Charles Schwab Bank

Resolution Plan

Public Section

Charles Schwab Bank® believes, in the unlikely event it were to be in danger of insolvency and neither its recovery plan nor other private sector solutions were able to prevent the insolvency, this resolution plan would ensure depositors receive access to their insured deposits in a timely manner; it would maximize the net present value return from the sale or disposition of its assets, and it would minimize the amount of any loss realized by its creditors. Charles Schwab Bank believes its relatively simple business model, conservative risk profile, relatively small loan portfolio, and lack of derivative activity minimize any complexities or complications that could arise. Charles Schwab Bank's highly liquid balance sheet should allow the Federal Deposit Insurance Corporation to resolve it in a manner less challenging than for other banks of comparable size. This resolution plan does not assume any support by the United States government or its taxpayers.

Submitted to the Federal Deposit Insurance Corporation: On June 12, 2018

The Charles Schwab Bank Resolution Plan reflects the actions stakeholders may take in a resolution event, but it is hypothetical, and not binding upon the firm, the Federal Deposit Insurance Corporation, or a bankruptcy court.

This disclosure contains forward-looking statements. The projections do not represent forecasts of expected results of operations or financial condition, but rather reflect the possible results under hypothetical scenarios. Charles Schwab Bank's future results of operations and financial condition will be influenced by actual economic and financial conditions and various other factors as described in The Charles Schwab Corporation's annual report on Form 10-K for the year ended December 31, 2017, and other reports filed with the Securities and Exchange Commission, which are available at www.sec.gov.

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I. EXECUTIVE SUMMARY

The 2018 Charles Schwab Bank Resolution Plan (Resolution Plan or Plan) is submitted pursuant to the Final Rule adopted by the Federal Deposit Insurance Corporation (FDIC) on resolution plans for insured depository institutions with $50 billion or more in total assets as codified in 12 C.F.R. § 360.10 (IDI Rule). The IDI Rule requires each Covered Insured Depository Institution (CIDI) to periodically submit to the FDIC a plan for the resolution of the institution in the event of its failure. While the IDI Rule is intended to complement the resolution plan requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act (DFA), neither Charles Schwab Bank (Schwab Bank or the Bank) nor its parent company, The Charles Schwab Corporation (CSC), are required to file a resolution plan under Section 165(d) of the DFA. The insolvency-based grounds for receivership modeled in the failure scenario describes a specific material event leading to the insolvency. The scenario and associated assumptions are hypothetical and not reflective of any actual event or events.

I.A. Bank Overview

CSC is a savings and loan holding company, headquartered in San Francisco, California. It was incorporated in 1986 and engages, through its subsidiaries (collectively referred to as Schwab), in wealth management, securities brokerage, banking, asset management, custody, and financial advisory services. As of December 31, 2017, Schwab had $3.4 trillion in client assets, 10.8 million active brokerage accounts, 1.6 million corporate retirement plan participants, and 1.2 million banking accounts.

Schwab Bank®, a wholly-owned subsidiary of CSC, is a federal savings bank headquartered in Henderson, Nevada, which commenced operations in 2003.[1] The Bank provides banking and trust services through a variety of channels, including telephone, mail, internet, and mobile. As of December 31, 2017, the Bank had total assets of $198.6 billion, loans of $16.6 billion, and deposits of $169.7 billion.

The Bank was established as part of an overall strategy to grow Schwab's business by expanding its product offerings and diversifying its revenue. The Bank's customers value the core brokerage relationship offered by CSC affiliate, Charles Schwab & Co., Inc. (CS&Co) and as a result, if the Bank were separated from CSC, it would have minimal franchise value.

CS&Co was incorporated in 1971 and is a significant operating subsidiary of CSC. It is a securities broker-dealer with over 345 domestic branch offices in 46 states, as well as a branch in the Commonwealth of Puerto Rico. In addition, Schwab serves clients in England, Hong Kong, Singapore, and Australia through various subsidiaries.

[1] The Reno main office and dual branch were closed in 2017.

Bank's Dual Role

The Bank's dual role is to (1) deepen relationships with CS&Co clients by delivering banking products and services that complement their brokerage activities and (2) optimize earnings on client cash and manage the balance sheet to maximize return for shareholders.

1. **Deepen relationships with CS&Co clients by delivering banking products and services that complement their brokerage activities**

   The Bank deepens CS&Co's client relationships by providing clients the convenience of managing more of their finances in one place. For example, clients use their checking accounts to make purchases, pay bills, and transfer money. Additionally, the Bank provides clients a set of lending solutions to help meet their financing objectives.

   More frequent engagement with clients leads to greater trust and increased brand relevance. It also allows for more opportunities to learn about client needs and behaviors so CS&Co may offer a more personalized experience. A deeper and more integrated client experience strengthens the client relationship with CS&Co, which in turn may increase the stability of client assets at CS&Co and therefore the stability of client deposits at the Bank.

2. **Optimize earnings on client cash and manage the balance sheet to maximize return for shareholders**

   The Bank plays an integral role in Schwab's cash management strategy; in 2017, total interest income generated by the Bank represented 43% of Schwab's total revenue.

   Cash is an important component of every client relationship. As a result, CS&Co's clients provide a stable, low cost funding source to the Bank, which is then monetized through the Bank's lending activities and investment portfolio.

   Schwab has four main vehicles for housing client cash:

   1. Off-balance sheet purchased money market funds (MMF);
   2. Off-balance sheet sweep MMF;
   3. On-balance sheet brokerage cash (i.e., Schwab One®); and
   4. On-balance sheet Bank solutions including checking, savings, and bank sweep feature (Bank Sweep) deposits.

Deposits

The Bank's deposits are primarily sourced from CS&Co's existing brokerage clients who choose to bank with Schwab because of its unique value proposition, which includes an integrated bank and brokerage experience while offering excellent client service.

