Risk Factors Comparison 2024-02-23 to 2023-02-24 Form: 10-K

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We face a variety of risks that may affect our operations, financial results, or stock price and many of those risks are driven by factors that we cannot control or predict. The following discussion addresses those risks that management believes are the most significant, although there may be other risks that could arise, or may prove to be more significant than expected, that may affect our operations or financial results. For a discussion of our risk management governance and processes, including operational risk, compliance risk, credit risk, market risk, and liquidity risk, see Risk Management and Capital Management in Part II ~~,~~ **–** Item 7 **. For additional information regarding cybersecurity risk, see Item 1C. Cybersecurity** . Economic and Market Risks Developments in the business, economic, and geopolitical environment could negatively impact our business. Our business can be adversely affected by the general environment – economic, corporate, securities market, regulatory, and geopolitical developments all play a role in client asset valuations, trading activity, interest rates, and overall investor engagement, and are outside of our control. Deterioration in the housing and credit markets ~~, reduction in interest rates,~~ and decreases in securities valuations negatively impact our results of operations and capital resources. The monetary policies of the Federal Reserve, which regulates the supply of money and credit in the United States, have a significant effect on our operating results. Actions taken by the Federal Reserve, including changes in its target funds rate and **its own** balance sheet management, are difficult to predict and can affect our **financial results, including** net interest revenue and bank deposit account fees. These ~~- 12- THE CHARLES SCHWAB CORPORATION~~ policies **can** ~~could also~~ have implications for clients' allocation to cash ~~;~~ **as we experienced in 2022 and 2023, and** higher or lower client cash balances have an impact on our capital requirements **,** as well as liquidity implications if such changes in allocation are sudden. **Investor sentiment and market and trading dynamics can affect client preferences and security selection, and can impact transactions and asset- based revenues.- 12- THE CHARLES SCHWAB CORPORATION** A significant change in client cash allocations could negatively impact our income. We rely heavily on client cash balances to generate revenue. Cash awaiting investment in a portion of our client brokerage accounts is swept to our banking subsidiaries and those bank deposits are then used to extend loans to clients and purchase investment securities. We also sweep a portion of such cash to **the TD Depository** ~~unconsolidated third- party financial institutions~~ **Institutions** ~~, including~~ pursuant to the **2023** IDA agreement, through which we earn bank deposit account fees. A significant reduction in our clients' allocation to cash, a change in the allocation of that cash, or a transfer of cash away from the Company, ~~could~~ **would likely** reduce our **income. As a result of the rapid increases in short- term interest rates in 2022 and 2023, the Company saw a significant decrease in clients' asset allocation to sweep cash and greater client investment in higher- yielding alternatives at Schwab such as fixed income investments and proprietary purchased money market funds. To help facilitate these changes in client cash allocations, the Company has utilized higher- cost supplemental funding sources, which has negatively impacted the Company' s net** income. Significant interest rate changes could affect our profitability. The direction and level of interest rates are important factors in our earnings. A decline in interest rates may have a negative impact on our net interest revenue and our bank deposit account fee revenue **. The Company' s interest- earning assets include significant holdings of investment securities, which include fixed- and floating- rate debt securities, including substantial holdings of mortgage- backed securities, as well as mortgages. The Company could be adversely affected by a decline in interest rates if the rates that the Company earns on interest- earning assets decline more than the rates that the Company pays on its funding sources, or if prepayment rates increase on the mortgages and mortgage- backed securities that the Company holds** . A low interest rate environment may also have a negative impact on our asset management and administration fee revenues when we have to waive a portion of our management fees **, as we experienced in 2020 and 2021,** for certain Schwab- sponsored money market mutual funds in order to continue providing a positive return to clients. **A decline in** ~~Although we believe our net~~ interest **rates may also negatively impact our bank deposit account fee** revenue ~~will increase in a rising interest rate environment~~ , ~~a~~ **which is earned primarily pursuant to the 2023 IDA agreement. A** rise in interest rates may cause our funding costs to increase if market conditions or the competitive environment induces us to raise our interest rates to avoid losing deposits, or replace deposits with higher **-** cost funding sources without offsetting increases in yields on interest- earning assets **,** which can reduce the benefit **of higher market interest rates** to our net interest revenue **, as we experienced in 2022 and 2023** . The ~~announced phase~~ **rapid increases in market interest rates recently experienced have also contributed to increased unrealized losses on our investment securities portfolios. Increased unrealized losses on investment securities or other assets on our balance sheet can reduce market or client confidence in us, which could limit our ability to attract new client assets and accounts or result in the transfer of client assets and accounts from the Company. A rise in interest rates may also reduce our bank deposit account fee revenue, as clients may reallocate assets out of bank deposit account balances and into higher** - ~~out of~~ **yielding investment alternatives, as we experienced in 2022 and 2023. The 2023 IDA agreement involves certain commitments, including** the ~~London Interbank Offered Rate (LIBOR) could negatively~~ **maintenance of prescribed minimum and maximum IDA balances, that limit our ability to respond to changes in interest rates and may** impact our **profitability and bank deposit account fee revenue. The bank deposit account fee revenue that we earn related to the IDA agreement may be less than the** net interest revenue **that we could have earned if the deposit balances were swept to our banking subsidiaries rather than the TD Depository Institutions. When we are permitted to reduce the IDA balances, we can only move the balances to our banking subsidiaries if we have sufficient capital. Problems encountered by other financial institutions and responsive measures to manage such problems could adversely affect financial markets generally, could have** ~~and~~ - **an**

