Resolution Plan for Covered Insured Depository Institution
Public Section

Charles Schwab Bank

Plan Submission Date: December 31, 2013

Date Resolution Plan was approved by CIDI's Board of Directors: October 23, 2013

Introduction

In accordance with the Final Rule adopted by the FDIC on Resolution Plans for Insured Depository Institutions with $50 billion in total assets or more, Charles Schwab Bank (the Bank) is required to create a Resolution Plan (the Plan) describing how it could be resolved under Sections 11 and 13 of the Federal Deposit Insurance (FDI) Act. In accordance with such requirement, the Bank has developed this Plan which addresses, among other things, three viable resolution strategies, all of which could be executed expeditiously with no or minimal cost to the Deposit Insurance Fund (the DIF).

The final version of the Bank's Plan was submitted and approved by the Bank's Board of Directors on October 23, 2013. The Plan was also submitted to the FDIC by December 31, 2013 and provides a detailed blueprint for the hypothetical resolution of the Bank.

The Bank believes that its relatively simple business model, conservative risk profile, with a relatively small residential loan portfolio, limited business banking[1], no debt, and no derivatives trading, minimizes any complexities or complications that could arise in a resolution of the Bank. In particular, the Bank believes that its highly liquid balance sheet would facilitate a rapid and orderly resolution in a manner that would be less challenging than it would be for most other banks of comparable size.

Key Deposit and Loan Data About Charles Schwab Bank

The Bank has a highly liquid, high-quality balance sheet, as demonstrated by the following attributes and metrics *(Data as of 12/31/2012)*:

- 85% of total assets are in cash and high-quality investment securities
- 59% of total assets are in cash or in securities issued by the Government Sponsored Enterprises
- Low loan-to-deposit ratio of 14%
- The Bank has no debt, and assets are 100% funded by deposits and common equity

The Bank's loan portfolio is also of exceptionally high quality. While the Bank will make first mortgage loans or HELOCs to any qualified borrower who meets the Bank's underwriting criteria, the Bank primarily targets the brokerage clients of its affiliate, Charles Schwab & Co., Inc. (CS&Co). In addition to loans on residential real

[1] In 2012, the Bank started extending Pledged Asset Lines to entities. As of 12/31/2012, there was one PAL line that had been extended to an operating company; balances outstanding were less than $1M. PALs to operating entities/companies have the same risk profile as existing PALs, i.e. balances must be at least 133% collateralized by eligible securities at all times.

estate, the Bank also offers Pledged Asset Lines (PALs) to CS&Co. brokerage clients secured by liquid investments in publicly traded securities custodied at CS&Co. The following metrics reflect the strength of the Bank's loan portfolio *(Data as of 12/31/2012)*:

- First mortgage balances 30 days or more delinquent – 0.75% compared to rest of industry at 7.05%
- HELOC balances 30 days or more delinquent - 0.52% compared to rest of industry at 4.35%
- Texas Ratio of 0.97 best among group of 26 comparator banks (comparator group average is 19.93)[2]
- 81% of first mortgage balances are with borrowers with FICO scores greater than or equal to 740
- No losses in PAL portfolio in last 4 years, and less than $25K over life of product

Given the quality of the Bank's assets, the Bank believes that the entire bank franchise, not just the deposits, would be attractive to potential purchasers. Therefore, provided that timing and purchaser considerations are satisfied, sale of the Bank in a whole Bank purchase and assumption transaction over a short period of time – as opposed to the sale of the Bank's assets and deposits sold separately to multiple purchasers (over a longer time frame) – is the preferred and least costly resolution strategy of the Bank.

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[2] Source: SNL

Section 1: PUBLIC SECTION:

A. The Names of Material Entities

The term "Material Entity" is defined in the FDIC Final Rule as "a company that is significant to the activities of a Critical Service or Core Business Line." The Bank has identified the following Material Entities that meet this regulatory definition:

- Charles Schwab Bank (FDIC-insured federal savings bank with its main office in Reno, Nevada)
- Charles Schwab & Co., Inc. (registered securities broker-dealer; a California corporation)
- Charles Schwab Investment Management, Inc. (registered investment advisor; a Delaware corporation)

B. Description of Core Business Lines

The Bank is a federal savings bank headquartered in Reno, Nevada, and has two Core Business Lines: Retail Banking and Business Trust. It is a wholly owned subsidiary of The Charles Schwab Corporation (CSC) and commenced operations in April 2003. The Bank's Retail Banking operations include offering retail consumer banking services, including lending solutions and FDIC-insured deposit products such as checking, savings and money market accounts, and certificates of deposit. Through its Business Trust Division (Business Trust), the Bank provides directed trust and custody services to in-house as well as Third Party Administrators. The Business Trust Division also acts as a trustee for a group of Collective Trust Funds (CTFs).

