Schedule HI-B – Charge-Offs and Recoveries on Loans and Leases and Changes in Allowance for Loan and Lease Losses		<u>Form 10-Q</u> Pg. 8-11 <u>FR Y-9C</u> Pg. 8
(h)	Remaining contractual maturity delineation (for example, one year or less) of the whole portfolio, categorized by credit exposure.	<u>Form 10-Q</u> Note 4 – Bank Loans and Related Allowance for Loan Losses		<u>Form 10-Q</u> Pg. 8-11
General Disclosure for Counterparty Credit Risk-Related Exposures (Table 6)				
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	<u>2014 Form 10-K</u> MD&A – Risk Management Note 15 – Financial Instruments Subject to Off-Balance Sheet Credit Risk or Concentration Risk (4) Not applicable. CSC does not have any contingent payment obligations that would result from a ratings downgrade.		<u>2014 Form 10-K</u> Pg. 37-45 Pg. 75 - 77

Table	Disclosure Requirement	Disclosure Location	Disclosure Page	Source Reference – if applicable
	deterioration in the Board-regulated institution's own creditworthiness.			
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>2014 Form 10-K</u> Note 15 – Financial Instruments Subject to Off-Balance Sheet Credit Risk or Concentration Risk Not applicable. CSC does not hold credit derivatives.		<u>2014 Form 10-K</u> Pg. 75 - 77
(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.		
Credit Risk Mitigation (Table 7)				
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>2014 Form 10-K</u> MD&A – Risk Management MD&A – Critical Accounting Estimates Note 2 – Significant Accounting Policies Note 5 – Securities Available for Sale and Securities Held to Maturity Note 6 – Loans to Banking Clients and Related Allowance for Loan Losses Note 15 – Financial Instruments Subject to Off-Balance Sheet Credit Risk or Risk Concentration Note 16 – Fair Value of Assets and Liabilities		<u>2014 Form 10-K</u> Pg. 37-45 Pg. 45-47 Pg. 56-62 Pg. 63-66 Pg. 66-69 Pg. 75-77 Pg. 77-81
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>2014 Form 10-K</u> Note 15 – Financial Instruments Subject to Off-Balance Sheet Credit Risk or Concentration Risk		<u>2014 Form 10-K</u> Pg. 75-77
(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.		
Securitization (Table 8)				
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:	Not applicable. CSC does not securitize assets.		

Table	Disclosure Requirement	Disclosure Location	Disclosure Page	Source Reference – if applicable
	<p>(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</p> <p>(2) Affiliated entities:</p> <p>(i) That the Board-regulated institution manages or advises; and</p> <p>(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.</p>			
(c)	<p>Summary of the Board-regulated institution's accounting policies for securitization activities, including:</p> <p>(1) Whether the transactions are treated as sales or financings;</p> <p>(2) Recognition of gain-on-sale;</p> <p>(3) Methods and key assumptions applied in valuing retained or purchased interests;</p> <p>(4) Changes in methods and key assumptions from the previous period for valuing retained interests and impact of the changes;</p> <p>(5) Treatment of synthetic securitizations;</p> <p>(6) How exposures intended to be securitized are valued and whether they are recorded under subpart D of this part; and</p> <p>(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.</p>	Not applicable. CSC does not securitize assets.		
(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)	<p>For exposures securitized by Board-regulated institution in securitizations that meet the operational criteria in § 217.41:</p> <p>(1) Amount of securitized assets that are impaired/past due categorized by exposure type; and</p> <p>(2) Losses recognized by Board-regulated institution during the current period categorized by exposure type.</p>	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)	<p>Aggregate amount of:</p> <p>(1) On-balance sheet securitization exposures retained or purchased categorized by exposure type; and</p> <p>(2) Off-balance sheet securitization exposures categorized by exposure type.</p>	<u>Basel III Standardized Approach Disclosures:</u> Securitizations	Pg. 9	
(i)	<p>(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</p> <p>(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.</p>	<u>Basel III Standardized Approach Disclosures:</u> Securitizations	Pg. 9	
(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	Not applicable. CSC does not securitize assets.		

