

# News Release



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**CORPORATION**

## **SCHWAB REPORTS MONTHLY ACTIVITY HIGHLIGHTS**

**SAN FRANCISCO, September 15, 2020** – The Charles Schwab Corporation released its Monthly Activity Report today. Company highlights for the month of August 2020 include:

- Core net new assets brought to the company by new and existing clients totaled \$20.0 billion. Net new assets excluding mutual fund clearing totaled \$19.3 billion.
- Total client assets were \$4.49 trillion as of month-end August, up 21% from August 2019 and up 5% compared to July 2020.
- Client cash as a percentage of assets was 12.5% as of month-end August, compared with 11.3% in August 2019 and 13.0% in July 2020.

CFO Peter Crawford commented, “We continue to drive strong business momentum; August new accounts and core net new assets were among the highest we’ve seen for a summer month in recent years, and client assets reached a record \$4.49 trillion at month-end, up \$773 billion, or 21%, year-over-year. Thus far in the third quarter, equity market returns have been quite strong and client trading activity very robust relative to prior years. At the same time, continued compression of interest rates has been pressuring investment yields. In addition, while we’ve taken steps to mitigate prepayment risk by reshaping our investment portfolio over recent years to include significantly expanded allocations to less-prepayable securities, the sharp reduction in long-term rates has led to an acceleration of prepayment activity in the mortgage-backed securities held within our investment portfolio. These dynamics are pushing our third quarter net interest margin into the upper 130s basis point range, and therefore our third quarter total net revenues are running slightly lower than the company’s second quarter results.”

### **Forward-Looking Statements**

This press release contains forward-looking statements relating to business momentum; mitigation of prepayment risk in our investment portfolio; and third quarter net interest margin and total net revenues. Achievement of these expectations and objectives is subject to risks and uncertainties that could cause actual results to differ materially from the expressed expectations.

Important factors that may cause such differences include, but are not limited to, general market conditions, including equity valuations, trading activity, the level of interest rates - which can impact money market fund fee waivers - and credit spreads; the company’s ability to attract and retain clients and registered investment advisors and grow those relationships and client assets; competitive pressures on pricing, including deposit rates; the company’s ability to develop and launch new and enhanced products, services, and capabilities, as well as enhance its infrastructure, in a timely and successful manner; client use of the company’s advisory solutions and other products and services; changes in prepayment levels for mortgage-backed and other asset-backed securities and loans; client cash allocations; 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; the scope and duration of the COVID-19 pandemic and actions taken by governmental authorities to contain the spread of the virus and the economic impact; and other factors set forth in the company's most recent reports on Form 10-K and Form 10-Q.

### **About Charles Schwab**

The Charles Schwab Corporation (NYSE: SCHW) is a leading provider of financial services, with more than 360 offices and 14.3 million active brokerage accounts, 1.7 million corporate retirement plan participants, 1.5 million banking accounts, and \$4.5 trillion in client assets as of August 31, 2020. Through its operating subsidiaries, the company provides a full range of wealth management, securities brokerage, banking, asset management, custody, and financial advisory services to individual investors and independent investment advisors. Its broker-dealer subsidiary, Charles Schwab & Co., Inc. (member SIPC, <https://www.sipc.org>), and affiliates offer a complete range of investment services and products including an extensive selection of mutual funds; financial planning and investment advice; retirement plan and equity compensation plan services; referrals to independent, fee-based investment advisors; and custodial, operational and trading support for independent, fee-based investment advisors through Schwab Advisor Services. Its banking subsidiary, Charles Schwab Bank (member FDIC and an Equal Housing Lender), provides banking and lending services and products. More information is available at <https://www.schwab.com> and <https://www.aboutschwab.com>.

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## The Charles Schwab Corporation Monthly Activity Report For August 2020