B.1. Core Business Lines: Retail Banking

The Retail Banking Core Business Line of the Bank provides a limited range of loan and deposit products and services. Loan products include first mortgage loans, home equity loans, overdraft protection, and lines of credit secured by pledged securities. The Bank also provides deposit products, including interest and non-interest bearing checking accounts, savings accounts, certificates of deposit, and money market deposit accounts (MMDA).

Regional Banking Managers (RBMs) and branch personnel are in multiple locations. Other employees for the Retail Banking business of the Bank are primarily located in San Francisco, CA; Denver, CO; Reno, NV; and Phoenix, AZ.

B.2. Core Business Lines: Business Trust

The Business Trust Division of the Bank provides Trust and Custody Services to sponsors of qualified and non-qualified retirement plans and other employee benefit and welfare plans (Plans) and Individual Retirement Account (IRA) account holders. The Business Trust Division also acts as a trustee for a group of CTFs. These services include: trading and settlement of securities, income collection and payment, account cash management, trust oversight, client reporting, and reconciliation of cash and securities. Business Trust is located in San Francisco, CA, Phoenix, AZ, and Austin, TX.

C. Consolidated financial information regarding assets, liabilities, capital and major funding sources

The following table summarizes the Balance Sheet for the Bank as of December 31, 2012.

Table 1 Unconsolidated Balance Sheet (12/31/2012)

Charles Schwab Bank

Balance Sheet (December 31, 2012)

		Dec 2012
ASSETS:		
CASH AND DUE FROM BANKS	$	9,134,876,793
SHORT-TERM INVESTMENTS		1,059,899,494
SECURITIES AVAILABLE FOR SALE		46,117,226,503
SECURITIES HELD TO MATURITY		18,193,537,016
REAL ESTATE 1-4 FAMILY 1ST MORT		6,507,269,735
HOME EQUITY LINES OF CREDIT		3,287,412,935
PLEDGED ASSET LINE		963,248,478
OTHER LOANS		161,041,859
ALLOWANCE FOR LOAN LOSSES		(56,063,406)
LOANS -NET OF ALLOWANCE		10,862,909,600
LOANS HELD FOR SALE		0
EQUIPMENT AND OFFICE FACILITIES NET		1,552,645
GOODWILL		16,646,222
OTHER ASSETS		423,528,833
TOTAL ASSETS	**$**	**85,810,177,105**
LIABILITIES AND STOCKHOLDER'S EQUITY:		
NON-INTEREST BEARING DEPOSITS	$	427,050,595
CHECKING		8,574,376
SAVINGS AND MONEY MARKET ACCOUNTS		8,880,167,548
CERTIFICATES OF DEPOSITS		1,106,527
INVESTOR CHECKING		11,623,047,560
SWEEP - MMDA		57,105,202,504
SWEEP - NOW		1,124,199,510
RETIREMENT PLAN - MMDA		208,886,395
INTEREST BEARING DEPOSITS		78,951,184,421
TOTAL DEPOSITS		79,378,235,016
PAYABLE TO TRUST CLIENTS		788,104
PAYABLE TO AFFILIATES		86,980,488
ACCRUED EXPENSES AND OTHER LIABILITIES		322,195,683
TOTAL LIABILITIES		79,788,199,290
COMMON STOCK		100,000,000
ADDITIONAL PAID IN CAPITAL		2,893,217,257
RETAINED EARNINGS		2,730,337,053
ACCUMULATED OTHER COMPRSIVE INCOME/LOSS		298,423,504
TOTAL STOCKHOLDER'S EQUITY		6,021,977,815
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	**$**	**85,810,177,105**

The following table summarizes the Income Statement for the Bank for the year ended December 31, 2012.

