

FOR IMMEDIATE RELEASE

E*TRADE FINANCIAL Media Relations Contact

Pam Erickson
E*TRADE FINANCIAL Corporation
617-296-6080
pam.erickson@etrade.com

E*TRADE FINANCIAL Investor Relations Contact

Adam Townsend
E*TRADE FINANCIAL Corporation
703-236-8719
adam.townsend@etrade.com

**E*TRADE FINANCIAL CORPORATION ANNOUNCES FIRST QUARTER EARNINGS
OF \$0.39 PER SHARE ON RECORD REVENUE**

- *Record Total Net Revenue of \$645 million*
- *Record Pre-tax Income of \$262 million*
- *Net Income of \$169 million*
- *Record Net Operating Interest Income after Provision for Loan Losses of \$369 million*
- *Record quarterly growth in Total Customer Cash and Deposits of \$2.4 billion*
- *Record Retail Total Client Assets of \$201 billion*
- *New \$250 million stock repurchase authorization*
- *2007 Earnings guidance revised to \$1.55 - \$1.75 per share*

New York, April 18, 2007 – E*TRADE FINANCIAL Corporation (NASDAQ: ETFC) today announced results for its first quarter ended March 31, 2007, reporting net income of \$169.4 million, or \$0.39 per share, compared to \$142.5 million, or \$0.33 per share a year ago. Total net revenue for the first quarter increased to a record \$645.0 million from \$598.3 million in the year ago period.

“We are extremely pleased with the response to our marketing and service investments this past quarter which generated record net new accounts, with continued strong growth in our target segments, and record levels of customer assets and cash,” said Mitchell H. Caplan, Chief Executive Officer, E*TRADE FINANCIAL Corporation. “The success we are seeing in attracting and retaining high-value customers is clearly beneficial to the long-term growth of the franchise.”

The Company also announced today that its Board of Directors has authorized an additional \$250 million stock repurchase plan. In addition to this program, the Company has \$34 million remaining in its active program originally announced in December 2004. Under the outstanding authorizations, repurchases may be made through open market and privately negotiated transactions at times and in such amounts as management deems appropriate.

“Although the broad based markets have been strong, the recent volatility in the macroeconomic environment has affected retail customer behavior and engagement levels. As a result, we are reducing our 2007 earnings estimate to better reflect the muted retail environment we are now experiencing as compared to our expectations at the end of 2006,” continued Mr. Caplan.

(more)

Other selected first quarter highlights:

- Generated 20 percent annualized growth in target segment accounts
- Experienced record Quick Transfer volume of over 400,000 transactions in March with record net cash inflows of more than \$500 million
- Produced record levels of options trades in March – 14.5 percent of U.S. Daily Average Revenue Trade (“DART”) volumes
- Generated record International retail trading volume of 29,000 DARTs during the quarter
- Launched Global Trading Platform pilot program, providing retail investors online access to foreign stocks and currencies in six major international markets with the ability to buy, hold and sell in the respective local currencies
- Launched Max-Rate Checking, a high-yield checking account that includes the full-functionality of a traditional checking account plus unlimited ATM fee refunds nationwide
- Expanded branch network to 25 locations with the addition of Garden City, New York
- Repurchased \$23 million of common stock

Historical monthly metric data from January 2003 to March 2007 can be found on the E*TRADE FINANCIAL investor relations site at www.etrade.com.

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.

###

Important Notice

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.

© 2007 E*TRADE FINANCIAL Corporation. All rights reserved.

