March 13, 2023

Considering the heightened public anxiety from the Silicon Valley Bank debacle, I wanted to touch base with the following statement from Charles Schwab's CEO.

Of course, if you have any concerns or questions, please contact me directly at 717-541-1000.

Sincerely,

Bruce Smith, President & CEO
GrandView Asset Management

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

- **Schwab's business continues to perform exceptionally well**, as our Through Clients' Eyes strategy and 'no trade-offs' positioning resonates with both clients and prospects. February core net new assets totaled $41.7 billion, our 2nd largest February ever (trailing only February 2021, the height of the meme stock craze). Our growth and momentum have continued into March, with daily net new assets averaging nearly $2B per trading day month-to-date. Our financial performance continues to be strong. As we look ahead to our first quarter results, we anticipate year-over-year revenue growth of about 10% relative to Q1 2022, with adjusted[1] pre-tax profit margin in the 45-47% range.
- **Client bank sweep cash outflows in February were about $5 billion lower than January and March month-to-date daily average outflows are tracking consistent with February.** Importantly, these outflows reflect a continuation of client decisions to reallocate a portion of their cash into higher yielding cash alternatives within Schwab. Based on our ongoing analysis of these trends, we still believe client cash realignment decisions will largely abate during 2023.
- This activity reflects the collective behavior of our heterogenous client mix of individual retail investors and the advisors who serve them. **More than 80% of our total bank deposits fall within the FDIC insurance limits**, among the five highest ratios of the top 100 banks in the United States. As a reminder, our deposit base is primarily comprised of transactional cash balances swept to our banks from one of our 34 million brokerage accounts.

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

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