Table 2 Statement of Income (12/31/2012)

Charles Schwab Bank
Statement of Income (December 31, 2012)

		YTD Dec 2012
INTEREST INCOME:		
INTEREST ON SECURITIES AVAILABLE FOR SALE	$	581,271,728
INTEREST ON SECURITIES HELD TO MATURITY		397,224,464
INTEREST ON LOANS		309,021,621
INTEREST ON LOANS HELD FOR SALE		742,180
INTEREST ON ST INVESTMENTS		2,462,878
OTHER INTEREST AND DIVIDENDS		13,732,905
TOTAL INTEREST INCOME		1,304,455,776
INTEREST EXPENSE - DEPOSITS		(41,819,597)
OTHER INTEREST EXPENSE		0
TOTAL INTEREST EXPENSE		(41,819,597)
NET INTEREST INCOME		1,262,636,179
PROVISION FOR CREDIT LOSSES		(15,785,703)
NET INTEREST & DIVD INCOME AFTER PROVISION	**$**	**1,246,850,476**
NONINTEREST INCOME:		
ROYALTY REVENUE	$	(13)
GAIN ON SALE OF LOANS		2,907,846
ASSET MANAGEMENT FEES - TRUST		87,929,245
NET INTERCO REVENUE SHARE - TRUST		5,751,298
OTHER REVENUE		41,953,292
MARKETING REV – QUICKEN		6,000,000
NET IMPAIRMENT LOSSES ON SEC		(32,400,000)
NONINTEREST INCOME	**$**	**112,141,668**
NONINTEREST EXPENSE:		
COMPENSATION AND BENEFITS	$	46,883,271
PROFESSIONAL SERVICES		164,904,574
DEPRECIATION AND AMORTIZATION		620,101
ADVERTISING AND MARKETING		4,148,370
LOAN SERVICING EXPENSE		8,298,288
OCCUPANCY AND EQUIPMENT		4,943,709
REGULATORY FEES & ASSESSMENTS		43,842,203
OTHER EXPENSE		33,147,077
TOTAL NONINTEREST EXPENSE		**306,787,592**
INCOME BEFORE TAXES	$	1,052,204,553
INCOME TAXES		399,409,074
NET INCOME	**$**	**652,795,478**

C.1 Capital

The Bank's sources of capital include common stock, capital contributions (additional paid in capital), retained earnings, and other comprehensive income.

The Bank has a self-regulating capital planning process that incorporates triggers to capital actions. Given the low risk nature of the Bank's assets, the Bank's internal target for its Tier 1 Leverage Ratio is currently its binding capital constraint. The internal target is 6.25%. The Bank's regulatory capital and ratios are discussed in more detail below.

Under normal circumstances, the Bank generates sufficient capital from earnings to support organic growth and does not rely on external markets for debt or equity capital. When bulk transfers of brokerage deposits have driven exceptional growth in short periods of time, the Bank has received capital infusions from its Parent, CSC, in order to stay above its internal target.

C.2 Regulatory Capital

The Bank is required to maintain minimum capital levels as specified in federal banking laws and regulations. At December 31, 2012 and 2011, the Bank's regulatory capital and ratios were as follows:

	Actual		Minimum Capital Requirement		Minimum to be Well Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2012						
Tier 1 Risk-Based Capital	$ 5,707	20.00%	$ 1,139	4.00%	$ 1,709	6.00%
Total Risk-Based Capital	$ 5,760	20.20%	$ 2,279	8.00%	$ 2,848	10.00%
Tier 1 Leverage	$ 5,707	6.70%	$ 3,412	4.00%	$ 4,266	5.00%
Tangible Equity	$ 5,707	6.70%	$ 1,706	2.00%	N/A	
December 31, 2011						
Tier 1 Risk-Based Capital	$ 4,984	23.40%	$ 850	4.00%	$ 1,276	6.00%
Total Risk-Based Capital	$ 5,036	23.70%	$ 1,701	8.00%	$ 2,126	10.00%
Tier 1 Leverage	$ 4,984	7.50%	$ 2,642	4.00%	$ 3,302	5.00%
Tangible Equity	$ 4,984	7.50%	$ 1,321	2.00%	N/A	

N/A Not applicable.