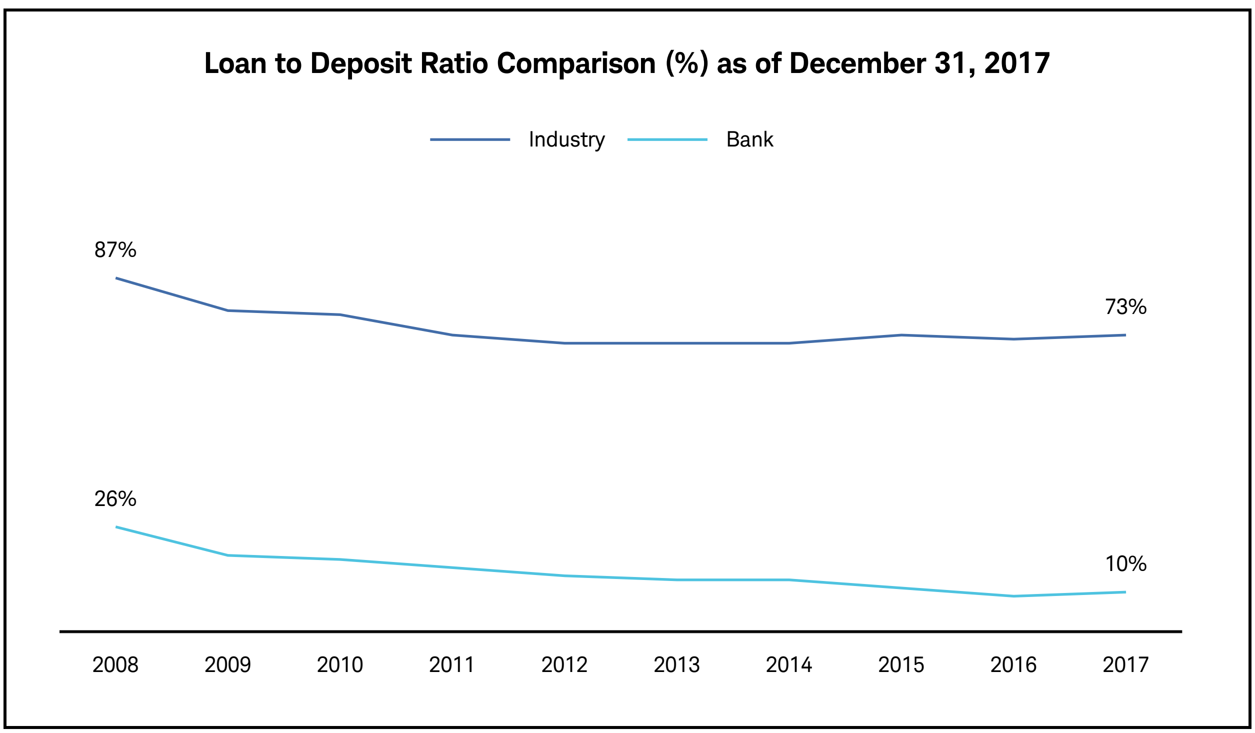
While the Bank's checking and savings deposit products provide an important funding source for the Bank, most of the deposit growth has been driven by Bank Sweep.

Deposit Type ($ millions)	**12/31/2017**	**12/31/2016**	**12/31/2015**
Deposits swept from brokerage accounts	$148,212	$141,146	$108,137
Investor Checking	13,388	13,842	12,822
Investor Savings and other	7,264	7,792	7,896
Non-interest-bearing deposits	792	674	647
Total bank deposits	**$169,656**	**$163,454**	**$129,502**

Source: CSC 2017 10-K, the minor differences between the 10-K total deposit numbers and the Bank's 2017 and 2016 December 31 Call Report numbers are due to GAAP reporting requirements.

Liquidity

The Bank has maintained a relatively low loan to deposit ratio as shown below, with the majority of remaining deposits invested in the securities portfolio. The industry average represented below is the average of all FDIC-insured banks.



Source: SNL Financial

The Bank maintains an investment portfolio for liquidity, as well as to invest funds from deposits in excess of loans to banking clients and liquidity limits. The Bank's securities include U.S. Treasury securities, mortgage-backed securities, asset-backed securities, and other securities. Please see the table below for additional detail:

Bank Securities Portfolio ($ millions)	December 31, 2017
Available-for-sale (AFS) Securities:	**Fair Value**
US Treasury Securities	$8,926
Total U.S. Government Agency and Corporate Obligations	1,906
Total Mortgage-Backed Securities	20,971
Total Asset-Backed Securities	9,047
Total Other Debt Securities	6,531
Total AFS Securities	$47,381
Held-to-maturity (HTM) Securities:	**Amortized Cost**
Total State and Political Obligations	$1,247
Total Mortgage-Backed Securities	102,188
Total Asset-Backed Securities	12,938
Total Other Debt Securities	4,130
Total HTM Securities	$120,503
Total Securities	**$167,884**

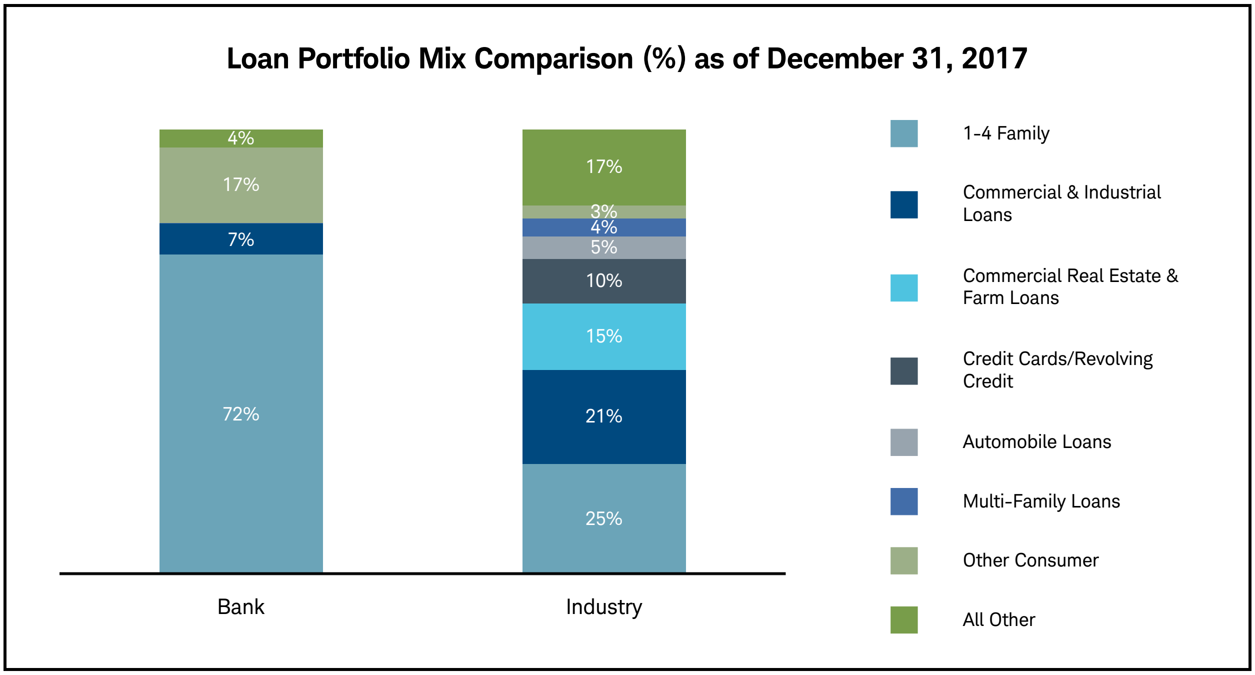
Source: December 31, 2017 Call Report [2]

