

# News Release



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CORPORATION

## SCHWAB REPORTS MONTHLY ACTIVITY HIGHLIGHTS

**WESTLAKE, Texas, March 13, 2023** – The Charles Schwab Corporation released its Monthly Activity Report today. Company highlights for the month of February 2023 include:

- Core net new assets brought to the company by new and existing clients totaled \$41.7 billion. Net new assets excluding mutual fund clearing totaled \$40.5 billion.
- Total client assets were \$7.38 trillion as of month-end February, down 4% from February 2022 and down 1% compared to January 2023.
- Average margin balances were \$60.6 billion in February, down 28% from February 2022 and up 1% compared to January 2023.

Chief Financial Officer Peter Crawford offered the following thoughts on the current environment, our company's performance, and recent client activity:

“Given the events of the past few days, we thought it might be helpful to highlight several factors that enable us to keep delivering for clients and stockholders through a range of market conditions:

- **Schwab's business continues to perform exceptionally well**, as our Through Clients' Eyes strategy and 'no trade-offs' positioning resonates with both clients and prospects. February core net new assets totaled \$41.7 billion, our 2<sup>nd</sup> largest February ever (trailing only February 2021, the height of the meme stock craze). Our growth and momentum have continued into March, with daily net new assets averaging nearly \$2B per trading day month-to-date. Our financial performance continues to be strong. As we look ahead to our first quarter results, we anticipate year-over-year revenue growth of about 10% relative to Q1 2022, with adjusted<sup>1</sup> pre-tax profit margin in the 45-47% range.
- **Client bank sweep cash outflows in February were about \$5 billion lower than January and March month-to-date daily average outflows are tracking consistent with February.** Importantly, these outflows reflect a continuation of client decisions to reallocate a portion of their cash into higher yielding cash alternatives within Schwab. Based on our ongoing analysis of these trends, we still believe client cash realignment decisions will largely abate during 2023.
- This activity reflects the collective behavior of our heterogenous client mix of individual retail investors and the advisors who serve them. **More than 80% of our total bank deposits fall within the FDIC insurance limits**, among the five highest ratios of the top 100 banks in the United States.

As a reminder, our deposit base is primarily comprised of transactional cash balances swept to our banks from one of our 34 million brokerage accounts.

- **We have access to significant liquidity**, including an estimated \$100 billion of cash flow from cash on hand, portfolio-related cash flows, and net new assets we anticipate realizing over the next twelve months. We believe we have upwards of \$8 billion in potential retail CD issuances per month, plus over \$300 billion of incremental capacity with the Federal Home Loan Bank (FHLB) and other short-term facilities – including the recently announced Bank Term Funding Program (BTFP).
- **Our approach to managing our assets is quite different than traditional banks.** So before closing, I wanted to provide some thoughts on recent comments by some pundits regarding unrealized losses within bank held-to-maturity (HTM) portfolios. As a reminder, our banks' loan-to-deposit ratio is approximately 10% and nearly all the loans are over-collateralized by first-lien mortgages or securities. The remainder of our assets are invested in high-quality, liquid securities in either our available-for-sale (AFS) portfolio, working capital at the parent or broker-dealer subsidiaries, or in our HTM portfolio. Focusing attention on unrealized losses within HTM has two logical flaws. First, those securities will mature at par, and given our significant access to other sources of liquidity there is very little chance that we'd need to sell them prior to maturity (as the name implies). Second, by looking at unrealized losses among HTM securities, but not doing the same for traditional banks' loan portfolios, the analysis penalizes firms like Schwab that in fact have a higher quality, more liquid, and more transparent balance sheet.

All of these factors demonstrate that Schwab is well-positioned to navigate the current environment as we continue to serve clients and build the future of modern wealth management. And we applaud the efforts of our regulators to support depositors during this critical time, helping to bolster confidence across the American banking system.”

<sup>1</sup> For the 1Q 2023, we currently expect GAAP pre-tax profit margin of 41% – 43%. Further detail on Schwab's non-GAAP financial measures is included within our 10-K filed in February 2023. Adjusted pre-tax profit margin is calculated as adjusted income before taxes on income divided by net revenues. Adjusted income before taxes on income equals net revenues less adjusted total expenses. Adjusted total expenses equals total GAAP expenses excluding interest less acquisition and integration-related costs and amortization of acquired intangible assets.