The decline in the Tier 1 Leverage Ratio from 7.5% at 12/31/11 to 6.7% at 12/31/12 is due to the fact that management lowered its target Tier 1 Leverage Ratio for the Bank from at least 7.5% to 6.25% in the third quarter of 2012. This change reflects the Bank's conservative approach to lending and investing, which results in a lower risk profile relative to the industry and risk-based capital ratios significantly in excess of well capitalized levels. In addition, the Bank's internal stress testing process demonstrates the adequacy of the lower internal target. The Bank intends to remain well capitalized even in stressed environments. As such, the Board uses the results of forecast stress scenarios (including both Bank specific and regulatory scenarios) to evaluate the capital buffer needed so that the Bank remains above its minimum capital tolerance levels. As of the Bank's last such assessment, a risk limit of 6.25% provided a sufficient buffer for the Bank to remain above 5.5% and well-capitalized, at the worst point of a capital stress testing scenario. The lower Tier 1 leverage ratio allows greater flexibility in managing capital resources to either support the Bank's balance sheet growth or return capital to CSC.

While the Tier 1 Risk-Based and Total Risk-Based Capital Ratios also declined, those remain at 500% and 250% of regulatory minimums respectively.

Based on its regulatory capital ratios at December 31, 2012 and 2011, the Bank is considered well capitalized (the highest category) pursuant to banking regulatory guidelines.

C.3 Funding

The Bank's major source of funding is its Sweep Deposits followed by deposits in its Investor Checking and Investor Savings products. These three sources account for over 90% of the Bank's funding. Equity accounts for the rest of the Bank's funding. The Bank has no debt.

The Bank has the capability to get secured funding from either the Federal Home Loan Bank (FHLB) or the Federal Reserve Bank. The Bank has pledged collateral consisting of mortgage loans and home equity lines of credit to the FHLB, and securities to the Federal Reserve Bank discount window. The Bank could also pledge securities to the FHLB and has additional available collateral that it could pledge to the FHLB, Federal Reserve, and other counterparties. Under contingency plans, the Bank may utilize wholesale funding such as reverse repurchase agreements that are collateralized by the Bank's unencumbered securities portfolio.

C.4 Liquidity

To ensure adequate liquidity, the Treasury Cash Management team manages, forecasts, and reports daily on the Bank's liquidity position including intraday and overnight liquidity. Excess cash above the reserve requirement is either left at an account at the Federal Reserve or is invested by the Treasury Capital Markets team. Funds could be borrowed from the uncommitted fed funds lines, FHLB, or Federal Reserve Discount Window (generally in that order) if a liquidity shortfall were to exist. Liquidity measures such as overnight and six month liquid asset requirements are monitored by Treasury Corporate Finance (TCF) personnel.

The TCF team reviews funding sources and manages liquidity in the medium to longer term. TCF also monitors early warning indicators (EWIs) and notifies the Bank CFO or Bank Treasurer if any EWIs are triggered. If appropriate, the CFO or the Treasurer can invoke the contingency funding plan to stem a liquidity crisis. Any exceptions to EWIs or other monitored liquidity measures are reported to the Bank's Asset Liability Committee (ALCO).

On a monthly basis, liquidity stress testing is performed, in the form of contingency funding analyses, and is reported to the Bank's ALCO. Contingency funding scenarios and assumptions are reviewed and approved by the Bank's ALCO and the Bank Board Risk Committee at least annually. The Bank's Capital Plan also includes a liquidity scenario that stresses the Bank's ability to fund significant outflows.

D. Description of Derivative Activities and Hedging Activities

D.1. Derivative Activities

D.1.a. Charles Schwab Bank – General

While the Bank purchases investments to hold on its balance sheet for income, and buys and sells securities for client retirement plan accounts, the Bank does not trade securities for its own account, has no assets classified as trading assets, and does not engage in any derivative or hedging activities. This excludes any mortgage loan commitments (interest rate lock commitments) classified as derivatives for GAAP purposes. This applies to the Bank and both Core Business Lines. As stated in the Bank's policies, derivative contracts will be accounted for in accordance with Statement of Financial Accounting Standards 133 as amended and interpreted. As of 12/31/12, the Bank had no such positions outstanding.