Financial Statements

E*TRADE FINANCIAL CORPORATION AND SUBSIDIARIES
Consolidated Statement of Income
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended		
	March 31, 2007	December 31, 2006	March 31, 2006
Revenue:			
Operating interest income	\$ 829,795	\$ 788,583	\$ 594,294
Operating interest expense	(439,209)	(413,078)	(269,505)
Net operating interest income	390,586	375,505	324,789
Provision for loan losses	(21,186)	(11,956)	(10,197)
Net operating interest income after provision for loan losses	369,400	363,549	314,592
Commission	158,993	148,494	175,869
Fees and service charges	59,498	64,759	57,862
Principal transactions	30,082	25,256	30,692
Gain on sales of loans and securities, net	17,375	17,248	11,628
Other revenue	9,650	9,542	7,706
Total non-interest income	275,598	265,299	283,757
Total net revenue	644,998	628,848	598,349
Expense excluding interest:			
Compensation and benefits	123,782	116,868	115,988
Clearing and servicing	67,252	63,114	63,288
Advertising and market development	45,592	30,667	34,781
Communications	26,156	25,528	31,408
Professional services	24,985	25,232	27,755
Depreciation and amortization	19,383	17,664	18,789
Occupancy and equipment	23,579	22,486	20,504
Amortization of other intangibles	10,268	10,829	11,332
Facility restructuring and other exit activities	733	9,222	(253)
Other	32,675	34,154	31,005
Total expense excluding interest	374,405	355,764	354,597
Income before other income (expense), income taxes and discontinued operations	270,593	273,084	243,752
Other income (expense):			
Corporate interest income	1,705	2,342	1,961
Corporate interest expense	(37,791)	(37,910)	(40,508)
Gain on sales and impairment of investments	19,756	10,899	17,616
Loss on early extinguishment of debt	-	(476)	(135)
Equity in income (loss) of investments and venture funds	8,095	750	(1,007)
Total other income (expense)	(8,235)	(24,395)	(22,073)
Income before income taxes and discontinued operations	262,358	248,689	221,679
Income tax expense	92,948	71,779	78,695
Net income from continuing operations	169,410	176,910	142,984
Discontinued operations, net of tax:			
Loss from discontinued operations	-	-	(513)
Loss on disposal of discontinued operations	-	(255)	-
Loss from discontinued operations, net of tax	-	(255)	(513)
Net income	<u>\$ 169,410</u>	<u>\$ 176,655</u>	<u>\$ 142,471</u>
Basic earnings per share from continuing operations	\$ 0.40	\$ 0.42	\$ 0.34
Basic earnings (loss) per share from discontinued operations	-	(0.00)	(0.00)
Basic net earnings per share	<u>\$ 0.40</u>	<u>\$ 0.42</u>	<u>\$ 0.34</u>
Diluted earnings per share from continuing operations	\$ 0.39	\$ 0.40	\$ 0.33
Diluted earnings (loss) per share from discontinued operations	-	(0.00)	(0.00)
Diluted net earnings per share	<u>\$ 0.39</u>	<u>\$ 0.40</u>	<u>\$ 0.33</u>
Shares used in computation of per share data:			
Basic	423,786	424,050	414,679
Diluted	437,535	438,086	432,302

E*TRADE FINANCIAL CORPORATION AND SUBSIDIARIES
Consolidated Balance Sheet
(In thousands, except share amounts)
(Unaudited)

	March 31, 2007	December 31, 2006
ASSETS		
Cash and equivalents	\$ 1,176,981	\$ 1,212,234
Cash and investments required to be segregated under Federal or other regulations	411,003	281,622
Trading securities	151,046	178,600
Available-for-sale mortgage-backed and investment securities	16,458,481	13,921,983
Loans held-for-sale	193,385	283,496
Margin receivables	6,947,535	6,828,448
Loans receivable, net	29,671,642	26,372,697
Property and equipment, net	341,148	318,389
Goodwill	2,084,974	2,072,920
Other intangibles, net	461,694	471,933
Other assets	2,244,517	1,796,981
Total assets	\$ 60,142,406	\$ 53,739,303
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Deposits	\$ 26,256,619	\$ 24,071,012
Securities sold under agreements to repurchase	12,125,686	9,792,422
Customer payables	6,311,657	6,182,672
Other borrowings	6,560,501	5,323,962
Senior notes	1,401,383	1,401,592
Mandatory convertible notes	441,824	440,577
Accounts payable, accrued and other liabilities	2,691,655	2,330,696
Total liabilities	55,789,325	49,542,933
Shareholders' equity:		
Common stock, \$0.01 par value, shares authorized: 600,000,000; shares issued and outstanding: 427,161,994 at March 31, 2007 and 426,304,136 at December 31, 2006	4,272	4,263
Additional paid-in-capital	3,192,508	3,184,290
Retained earnings	1,365,851	1,209,289
Accumulated other comprehensive loss	(209,550)	(201,472)
Total shareholders' equity	4,353,081	4,196,370
Total liabilities and shareholders' equity	\$ 60,142,406	\$ 53,739,303

