



E*TRADE FINANCIAL Corporation Makes Open Offer for IL&FS Investsmart

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Mumbai, India, October 9, 2006-E*TRADE FINANCIAL Corporation (NYSE: ET), through its indirectly wholly-owned subsidiary E*TRADE Mauritius Limited, today announced it is making an open offer for shares of IL&FS Investsmart Limited (Investsmart), under Regulations 10, 12 and other applicable provisions of the Securities and Exchange Board of India (SEBI) Regulations, 1997 (the "Offer").

The Offer to Investsmart shareholders includes the acquisition of up to 13,864,082 equity shares of Rs. 10/- each, representing 20 percent of the Emerging Voting Capital per equity share. The Offer Price of Rs.210 /- per equity share will be offered by E*TRADE Mauritius to the shareholders of Investsmart. The Offer will result in a change of control of Investsmart and is not subject to any minimum level of acceptance by the shareholders of Investsmart.

The Offer follows the proposed conversion of E*TRADE Mauritius' Investsmart GDRs into fully paid equity shares, which will increase the Company's fully paid up voting capital of Investsmart to 27.87 percent and requires the company make an Offer to the equity shareholders of Investsmart.

E*TRADE Mauritius' larger stake in Investsmart opens the door to expand the operational partnership between Investsmart and E*TRADE FINANCIAL to create an increase in global trading and investing opportunities for retail and institutional customers of E*TRADE FINANCIAL and Investsmart. The two-way global relationship will provide Indian investors access to international markets and global customers with greater market opportunities to invest in India.

Following the Offer, E*TRADE FINANCIAL resources will be deployed in India, allowing Investsmart to better leverage E*TRADE FINANCIAL's technology and industry expertise to achieve the efficiency and growth inherent in a global trading and investing platform. Further momentum will be created by supplementing Investsmart's management strength with senior executives from E*TRADE FINANCIAL.

Statutory Approvals

The Offer is subject to the receipt of approval from the Foreign Investment Promotion Board (FIPB) and the Reserve Bank of India (RBI) under the Foreign Exchange Management Act, 1999 (FEMA). E*TRADE Mauritius will file an application for the FIPB approval, after which an application will be made to the RBI. According to the terms of Regulation 27 of the Regulations, E*TRADE Mauritius will not proceed with the Offer in the event that required statutory approvals are not obtained.

About E*TRADE Mauritius Limited

E*TRADE Mauritius Limited, an indirectly wholly-owned subsidiary of E*TRADE FINANCIAL Corporation, identifies strategic investment opportunities throughout the Indian Ocean Rim.

About E*TRADE FINANCIAL

The E*TRADE FINANCIAL family of companies provides financial services including trading, investing, banking and lending for Retail and Institutional customers. Securities products and services are offered by E*TRADE Securities LLC (Member NASD/SIPC). Bank and lending products and services are offered by E*TRADE Bank, a Federal savings bank, Member FDIC, or its subsidiaries.

About IL&FS Investsmart Limited

Investsmart is one of India's leading financial services organizations providing a complete range of Financial Management Solutions for retail and institutional customers. Investsmart has a strong presence across a wide range of products and operates in the areas of Investment Management and Advisory Services, Merchant Banking, Equity and Debt Broking and Distribution of Financial Products. The Company has an all India presence through its network of branches and channel partners across 93 cities. Investsmart leverages on its pedigree of IL&FS, which has the core competency of institutional and retail financial services. IL&FS is a financial institution known for its innovative and pioneering initiatives in the areas of Infrastructure and Corporate Finance.

For further information please log on to www.investsmartindia.com

Important Notices

Securities Law Compliance

This press release is for informational purposes only and does not constitute an offer or an invitation to purchase any securities, or the solicitation of an offer to buy any securities, pursuant to the Offer or otherwise. This announcement also does not constitute an offer or solicitation to purchase or subscribe for securities in the United States or by U.S. persons. The Offer is being made solely by means of the offer letters which will be sent to shareholders of Investsmart, which contain the full terms and conditions of the Offer, including details of how the Offer may be accepted.

E*TRADE FINANCIAL and the E*TRADE FINANCIAL logo are registered trademarks or trademarks of E*TRADE FINANCIAL Corporation. The statements contained in this news release that are forward-looking are based on current expectations that are subject to a number of uncertainties and risks, and actual results may differ materially. The uncertainties and risks include, but are not limited to, changes in market activity, anticipated increases in the rate of new customer acquisition, the conversion of new visitors to the site to customers, the activity of customers and assets held at the institution, seasonality, the development and enhancement of products and services, competitive pressures (including price competition), system failures, economic and political conditions, changes in consumer behavior and the introduction of competing products having technological and/or other advantages. Further information about these risks and uncertainties can be found in the information included in the annual reports previously filed by E*TRADE Group, Inc. or E*TRADE FINANCIAL Corporation with the SEC on Form 10-K (including information under the caption "Risk Factors") and quarterly reports on Form 10-Q.

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