D.1.b. Core Business Lines: Retail Banking

The Bank does not book trades by Core Business Line. As stated in the Bank's policies, derivative contracts will be accounted for in accordance with Statement of Financial Accounting Standards 133 as amended and interpreted. As of 12/31/12, the Bank had no such positions outstanding.

D.1.c. Core Business Lines: Business Trust

As noted in Section D.1.b., the Bank does not book trades by Core Business Line.

D.2. Hedging Activities

The Bank and its Core Business Lines do not engage in any hedging activities.

E. List of Memberships in Material Payment, Clearing and Settlement Systems

In order to conduct its day-to-day operations and serve clients, the Bank participates in payment, clearing and settlement systems. In certain cases, the Bank has direct membership in these payment, clearing and settlement systems whereas in other instances the Bank has indirect access to these systems through its affiliate, CS&Co.

Table 3 Trading, Payment, Clearing, and Settlement Systems

System Name	Domestic or International	System Type	Member / Non-Member	Description
The Depository Trust Company (DTC)	Domestic	Settlement	Member	DTC is a central securities depository and securities settlement system. DTC is a wholly owned subsidiary of DTCC.
National Securities Clearing Corporation (NSCC)	Domestic	Clearing, Settlement	Member	NSCC provides central counterparty clearing and settlement services for various securities transactions in the United States. NSCC is a wholly owned subsidiary of DTCC and is registered as a clearing agency with, and subject to regulation and supervision by, the SEC.
Fedwire	Domestic	Payment	Participant via Participation Agreement	A funds transfer system owned and operated by the Federal Reserve.
FedACH	Domestic	Payment	Participant via Participation Agreement	An electronic payment system which provides ACH services. FedACH is owned and operated by the Federal Reserve.
Profile	Domestic	Payment, Settlement	Not Applicable	Profile is a payment system owned by FIS, which provides checks inclearing services.
Fedline	Domestic	Payment, Clearing, Settlement	Participant via Participation Agreement	An electronic access service that allows participants access to Fedwire Funds. Fedline is owned and operated by the Federal Reserve.

System Name	Domestic or International	System Type	Member / Non-Member	Description
Wells Fargo CEO	Domestic	Payment	Not Applicable	Wells Fargo CEO is a payment system owned by Wells Fargo, which provides wire transfer services.
Fiserv	Domestic	Payment	Not Applicable	Fiserv is a payment system owned by Fiserv, which provides online bill payment services.
MoneyLink	Domestic	Payment	Not Applicable	MoneyLink is a payment system owned by CS&Co., which provides ACH services.
VisaNet	Domestic	Payment	Member of Visa	VisaNet is a payments system owned by VisaUSA, which provides debit card services.
Interlink	Domestic	Payment	Member	Interlink is a payments system owned by VisaUSA, which provides debit card services.
Plus	Domestic	Payment	Member	Plus is a payments system owned by VisaUSA, which provides debit card services.
Star	Domestic	Payment	Member	Star is a payments system owned by First Data, which provides debit card services.
MoneyPass	Domestic	Payment	Member	MoneyPass is a payments system owned by MoneyPass, which provides debit card services.
VisaDPS	Domestic	Payment	Member of Visa	VisaDPS is a payments system owned by VisaUSA, which provides debit card services.

F. Description of foreign operations

There are no cross-border elements applicable to the Bank.

G. Identities of material supervisory authorities

G.1. Primary Regulator - General

The primary regulator for the Bank is the Office of the Comptroller of the Currency (OCC). Other regulators are:

- The Federal Deposit Insurance Corporation (FDIC)
- The Consumer Financial Protection Bureau (CFPB)
- Department of Labor (DOL)
- The Federal Reserve Board (with respect to Bank issues related to oversight of the Bank's parent, CSC)

G.2. Primary Regulator for Retail Banking

The primary regulator for the Bank's Retail Banking core business line is the OCC. Other regulators are:

- The Federal Deposit Insurance Corporation (FDIC)
- The Consumer Financial Protection Bureau (CFPB)

G.3. Primary Regulator for Business Trust

The primary regulator for the Bank's Business Trust core business line is the OCC.