adverse effect on our financial position or results of operations, and have indirect adverse effects on us. Concerns regarding the soundness or creditworthiness of other financial institutions can cause substantial disruption within the financial markets and have negative impacts for us and our industry, including reductions in availability of liquidity, higher borrowing costs, and higher costs of capital. Such concerns regarding one or more financial institutions may also advance public concerns regarding Schwab or the financial services industry more broadly, which could harm our reputation and adversely affect our results of operations and financial condition, even if underlying matters impacting other financial institutions are of limited or no direct applicability to us. Financial institutions are interrelated through trading, clearing, or other relationships, and, as a result, concerns about the financial condition of one or more institutions could lead to significant market- wide liquidity and credit problems, losses, or defaults by other institutions. This risk may adversely affect financial intermediaries, such as broker- dealers, banks, clearing houses, securities exchanges, market makers, and others, with which we interact on a daily basis, and therefore, could adversely affect us.- 13- Events affecting the financial services industry may also result in potentially adverse changes to laws or regulations governing banks and savings and loan holding companies or result in the imposition of restrictions through supervisory or enforcement activities, including higher capital or liquidity requirements, which could have a material impact on our business. Following the failure of several U. S. banks in 2023, the U. S. federal banking agencies proposed rules that would significantly impact our regulatory capital requirements, including requiring us to include AOCI in regulatory capital, as ~~will~~ **well as rules that would require minimum levels of eligible long- term debt at CSC and our banking subsidiaries. As a result of increased regulatory expectations regarding capital requirements applicable to the Company, we have been taking, and** continue to **Liquidity** Risk A significant decrease in our liquidity could negatively affect our business as well as reduce client confidence in us.Maintaining adequate liquidity is crucial to our business operations,including transaction settlement,custody requirements,and lending commitments,among other liquidity needs.We meet our liquidity needs primarily from working capital and cash generated by client activity as well as external financing.Fluctuations in client cash or deposit balances,as well as market conditions or changes in regulatory treatment of client deposits,may affect our ability to meet our liquidity needs.A reduction in our liquidity position could reduce client confidence in us,which could result in the transfer ~~out~~ of client assets and accounts,or could cause us to fail to satisfy our liquidity requirements,including the LCR.In addition,if our broker ~~require~~ **required , to declare a dividend, regulators could limit the subsidiaries' ability to upstream funds to CSC or limit their** ~~operational~~ **operations** ~~work. Certain securities in our investment portfolio~~ , ~~the floating rate loans we offered,~~ **which could reduce CSC' s liquidity** and ~~a series of our outstanding~~ **adversely affect its ability to repay debt, pay dividends on CSC' s** preferred stock ~~reference LIBOR~~ **and common stock, repurchase its shares, or redeem its preferred stock. In addition, CSC may need to provide additional funding to such subsidiaries. Factors which may adversely affect our liquidity position include CS & Co and TDAC having temporary liquidity demands due to timing differences between brokerage transaction settlements and the availability of segregated cash balances, fluctuations in cash held in banking or brokerage client accounts, such** as the ~~benchmark rate~~ **significant client reallocation from sweep cash** to ~~determine the applicable~~ **higher- yielding investments that we experienced in 2022 and 2023 in response to rapid** interest rate **increases** , ~~payment~~ **a dramatic increase in our lending activities (including margin,mortgage-** related,and personal lending),increased capital requirements,changes in regulatory guidance or interpretations,other regulatory changes,or a loss of market or client confidence in us resulting in unanticipated withdrawals of client funds.As a member firm of securities and derivatives clearing houses,we are required to deposit cash,stock and / or government securities for margin requirements and to clearing funds.The margin requirements may fluctuate significantly from time to time based upon the nature and size of clients' trading activity and market volatility,and member firms like us have been required to deposit additional funds.Clearing houses could also require additional funds from member firms if a clearing member defaults on its obligations to the clearing house in an ~~amount larger than its own margin and clearing fund deposits.When available~~ amount **larger than its own margin and clearing fund deposits. When available cash is not sufficient** ~~or~~ **for our liquidity needs,** ~~floating dividend rates. While~~ we ~~have substantially transitioned our~~ **may be required to seek external** ~~financial~~ **financing** ~~models and systems away from LIBOR, in limited circumstances we still use LIBOR~~ . **During periods of disruptions in the credit and capital markets** ~~The Federal Reserve adopted a final rule that provides default rules for certain contracts that use LIBOR~~ , **potential sources of external financing could be reduced, and borrowing costs could increase. Although CSC, CS & Co, and TDAC maintain uncommitted, unsecured bank credit lines and CSC has a commercial paper issuance program, as well as a universal shelf registration statement filed** with ~~replacement rates based~~ **the SEC which can be used to sell securities, financing may not be available** on **acceptable** ~~the Secured Overnight Financing Rate (SOFR). When LIBOR is discontinued as announced, there will be uncertainty or differences in the calculation of the applicable interest rate or payment amount depending on the~~ terms ~~of the governing instruments and the details of any fallback provisions. This could result in different financial performance for~~ - **or at all due to market conditions** ~~previously booked transactions. The calculation of interest rates under the replacement benchmarks could also impact our~~ - **or disruptions** ~~net interest revenue. LIBOR may also perform differently during the phase- out period than~~ in the **credit markets** ~~past which could result in lower interest payments and a reduction in the value of certain securities in our investment portfolio~~ . In addition, **a downgrade in** ~~further operational work will be required to transition our legacy loan portfolio to alternate reference rates. See also Part II – Item 7 – Risk Management for additional information regarding~~ the Company' s ~~consideration of~~ **credit ratings could increase its borrowing costs and limit its access to** the ~~phase~~ **capital markets. When short** - **term interest rates rapidly increase, as they did in 2022 and 2023, client movement of certain cash balances** out of ~~LIBOR~~ **our sweep features and into higher- yielding alternatives generally increases** . ~~increase,as they did in 2022,the pace at which clients move certain cash balances out of our sweep features and into higher yielding alternatives generally increases.~~ When these outflows outpace excess cash on hand and cash generated by maturities and paydowns on our investment and loan portfolios,as they ~~recently have~~ **did in 2022 and 2023** , **we** ~~our banking~~

