

## FOR IMMEDIATE RELEASE

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## **E\*TRADE FINANCIAL CORPORATION ISSUES 2005 EARNINGS GUIDANCE, ANNOUNCES REPURCHASE PROGRAM AND REPORTS NOVEMBER ACTIVITY**

- *Established 2005 GAAP EPS guidance of \$0.93 - \$1.08 per share on Total Net Revenue of \$1.6 billion - \$1.8 billion*
- *Announced an additional \$200 million repurchase program*
- *In November, Retail DARTs increased 23.3 percent from October, Professional DARTs increased 8.0 percent and Total DARTs increased 17.6 percent*
- *Total assets and deposits in customer accounts increased 5.6 percent to \$93.6 billion*
- *Month-end margin debt balances increased 4.7 percent to \$2.12 billion*

**New York, December 15, 2004** – E\*TRADE FINANCIAL Corporation (NYSE: ET) today established 2005 GAAP EPS guidance of \$0.93 - \$1.08 on Total Net Revenue of \$1.6 billion - \$1.8 billion. The Company's Board of Directors approved an additional \$200 million dollar repurchase program. The plan is effective immediately, not subject to a specific end date and provides the flexibility to buy back common stock, retire debt or a combination of both. In addition to this program, the Company has \$49 million remaining in its active program originally announced in April 2004, for total outstanding repurchase authorizations of \$249 million. The Company may conduct these repurchases on the open market, in private transactions or a combination of both.

“2005 will be a year of innovation, reinvestment and growth. We have built a differentiated and compelling franchise,” said Mitchell H. Caplan, Chief Executive Officer, E\*TRADE FINANCIAL Corporation. “The Company is positioned to deliver segment income growth ranging from 20 to 40 percent, while at the same time making significant investments in functionality, service, price and marketing.”

The Company also reported that monthly US and International Daily Average Revenue Trades (DARTs) increased 25.4 percent and 12.7 percent sequentially in November, for an increase in Retail DARTs of 23.3 percent. Additionally, Professional DARTs increased 8.0 percent

resulting in a 17.6 percent increase in Total DARTs. Margin debt balances increased 4.7 percent sequentially to \$2.12 billion at month end.

### 2005 GAAP Earnings Guidance

| <u>Key Driver Assumptions</u>                  | <u>2005 Estimates</u> |             |   |
|--|-----------------------|-------------|---|
|  | <u>Low</u>            | <u>High</u> |   |
| Total DARTs (in thousands)                     | 135                   | 150         |   |
| Average margin debt (\$B)                      | \$ 2.0                | \$ 2.2      |   |
| Average commission per revenue trade           | \$ 9.30               | \$ 9.70     |   |
| Direct mortgage originations (\$B)             | \$ 3.0                | \$ 3.5      |   |
| Consumer loan originations, incl. HELOCs (\$B) | \$ 2.5                | \$ 3.0      |   |
| Average interest rate spread (basis points)    | 220                   | 233         |   |
| Average interest earning assets (\$B)          | \$ 27                 | \$ 28       |   |
| <br>   |                       |             |   |
| <u>Net revenues (\$MM)</u>                     |                       |             | <u>Estimated Annual Growth Rate<sup>(1)</sup></u> |
| Brokerage                                      | \$ 1,000              | \$ 1,138    |   |
| Banking  | \$ 673                | \$ 735      |   |
| Intercompany elimination                       | \$ (73)               | \$ (73)     |   |
| Total net revenues                             | \$ 1,600              | \$ 1,800    | 5 - 19%   |
| Total expenses excluding interest              | \$ 1,070              | \$ 1,170    | 0 - 10%   |
| Segment income <sup>(2)</sup>                  | \$ 530                | \$ 630      | 17 - 39%  |
| Consolidated operating margin <sup>(3)</sup>   | 33%                   | 35%         | 300 - 500 bps                                     |
| Total other income                             | \$ 24                 | \$ 24       |   |
| Effective tax rate                             | 36%                   | 36%         |   |
| Net income                                     | \$ 355                | \$ 419      |   |
| GAAP EPS                                       | \$ 0.93               | \$ 1.08     |   |
| Average diluted shares outstanding (MM)        | 382                   | 387         |   |

(1) Based on consensus 2004 earnings from continuing operations of \$0.89.

(2) Income before other income, income taxes and discontinued operations.

(3) Income before other income, income taxes and discontinued operations divided by total net revenues.