Other regulators are:

- Department of Labor (DOL)
- Federal Deposit Insurance Corporation (FDIC)

H. Principal Officers

Key corporate officers of the Bank are:

Table 4 Charles Schwab Bank Key Corporate Officers

Joseph Martinetto	EVP & Chief Executive Officer of Charles Schwab Bank
Paul Woolway	EVP & President of Charles Schwab Bank
Kenton Thompson	SVP – Products and Distribution
Rene Kim	SVP – Deposit Products
Angela Birmingham	VP – Bank Operations, Oversight, Service & Technology
Mark Coffrini	SVP – Business Trust
Jeffrey Morgan	VP – Reconciliation & Cash Operations
Deborah Pritchard	VP – Client Service
James Sheppard	SVP – Chief Financial Officer
Richard Rushton	VP – Senior Credit Officer
Nigel Murtagh	EVP – Risk Management
Patricia Kenny	VP – Risk Officer
Bill Quinn	SVP – Treasurer
Peter Morgan	SVP – General Counsel
Jill Richards	VP – Chief Compliance Officer

I. Corporate governance structure and processes related to resolution planning

The Resolution Planning Governance structure is outlined below. The primary responsibility for the formulation and filing of the Resolution Plan falls on the following three groups:

Resolution Plan Leadership Team: A committee comprised of senior executives within Schwab who are responsible for the overall direction of the project as well as communication to the Bank Board of Directors. The Resolution Plan Leadership Team is comprised of the following members:

Executive Vice President & President, Charles Schwab Bank
Senior Vice President & General Counsel, Charles Schwab Bank
Senior Vice President & CFO, Charles Schwab Bank
VP, Bank Operations, Oversight, Service & Technology
Senior Vice President, Treasurer
Senior Vice President, Finance

Working Group: The Resolution Plan Leadership Team is supported by a Working Group responsible for the day-to-day execution of the project, determination of technical matters, and communication to the Resolution Plan Leadership Team. Working Group members include:

Senior Vice President & CFO, Charles Schwab Bank
VP, Bank Operations, Oversight, Service & Technology
VP Treasury
VP, Regulatory Affairs
Managing Director, Trust Administration
Managing Director, Bank Finance

Project Management Office (PMO): The Working Group is supported by a PMO responsible for the day-to-day coordination of the project. The team consists of members from the Bank as well as an external advisory firm engaged by the Bank. Schwab PMO members include:

Senior Vice President & CFO, Charles Schwab Bank
VP, Regulatory Affairs
Managing Director, Bank Finance
Director, Technical Project Management

The Working Group has identified several work-streams from different functional areas. The work-stream owners are identified below:

VP, Treasury
Director, Technology

Managing Director, Bank Finance
Managing Director, Operations and Vendor Management
SVP, Market and Investment Risk
VP, Legal/Regulatory Affairs

On an ongoing basis, the aforementioned work-stream owners will be responsible for updating and maintaining their respective sections of the Resolution Plan. Overall coordination and approval of the maintenance process will be conducted by the VP Bank Operations, Oversight, Service & Technology and VP Legal/Regulatory Affairs.

I.1 Integration into Company Wide Governance Structure

Resolution Planning is coordinated by a Working Group that consists of representatives from Treasury, Operations, Technology, Business Trust, Legal and Finance. The Bank CFO is the head of the Working Group. An Executive Resolution Plan Leadership Team oversees the Working Group. The members of the Resolution Plan Leadership Team are the Bank President, CFO, Treasurer, General Counsel, and Vice President of Bank Operations, Oversight, Service & Technology, and the Schwab Senior Vice President responsible for most Finance functions at Schwab, who is a dual employee of CS&Co. and the Bank. During development of the first Resolution Plan, the Working Group met frequently at regular intervals. The Resolution Plan Leadership Team met regularly. Once the Plan is complete it is expected that the Working Group will meet as needed and the Resolution Plan Leadership Team will meet at least quarterly.

To make sure the Plan is kept current, the Working Group will prepare a questionnaire that needs to be completed and presented to the Resolution Plan Leadership Team quarterly. The questionnaire will include questions about any significant changes to material contracts, technology platforms, key vendors or contracts, and other changes that might require updates to the Plan. The annual financial planning process will also include such questions.