### **Forward-Looking Statements**

This press release contains forward-looking statements relating to Schwab's business momentum and growth; strategy and positioning; financial performance; revenue growth; adjusted pre-tax profit margin; client bank sweep cash outflows; client cash realignment decisions; access to liquidity, including from cash flows, CD issuances, and FHLB and other short-term facilities; HTM portfolio; and balance sheet. These forward-looking statements reflect management's expectations as of the date hereof. 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, the company's ability to attract and retain clients and independent investment advisors and grow those relationships and client assets; develop and launch new and enhanced products, services, and capabilities, as well as enhance its infrastructure and capacity, in a timely and successful manner; hire and retain talent; support client activity levels; successfully implement integration strategies and plans; monetize client assets; and manage expenses. Other important factors include client use of the company's advisory solutions and other products and services; general market conditions, including equity valuations and the level of interest rates; the level and

mix of client trading activity; market volatility; margin loan balances; securities lending; competitive pressures on pricing; client cash allocation decisions; client sensitivity to rates; level of client assets, including cash balances; capital and liquidity needs and management; balance sheet positioning relative to changes in interest rates; interest earning asset mix and growth; the migration of bank deposit account balances; 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 34.0 million active brokerage accounts, 2.4 million corporate retirement plan participants, 1.7 million banking accounts, and \$7.38 trillion in client assets as of February 28, 2023. 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 subsidiaries, Charles Schwab & Co., Inc., TD Ameritrade, Inc., and TD Ameritrade Clearing, Inc., (members SIPC, <https://www.sipc.org>), and their 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 primary banking subsidiary, Charles Schwab Bank, SSB (member FDIC and an Equal Housing Lender), provides banking and lending services and products. More information is available at <https://www.aboutschwab.com>.

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## The Charles Schwab Corporation Monthly Activity Report For February 2023