Segment Reporting

	Three Months Ended March 31, 2007			
	Retail	Institutional	Eliminations ⁽¹⁾	Total
Revenue:				
			(In thousands)	
Operating interest income	\$ 457,764	\$ 671,243	\$ (299,212)	\$ 829,795
Operating interest expense	(230,283)	(508,138)	299,212	(439,209)
Net operating interest income	227,481	163,105	-	390,586
Provision for loan losses	-	(21,186)	-	(21,186)
Net operating interest income after provision for loan losses	227,481	141,919	-	369,400
Commission	123,305	35,688	-	158,993
Fees and service charges	54,203	7,475	(2,180)	59,498
Principal transactions	-	30,082	-	30,082
Gain on sales of loans and securities, net	4,911	12,464	-	17,375
Other revenue	9,751	41	(142)	9,650
Total non-interest income	192,170	85,750	(2,322)	275,598
Total net revenue	419,651	227,669	(2,322)	644,998
Expense excluding interest:				
Compensation and benefits	80,296	43,486	-	123,782
Clearing and servicing	20,761	48,813	(2,322)	67,252
Advertising and market development	43,924	1,668	-	45,592
Communications	22,795	3,361	-	26,156
Professional services	15,099	9,886	-	24,985
Depreciation and amortization	14,809	4,574	-	19,383
Occupancy and equipment	20,572	3,007	-	23,579
Amortization of other intangibles	9,619	649	-	10,268
Facility restructuring and other exit activities	1,017	(284)	-	733
Other	19,301	13,374	-	32,675
Total expense excluding interest	248,193	128,534	(2,322)	374,405
Segment income	\$ 171,458	\$ 99,135	\$ -	\$ 270,593

	Three Months Ended December 31, 2006			
	Retail	Institutional	Eliminations ⁽¹⁾	Total
Revenue:				
			(In thousands)	
Operating interest income	\$ 433,879	\$ 630,225	\$ (275,521)	\$ 788,583
Operating interest expense	(206,001)	(482,598)	275,521	(413,078)
Net operating interest income	227,878	147,627	-	375,505
Provision for loan losses	-	(11,956)	-	(11,956)
Net operating interest income after provision for loan losses	227,878	135,671	-	363,549
Commission	115,543	32,951	-	148,494
Fees and service charges	59,000	8,611	(2,852)	64,759
Principal transactions	-	25,256	-	25,256
Gain on sales of loans and securities, net	8,405	8,843	-	17,248
Other revenue	9,658	46	(162)	9,542
Total non-interest income	192,606	75,707	(3,014)	265,299
Total net revenue	420,484	211,378	(3,014)	628,848
Expense excluding interest:				
Compensation and benefits	78,433	38,435	-	116,868
Clearing and servicing	18,687	47,441	(3,014)	63,114
Advertising and market development	28,763	1,904	-	30,667
Communications	22,101	3,427	-	25,528
Professional services	15,471	9,761	-	25,232
Depreciation and amortization	13,838	3,826	-	17,664
Occupancy and equipment	19,044	3,442	-	22,486
Amortization of other intangibles	10,002	827	-	10,829
Facility restructuring and other exit activities	9,673	(451)	-	9,222
Other	21,128	13,026	-	34,154
Total expense excluding interest	237,140	121,638	(3,014)	355,764
Segment income	\$ 183,344	\$ 89,740	\$ -	\$ 273,084

Three Months Ended March 31, 2006				
	Retail	Institutional	Eliminations⁽¹⁾	Total
(In thousands)				
Revenue:				
Operating interest income	\$ 318,202	\$ 453,476	\$ (177,384)	\$ 594,294
Operating interest expense	(112,282)	(334,607)	177,384	(269,505)
Net operating interest income	205,920	118,869	-	324,789
Provision for loan losses	-	(10,197)	-	(10,197)
Net operating interest income after provision for loan losses	205,920	108,672	-	314,592
Commission	135,864	40,005	-	175,869
Fees and service charges	53,344	6,791	(2,273)	57,862
Principal transactions	-	30,692	-	30,692
Gain on sales of loans and securities, net	8,727	2,901	-	11,628
Other revenue	9,299	111	(1,704)	7,706
Total non-interest income	207,234	80,500	(3,977)	283,757
Total net revenue	413,154	189,172	(3,977)	598,349
Expense excluding interest:				
Compensation and benefits	71,207	44,781	-	115,988
Clearing and servicing	17,365	49,900	(3,977)	63,288
Advertising and market development	33,055	1,726	-	34,781
Communications	28,483	2,925	-	31,408
Professional services	22,318	5,437	-	27,755
Depreciation and amortization	14,568	4,221	-	18,789
Occupancy and equipment	18,987	1,517	-	20,504
Amortization of other intangibles	9,873	1,459	-	11,332
Facility restructuring and other exit activities	375	(628)	-	(253)
Other	19,589	11,416	-	31,005
Total expense excluding interest	235,820	122,754	(3,977)	354,597
Segment income	\$ 177,334	\$ 66,418	\$ -	\$ 243,752