~~subsidiaries~~ may ~~use~~ **need to rely on** temporary supplemental funding,such as advances under Federal Home Loan Bank (FHLB) secured credit facilities,borrowings under repurchase agreements with external financial institutions, ~~and~~ issuances of brokered certificates of deposit **(CDs),or other sources of funding** ,which have higher costs **and could be subject to limitations on availability** .In addition,to access new FHLB advances or roll over existing advances,our banking subsidiaries must maintain positive tangible capital,as defined by the Federal Housing Finance Agency.Larger unrealized losses on our available for sale (AFS) portfolio due to higher market interest rates ~~could~~ negatively impact **our capital position inclusive of AOCI,including** our tangible capital. **- 14-** Compliance Risks Extensive ~~regulation~~ - **regulatory supervision** of our businesses may subject us to significant penalties or limitations on business activities. As a participant in the securities, banking, and financial services industries, we are subject to extensive regulation under federal, state, and foreign laws by governmental agencies, supervisory authorities and SROs. The costs and uncertainty related to complying with such regulations continue to increase. These regulations affect our business operations and impose capital, client protection, and market conduct requirements on us as well as restrictions on the activities that we are allowed to conduct. We become subject to increasing regulatory scrutiny as we grow. Regulators have broad discretion in connection with their supervisory and enforcement activities and examination policies **,** and could prevent us from pursuing our business strategy. Regulators could also limit our ability to grow, including adding assets, launching new products, making acquisitions, and undertaking strategic investments. Our banking regulators could require CSC and / or our banking subsidiaries to hold more capital, increase liquidity, or limit their ability to pay dividends or CSC' s ability to repurchase or redeem shares. Despite our efforts to comply with applicable legal requirements, there are a number of risks, particularly in areas where applicable laws or regulations may be unclear or where regulators could revise their previous guidance. Any enforcement actions or other proceedings brought by our regulators against us or our affiliates, officers or employees could result in fines, penalties, cease and desist orders, enforcement actions, suspension, disqualification or expulsion, ~~- 13-~~ or other disciplinary sanctions, including limitations on our business activities, any of which could harm our reputation and adversely affect our results of operations and financial condition. While we maintain systems and procedures designed to ensure that we comply with applicable laws and regulations, violations could occur. In addition, some legal / regulatory frameworks provide for the imposition of fines or penalties for noncompliance even though the noncompliance was inadvertent or unintentional and even though systems and procedures reasonably designed to prevent violations were in place at the time. There may be other negative consequences resulting from a finding of noncompliance, including restrictions on certain activities. Such a finding may also damage our reputation and our relationships with our regulators and could restrict the ability of institutional investment managers to invest in our securities. Legislation or changes in rules and regulations could negatively affect our business and financial results. New legislation, rules, regulations and guidance, or changes in the interpretation or enforcement of existing federal, state, foreign and SRO rules, regulations and guidance, including changes relating to mutual funds, money market funds, standards of conduct with clients, conflicts of interest, regulatory treatment of deposit accounts, CRA, **changes in required minimum capital** and **capital structure, and changes in equity** market structure ~~reform~~ , including **rules relating to** order routing ~~practices~~ and order- related revenues, may directly affect our operations and profitability or our specific business lines. Recently, the SEC has proposed or adopted a number of new rules, and these new or proposed rules involve sweeping changes that could require significant shifts in industry operations and practices, thereby increasing uncertainty for markets and investors. **The U. S. federal banking agencies have recently proposed rules regarding regulatory capital and long- term debt, and compliance with these proposed rules may result in increased costs and reduce our net income. In addition, the U. S. Department of Labor recently proposed rules to significantly broaden the definition of " fiduciary " under the Employee Retirement Income Security Act of 1974, which, among other requirements, would subject broker- dealers who provide non- discretionary investment advice to retirement plans to a " best interest " standard.** Our profitability could also be affected by rules and regulations that impact the business and financial communities generally, including changes to the laws governing taxation, electronic commerce, client privacy and security of client data. In addition, the rules and regulations could result in limitations on the lines of business we conduct, modifications to our business practices, more stringent capital and liquidity requirements, increased deposit insurance assessments or additional costs and could limit our ability to return capital to stockholders. These changes may also require us to invest significant management attention and resources to evaluate and make necessary changes to our compliance, risk management, treasury **,** and operations functions. Failure to meet capital adequacy and liquidity guidelines could affect our financial condition. CSC, together with its banking, broker- dealer, and FCM / FDM subsidiaries, must meet certain capital and liquidity standards, subject to qualitative judgments by regulators about the adequacy of our capital and our internal assessment of our capital needs. The Uniform Net Capital Rule limits the ability of our broker- dealer entities to transfer capital to CSC and other affiliates. New regulatory capital, liquidity, capital planning, and stress testing requirements may limit or otherwise restrict how we utilize our capital, including paying dividends, stock repurchases, and redemptions, and may require us to increase our capital and / or liquidity or to limit our growth. Failure by either CSC or its banking subsidiaries to meet minimum capital requirements could **- 15-** result in certain mandatory and additional discretionary actions by regulators that, if undertaken, could have a negative impact on us. In addition, failure by CSC or our banking subsidiaries to maintain a sufficient amount of capital to satisfy their stress capital buffer (CSC) or capital conservation buffer (banking subsidiaries) and countercyclical capital buffer requirements would result in restrictions on our ability to make capital distributions and discretionary cash bonus payments to executive officers. Any requirement that we increase our regulatory capital, replace certain capital instruments which presently qualify as Tier 1 Capital, or increase regulatory capital ratios or liquidity, could require us to liquidate assets, deleverage or otherwise change our business and / or investment plans, which may adversely affect our financial results. Issuing additional common stock would dilute the ownership of existing stockholders. ~~In 2022,~~ CSC ~~became~~ **is** subject to the CCAR process, which requires submission of an annual capital plan, and determination of CSC' s stress capital buffer. The plan must include a description of all planned capital actions, including dividends or stock repurchases, over a nine- quarter planning horizon