Loans

The Bank does not rely on wholesale borrowing as a permanent source of funding and it does not engage in many of the activities of most national and regional banks, such as investment banking, derivative trading, foreign currency settlement, and commercial and/or institutional lending.

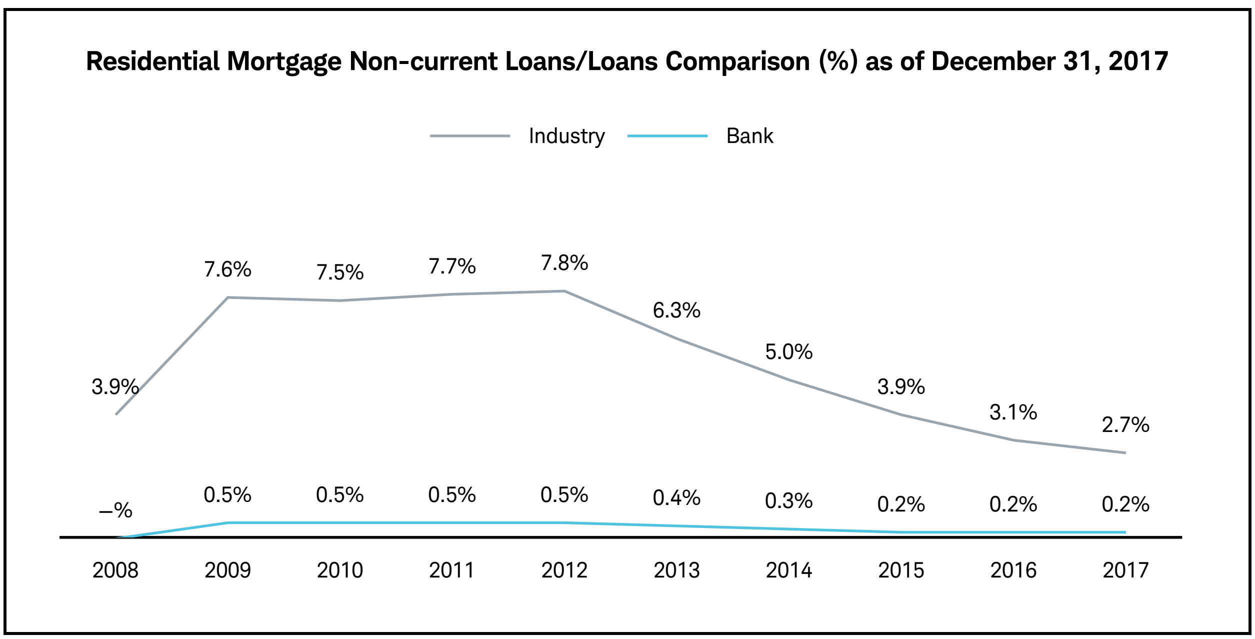
The Bank's loan book consists of residential mortgages, home equity loans, and securities-based loans (i.e., Pledged Asset Lines of credit or PALs) rather than commercial and other consumer products. By comparison, the median loan book of FDIC insured banks consists of 25% residential mortgages and home equity loans, compared to 72% for the Bank, as illustrated below:

[2] The portfolio is of high quality, as demonstrated by the Basel III standardized risk weighted assets (RWA): AFS RWA are $18.5 and HTM RWA are $29.7 billion; total portfolio RWA are $48.2 billion, or 29% of book value.



Source: SNL Financial

The majority of the Bank's loans are to CS&Co clients who have strong credit profiles. As demonstrated in Exhibit 6 below, over the past five years the Bank's non-accrual residential mortgage loans never exceeded 0.5% of total balances. Current non-accruals are 0.2% of total balances, which is less than 1/10th of the industry average of 2.7% (i.e., all FDIC-insured banks).