Key Performance Metrics⁽²⁾

	<u>Qtr ended</u> <u>3/31/07</u>	<u>Qtr ended</u> <u>12/31/06</u>	<u>Qtr ended</u> <u>3/31/07</u> <u>vs.</u> <u>12/31/06</u>	<u>Qtr ended</u> <u>3/31/06</u>	<u>Qtr ended</u> <u>3/31/07</u> <u>vs.</u> <u>3/31/06</u>
Corporate Metrics					
<u>Operating margin %⁽³⁾</u>					
Consolidated	42 %	43 %	(1)%	41 %	1 %
Retail	41 %	44 %	(3)%	43 %	(2)%
Institutional	44 %	42 %	2 %	35 %	9 %
Employees	4,217	4,126	2 %	3,823	10 %
Consultants and other	266	358	(26)%	702	(62)%
Total headcount	4,483	4,484	0 %	4,525	(1)%
Revenue per headcount	\$ 143,876	\$ 140,243	3 %	\$ 132,232	9 %
Revenue per compensation and benefits dollar	\$ 5.21	\$ 5.38	(3)%	\$ 5.16	1 %
Book value per share	\$ 10.19	\$ 9.84	4 %	\$ 8.61	18 %
Tangible book value per share	\$ 4.23	\$ 3.87	9 %	\$ 2.58	64 %
Cash & equivalents (\$MM)	\$ 1,177.0	\$ 1,212.2	(3)%	\$ 823.2	43 %
Free cash (\$MM)	\$ 464.7	\$ 525.8	(12)%	\$ 650.7	(29)%
Enterprise net interest spread (basis points) ⁽⁴⁾	274	285	(4)%	286	(4)%
Enterprise interest-earning assets, average (\$MM)	\$ 52,871	\$ 49,597	7 %	\$ 41,343	28 %
<u>Earnings before interest, taxes, depreciation & amortization ("EBITDA") (\$MM)</u>					
Net income from continuing operations	\$ 169.4	\$ 176.9	(4)%	\$ 143.0	18 %
Tax expense	92.9	71.8	29 %	78.7	18 %
Depreciation & amortization	29.7	28.5	4 %	30.1	(1)%
Corporate interest expense	37.8	37.9	0 %	40.5	(7)%
EBITDA	\$ 329.8	\$ 315.1	5 %	\$ 292.3	13 %
Interest coverage	8.7	8.3	5 %	7.2	21 %

Key Performance Metrics⁽²⁾

	<u>Qtr ended</u> <u>3/31/07</u>	<u>Qtr ended</u> <u>12/31/06</u>	<u>Qtr ended</u> <u>3/31/07</u> <u>vs.</u> <u>12/31/06</u>	<u>Qtr ended</u> <u>3/31/06</u>	<u>Qtr ended</u> <u>3/31/07</u> <u>vs.</u> <u>3/31/06</u>
<u>Retail Metrics</u>					
Trading days	61.0	62.5	(2)%	62.0	(2)%
<u>DARTs</u>					
US	141,238	132,716	6 %	159,199	(11)%
International	28,798	22,910	26 %	21,960	31 %
Total DARTs	170,036	155,626	9 %	181,159	(6)%
Total trades (MM)	10.4	9.7	7 %	11.2	(7)%
Average commission per trade	\$ 11.89	\$ 11.88	0 %	\$ 12.10	(2)%
End of period margin debt (\$B)	\$ 7.03	\$ 7.00	0 %	\$ 6.81	3 %
Average margin debt (\$B)	\$ 6.91	\$ 6.72	3 %	\$ 6.63	4 %
Gross new investing/trading accounts	170,672	159,145	7 %	190,027	(10)%
Gross new deposit/lending accounts	179,547	112,456	60 %	80,632	123 %
Inactive accounts	(150,981)	(170,605)	(12)%	(155,680)	(3)%
Customer closed accounts	(80,364)	(100,156)	(20)%	(64,323)	25 %
Net new accounts	118,874	840	N.M.	50,656	135 %
End of period investing/trading accounts	3,613,762	3,606,582	0 %	3,634,803	(1)%
End of period deposit/lending accounts	932,782	821,088	14 %	699,631	33 %
End of period total accounts	4,546,544	4,427,670	3 %	4,334,434	5 %
<u>Account Segmentation Detail⁽⁵⁾</u>					
Retail accounts within target segment ⁽⁶⁾	912,057	868,770	5 %	N.A.	N.M.
Other retail accounts ⁽⁷⁾	2,583,257	2,497,808	3 %	N.A.	N.M.
Corporate Services accounts	1,051,230	1,061,092	(1)%	N.A.	N.M.
End of period total accounts	4,546,544	4,427,670	3 %	N.A.	N.M.
Net new customers	37,100	(4,883)	N.M.	(14,671)	N.M.
End of period total customers	3,477,068	3,439,968	1 %	3,404,602	2 %
End of period assets per customer	\$ 57,659	\$ 56,659	2 %	\$ 56,403	2 %
Consolidated net revenue per customer	\$ 186	\$ 183	2 %	\$ 176	6 %
Consolidated segment income per customer	\$ 78	\$ 79	(1)%	\$ 72	8 %
Products per customer	2.1	2.1	0 %	2.1	0 %
<u>Client Assets (\$B)</u>					
Security holdings	\$ 133.5	\$ 130.3	2 %	\$ 127.8	4 %
Cash (including money market funds)	10.2	10.0	2 %	10.9	(6)%
Unexercised Corporate Services client options (vested)	31.0	31.0	0 %	34.4	(10)%
Client assets in investing/trading accounts	174.7	171.3	2 %	173.1	1 %
Sweep Deposit Account	10.8	10.8	0 %	10.1	7 %
Transaction accounts	10.3	8.0	29 %	5.7	81 %
CDs	4.7	4.8	(2)%	3.1	52 %
Client assets in deposit accounts	25.8	23.6	9 %	18.9	37 %
Total client assets	\$ 200.5	\$ 194.9	3 %	\$ 192.0	4 %
Net new client assets (\$B) ⁽⁸⁾	\$ 2.9	N.A.	N.M.	N.A.	N.M.
Total customer cash and deposits (\$B)	\$ 36.0	\$ 33.6	7 %	\$ 29.8	21 %
Unexercised Corporate Services client options (unvested) (\$B)	\$ 20.5	\$ 19.8	4 %	\$ 21.8	(6)%