beginning with the first quarter of the calendar year the capital plan is submitted. CSC' s risk- based capital ratios must exceed the regulatory minimum plus the stress capital buffer. The stress capital buffer could make us subject to progressively more stringent constraints on capital actions if we approach our minimum ratios. This could lead to restrictions on our ability to pay or increase dividends or otherwise return capital to stockholders. If the average of CSC' s total consolidated assets for four consecutive calendar quarters reaches $ 700 billion, or if the average of cross- jurisdictional activity for four consecutive calendar quarters reaches $ 75 billion, CSC will become subject to more stringent Category II requirements, including annual stress testing, the advanced approaches framework, and the inability to opt out of including AOCI in regulatory capital calculations. At December 31, ~~2022~~ **2023** , CSC had approximately $ ~~552~~ **493** billion in total assets and cross- jurisdictional activity of approximately $ ~~29~~ **25** billion. ~~- 14-~~ **See also Part II – Item 7 – Current Regulatory and Other Developments for discussion of regulatory proposals that could, among other things, require the Company to include AOCI in its regulatory capital calculations.** We are subject to litigation and regulatory investigations and proceedings and may not be successful in defending against claims or proceedings. The financial services industry faces significant litigation and regulatory risks. We are subject to claims and lawsuits in the ordinary course of business, including arbitrations, class actions and other litigation, some of which include claims for substantial or unspecified damages. We are also the subject of inquiries, investigations, and proceedings by regulatory and other governmental agencies. Litigation and arbitration claims include those brought by our clients and the clients of third- party advisors whose assets are custodied with us. Claims from clients of third- party advisors may allege losses due to investment decisions made by the third- party advisors or the advisors' misconduct. Litigation claims also include claims from third parties alleging infringement of their intellectual property rights (e. g., patents). Such litigation can require the expenditure of significant company resources. If we were found to have infringed on a third- party patent, or other intellectual property rights, we could incur substantial damages, and in some circumstances could be enjoined from using certain technology, or providing certain products or services. Actions brought against us may result in settlements, awards, injunctions, fines, penalties or other results adverse to us, including reputational harm. Even if we are successful in defending against these actions, the defense of such matters may result in us incurring significant expenses. **We may also determine that it is in the Company' s best interests to settle a matter, such as to avoid protracted litigation, even though the Company may have strong defenses.** A substantial judgment, settlement, fine, or penalty could be material to our operating results or cash flows for a particular future period, depending on our results for that period. In market downturns and periods of heightened volatility, the volume of legal claims and amount of damages sought in litigation and regulatory proceedings against financial services companies have historically increased. Operational Risk Security breaches of our systems, or those of our clients or third parties, may subject us to significant liability and damage our reputation. Our business involves the secure processing, storage, and transmission of confidential information about our clients and us. Information security risks for financial institutions are increasing, in part because of the use of the internet and mobile and cloud technologies to conduct financial transactions, and the increased sophistication and activities **, including the use of artificial intelligence technologies,** of organized crime, activists, hackers and other external parties, including foreign state actors. Our systems and those of other financial institutions **, as well as those of our third- party service providers,** have been and will continue to be the target of cyber attacks, malicious code, computer viruses, ransomware, and denial of service attacks that could **- 16-** result in unauthorized access, misuse, loss or destruction of data (including confidential client information), account takeovers, unavailability of service or other events. Despite our efforts to ensure the integrity of our systems, we may not be able to anticipate or to implement effective preventive measures against all security breaches of these types, especially because the techniques used change frequently or are not recognized until launched, and because security attacks can originate from a wide variety of sources. Data security breaches may also result from non- technical means, for example, employee misconduct. Given the high volume of transactions that we process, the large number of clients, counterparties and third- party service providers with which we do business, including cloud service providers, and the increasing sophistication of cyber attacks, a cyber attack could occur and persist for an extended period of time before being detected. The extent of a particular cyber attack and the steps we may need to take to investigate the attack may not be immediately clear, and it may take a significant amount of time before an investigation is completed and full and reliable information about the attack is known. During such time we would not necessarily know the extent of the harm or how best to remediate it, and certain errors or actions could be repeated or compounded before they are discovered and remediated, all or any of which would further increase the costs and consequences of a cyber attack. Security breaches, including breaches of our security measures or those of our third- party service providers or clients, could result in a violation of applicable privacy and other laws and could subject us to significant liability or loss that may not be covered by insurance, actions by our regulators, damage to our reputation, or a loss of confidence in our security measures which could harm our business. We may be required to expend significant additional resources to modify our protective measures or to investigate and remediate vulnerabilities or other exposures **. We may also be required to pay ransom to threat actors to restore or prevent dissemination of data** . We also face risk related to external fraud involving the misappropriation and use of clients' user names, passwords or other personal information to gain access to our clients' financial accounts. This could occur from the compromise of clients' personal electronic devices or as a result of a data security breach at an unrelated company where clients' personal information is taken and then made available to fraudsters. **Additionally, data exposure can result from a failure to adequately destroy data during system or asset decommissioning, which might result in client or Company information being made available to external parties in error.** Such ~~risk~~ **risks** ~~has~~ **have** grown in recent years due to the increased sophistication and activities of organized crime and other external parties, including foreign state- sponsored parties. Losses reimbursed to clients under our ~~- 15-~~ guarantee against unauthorized account activity could have a negative impact on our business, financial condition and results of operations. Technology and operational failures or errors and other operational risks could subject us to losses, litigation, regulatory actions, and reputational damage. We must process, record and monitor a large number of transactions and our operations are highly dependent on the integrity of our technology