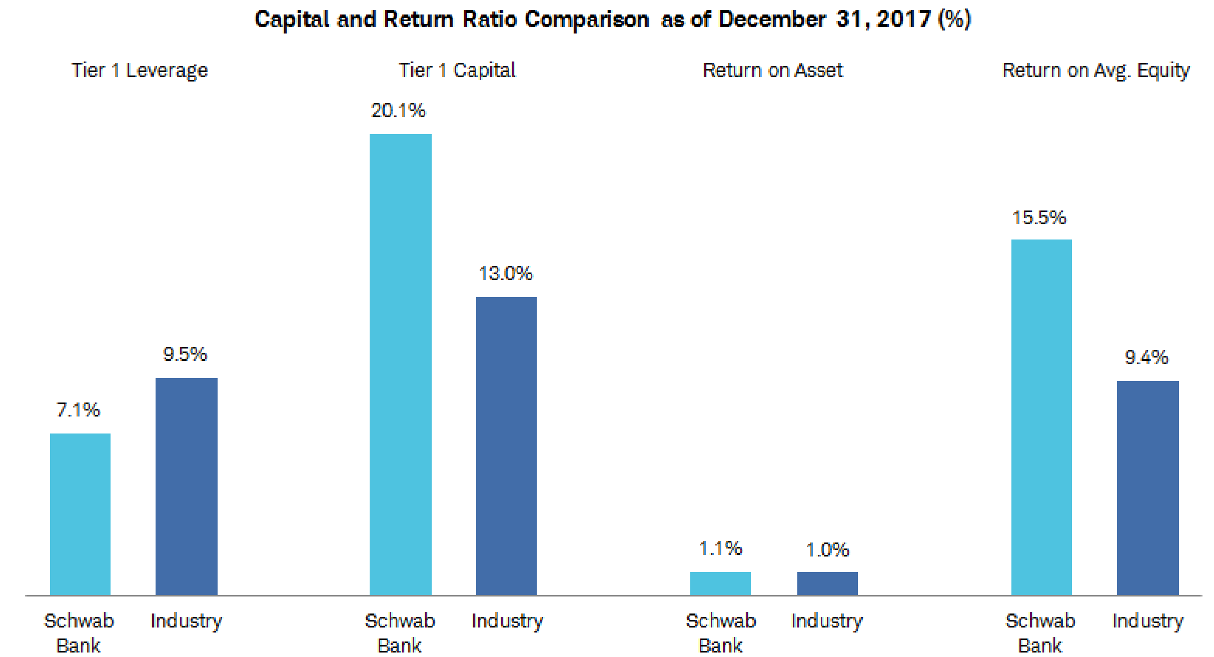


Source: SNL Financial

![charles SCHWAB BANK logo]

Capital

Because of its low risk profile (e.g., limited wholesale funding, no derivative activity,[3] a low loan to asset ratio, a limited suite of loan products, and no subsidiaries), the Bank chooses to operate at the lower end of the industry Tier 1 Leverage Ratio (i.e., all FDIC-insured banks). Please see the chart below for selected capital and return ratios.



Source: FDIC, SNL Financial

I.B. Key Elements of the Strategic Plan for the CIDI's Resolution

Core Business Lines (CBLs)

Retail Banking (RB) is the only designated CBL. It accounts for 97% of the Bank's interest income, 95% of the Bank's profit, and 95% of the Bank's deposits. Retail Banking offers basic deposit and loan products, including checking accounts, savings accounts, residential mortgages, Home Equity Lines of Credit (HELOC), and PALs. The Bank Sweep deposit feature is included in Retail Banking.

On June 21, 2017, CSC filed an Interagency Charter and Federal Deposit Insurance Application with the State of Nevada and the FDIC in support of its proposal to form Charles Schwab Trust Bank (CSTB).[4] CSC will establish CSTB as a wholly-owned state-chartered savings bank

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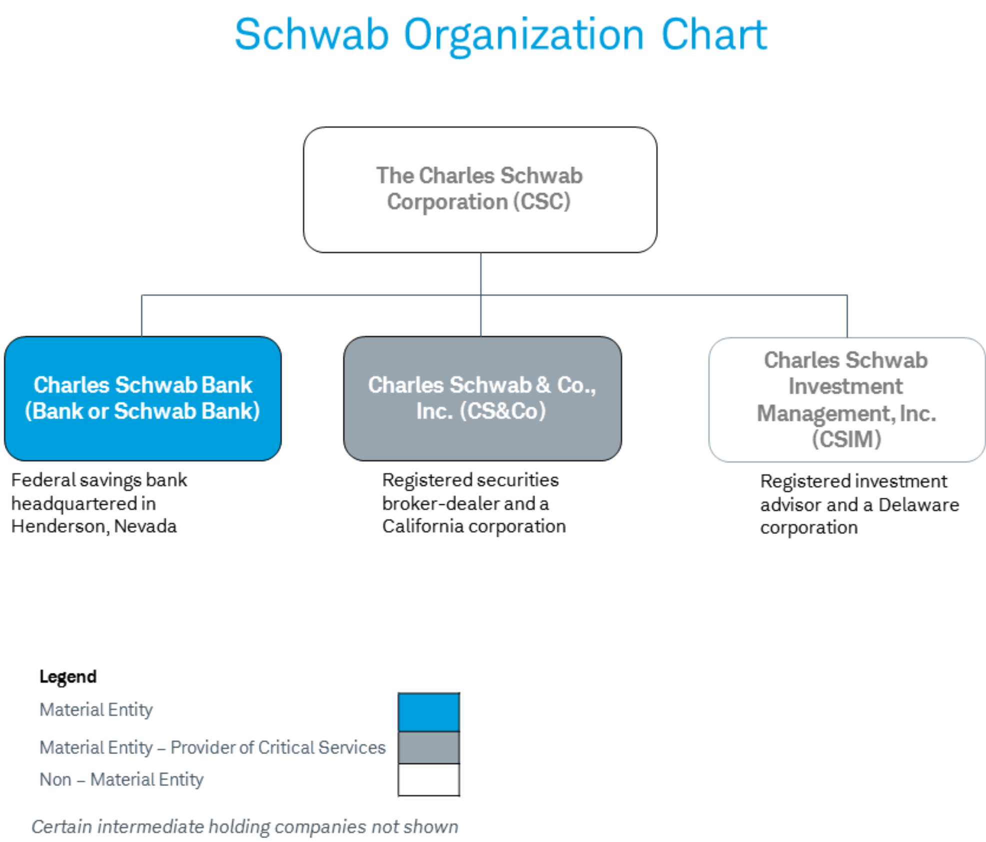
[3] The Bank has no derivative activity and no open derivative contracts other than $21 million in forward contracts associated with commitments to purchase first mortgages as reported on the Bank's December 31, 2017 Call Report.

