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E*TRADE Financial Investor Relations Contact

Brett Goodman

646-521-4406

brett.goodman@etrade.com

E*TRADE Financial Media Relations Contact

Susan Hickey

646-521-4675

susan.hickey@etrade.com

E*TRADE FINANCIAL CORPORATION RESPONDS TO CITADEL LETTER

New York, July 22, 2011 – The Board of Directors (the “Board”) of E*TRADE Financial Corporation (NASDAQ: ETFC) on July 20, 2011 received a letter from Citadel LLC (“Citadel”) requesting a special shareholder meeting to vote on a number of proposals including: the appointment of a special committee to hire an investment banker that has not previously advised the Company or the Board to review E*TRADE’s strategic alternatives, including a possible sale of the company; the declassification of E*TRADE’s Board of Directors so that all members are elected annually; and the removal of two independent Directors. E*TRADE believes that it has already addressed the substance of Citadel’s proposals and that it is not in the best interests of shareholders to call a special meeting at this time.

E*TRADE noted that the company retained J.P. Morgan Securities LLC, a nationally recognized independent investment banking firm, to assist in a thorough review of strategic alternatives, which was completed in the fourth quarter of 2010. At the conclusion of this process, the Board determined that the continued execution of the company’s business plan was the best alternative for increasing shareholder value and that a sale of the company, at that time, would not maximize shareholder value. However, in response to Citadel’s request, E*TRADE has formed a special committee of the Board, comprised entirely of independent directors, which has directed the company to retain Morgan Stanley & Co. LLC (“Morgan Stanley”) to conduct another broad review of strategic alternatives. Morgan Stanley will report to the Board’s Finance and Risk Oversight Committee, which is comprised of Steven J. Freiberg, Kenneth C. Griffin (founder and CEO of Citadel, who has served on the Board since June 2009), Michael K. Parks,

Joseph L. Sclafani and Stephen H. Willard. The Finance and Risk Oversight Committee will then make a recommendation to the full Board.

In April 2011, E*TRADE's Board, with the full participation of all members including Mr. Griffin, agreed to submit a proposal to declassify the Board at the 2012 annual meeting of shareholders. This decision followed an extensive dialogue between the Nominating and Corporate Governance Committee and the Florida State Board of Administration and its investment manager, the American Corporate Governance Institute. These organizations commented favorably on E*TRADE's "demonstrated responsiveness to shareowners' concerns about classified boards." The company noted that the 2012 annual meeting of shareholders is the earliest possible date at which E*TRADE's Board could be declassified.

Finally, E*TRADE believes that Citadel's proposal to call a meeting to remove two highly qualified independent Directors is inappropriate, and contrary to Delaware law.

"Maximizing value for shareholders has been, and will always be, the primary focus of E*TRADE's Board and management," said Mr. Freiberg, Chief Executive Officer and Interim Chairman of E*TRADE. "We believe this priority has been clearly demonstrated by our tangible actions over the past few years, as we significantly bolstered our capital position and moved the company back toward consistent earnings, even in a challenging macro-economic environment. That said, we value the opinions of our shareholders and have undertaken a number of actions to respond constructively to Citadel's letter without disrupting our operations or impairing the investment of our shareholders."

The company noted that Citadel has, in the last 18 months, significantly reduced its investment in E*TRADE through the sale of billions of dollars of debt and equity securities at a substantial profit. In the past five months alone, Citadel has sold approximately 51 million shares of E*TRADE for proceeds of approximately \$831 million.

There can be no assurances the Board's review of strategic alternatives will result in any specific action or transaction. The company does not intend to disclose developments regarding its evaluation of strategic alternatives unless and until the Board has completed its analysis and approved a definitive course of action.

About E*TRADE Financial

The E*TRADE Financial family of companies provides financial services including online brokerage and related banking products and services to retail investors. Specific business segments include Trading and Investing and Balance Sheet Management. Securities products and services are offered by E*TRADE Securities LLC (Member FINRA/SIPC). Bank products and services are offered by E*TRADE Bank, a Federal savings bank, Member FDIC, or its subsidiaries. More information is available at www.etrade.com.

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Forward-Looking Statements: 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. Further information about these risks and uncertainties can be found in the Company's annual, quarterly and current reports on Form 10-K, Form 10-Q and Form 8-K previously filed by E*TRADE Financial Corporation with the SEC (including information under the caption "Risk Factors"). Any forward-looking statement included in this release speaks only as of the date of this communication; the Company disclaims any obligation to update any information.

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