### Points of Operating Leverage

| <u>Metric</u>  | <u>Annual Contribution<sup>(5)</sup></u><br><u>(Estimated)</u> |
|--|--|
| Additional 10,000 DARTs  | \$0.05   |
| Increase margin debt by \$500 million                            | \$0.04   |
| Grow bank balance sheet by \$1 billion                           | \$0.04   |
| Improve bank spread by 10 bps <sup>(4)</sup>                     | \$0.05   |
| Bank spread increase on \$1 billion of additional sweep balances | 10 bps   |

(4) Based on assumed average interest earning assets of \$27 billion to \$28 billion.

(5) Earnings per share except increase in sweep balances.

### Monthly Activity Data

|   | Nov-04    | Oct-04    | Nov-04<br>vs.<br>Oct-04 | Q404<br>QTD * | Qtr Ended<br>9/30/04 | Q404 QTD *<br>vs.<br>Qtr Ended<br>9/30/04 |
|---|-----------|-----------|-------------------------|---------------|----------------------|---|
| Trading days                                    | 20.5      | 21.0      | N.M.                    | 41.5          | 64.0                 | N.M.                                      |
| <u>Daily Average Revenue Trades (DARTs)</u>     |           |           |                         |               |                      |   |
| Retail  | 95,122    | 77,117    | 23.3 %                  | 86,011        | 62,771               | 37.0 %                                    |
| US  | 81,306    | 64,856    | 25.4 %                  | 72,982        | 53,050               | 37.6 %                                    |
| International                                   | 13,816    | 12,261    | 12.7 %                  | 13,029        | 9,721                | 34.0 %                                    |
| Professional                                    | 49,675    | 45,995    | 8.0 %                   | 47,813        | 34,633               | 38.1 %                                    |
| Total DARTs                                     | 144,797   | 123,112   | 17.6 %                  | 133,824       | 97,404               | 37.4 %                                    |
| <u>Market Making</u>                            |           |           |                         |               |                      |   |
| Equity shares traded (MM)                       | 14,585    | 30,871    | (52.8)%                 | 45,456        | 65,037               | (30.1)%                                   |
| Average revenue capture per 1,000 equity shares | \$0.527   | \$0.217   | 142.9 %                 | \$0.316       | \$0.234              | 35.0 %                                    |
| <u>Gross New Accounts</u>                       |           |           |                         |               |                      |   |
| Brokerage                                       | 42,260    | 58,466    | N.M.                    | 100,726       | 105,870              | N.M.                                      |
| Banking   | 10,341    | 19,643    | N.M.                    | 29,984        | 60,998               | N.M.                                      |
| Total gross new accounts                        | 52,601    | 78,109    | N.M.                    | 130,710       | 166,868              | N.M.                                      |
| <u>Active Accounts</u>                          |           |           |                         |               |                      |   |
| Brokerage                                       | 2,936,591 | 2,921,776 | 0.5 %                   | 2,936,591     | 2,895,106            | 1.4 %                                     |
| Banking   | 630,942   | 637,540   | (1.0)%                  | 630,942       | 632,328              | (0.2)%                                    |
| Total active accounts end of period             | 3,567,533 | 3,559,316 | 0.2 %                   | 3,567,533     | 3,527,434            | 1.1 %                                     |
| End of period margin debt (\$MM)                | \$2,115   | \$2,021   | 4.7 %                   | \$2,115       | \$2,042              | 3.6 %                                     |
| <u>Total Assets / Deposits (\$MM)</u>           |           |           |                         |               |                      |   |
| Total client assets in investing accounts       | \$81,393  | \$76,590  | 6.3 %                   | \$81,393      | \$71,399             | 14.0 %                                    |
| Total deposits in banking accounts              | \$12,244  | \$12,052  | 1.6 %                   | \$12,244      | \$12,027             | 1.8 %                                     |
| Total assets / deposits in customer accounts    | \$93,637  | \$88,642  | 5.6 %                   | \$93,637      | \$83,426             | 12.2 %                                    |
| <u>Loan Originations (\$MM)</u>                 |           |           |                         |               |                      |   |
| Direct mortgage originations                    | \$244     | \$238     | 2.5 %                   | \$482         | \$646                | (25.4)%                                   |
| Consumer loan originations, incl HELOCs         | \$179     | \$189     | (5.3)%                  | \$368         | \$563                | (34.6)%                                   |

\*Q404 quarter-to-date (QTD) includes results for the two months ended November 30, 2004

Historical monthly metric data from January 2003 to November 2004 can be found on the E\*TRADE FINANCIAL investor relations site at [www.etrade.com](http://www.etrade.com).

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