systems and our ability to make timely enhancements and additions to our systems. System interruptions, errors or downtime can result from a variety of causes, including changes in client use patterns, technological failure, changes to our systems, linkages with third- party systems and power failures and can have a significant impact on our business and operations. Our systems are vulnerable to disruptions from human error, execution errors, errors in models such as those used for asset management, capital planning and management, risk management, stress testing and compliance, employee misconduct, unauthorized trading, external fraud, computer viruses, distributed denial of service attacks, cyber attacks, terrorist attacks, natural disaster, extreme weather, power outage, capacity constraints, software flaws, events impacting key business partners and vendors, and similar events. For example, we and other financial institutions have been the target of various denial of service attacks that have, in certain circumstances, made websites, mobile applications and email unavailable for periods of time. Cloud technologies are critical to the operation of our systems and platforms and our reliance on cloud technologies is growing. Cloud service disruptions may lead to delays in accessing data that is important to our businesses and may hinder our clients' access to our platforms. It could take an extended period of time to restore full functionality to our technology or other operating systems in the event of an unforeseen occurrence, which could affect our ability to process and settle client transactions. Despite our efforts to identify areas of risk, oversee operational areas involving risk, and implement policies and procedures designed to manage these risks, there can be no assurance that we will not suffer unexpected losses, reputational damage or regulatory action due to technology or other operational failures or errors, including those of our vendors or other third parties. While we devote substantial attention and resources to the reliability, capacity and scalability of our systems, we occasionally experience extraordinary trading volumes, which have caused and could cause our computer systems to operate at unacceptably slow speeds or even fail, affecting our ability to process client transactions and potentially resulting in some clients' orders being executed at prices they did not anticipate. Disruptions in service and slower system response times could result in substantial losses, decreased client satisfaction, reputational damage, and regulatory inquiries. We are also dependent on the integrity and performance of securities exchanges, clearing houses, market makers, dealers, and other intermediaries to which client orders are **- 17-** routed for execution and settlement. System failures and constraints and transaction errors at such intermediaries could result in delays and erroneous or unanticipated execution prices and cancelled orders, cause substantial losses for us and for our clients, and subject us to claims from our clients for damages, and cause reputational harm. Certain events could increase our client service and processing times due to staffing shortages, remote work or the temporary loss of services from outsourced service providers, such as occurred during the COVID- 19 pandemic. We consider service quality to be an important part of the client experience and our failure to meet client expectations could result in decreased client satisfaction. We take steps to prevent and detect fraud but the ways that fraudulent activity is attempted is continuously evolving. Although we monitor for new types of fraud, there may be a delay in recognizing the fraud is happening. Besides potential losses, shutting down fraudulent activity often requires a balance with client experience. Instances of fraud might negatively impact our reputation and client confidence in the Company, in addition to any direct losses that might result from such instances. Our investment management operations may subject us to fiduciary or other legal liability for client losses. Fund and trust management and administration are complex activities and include functions such as recordkeeping and accounting, security pricing, corporate actions, compliance with investment restrictions, daily net asset value computations, account reconciliations, and required distributions to fund shareholders. Failure to properly perform operational tasks, or the misrepresentation of our services and products could subject us to regulatory sanctions, penalties **,** or litigation **,** and result in reputational damage, liability to clients, and the termination of investment management or administration agreements **,** and the withdrawal of assets under our management. In the management and administration of funds and client accounts, we use quantitative models and other tools and resources to support investment decisions and processes, including those related to risk assessment, portfolio management, trading and hedging activities and product valuations. Errors in the design, function, or underlying assumptions used in these models and ~~- 16-~~ tools, particularly if we fail to detect the errors over an extended period, could subject us to claims of a breach of fiduciary duty and potentially large liabilities for make- whole payments, litigation, and / or regulatory fines. We rely on outsourced service providers to perform key functions. We rely on external service providers to perform certain key technology, cloud infrastructure, processing, servicing, and support functions. These service providers face technology, operating, business, and economic risks, and any significant failures by them, including the improper use or disclosure of our confidential client, employee, or company information, could cause us to incur losses and could harm our reputation. An interruption in or the cessation of service by any external service provider as a result of systems failures, capacity constraints, financial difficulties, natural disasters, extreme weather, power outage, public health crises, political developments, war, international disputes, or for any other reason, and our inability to make alternative arrangements in a timely manner could disrupt our operations, impact our ability to offer certain products and services, and result in financial losses to us. We temporarily lost the services from some of our outsourced service providers during the COVID- 19 pandemic which contributed to increased client service response and processing times. Following Russia' s invasion of Ukraine, we had to replace certain vendor resources which added incremental complexity in **earlier phases of** our TD Ameritrade conversion work. Switching to an alternative service provider may require a transition period and result in less efficient operations. We rely on financial intermediaries to execute and settle client orders **and transactions with financial intermediaries are a significant source of revenue** . We rely on market makers, dealers, securities exchanges, clearing houses, and other financial intermediaries to execute and settle our clients' orders **. In addition, payments received from market makers and exchanges in connection with the execution of client equity and options trades, and from dealers and other counterparties in connection with securities lending, account for significant revenue** . The unwillingness or inability of any of these parties to perform their usual functions coupled with the unavailability of alternative arrangements could result in our clients' orders not getting executed or settled. This may be due to market volatility, uneconomic trading conditions, capacity constraints, financial constraints, system failures, unanticipated trading halts invoked by securities exchanges, market closures, or other reasons. Our inability to get client orders executed or settled because of the