Table	Disclosure Requirement	Disclosure Location	Disclosure Page	Source Reference – if applicable
	exposure type.			
(k)	Aggregate amount of securitization 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 securitization exposures.		
Equities Not Subject to Subpart F of This Part (Table 9)				
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.	<u>Basel III Standardized Approach Disclosures:</u> Equity Securities Not Subject to the Market Risk Capital Rule	Pg. 10	
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.	<u>Basel III Standardized Approach Disclosures:</u> Equity Securities Not Subject to the Market Risk Capital Rule	Pg. 10	
(c)	The types and nature of investments, including the amount that is: (1) Publicly traded; and (2) Non publicly traded.	<u>Basel III Standardized Approach Disclosures:</u> Equity Securities Not Subject to the Market Risk Capital Rule	Pg. 10	
(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.	<u>Basel III Standardized Approach Disclosures:</u> Equity Securities Not Subject to the Market Risk Capital Rule	Pg. 10	
Interest Rate Risk for Non-Trading Activities (Table 10)				
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.	<u>2014 Form 10-K</u> MD&A – Risk Management MD&A – Critical Accounting Estimates Quantitative & Qualitative Disclosures About Market Risk Note 6 – Loans to Banking Clients and Related Allowance for Loan Losses		<u>2014 Form 10-K</u> Pg. 37-45 Pg. 45 – 47 Pg. 48-49 Pg. 66--69
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).	<u>Form 10-Q</u> Quantitative & Qualitative Disclosures About Market Risk		<u>Form 10-Q</u> Pg. 41-42

COMPONENTS OF CAPITAL

A reconciliation of total stockholders' equity to Common Equity Tier 1 ("CET1") capital, additional Tier 1 capital, Tier 2 capital, and Total capital is presented in the table below.

Refer to the Consolidated Balance Sheet on page 3 of the March 31, 2015 Form 10-Q for the components of stockholder's equity.

March 31, 2015

(in millions)

Total stockholders' equity	\$ 12,158
Less:	
Preferred Stock	873
CET1 capital before regulatory adjustments	11,285
Less:	
Goodwill, net of associated deferred tax liabilities	1,185
Other intangible assets, net of associated deferred tax liabilities	55
AOCI adjustment ⁽¹⁾	231
CET1 capital	9,814
Additional Tier 1 Capital: Preferred stock	873
Tier 1 capital	10,687
Allowance for loan losses	40
Tier 2 capital	40
Total capital	\$ 10,727

(1) CSC made a one-time election to opt-out of the requirement to include most components of AOCI in common equity tier 1 capital.

CAPITAL ADEQUACY

CSC is committed to maintaining adequate capital to support execution of the Company's strategy including anticipated growth, meeting regulatory requirements, maintaining well-capitalized risk based levels even in stressed scenarios, serving as a source of strength to subsidiaries, and enabling sustained access to the capital markets.

To ensure that CSC maintains sufficient capital, the Company leverages its existing system of capital planning. Clearly defined thresholds serve as triggers for management actions as applicable. These are reported monthly to the Company's Asset-Liability Management and Pricing Committee.

In addition, CSC monitors subsidiary capital levels and requirements and moves excess capital from subsidiaries to CSC and holds it there in reserve. If subsidiaries develop additional capital needs, funds would be down-streamed from CSC as equity investments or long-term subordinated debt (when approved as regulatory capital by regulators). The details and method used for each cash infusion are based on an analysis of the particular entity's needs and financing alternatives. The amounts and structure of infusions must take into consideration maintenance of regulatory capital guidelines, debt/equity ratios, and equity double leverage ratios.

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 FRY-9C for the period ended March 31, 2015.

The following details the Company's risk-weighted assets under the standardized approach at March 31, 2015.

<i>(Dollars in millions, Unaudited)</i>	March 31, 2015
Risk-weighted assets by Basel exposure category:	
Exposures to sovereign entities	\$6,479
Exposures to depository institutions, foreign banks, and credit unions	1,977
Exposures to public-sector entities	25
Corporate exposures	8,161
Residential mortgage exposures	7,556
Past due loans	31
Other assets	20,608
Securitization exposures	17,650
Equity exposures	267
RWA for balance sheet asset categories	62,754
Off-balance sheet items	3,105
Total risk-weighted assets under standardized approach	\$65,859

CAPITAL RATIOS

The following details the Company's capital ratios at March 31, 2015.

	<i>(in millions)</i>					
	Actual		Minimum Required		Well Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
CSC						
Common Equity Tier 1 Risk-Based Capital	9,814	14.9% ⁽¹⁾	2,964	4.5%	N/A	
Tier 1 Risk-Based Capital	10,687	16.2% ⁽¹⁾	3,952	6.0%	N/A	
Total Risk-Based Capital	10,727	16.3% ⁽¹⁾	5,269	8.0%	N/A	
Schwab Bank						
Common Equity Tier 1 Risk-Based Capital	8,099	17.9%	2,035	4.5%	2,939	6.5%
Tier 1 Risk-Based Capital	8,099	17.9%	2,713	6.0%	3,617	8.0%
Total Risk-Based Capital	8,138	18.0%	3,617	8.0%	4,522	10.0%

⁽¹⁾ Ratios for CSC as reported in this table and in the FR Y-9C differ from those reported in the March 31, 2015, Form 10-Q due to a calculation adjustment made after the filing of the 10-Q. The ratios differ by 0.3%.

