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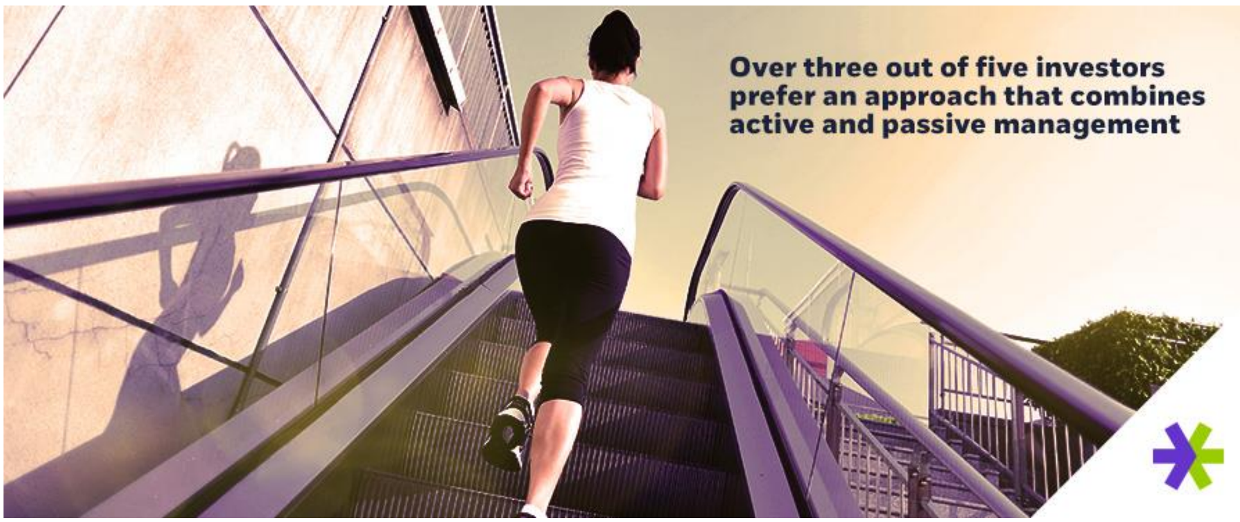
E*TRADE STUDY REVEALS THAT FOR MOST RETAIL INVESTORS, ACTIVE VERSUS PASSIVE MANAGEMENT IS NOT EITHER/OR



Majority favor a hybrid approach to their investing – rather than one consisting solely of active or passive management

NEW YORK, May 13, 2016 — E*TRADE Financial Corporation (NASDAQ: ETFC) today announced results from the most recent wave of *StreetWise*, E*TRADE's quarterly tracking study of experienced investors. Results indicate that while passive management is more popular among retail investors than active management, for the majority of investors, the debate between the two is irrelevant, as they prefer a combination. When asked to choose from three portfolio designs:

- 8 percent chose a higher-cost, purely active approach that aims to beat the market.
- 31 percent chose a low-cost, purely passive approach that aims to follow the market.
- 61 percent chose a moderately-priced approach that uses passive management to track broader, more efficient segments of the market, while leveraging active management that aims to seek outperformance in narrower and less liquid segments of the market.

"As the world of investing vehicles continues to expand, retail investors are seeking the best of both worlds in weighing passive against active management," commented Lena Haas, SVP of Retirement, Investing and Savings at E*TRADE Financial. "And while the findings support what many say about the rise of passive over active strategies, they also uncover a deeper reality: It's not about simply choosing between the two philosophies, but thinking tactically about how best to combine them."

Ms. Haas noted that the following factors can play a role in why investors would gravitate towards a portfolio with both active and passive management:

- **To stay ahead of the class:** When considering active versus passive management, neither is necessarily the best fit for every asset class. Many investors feel passive strategies work better for more efficient and broad asset classes like domestic large-cap, while active managers may be able to add value for less liquid and narrow categories like international small-cap.
- **To factor in fees:** Many investors feel it's wise to understand when it makes sense to pay up for active management and when sticking to lower-cost passively-managed vehicles such as ETFs and index funds is more appropriate. As hybrid portfolios evolve, many investors are developing a better understanding of what may or may not be worth a potentially higher fee.
- **To capitalize on customization**: Combining active with passive management in one portfolio creates a larger world of possible solutions than focusing on one versus the other. The hybrid approach may better enable investors to build portfolios that closely align with their individual goals, risk tolerances, and time horizons.

Visit E*TRADE's Newsroom for the full Q2'16 StreetWise study results.

E*TRADE helps investors balance today's needs with tomorrow's goals, through pioneering digital tools coupled with guidance online and from financial consultants. To learn more about E*TRADE's trading and investing platforms and tools, visit etrade.com.

For useful insight from E*TRADE and third-party investment professionals, follow the Company on Twitter, @ETRADE.

About the Survey

This wave of the survey was conducted from April 1 to April 8 of 2016 among an online U.S. sample of 907 self-directed active investors who manage at least $10,000 in an online brokerage account. The survey has a margin of error of ±3.25 percent at the 95 percent confidence level. It was fielded and administered by ResearchNow. The panel is broken into thirds of active (trade more than once a week), swing (trade less than once a week but more than once a month), and passive (trade less than once a month). The panel is 65 percent male and 35 percent female with an even distribution across online brokerages, geographic regions, and age bands.

Referenced Data

If you had to choose, which of the following approaches would you be most interested in for your portfolio?				
	TOTAL	AGE 25-34	AGE 35-54	AGE: 55+
A moderately-priced approach that combines active and passive management to track broader, more efficient segments of the markets, while seeking outperformance in parts of the markets that are less broad and efficient	61%	62%	63%	57%
A low-cost, purely passive approach that aims to follow the markets	31%	32%	29%	34%
A higher-cost, purely active approach that aims to beat the markets	8%	6%	9%	9%

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