unwillingness or inability of these parties to perform their usual functions could result in client dissatisfaction and reputational harm and expose us to client claims for damages. Liquidity Risk A significant decrease in our....... In addition, if our broker - **18** ~~dealer or depository institution subsidiaries fail to meet regulatory capital guidelines, or if a depository institution subsidiary is unable to obtain regulatory approval, when required, to declare a dividend, regulators could limit the subsidiaries' ability to upstream funds to CSC or limit their operations, which could reduce CSC' s liquidity and adversely affect its ability to repay debt, pay dividends on CSC' s preferred stock and common stock, repurchase its shares, or redeem its preferred stock. In addition, CSC may need to provide additional funding to such subsidiaries. Factors which may adversely affect our liquidity position include CS & Co and TDAC having temporary liquidity demands due to timing differences between brokerage transaction settlements and the availability of segregated cash balances, fluctuations in cash held in banking or brokerage client accounts, a dramatic increase in our lending activities (including margin, mortgage~~ - related, and personal lending),...... could negatively impact our tangible capital. Credit Risk We may suffer significant losses from our credit exposures. Our businesses are subject to the risk that a client, counterparty or issuer will fail to perform its contractual obligations, or that the value of collateral held to secure obligations will prove to be inadequate. While we have policies and procedures designed to manage this risk, the policies and procedures may not be fully effective. Our exposure mainly results from margin lending, clients' options and futures trading, securities lending, mortgage lending, pledged asset lending, our role as a counterparty in financial contracts and investing activities, and indirectly from the investing activities of certain of the proprietary funds ~~we~~ **that the Company** ~~sponsor~~ **sponsors** . When clients purchase securities on margin, borrow on lines of credit collateralized by securities, or trade options or futures, we are subject to the risk that clients may default on their obligations when the value of the securities and cash in their accounts falls below the amount of clients' indebtedness. **Our** ~~Abrupt changes in securities valuations and the failure of clients to meet margin calls could result in substantial losses, especially if there is a lack of liquidity. As a result of our TD Ameritrade acquisition, our~~ margin, options and futures business has materially increased **as a result of our TD Ameritrade acquisition,** and market liquidity ~~may represent~~ **represents** an increased risk **. Abrupt changes in securities valuations and the failure of clients to meet margin calls could result in substantial losses, especially if there is a lack of liquidity** . We have exposure to credit risk associated with our investments. Those investments are subject to price fluctuations. Loss of value of securities can negatively affect earnings if management determines that such loss of value has resulted from a credit loss. The evaluation of whether a credit loss exists is a matter of judgment, which includes the assessment of multiple factors. If management determines that a security' s decline in fair value is the result of a credit loss, an allowance for credit losses on the security will be recorded and a corresponding loss will be recognized in current earnings. Even if a decline in fair value of a security is not determined to have resulted from a credit loss, if we were ever forced to sell the security sooner than intended prior to maturity due to liquidity needs, we would have to recognize any unrealized losses at that time. Our bank loans primarily consist of First Mortgages, **PALs, and** HELOCs ~~, and PALs~~ . Increases in delinquency and default rates, housing and stock price declines, increases in the unemployment rate, and other economic factors, can result in increases in allowances for credit losses and related credit loss expense, as well as write downs on such loans. Heightened credit exposures to specific counterparties or instruments can increase our risk of loss. Examples include: • Large positions in financial instruments collateralized by assets with similar economic characteristics or in securities of a single issuer or industry; • Mortgage loans and HELOCs to banking clients which are secured by properties in the same geographic region; and • Client margins, options or futures, pledged assets, and securities lending activities collateralized by or linked to securities of a single issuer, index, or industry. ~~We~~ **The Company** ~~sponsor~~ **sponsors** a number of proprietary money market mutual funds and other proprietary funds. Although ~~we have~~ **the Company has** no obligation to do so, ~~we~~ **the Company** may decide for competitive or other reasons to provide credit, liquidity or other support to our funds in the event of significant declines in valuation of fund holdings or significant redemption activity that exceeds available liquidity. Such support could cause ~~us~~ **the Company** to take significant charges, could reduce ~~our~~ **the Company' s** liquidity and, in certain situations, could, with respect to proprietary funds other than money market mutual funds, result in ~~us~~ **the Company** having to consolidate one or more funds in ~~our~~ **its** financial statements. If ~~we~~ **the Company were to** choose not to provide credit, liquidity or other support in such a situation, ~~we~~ **the Company** could suffer reputational damage and its business could be adversely affected. ~~- 18 -~~ Risks Related to Our TD Ameritrade ~~Acquisition~~ **Integration** We are ~~undertaking~~ **working to complete** one of the largest brokerage account conversions and could experience unanticipated issues. As part of our **integration of** TD Ameritrade ~~integration~~ , ~~we plan~~ **the Company expects** to **complete the remaining client** ~~transition~~ **transitions** ~~the~~ **from** TD Ameritrade ~~brokerage~~ **to Schwab in a final transition group in May of 2024. This final transition group includes our most active trader** accounts **which drive significant revenue for** ~~to Schwab in multiple transition groups, as well as several~~ TD Ameritrade ~~platforms, while at the same time adding scale. Doing the conversion in multiple transition groups adds complexity, including maintaining appropriate regulatory capital~~ and ~~liquidity~~ **are, therefore, important to the revenue of the combined company** . Although we have undertaken extensive planning and testing, the account transitions are complicated and we could experience issues which cause ~~a~~ **the final** transition group **or the remaining integration work** to be delayed, or negatively impact the client experience. Such issues could **adversely** impact client retention, integration- related costs, the timing for realizing synergies **including those dependent on the wind- down of the operations of the TD Ameritrade broker- dealers** , our reputation, and compliance with regulatory requirements. **- 19- We have experienced unanticipated issues earlier in the integration process that added complexity to our conversion work, including a need to increase capacity of our systems earlier in the integration process beyond our original technology build- out plan and other complexities of technology development. Though technology development to support the remaining client account transitions is now substantially complete, unanticipated issues could arise, including in relation to the wind- down of certain technology used by our broker- dealer subsidiaries.