[4] Schwab received final regulatory approval to form CSTB on March 20, 2018.

headquartered in Henderson, Nevada, that supports the strategic objectives of CSC. CSC's objective in establishing CSTB is to reorganize the Business Trust division currently operated through Schwab Bank into a stand-alone, fiduciary-oriented bank. As part of this reorganization, Schwab Bank will transfer to CSTB its Business Trust-related activity.[5]

Material Entities (ME)

The Bank conducts its business through a simple operating model, which does not include ownership of subsidiaries. Other than the Bank, the only other ME is CS&Co, which provides both services and funding to the Bank's Retail Banking CBL. CSC was not designated as a ME because it does not provide any Critical Services to the Bank or its only CBL (Retail Banking).



[5] In order to maintain clarity and consistency, Schwab Bank has not included Business Trust as a CBL within this Resolution Plan.

Critical Services

The Bank identified six categories of Critical Services:

- Finance and Accounting;
- Human Resources;
- Operations;
- Outsourcing Oversight Management;
- Technology; and
- Treasury.

The Bank is reliant on CS&Co for the provision of Critical Services, which are generally provided through inter-affiliate agreements (23B Agreements) in compliance with Section 23B of the Federal Reserve Act and Regulation W 12 C.F.R. 223 (Regulation W).

Failure Scenario

The Bank's failure scenario is triggered by the announcement of a hypothetical rogue trader loss, which begins the runway period. Concerned that additional Bank losses may be uncovered, the CS&Co Board of Directors determines to make a permanent and expedited withdrawal from the Bank Sweep on behalf of its customers in order to ensure they will have uninterrupted access to their cash assets. CS&Co customers with the largest uninsured balances are removed from the Bank Sweep first. By the end of the runway, 66% of the Bank Sweep balances have been withdrawn from the Bank. Runoff in other deposit categories is also assumed.

Failure Scenario Timeline

- Monday Day 1: runway begins when the Bank announces a rogue trader has caused significant losses to the Bank's securities portfolio causing the Bank's Tier 1 Leverage Ratio (T1LR) to drop below four percent.
- Days 2 – 26:
    - Bank Sweep runoff - the expedited withdrawal from the Bank Sweep begins and customers with the largest uninsured exposure are removed from the product first.
    - Other deposit runoff - self-directed customer withdrawals in the checking and savings products are assumed to be 50% and Business Trust related deposit runoff is assumed to be 100%.
    - Reclassifications – during this time period, the Bank reclassifies its HTM securities portfolio to AFS.[6]

[6] Given CS&Co's decision to withdraw from Bank Sweep, the Bank would no longer be able to demonstrate its intent to hold securities until maturity. As a result, the HTM portfolio would be reclassified to AFS.

- Securities sales – to fund the majority of the deposit runoff, the Bank sells securities with a liquidity haircut resulting in additional losses.

- Friday Day 26: the rogue trader losses and securities sale losses cause the Bank to have a capital based grounds for insolvency under the Federal Deposit Insurance Act (FDI Act) and the Office of the Comptroller of the Currency (OCC) closes the Bank.
- At failure, 66% of the Bank's deposits have runoff and no uninsured deposits are assumed to remain.

Resolution Strategies

In accordance with the FDIC's "Guidance for Covered Insured Depository Institution Resolution Plan Submissions" issued in December 2014 (2014 FDIC Guidance), this Resolution Plan discusses two primary strategies and includes optionality within those strategies:

1. **Multiple Acquirer Strategy (MAS)**

   Substantially all of the remaining assets and liabilities of the failed Bank are assumed to transfer to a FDIC controlled bridge bank, which would be utilized to do the following:

   a. Provide depositors timely access to their insured deposits;

      i. Sell the deposits

      ii. Sell remaining securities portfolio with the deposits

   b. Sell the loan portfolio in whole or in part; and

   c. Sell the Business Trust line of business.

2. **Liquidation Strategy**

   In liquidation, a bridge bank is utilized due to the potentially large number of deposit accounts remaining at the Bank at the time of failure. Similar to the MAS, it is assumed substantially all of the remaining assets and liabilities of the failed Bank would be transferred to a bridge bank, which would be utilized to do the following:

   a. Provide depositors timely access to their insured deposits;

      i. No deposit sale (deposits runoff from bridge bank)

      ii. Sell the remaining securities portfolio and/or post as collateral in order to fund the bridge bank deposit runoff

   b. Sell the loan portfolio in whole or in part; and

   c. Continue the Business Trust operations until the transfer of accounts to other providers is completed.

FDIC Identified Obstacles

Obstacle	Mitigant / Comment
Multiple Competing Insolvencies	Not applicable. No direct capital or liquidity event is assumed to occur at CSC, CS&Co, or other affiliates. While CS&Co will likely experience operational stress and financial pressure as a result of the Bank's failure, it is not expected to fail. The Bank has no subsidiaries.
Global Cooperation	Not applicable. The Bank has no foreign operations or deposits.
Operations and Interconnections	CS&Co remains solvent during the resolution of the Bank. Critical Services are generally provided through 23B Agreements.
Counterparty Actions	The Bank has no derivative activity, does not rely on wholesale funding, and has made no financial or other guarantees of any other CS&Co entity. The Bank's activity with financial market utilities (FMUs) is limited and represents only a small fraction of total activity at those FMUs.
Funding and Liquidity	The Bank is expected to fail on a capital rather than a liquidity basis. As such, it will have sufficient operational liquidity during the runway and post failure.

I.C. Material Events Impacting Previous Plan

There have been no material events since the filing of the previous plan.

I.D. Actions Taken Since the Filing of the Previous Plan

Resolution Planning Approach – Resolution planning responsibilities have been moved from the Bank's Operations team to the Corporate Finance team. Dual employees are now responsible for the Bank's resolution and recovery planning efforts.

II. FINANCIAL INFORMATION

Please see below for Schwab Bank financial statements.