J. Description of Material Management Information Systems

The Bank uses several management information systems (MIS) to generate standard and ad-hoc reports that provide pertinent information on the financial health, risk and operations of the Bank and its Core Business Lines. Some specific areas where MIS systems may be used include:

- Management and financial reporting (e.g. dashboards)
- Operational reporting around regulatory, audit and legal needs
- Risk reporting on the investment, loan and deposit portfolios
- Reporting on capital and liquidity of the Bank

These MIS systems may take the form of systems or applications licensed or purchased from third-party vendors or developed in-house. The Bank maintains detailed business continuity documents for its technology platforms. Schwab's Operational Continuity (OC) Team supports, implements, and administers the Corporations IT Infrastructure Recovery program. The OC team assists in the development and testing of disaster recovery plans.

In addition, third party providers maintain backup and recovery plans for critical systems used by the Bank. As part of the vendor on-boarding process, the Bank works with Corporate Business Continuity & Incident Management (BCIM) to review the vendor's Business Continuity & Disaster Recovery Plans or Executive Summaries. BCIM and the Bank also review the vendor's response to a comprehensive due diligence questionnaire outlining their business continuity policies, plans, testing and training.

As part of the Bank's Business Continuity and Vendor Oversight Programs, vendors categorized as critical are asked to submit copies of their Business Continuity Plans and Disaster Recovery Test results annually. The Business Continuity Plans are reviewed for best practices and gaps that need to be addressed. Disaster Recovery test results are reviewed for issues that negatively affect Bank operations. Issues or gaps that are identified are tracked until resolution.

K. High-level description of resolution strategy including such items as the range of potential purchasers of the CIDI, its Material Entities, and Core Business Lines

The applicable resolution regime for the Bank is set forth in Sections 11 and 13 of the Federal Deposit Insurance Corporation and Federal Deposit Insurance Act.

As part of the Plan, various potential strategies have been identified for the hypothetical resolution of the Bank, including depositor payoff and purchase and assumption of the Bank by one or more buyers over an extended time frame. The hypothetical resolution scenarios incorporate the need to return insured deposits to depositors in a timely manner, maintain critical services in resolution, preserve franchise value, and minimize losses to the DIF. Ultimately, it was determined that the preferred (and least cost) strategy is sale of the Bank to one or more parties in a short period of time, as described more fully below.

Resolution Strategy: Purchase and Assumption Whole Bank – One or More Buyers in Short Time Frame

The preferred (and least cost) strategy is sale of the Bank to one or more parties in a short period of time. Under this strategy, the Bank would plan on selling the entire business, including both the Retail Banking line and the Business Trust line, to one or more purchasers.

As part of this process, a feasibility and valuation analysis was conducted by Schwab's Corporate Development department for the Bank as well as the Core Business Lines. Potential purchasers of the Bank and its Core Business Lines were identified based on the following strategic rationale: a) Deposits: Certain financial institutions that have a relatively high mix of wholesale funding and may be interested in acquiring lower-cost retail deposits from Schwab; and b) U.S. Market Presence/USD funding: Foreign-based financial institutions that may be interested in acquiring a U.S. banking presence and U.S. dollar funding. In addition, there could be buyers only interested in the Trust business. Potential purchasers for other Material Entities include global financial institutions seeking to enter into or expand their existing securities broker-dealer or investment management businesses.

Relative to other potential strategies, the aforementioned strategy minimizes the impact of two factors which diminish franchise value. The first factor is continued shrinkage in the deposit base and the attendant lower premium to be collected on the deposit base. Related to that, as assets are sold to meet deposit runoff, it is expected that the pressure to sell will result in losses on sale which would be avoided if a transaction or transactions could be completed in a shorter period of time.

Sale to one buyer is the preferred solution under most cases if the right price can be obtained for the whole Bank because there is potentially just one transaction instead of many, although it is understood that due to capacity constraints on the part of potential buyers, even if the Bank could be sold in a short period of time, it would possibly be to multiple buyers. The Bank would only contemplate self-liquidation over time via a bridge bank or repayment of depositors, if those were either less costly or the only ways to liquidate the Bank.