** In ~~order to support~~ **connection with the completed 2023 transitions, the Company experienced attrition in client assets from former** TD Ameritrade **retail accounts and RIAs that was within our initial estimates when we announced the acquisition. It is possible that the**

remaining integration process could result in the loss of clients ~~through~~ **, including to a greater degree than previously planned or experienced in relation to** the **2023 client** account ~~transitions, some~~ **conversions. We expect to continue to incur significant costs in 2024 to finish combining the operations** of **Schwab and TD Ameritrade** ~~which will take place over holiday weekends~~ , ~~we are increasing our client service staffing~~ **including workforce, technology- related, and facilities consolidation costs. Additional unanticipated costs may be incurred in the integration process** . If we are not able to ~~add and retain sufficient~~ **successfully transition the remaining** client ~~service staff or retain other employees working on the account~~ **accounts** ~~transitions~~ , ~~client service may be unacceptable, leading to higher than anticipated client attrition, or account transitions may not be successful. We may fail to realize the anticipated cost savings~~ and ~~other benefits of the TD Ameritrade acquisition~~ **complete planned technology wind- down activities** , ~~which could adversely affect the value of our stock. The success of our TD Ameritrade acquisition will continue to depend, in significant part, on our ability to realize the anticipated cost savings and other benefits from integrating the businesses of Schwab and TD Ameritrade which is subject to certain risks. If we are not able to successfully combine the businesses of Schwab and TD Ameritrade~~ within the anticipated time ~~frame~~ **frames** ~~, or at all~~ , the anticipated cost savings and other benefits of the merger may not be realized fully or may take longer to realize than expected ~~, the combined business may not perform as expected and the value of our common stock may be adversely affected. It is possible that the integration process could result in the loss of key Schwab or TD Ameritrade employees, the loss of clients, the disruption of either company' s or both companies' ongoing businesses or in unexpected integration issues, higher than expected integration costs and an overall post- completion integration process that takes longer than originally anticipated. We will need to continue to hire a significant number of technology personnel and contract staff and rely on a number of critical technology vendors in order to complete the integration work relating to technology platforms and systems within the target timeframe. In addition, we may still experience some delays in acquiring the technology and infrastructure components needed for the integration. We have to make certain assumptions for integration planning and subsequent changes to integration plans impact the timing and cost of the integration. For example, as a result of the higher levels of trading volumes that we recently experienced, we had to increase capacity from the original technology build- out plan. Also, following Russia' s invasion of Ukraine, we had to replace certain vendor resources which added incremental complexity in our TD Ameritrade conversion work. In addition, at times the attention of certain members of our management and other resources may be diverted from integration work to critical day- to- day business operations. We may also encounter challenges integrating TD Ameritrade technologies into Schwab platforms. Any of these factors could make timely achievement of integration milestones more challenging, particularly with regard to technology and systems. We will continue to incur significant integration costs in connection with the integration of TD Ameritrade. We will continue to incur significant non- recurring costs related to formulating and implementing integration plans with respect to combining the operations of Schwab and TD Ameritrade, including technology- related, workforce and facilities consolidation costs. We continue to assess the magnitude of these costs, and additional unanticipated costs may be incurred in the integration of the two companies' businesses. We may have difficulty attracting, motivating and retaining executives and other employees during the integration of TD Ameritrade. Uncertainty about the effect of the TD Ameritrade integration on Schwab and TD Ameritrade employees may impair our ability to attract, retain and motivate personnel. Employee retention may be particularly challenging during the integration process, as employees of Schwab and TD Ameritrade may experience uncertainty about their future roles with the combined business. If employees of Schwab or TD Ameritrade depart, the integration of the companies may be more difficult and the combined business may be harmed. Furthermore, we may have to incur significant costs in identifying, hiring and retaining replacements for departing employees and may lose significant expertise and talent relating to the businesses of Schwab or TD Ameritrade, and our ability to realize the anticipated benefits of the acquisition may be adversely affected. In addition, there could be disruptions to or distractions for the workforce and management associated with integrating employees into Schwab.