Charles Schwab Bank Balance Sheet Highlights - Call Report

December 31, 2017

$ millions, except per share and share amounts

Assets		
Cash and cash equivalents		$12,676
Securities available for sale		47,381
Securities held to maturity		120,503
Fair value - $119,952 at December 31, 2017		
Loans		16,634
Net of allowance for loan losses of $26 at December 31, 2017		
Other assets		1,398
	Total Assets	**$198,592**
Liabilities and Stockholder's Equity		
Interest-bearing deposits		$168,932
Noninterest-bearing deposits		810
Other Borrowings (short term FHLB advances)		15,000
Accrued expenses and other liabilities		626
	Total Liabilities	$185,368
Stockholder's equity:		
Common stock		$100
$100 par value per share: 1,000,000 shares authorized and outstanding		
Additional paid-in capital		5,108
Retained earnings		8,160
Accumulated other comprehensive income		(144)
	Total Stockholder's Equity	$13,224
	Total Liabilities and Stockholder's Equity	**$198,592**

Note - The Bank occasionally utilizes Federal Home Loan Bank (FHLB) borrowings for liquidity management purposes (e.g., pre-invest bulk transfers; which means the sweep and bulk transfer of money market fund balances to Schwab Bank). As of December 31, 2017 there were $15 billion in FHLB borrowings outstanding. The borrowings, which supported investment purchase activity, resulted from an intentional and strategic decision to pre-invest bulk transfers planned for the first quarter of 2018. FHLB borrowings matured to zero at March 31, 2018.

Charles Schwab Bank Statement of Income Highlights - Call Report

December 31, 2017

$ millions

Interest Income	
Loans	$472
Balance Due from Depository Institution	122
US Treasury and Gov. Agency Obligations	115
Mortgage-backed Securities	2,415
All Other Securities	593
Other interest income	5
Total interest income	3,722
Interest expense – deposits	(188)
Net interest income	3,534
Noninterest Income	
Trust revenue and other	125
Total noninterest income and other	125
Noninterest Expense	
Salaries and employee benefits	83
Premises and fixed assets	2
Other	445
Total noninterest expense	530
Income before taxes on income	3,129
Taxes on income	1,176
Net Income	**$1,953**

III. TRADING, DERIVATIVES, & HEDGES

The Bank is not a counterparty to any derivatives used for hedging purposes. The Bank purchases investments to hold on its balance sheet to generate income. Through its trust division the Bank facilitates purchases and sales of securities for client retirement plan accounts.

The Bank has no assets classified as trading, and does not have any open derivative or hedging activities. The Bank manages interest rate risk through its Interest Rate Risk Policy, which is approved by the Bank's Board of Directors (Board). While the policy allows the Bank to use derivatives as one tool to manage interest rate risk exposures, the Bank does not currently use derivatives for this purpose.

The Bank is not engaged in any derivative activities and does not have any open derivative contracts other than $21 million in forward contracts associated with commitments to purchase first mortgages as reported on the Bank’s December 31, 2017 Call Report.

The Bank is not a party to any Qualified Financial Contract which would not be subject to a stay under the FDI Act. The Bank does not have any subsidiaries.

IV. PAYMENT, CLEARING, & SETTLEMENT SYSTEMS

The Bank is a direct member of multiple payment, clearing, and settlement systems, which are utilized to facilitate the day-to-day activities of the Bank. Please see below for a listing of Financial Market Utilities (FMUs) the Bank is a member of:

FMU
FedLine/Wire
FedLine/ACH
VisaDPS
Wells Fargo CEO
MoneyLink
VisaNet
Plus
Interlink
Star
MoneyPass

V. FOREIGN OPERATIONS

The are no material cross-border elements applicable to the Bank. The Bank does hold cross-border assets (cash equivalents and AFS securities) which comprise less than 1% of total assets.

VI. MATERIAL SUPERVISORY AUTHORITIES

Primary Regulators

The primary regulator for the Bank is the Office of the Comptroller of the Currency (OCC).

Other regulators are:

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

The primary Federal Regulator of CS&Co is the SEC. The Financial Industry Regulatory Authority (FINRA) is CS&Co's primary self-regulatory organization.

Primary Regulator for the Retail Banking Core Business Line

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

- FDIC; and
- CFPB.

VII. PRINCIPAL OFFICERS

Selected Corporate Employees of Schwab Bank		
Name	**Title & Function**	**Location**
Paul Woolway	EVP – President and Chief Executive Officer	San Francisco
Pat Johnson	SVP – Bank Operations, Oversight, Service, & Technology	Phoenix
Mary Chao	VP – Bank Oversight	San Francisco
Mark Coffrini	SVP – Business Trust	San Francisco
John Gardner	VP – Chief Financial Officer	San Francisco
Patricia Kenny	VP – Bank Risk Officer	San Francisco
Rene Kim	SVP – Deposit Products	San Francisco
Clint Smith	VP –Business Trust Operations	Phoenix
Peter Morgan	SVP – General Counsel	San Francisco
Nigel Murtagh	EVP – Corporate Risk Management	San Francisco
Deborah Pritchard	VP – Business Trust Client Service	Phoenix
Bill Quinn	SVP – Treasurer	San Francisco
Jill Richards	VP – Chief Compliance Officer	Denver
Steve Wagner	VP – Chief Lending Officer	Henderson
Mitch Mantua	EVP – Internal Audit	San Francisco
Kenton Thompson	SVP – Lending Products & Distribution	San Francisco
Sarah Sontheimer	MD - Human Resources	San Francisco
Bashar Absouseido	SVP – Chief Information Security Officer	Phoenix
Ash Atwood	VP – Bank Accounting	Denver
Sonia Desai	VP – BSA/AML/OFAC Officer	San Francisco
Zain Haider	VP - Treasury Capital Markets	Denver
Michael Canady	SVP - Finance	San Francisco
Aubrey Thacker	VP – Bank Controller	Denver

VIII. CORPORATE GOVERNANCE

Integration of Resolution Planning into the Corporate Governance Structure and Processes

Corporate governance and management oversight are fundamental to the Bank's resolution planning efforts. This occurs through the Bank's existing risk management and senior management committees, ultimately reporting to the Board. Resolution planning and ongoing maintenance at the Bank is coordinated via a cross-functional team and is led by a SVP of Finance. As the responsible officer for the Plan, this senior officer has the responsibility to ensure the Bank is developing and managing appropriate policies and procedures to establish and maintain a credible Resolution Plan.

Corporate Governance Structure

- **Board of Directors:** The Board provides strategic direction and oversees the performance and management of the Bank's business affairs; and
- **Committees:** Committees exist at both the Board and management levels. They provide oversight and direction for their specific areas of focus.