	2019					2020								Change	
	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Mo.	Yr.
<b>Market Indices</b> (at month end)															
Dow Jones Industrial Average	26,403	26,917	27,046	28,051	28,538	28,256	25,409	21,917	24,346	25,383	25,813	26,428	28,430	8%	8%
Nasdaq Composite	7,963	7,999	8,292	8,665	8,973	9,151	8,567	7,700	8,890	9,490	10,059	10,745	11,775	10%	48%
Standard & Poor's 500	2,926	2,977	3,038	3,141	3,231	3,226	2,954	2,585	2,912	3,044	3,100	3,271	3,500	7%	20%
<b>Client Assets</b> (in billions of dollars)															
Beginning Client Assets	3,746.7	3,716.5	3,768.4	3,854.6	3,942.2	4,038.8	4,051.6	3,862.8	3,496.9	3,778.3	4,009.0	4,110.1	4,278.0		
Net New Assets <sup>(1)</sup>	19.9	17.4	35.2	12.0	30.1	20.9	24.4	27.9	15.3	97.5	24.6	11.2	20.0	79%	1%
Net Market (Losses) Gains	(50.1)	34.5	51.0	75.6	66.5	(8.1)	(213.2)	(393.8)	266.1	133.2	76.5	156.7	191.7		
Total Client Assets (at month end)	3,716.5	3,768.4	3,854.6	3,942.2	4,038.8	4,051.6	3,862.8	3,496.9	3,778.3	4,009.0	4,110.1	4,278.0	4,489.7	5%	21%
<i>Core Net New Assets</i> <sup>(2)</sup>	19.9	17.4	24.1	12.0	30.1	20.9	24.4	27.9	15.3	17.6	13.7	2.7	20.0	N/M	1%
<b>Receiving Ongoing Advisory Services</b> (at month end)															
Investor Services	314.2	318.5	324.6	330.8	337.1	336.8	323.2	291.5	309.9	339.8	345.2	355.6	366.8	3%	17%
Advisor Services <sup>(3)</sup>	1,635.7	1,659.4	1,691.6	1,728.2	1,769.7	1,773.2	1,694.0	1,531.3	1,647.9	1,711.7	1,747.5	1,818.5	1,900.5	5%	16%
<b>Client Accounts</b> (at month end, in thousands)															
Active Brokerage Accounts	12,085	12,118	12,189	12,247	12,333	12,431	12,521	12,736	12,866	14,007	14,107	14,220	14,311	1%	18%
Banking Accounts	1,361	1,361	1,374	1,384	1,390	1,403	1,411	1,426	1,439	1,448	1,463	1,480	1,493	1%	10%
Corporate Retirement Plan Participants	1,711	1,718	1,735	1,743	1,748	1,732	1,726	1,721	1,696	1,714	1,716	1,712	1,715	-	-
<b>Client Activity</b>															
New Brokerage Accounts (in thousands) <sup>(4)</sup>	126	108	142	127	164	167	159	283	201	1,250	201	206	202	(2%)	60%
Inbound Calls (in thousands)	1,759	1,570	1,771	1,605	1,884	1,947	1,831	2,366	1,824	1,736	2,128	2,105	2,025	(4%)	15%
Web Logins (in thousands)	63,928	63,530	72,547	66,394	69,733	77,716	76,941	97,523	92,491	93,803	106,720	103,474	104,468	1%	63%
Client Cash as a Percentage of Client Assets <sup>(5)</sup>	11.3%	11.4%	11.3%	11.3%	11.3%	11.3%	12.0%	15.1%	14.3%	14.0%	13.6%	13.0%	12.5%	(50) bp	120 bp
<b>Mutual Fund and Exchange-Traded Fund</b>															
<b>Net Buys (Sells)</b> <sup>(6,7)</sup> (in millions of dollars)															
Large Capitalization Stock	328	23	900	1,406	991	845	(178)	984	(693)	(768)	(1,254)	(2,536)	(1,422)		
Small / Mid Capitalization Stock	(374)	(212)	(458)	73	201	(314)	(531)	(954)	151	(401)	(1,063)	(1,476)	(441)		
International	(1,390)	(355)	340	735	993	1,360	132	(2,116)	(2,207)	(1,953)	(1,580)	(773)	230		
Specialized	353	583	618	484	455	762	397	333	2,059	1,512	1,020	1,505	906		
Hybrid	(569)	(372)	(202)	(290)	(96)	615	(257)	(4,790)	(860)	(518)	(97)	(769)	(124)		
Taxable Bond	2,725	2,935	2,813	2,274	4,710	5,714	3,830	(23,142)	1,642	5,469	9,215	7,314	7,680		
Tax-Free Bond	760	593	809	860	1,255	1,481	1,066	(5,229)	(242)	805	1,710	1,297	1,648		
<b>Net Buy (Sell) Activity</b> (in millions of dollars)															
Mutual Funds <sup>(6)</sup>	(1,281)	(573)	(473)	(761)	1,097	2,684	(565)	(34,382)	(3,863)	(564)	1,768	(147)	2,568		
Exchange-Traded Funds <sup>(7)</sup>	3,114	3,768	5,293	6,303	7,412	7,779	5,024	(532)	3,713	4,710	6,183	4,709	5,909		
Money Market Funds	6,068	5,833	7,059	4,768	1,515	1,911	1,312	(1,233)	8,465	4,833	(5,673)	(9,039)	(5,614)		
<b>Average Interest-Earning Assets</b> <sup>(8)</sup> (in millions of dollars)	265,005	266,430	266,089	268,254	274,911	279,437	278,966	317,850	353,018	361,814	373,986	379,521	384,690	1%	45%

<sup>(1)</sup> July 2020 includes an inflow of \$8.5 billion related to the acquisition of Wasmer, Schroeder & Company, LLC. June 2020 includes an inflow of \$10.9 billion from a mutual fund clearing services client. May 2020 includes an inflow of \$79.9 billion related to the acquisition of the assets of USAA's Investment Management Company. October 2019 includes an inflow of \$11.1 billion from a mutual fund clearing services client.

<sup>(2)</sup> 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.

<sup>(3)</sup> Excludes Retirement Business Services.

<sup>(4)</sup> May 2020 includes 1.1 million new brokerage accounts related to the acquisition of the assets of USAA's Investment Management Company.

<sup>(5)</sup> Schwab One<sup>®</sup>, certain cash equivalents, bank deposits and money market fund balances as a percentage of total client assets.

<sup>(6)</sup> Represents the principal value of client mutual fund transactions handled by Schwab, including transactions in proprietary funds. Includes institutional funds available only to Investment Managers. Excludes money market fund transactions.

<sup>(7)</sup> Represents the principal value of client ETF transactions handled by Schwab, including transactions in proprietary ETFs.

<sup>(8)</sup> Represents average total interest-earning assets on the company's balance sheet.

N/M - Not meaningful