- 19- The TD Ameritrade acquisition may not be accretive to our earnings per share, which may negatively affect the market price of our common stock. Based on the anticipated synergies between Schwab and TD Ameritrade, we expect the acquisition to be accretive to our earnings per share in the third year following completion of the merger. However, future events and conditions could reduce or delay the accretion that is currently projected or result in the acquisition being dilutive to our earnings per share, including adverse changes in market conditions, additional transaction and integration related costs and other factors such as the failure to realize some or all of the benefits anticipated in the acquisition. Any dilution of, reduction in, or delay of any accretion to, our earnings per share could cause the price of shares of our common stock to decline or grow at a reduced rate~~ . Other Business Risks Potential strategic transactions could have a negative impact on our financial position. We evaluate potential strategic transactions, including business combinations, acquisitions, and dispositions. Any such transaction could have a material impact on our financial position, results of operations, or cash flows. The process of evaluating, negotiating, effecting, and integrating any such strategic transaction may divert management' s attention from other business concerns, and might cause the loss of key clients, employees, and business partners. Moreover, integrating businesses and systems may result in unforeseen expenditures as well as numerous risks and uncertainties, including the need to integrate operational, financial, and management information systems and management controls, integrate relationships with clients and business partners, and manage facilities and employees in different geographic areas. The integration process could result in the disruption of ongoing businesses or changes to inconsistent standards, controls, procedures and policies that could adversely affect our ability to maintain relationships with clients, employees, outsourced service providers and vendors. In addition, an acquisition may cause us to assume liabilities or become subject to litigation or regulatory proceedings or require the amortization of a large amount of acquired intangible assets. Further, we may not realize the anticipated benefits from an acquisition ~~in a timely manner or at all~~ (including without limitation the ~~recent~~ acquisition of TD Ameritrade) **in a timely manner or at all** , and any future acquisition could be dilutive to our current stockholders' percentage ownership or to earnings per common share (EPS). Our acquisitions and dispositions are typically subject to closing conditions, including regulatory

approvals and the absence of material adverse changes in the business, operations or financial condition of the entity or part of an entity being acquired or sold. To the extent we enter into an agreement to buy or sell an entity or part of an entity, there can be no guarantee that the transaction will close when expected, or at all. If a material transaction does not close, our stock price could decline. Our industry is highly competitive and characterized by aggressive price competition. We operate in a highly competitive environment with a broad array of competitors from large integrated banks to venture- capital backed private companies. We continually monitor our pricing in relation to competitors and periodically adjust interest rates on deposits and loans, fees for advisory services, expense ratios on mutual funds and ETFs, trade commission rates, and other pricing and incentives to sustain our competitive position. Increased price competition from other financial services firms to attract clients, such as reduced commissions, higher deposit rates, reduced mutual fund or ETF expense ratios, or the increased use of incentives, could impact our results of operations and financial condition. We face competition in hiring and retaining qualified employees. The market for qualified personnel in our business is highly competitive. At various times, different functions and roles are in especially high demand in the market, compelling us to pay more to attract talent. Our ability to continue to compete effectively will depend upon our ability to attract new employees and retain existing employees while managing compensation costs ~~. We need to continue to hire a significant number of technology personnel and contract staff to complete the TD Ameritrade integration work within the target timeframe. Demand for skilled technology professionals is high and we may experience delays in hiring the appropriate skilled resources~~ .- 20- Our stock price has fluctuated historically, and may continue to fluctuate. Our stock price can be volatile. Among the factors that may affect the volatility of our stock price are the following: • Speculation in the investment community or the press about, or actual changes in, our competitive position, organizational structure, executive team, operations, financial condition, financial reporting and results, expense discipline, strategic transactions, ~~progress on achieving~~ the expected benefits from our TD Ameritrade acquisition, or ratings from third parties; • The announcement of new products, services, acquisitions, or dispositions by us or our competitors; • Increases or decreases in revenue or earnings, changes in earnings estimates by the investment community, and variations between estimated financial results and actual financial results; **• Business metrics, such as client cash and net new client assets;** and • Sales of a substantial number of shares of our common stock by large stockholders. Changes in the stock market generally, or as it concerns our industry, as well as geopolitical, corporate, regulatory, business, and economic factors may also affect our stock price. Future sales of CSC' s equity securities may adversely affect the market price of CSC' s common stock and result in dilution. CSC' s certificate of incorporation authorizes CSC' s Board of Directors, among other things, to issue additional shares of common or preferred stock or securities convertible or exchangeable into equity securities, without stockholder approval. CSC may issue additional equity or convertible securities to raise additional capital or for other purposes. The issuance of any additional equity or convertible securities could be substantially dilutive to holders of CSC' s common stock and may adversely affect the market price of CSC' s common stock. Our ongoing relationships with ~~TD~~ **The Toronto- Dominion** Bank and its affiliates could have a negative impact on us. Although our acquisition of TD Ameritrade was structured such that completion of the merger would not result in CSC either (i) being deemed to be " controlled " ~~by TD Bank~~ (as that term is interpreted by the Federal Reserve under the BHC Act or HOLA) **by The Toronto- Dominion Bank (TD Bank)** or (ii) being deemed to be in " control " of any of TD Bank' s depository institutions, changes in circumstances could trigger presumptions of control under the Federal Reserve' s regulations. This could occur if TD Bank and its affiliates own more than 9. 9 % of Schwab common stock, as interpreted in accordance with the applicable rules of the Federal Reserve. While the Stockholder Agreement between CSC and TD Bank prohibits TD Bank and its affiliates from exceeding the 9. 9 % threshold, it could happen unintentionally. This presumption of control could also be triggered if the revenue generated to either us or to any of the TD Bank depository institutions exceeds a certain percentage. The Stockholder Agreement contains provisions to address such situations. ~~Under the IDA agreement, we are only permitted to reduce the deposit balances swept to the TD Depository Institutions by a set amount during each 12- month period, subject to certain limitations and adjustments including maintaining a minimum $ 50 billion IDA sweep balance through June 2031. The bank deposit account fee revenue that we earn related to the IDA agreement may be less than the net interest revenue that we could have earned if the deposit balances were swept to our banking subsidiaries rather than the TD Depository Institutions. When we are permitted to reduce the IDA balances, we can only move the balances to our banking subsidiaries if we have sufficient capital. In addition, in a low rate environment it is possible that the sweep arrangement fee computation could result in a negative amount that we would be required to pay the TD Depository Institutions, resulting in us having an expense rather than revenue.~~