Board of Directors

The Board provides active oversight of the Bank's management, strategic direction, financial performance, and compliance with safe and sound banking practices and risk governance. The Board is responsible for providing sound, independent judgment on behalf of the Bank and for challenging the Bank's management and the operations of the Bank. As part of their oversight responsibility, Board members are regularly provided with updates directly from the three Board committees and key management committees, as well as several management individuals serving on the various committees.

Committee Structure

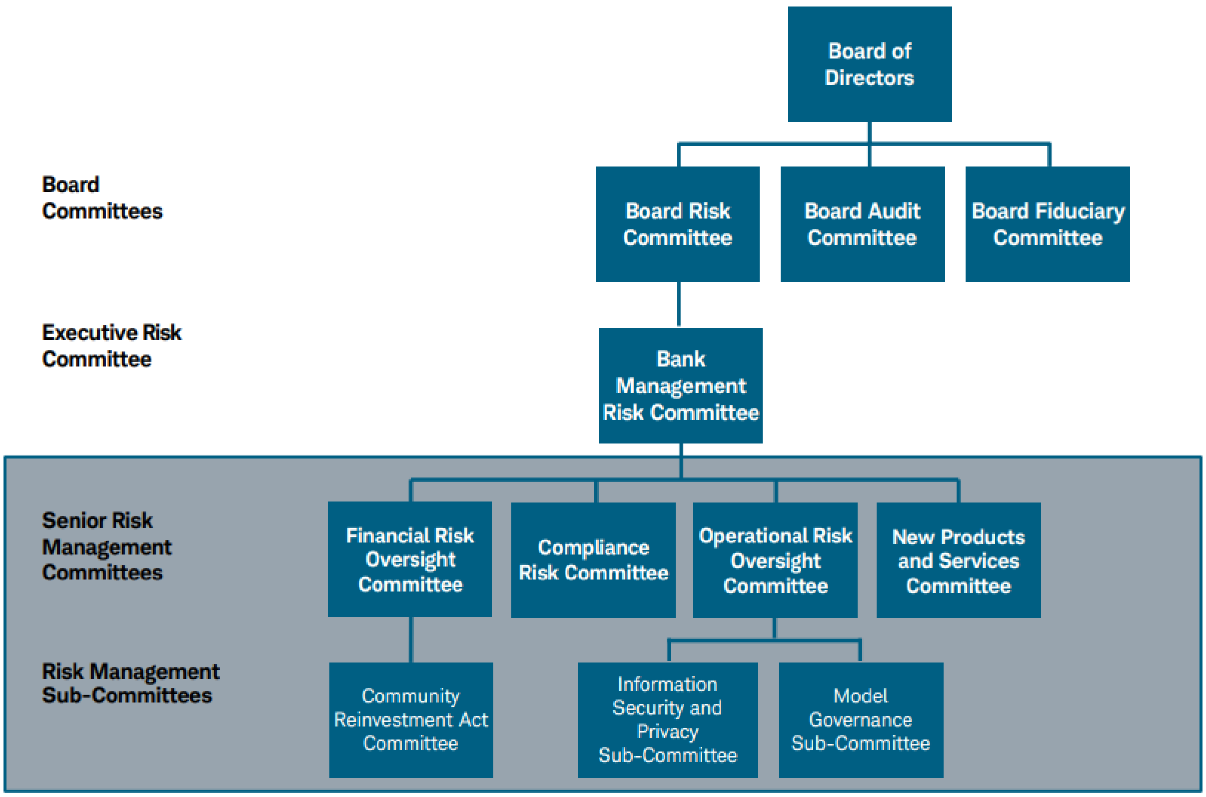
The Bank's committee structure is designed to facilitate strong governance and compliance with safe and sound banking practices. The Bank's committee structure comprises three categories:

- **Board committees:** Membership comprises Board members with delegated authority to act on the Board's behalf;
- **Executive committees:** Executive membership provides risk oversight to the risk committees managing specific categories of risk; and
- **Management committees and sub-committees:** Membership includes executive and senior management who provide risk oversight by specific categories of risk, and subordinate committees with decision making authority composed of members appointed from a management committee.

The risk governance committee structure consists of the following:

- Board Risk Committee;
- Board Audit Committee;
- Board Fiduciary Committee; and
- Executive-level Bank Risk Committee.

Bank Governance Committee Structure



Resolution Planning Groups

Resolution and Recovery Planning (RRP) Steering Committee: Committee composed of senior executives within CSC who are responsible for the overall direction of the program. The Steering Committee meets as needed to provide input and guidance on Plan development and to ensure planning and updates are occurring as expected. Steering Committee members are as follows:

- SVP Finance;
- Bank President & CEO;
- Bank VP & CFO;
- Bank SVP Banking Operations, Oversight, Service, and Technology;
- Bank SVP & General Counsel;
- SVP Corporate Strategy;
- SVP & Treasurer; and
- VP & Chief Compliance Officer.

RRP Leadership Team: The Steering Committee is supported by a Leadership Team responsible for overseeing the day-to-day execution of the program, making determinations on technical matters, and for communications to the RRP Steering Committee. During the Resolution Plan update cycle, the Leadership Team meets at regular intervals to discuss deliverables and Program status.

Living Will Working Group: The Leadership Team is supported by a Working Group responsible for providing detailed information and subject matter expertise to update and maintain their respective sections of the Resolution Plan. The cross-organizational team consists of members from all key areas of the Bank.

Bank Management Risk Committee: The RRP Steering Committee and teams are integrated into the Bank's governance structure through the Bank's Risk Management Committee and Board. The Bank Management Risk Committee reviews the Resolution Plan before it is sent to the Board for approval. Additionally, this committee approves the Bank Resolution Plan Policy (Policy) and Bank Recovery Plan Policy.

Board of Directors: The Bank's full Board reviews and approves the Resolution Plan. To prepare for this review and approval, Board members receive the Resolution Plan and supporting materials prior to the Board meeting. Board members also may request additional meetings to understand and challenge the Resolution Plan. In addition to the approval process, the Board receives updates on regulatory, industry feedback, or other changes as needed.