	2022											2023		Change	
	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mo.	Yr.
<b>Market Indices</b> (at month end)															
Dow Jones Industrial Average <sup>®</sup>	33,893	34,678	32,977	32,990	30,775	32,845	31,510	28,726	32,733	34,590	33,147	34,086	32,657	(4%)	(4%)
Nasdaq Composite <sup>®</sup>	13,751	14,221	12,335	12,081	11,029	12,391	11,816	10,576	10,988	11,468	10,466	11,585	11,456	(1%)	(17%)
Standard & Poor's <sup>®</sup> 500	4,374	4,530	4,132	4,132	3,785	4,130	3,955	3,586	3,872	4,080	3,840	4,077	3,970	(3%)	(9%)
<b>Client Assets</b> (in billions of dollars)															
Beginning Client Assets	7,803.8	7,686.6	7,862.1	7,284.4	7,301.7	6,832.5	7,304.8	7,127.6	6,644.2	7,004.6	7,320.6	7,049.8	7,480.6		
Net New Assets <sup>(1)</sup>	40.6	46.3	(9.2)	32.8	19.8	31.5	43.3	39.8	42.0	33.1	53.3	36.1	41.7	16%	3%
Net Market (Losses) Gains	(157.8)	129.2	(568.5)	(15.5)	(489.0)	440.8	(220.5)	(523.2)	318.4	282.9	(324.1)	394.7	(142.1)		
Total Client Assets (at month end)	7,686.6	7,862.1	7,284.4	7,301.7	6,832.5	7,304.8	7,127.6	6,644.2	7,004.6	7,320.6	7,049.8	7,480.6	7,380.2	(1%)	(4%)
Core Net New Assets <sup>(2)</sup>	40.6	46.3	(9.2)	32.8	40.6	31.5	43.3	39.8	42.0	33.1	53.3	36.1	41.7	16%	3%
<b>Receiving Ongoing Advisory Services</b> (at month end)															
Investor Services	533.7	538.9	509.3	513.0	483.8	514.8	499.2	466.6	487.3	514.0	499.8	524.6	515.5	(2%)	(3%)
Advisor Services <sup>(3)</sup>	3,342.5	3,404.6	3,190.5	3,213.8	3,040.4	3,222.5	3,150.5	2,950.9	3,106.0	3,270.5	3,173.4	3,345.4	3,289.6	(2%)	(2%)
<b>Client Accounts</b> (at month end, in thousands)															
Active Brokerage Accounts <sup>(4)</sup>	33,421	33,577	33,759	33,822	33,896	33,934	33,984	33,875	33,896	33,636	33,758	33,878	34,010	-	2%
Banking Accounts	1,641	1,641	1,652	1,658	1,669	1,680	1,690	1,696	1,706	1,705	1,716	1,729	1,733	-	6%
Corporate Retirement Plan Participants	2,235	2,246	2,261	2,275	2,275	2,267	2,285	2,305	2,322	2,336	2,351	2,369	2,384	1%	7%
<b>Client Activity</b>															
New Brokerage Accounts (in thousands)	356	420	386	323	305	278	332	287	298	303	330	344	320	(7%)	(10%)
Client Cash as a Percentage of Client Assets <sup>(5)</sup>	11.5%	11.4%	11.9%	12.0%	12.8%	12.0%	12.1%	12.9%	12.2%	11.5%	12.3%	11.6%	11.7%	10 bp	20 bp
Derivative Trades as a Percentage of Total Trades	24.0%	22.4%	21.9%	22.6%	22.3%	24.2%	23.3%	23.6%	24.1%	24.6%	23.2%	23.0%	23.5%	50 bp	(50) bp
<b>Selected Average Balances</b> (in millions of dollars)															
Average Interest-Earning Assets <sup>(6)</sup>	629,042	644,768	636,668	620,157	614,100	605,751	586,154	568,351	552,631	527,019	520,100	512,893	503,122	(2%)	(20%)
Average Margin Balances	84,354	81,526	83,762	78,841	74,577	72,177	72,855	73,224	69,188	66,011	64,759	60,211	60,575	1%	(28%)
Average Bank Deposit Account Balances <sup>(7)</sup>	153,824	155,657	152,653	154,669	155,306	154,542	148,427	141,198	136,036	130,479	126,953	122,387	115,816	(5%)	(25%)
<b>Mutual Fund and Exchange-Traded Fund</b>															
<b>Net Buys (Sells)<sup>(8,9)</sup></b> (in millions of dollars)															
Equities	9,371	14,177	(786)	1,889	(1,586)	5,589	10,465	(2,662)	3,984	3,777	(1,837)	7,236	5,850		
Hybrid	(478)	(497)	(529)	(1,718)	(1,054)	(2,041)	(783)	(938)	(1,380)	(2,052)	(1,595)	(433)	47		
Bonds	(1,973)	(7,851)	(6,933)	(6,121)	(5,631)	729	(141)	(5,801)	(7,218)	(3,721)	(3,260)	5,646	4,281		
<b>Net Buy (Sell) Activity</b> (in millions of dollars)															
Mutual Funds <sup>(6)</sup>	(6,318)	(11,888)	(16,657)	(20,761)	(16,258)	(8,674)	(7,117)	(15,200)	(18,473)	(17,143)	(21,851)	552	(2,338)		
Exchange-Traded Funds <sup>(9)</sup>	13,238	17,717	8,409	14,811	7,987	12,951	16,658	5,799	13,859	15,147	15,159	11,897	12,516		
Money Market Funds	(1,086)	(1,344)	(3,430)	7,106	11,544	13,711	19,702	17,018	21,542	16,929	27,778	24,285	23,347		

Note: Certain supplemental details related to the information above can be found at: <https://www.aboutschwab.com/financial-reports>.

<sup>(1)</sup> June 2022 includes an outflow of \$20.8 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> November 2022 includes the company-initiated closure of approximately 350 thousand low-balance accounts. September 2022 includes the company-initiated closure of approximately 152 thousand low-balance accounts.

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

<sup>(6)</sup> Represents average total interest-earning assets on the company's balance sheet. November 2022 includes the impact of transferring certain investment securities from the available for sale category to the held-to-maturity category.

<sup>(7)</sup> Represents average clients' uninvested cash sweep account balances held in deposit accounts at third-party financial institutions.

<sup>(8)</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>(9)</sup> Represents the principal value of client ETF transactions handled by Schwab, including transactions in proprietary ETFs.