

Schwab's Financial Condition (as of 6/30/2008)

The Charles Schwab Corporation's internal protective practices and stringent business standards are designed to keep your clients' assets safe.

FOCUSED ON SERVING INVESTORS

Our clear business focus and industry expertise provide a solid foundation for our financial performance. Schwab's business is focused on serving individual investors and the advisors who serve them.

OUR FINANCIAL RESULTS

The latest financial results, as of June 30, 2008:

For The Charles Schwab Corporation:

- Cash reserves: Available liquidity of about \$600 million¹
- Long-term debt of 18.5 percent of total financial capital²
- Net new assets of approximately \$26 billion³ over the last 3 months, bringing the company's total client assets to \$1.4 trillion⁴
- New brokerage accounts: Totaled 226,000 over the last 3 months, bringing the company's total to 7.3 million active brokerage accounts⁵

For Charles Schwab & Co., Inc.

- Net capital was \$1.2 billion, \$948 million in excess of the regulatory minimum required net capital⁶

LEARN MORE ABOUT SCHWAB'S FINANCIAL CONDITION

We can provide additional information about Schwab's financial condition and business focus to help you understand the care we take with your clients' accounts.

Please ask your relationship manager for details.

Your Next Step

Financial results and more information about Schwab's business and financial condition can be viewed any time at www.aboutschwab.com.

¹ The Charles Schwab Corporation (Parent Company Only) Q2 2008 Balance Sheet

² The Charles Schwab Corporation Condensed Consolidated Balance Sheets from the The Charles Schwab Corporation 10-Q

³ The Charles Schwab Corporation 10-Q

⁴ The Charles Schwab Corporation 10-Q

⁵ The Charles Schwab Corporation Q2 2008 Quarterly Earnings Release

⁶ The Charles Schwab Corporation 10-Q

Asset Protection with Schwab

At Schwab Institutional[®], we know that serving your clients is your highest priority—and that one of your biggest concerns is the security of your clients' assets and financial data. We share this concern, and we take the need to protect assets and information that you have entrusted to us very seriously.

Schwab Institutional: An Experienced Custodian

How can you feel confident that your clients' assets are protected? Start by making sure that the assets are placed with an experienced and financially strong custodian such as Schwab.

- Schwab Institutional pioneered the RIA custodial business over 20 years ago.
- Both Schwab Institutional, as a division of Charles Schwab & Co., Inc. ("Schwab"), and Schwab have a consistent financial track record.
- We closely manage our expenses with appropriate adjustments to spending plans.

Learn More about Schwab's Financial Results

We invite you to review *The Charles Schwab Corporation quarterly and annual financial results* at www.aboutschwab.com

Schwab's Asset Security Measures

Charles Schwab & Co., Inc., SIPC[®] Coverage

- Protection for securities and cash by the Securities Investor Protection Corporation (SIPC): Accounts of Charles Schwab & Co., Inc. (including those held by clients of investment advisors with Schwab Institutional), are insured by SIPC for securities and cash in the event of broker-dealer failure.

- SIPC provides up to \$500,000 of protection for accounts your clients hold in each separate capacity (e.g., joint tenant or sole owner), with a limit of \$100,000 for claims of uninvested cash balances.

More information about SIPC coverage is available at www.sipc.org.

Additional Insurance Coverage

Additional brokerage insurance—in addition to SIPC protection—is provided to Charles Schwab & Co., Inc., accounts through underwriters at Lloyd's of London. Schwab's coverage with Lloyd's provides protection of securities and cash up to an aggregate of \$600 million, and is limited to a combined return to any customer from a Trustee, SIPC and Lloyd's of \$150 million, including cash of up to \$1 million. This additional protection becomes available in the event that SIPC limits are exhausted.

Information about Additional Brokerage Insurance

Some custodians do not offer any additional brokerage insurance beyond SIPC protection. Others offer additional protection by self-insuring through a surety consortium of broker-dealers called Customer Asset Protection Company or CAPCO. At Schwab, we believe our clients deserve to be protected by a well-respected name in the insurance industry.

Charles Schwab Bank FDIC Deposit Insurance

- Protection for deposits by the Federal Deposit Insurance Corporation (FDIC): Accounts of Charles Schwab Bank are insured in aggregate based upon account ownership type by the FDIC up to the insurance limit in the event of bank failure.
- The basic FDIC insurance amount is \$100,000 per depositor. Certain self-directed retirement accounts such as Individual Retirement Accounts (IRA's) are insured up to \$250,000.
- The FDIC also insures living trust accounts and, if certain conditions are met, these accounts are insured up to \$100,000 per owner for each qualifying beneficiary. (Assessing the coverage for a living trust account is complex. For additional information, contact the FDIC at 1-877-275-3342.)
- Cash balances within a Charles Schwab & Co., Inc., brokerage account that have been swept to Charles Schwab Bank as part of the Bank Sweep feature are insured by the FDIC up to the limits outlined above, when aggregated with all other deposits held in the same capacity at Schwab Bank.

Note: Brokerage Products: Not FDIC Insured • No Bank Guarantee • May Lose Value

SCHWAB'S INFORMATION SECURITY MEASURES

Privacy Policy

Schwab is committed to protecting client privacy and safeguarding information. We do not sell your clients' personal information under any circumstances. While Charles Schwab & Co., Inc., may share client information with third parties, including affiliates and joint marketing partners, Schwab Institutional has an internal privacy policy that ensures that your clients' personal information is never shared with third parties except for servicing accounts or in very limited circumstances as required by law.

Business Continuity Plan in Cases of Emergency

In order to provide for continued client service in the event of power outages, natural disasters or other unexpected events, Schwab's Business Continuity Program was created according to requirements of the U.S. Securities and Exchange Commission (SEC) and the Financial Industry Regulatory Authority (FINRA). Plan components are reviewed and updated to account for changes in areas such as personnel, business processes and technology, as well as for strategy updates. While no contingency plan can eliminate all risk of service interruption, we continually assess and update our plans in our pursuit to mitigate all reasonable risk.

Data Security Assistance

Schwab Institutional can provide assistance focused on sound data security practices. Your relationship manager can provide you with additional information.

Your Next Step

For more information about our protective measures and how we can support you further in serving your clients, please call your Schwab Institutional Relationship Manager.

Charles Schwab & Co., Inc., and Charles Schwab Bank are separate but affiliated companies and subsidiaries of The Charles Schwab Corporation. Schwab Institutional is a division of Charles Schwab & Co., Inc. Investment products offered by Charles Schwab & Co., Inc., member SIPC, are not insured by the FDIC, are not deposits or obligations of Charles Schwab Bank and are subject to investment risk, including the possible loss of principal invested. Deposit and lending products and services are offered by Charles Schwab Bank, Member FDIC and an Equal Housing Lender.

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AZM (0108-0042) MKT41309-01 (08/08)