Internal Audit: The Bank's Internal Audit group reviews the Bank's resolution planning efforts on a periodic basis. Reports are issued to Bank Management, Bank Board members, Schwab's external auditor, and banking regulators.

Overview of Policies, Procedures, & Internal Controls

The Policy serves as the overall framework the Bank follows in the development of its Plan and establishes requirements for the development and ongoing maintenance of the Bank's Plan. The Policy and accompanying procedures enable the Bank to:

- Establish roles and responsibilities, including identifying the responsible senior officer for developing and maintaining the Bank's Resolution Plan;
- Meet regulatory requirements for an accurate, credible, and on-time filing of the Resolution Plan to the FDIC; and
- Notify the FDIC in a timely manner in the event a material change occurred which would impact the Resolution Plan.

In addition to the Policy there are several procedures, processes, and internal controls used in the preparation of the Resolution Plan. Highlights, in addition to the details provided above include the following:

- **Prior Resolution Plan submissions:** The Bank's previously submitted Plan and related work is used as a baseline for subsequent Plan updates;
- **Monthly material change questionnaire:** An automated questionnaire is used to identify material changes within the Bank. It requires key business owners to review items such as contracts, technology platforms, and key third parties. Responses are reviewed monthly by the Senior Resolution Plan Responsible Officer or delegate and if any material change is identified, the Leadership Team and Steering Committees will take action as needed. This process ensures the Bank would meet the requirement to file a notice with the FDIC within 45 days of a material event;

- **Working Group Check-In Meetings:** During the Plan update cycle, frequent status meetings are held with working group members to revise the Plan and to track progress;
- **Centralized Online Tools:** The Bank uses an internal, restricted website to gather, disseminate, and store Resolution Plan information. In addition, Workiva, a cloud based productivity tool is utilized to help ensure version control and data integrity;
- **Plan Review:** Prior to submission to the Board, the plan is reviewed by the RRP Leadership Team, RRP Steering Committee, and Bank Management Risk Committee;
- **American Bankers Association Peer Exchange:** To stay informed of industry best practices, the Bank participates in peer exchange meetings; and
- **FDIC Engagement:** The Bank holds periodic meetings with the FDIC to ensure that the Bank understands the FDIC expectations.

IX. 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;
- Operational reporting around regulatory, audit and legal needs;
- Risk reporting on the investment, loan and deposit portfolios; and
- 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 Corporation's 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 the 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 Outsourcing & Oversight Management Programs, vendors categorized as critical submit copies of their Business Continuity Plans and Disaster Recovery Test results annually or biennially to the Bank. 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.

X. RESOLUTION PLAN STRATEGIES

As discussed in the Executive Summary Chapter, this Resolution Plan discusses two primary strategies and includes optionality within those strategies:

1. **Multiple Acquirer Strategy (MAS)**

   Substantially all of the remaining assets and liabilities of the failed Bank are assumed to transfer to a FDIC controlled bridge bank, which would be utilized to do the following:

   a. Provide depositors timely access to their insured deposits;

      i. Sell the deposits

      ii. Sell remaining securities portfolio with the deposits

   b. Sell the loan portfolio in whole or in part; and

   c. Sell the Business Trust line of business.

2. **Liquidation Strategy**

   In liquidation, a bridge bank is utilized due to the potentially large number of deposit accounts remaining at the Bank at the time of failure. Similar to the MAS, it is assumed substantially all of the remaining assets and liabilities of the failed Bank would be transferred to a bridge bank, which would be utilized to do the following:

   a. Provide depositors timely access to their insured deposits;

      i. No deposit sale (deposits runoff from bridge bank)

      ii. Sell the remaining securities portfolio and/or post as collateral in order to fund the bridge bank deposit runoff

   b. Sell the loan portfolio in whole or in part; and

   c. Continue the Business Trust operations until the transfer of accounts to other providers is completed.

Unlike most banks, Schwab Bank would likely not exit resolution as a going concern given it has minimal stand-alone franchise value. As a result, the above strategies are similar. Both utilize a bridge bank in order to allow depositors timely access to their insured deposits and both assume the Bank would cease operations after one year.

Because the Bank holds over 90% of its assets in cash and securities, it is highly unlikely the grounds for the appointment of a receiver would be due to the Bank's inability to pay its obligations or meet depositor demands in the normal course of business. The Bank should have sufficient liquidity to enable it to reduce its size and scope of services prior to reaching a point where its financial position would reflect an insolvency-based ground for receivership under the FDI Act.

Nevertheless, regardless of any actions which could be taken pre-failure to reduce the Bank's size and scope of services, the strategy for continuing Critical Services in resolution would be the same: to rely on services provided by Bank employees, dual employees, 23B Agreements, and third party vendors.

The Bank recognizes mitigating risks to the continuity of services provided through 23B Agreements is an important component of an orderly resolution. In 2014, the Bank enhanced its inter-affiliate master services agreements. These amendments contemplate the continuation of services during resolution and specify that affiliates must continue to provide the services for up to 90 days following a resolution event.

The 2018 Plan contemplates a one-year resolution period rather than 90-day period. In support of this extended timeline, the Bank reviewed all 23B Agreements associated with Critical Services and enhanced certain 23B Agreements by extending the required continuation of services during resolution from 90 days to one year. Those extended were based upon the Resolution Plan strategies and business judgment (e.g., it is assumed deposits will be sold or run-off within 30 days, as a result, 23B Agreements related to deposits were not modified from the original 90 days while 23B Agreements related to the loan portfolio, which may not be sold during the first 90 days, were modified to provide for continuation of services for up to one year).

In addition to modifying its inter-affiliate master service agreements with "resolution friendly" language, in 2017 the Bank began an initiative to insert similar language into its key third party vendor contracts.

In conclusion, the Bank believes its relatively simple business model, conservative risk profile, relatively small loan portfolio, and lack of derivative activity minimizes any complexities or complications that could arise. The Bank's highly liquid balance sheet should allow the FDIC to resolve it in a manner less challenging than for other banks of comparable size. This Resolution Plan does not assume any support by the United States government or its taxpayers.