CAPITAL BUFFER

The Final Basel III Capital Rule requires banks to maintain a capital conservation buffer of common equity Tier 1 capital ("CET1") above the regulatory minimum ratio in an amount greater than 2.5 percent of risk-weighted assets. The buffer is required to be phased-in over a transition period of four years commencing on January 1, 2016. The Federal Banking Agencies may also implement an institution-specific countercyclical buffer which would augment the capital conservation buffer by up to 2.5 percent (currently 0% as of March 31, 2015). A CET1 ratio below the minimum capital ratios and the combined capital conservation buffer and the countercyclical buffer (when applicable) might restrict a bank's ability to distribute capital and make discretionary bonus payments.

CREDIT RISK

CSC'S direct exposure to credit risk mainly results from margin lending and client option and futures activities, securities lending activities, mortgage lending activities, its role as a counterparty in financial contracts and other investing activities. To manage the risks of such losses, the Company has established policies and procedures which include: establishing and reviewing credit limits, monitoring of credit limits and quality of counterparties, and adjusting margin, option, and futures requirements for certain securities. Collateral arrangements relating to margin loans, option positions, securities lending agreements, and resale agreements include provisions that require additional collateral in the event that market fluctuations result in declines in the value of collateral received. Additionally, for margin loan and securities lending agreements, collateral arrangements require that the fair value of such collateral exceeds the amounts loaned.

The Company's credit risk exposure related to loans to banking clients is actively managed through individual and portfolio reviews performed by management. Management regularly reviews asset quality, including concentrations, delinquencies, nonaccrual loans, charge-offs, and recoveries. All are factors in the determination of an appropriate allowance for loan losses. The Company's mortgage loan portfolios primarily include First Mortgages of \$8.2 billion and HELOCs of \$2.9 billion at March 31, 2015.

The Company has exposure to credit risk associated with its securities available for sale and securities held to maturity portfolios, whose carrying values totaled \$59.6 billion and \$37.2 billion at March 31, 2015, respectively. These portfolios include U.S. agency and non-agency mortgage-backed securities, asset-backed securities, corporate debt securities, U.S. agency notes, certificates of deposit, and treasury securities. U.S. agency mortgage-backed securities do not have explicit credit ratings; however, management considers these to be of the highest credit quality and rating given the guarantee of principal and interest by the U.S. government-sponsored enterprises.

Concentrations of credit risk for certain portfolios are monitored by geography. As of March 31, 2015, CSC's home equity and residential real estate exposures were concentrated across CSC's main geographic footprint as follows: approximately 48% in California, 5% in Florida, 4% in Colorado and 3% for both New Jersey and Washington. CSC's investment portfolio was 95% concentrated in securities issued by U.S. agencies and entities. The remaining investment portfolio consisted of foreign issuers domiciled in Australia, Canada, France, Netherlands, Norway, Sweden, Switzerland, and United Kingdom.

SECURITIZATIONS

The disclosures in this section refer to securitizations held in the banking book 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 the government agencies. A participant in the securitization market is typically an originator, investor, or sponsor. The CSC's securitization-related activity is investing in products created by third parties. Securitization exposures held in the banking book 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 risk-weighted assets 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>	March 31, 2015	
	Carrying Value	Risk-weighted Asset Value
Mortgage-backed securities:		
Agency – Commercial	17,746	3,531
Agency -- Residential	10,153	1,921
Non-agency – Commercial	1,320	1,313
Non-agency -- Residential	14	14
Asset-backed securities:		
Credit card	5,814	5,806
Student loan	12,029	2,399
Dealer floorplan	2,666	2,666
Total securitizations	49,742	17,650

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

	March 31, 2015		
	Carrying Value	Risk-weighted Asset Value	Capital Impact of RWA ⁽¹⁾
20%	39,928	7,850	628
100%	9,814	9,800	784
Total Securitizations	49,742	17,650	1,412

⁽¹⁾ 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 \$267 million at March 31, 2015. The majority are classified as trading assets totaling \$207 million held for operational customer accommodation purposes or as a partial hedge of the deferred compensation plan liability. These are recorded at fair value. Other individual investments are related to the Company's community reinvestment activities totaling \$35 million and investment in FHLB stock totaling \$25 million. 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 equity investments and the valuation of financial instruments are provided in Note 2—Summary of Significant Accounting Policies in the Annual Report, "Financial instruments included in other assets".