Key Performance Metrics⁽²⁾

<u>Institutional Metrics</u>	<u>Qtr ended</u> <u>3/31/07</u>	<u>Qtr ended</u> <u>12/31/06</u>	<u>Qtr ended</u> <u>3/31/07</u> <u>vs.</u> <u>12/31/06</u>	<u>Qtr ended</u> <u>3/31/06</u>	<u>Qtr ended</u> <u>3/31/07</u> <u>vs.</u> <u>3/31/06</u>
<u>Market Making</u>					
Equity shares traded (MM)	47,425	41,645	14 %	90,871	(48)%
Average revenue capture per 1,000 equity shares	\$ 0.576	\$ 0.551	5 %	\$ 0.277	108 %
% of Bulletin Board equity shares to total equity shares	89.7%	87.9%	2 %	94.1%	(4)%
<u>End of Period Enterprise Loans Receivable Detail (\$MM)</u>					
Mortgage and home equity loans, net	\$ 26,628	\$ 23,256	14 %	\$ 15,755	69 %
Margin receivables	6,948	6,829	2 %	6,839	2 %
Consumer loans, net	3,006	3,184	(6)%	3,777	(20)%
Other	231	216	7 %	97	138 %
Total enterprise loans receivable, net	\$ 36,813	\$ 33,485	10 %	\$ 26,468	39 %
<u>Credit Quality and Reserve Metrics</u>					
Net charge-offs as a % of average loans receivable, net (annualized)	0.30 %	0.22 %	0.08 %	0.18 %	0.12 %
Provision as a % of average loans receivable, net (annualized)	0.30 %	0.19 %	0.11 %	0.21 %	0.09 %
Total allowance for loan losses as a % of total ending gross loans receivable	0.23 %	0.26 %	(0.03)%	0.33 %	(0.10)%
Total nonperforming loans receivable as a % of total gross loans receivable	0.39 %	0.28 %	0.11 %	0.21 %	0.18 %
Tier 1 Capital Ratio ⁽⁹⁾	6.25 %	6.07 %	0.18 %	6.03 %	0.22 %
Risk Weighted Capital Ratio ⁽⁹⁾	10.53 %	10.55 %	(0.02)%	11.21 %	(0.68)%

Activity in Allowance for Loan Losses

	<u>Three Months Ended March 31, 2007</u>		
	<u>Mortgage</u>	<u>Consumer</u>	<u>Total</u>
	(In thousands)		
Allowance for loan losses, ending 12/31/06	\$ 39,431	\$ 28,197	\$ 67,628
Provision for loan losses	16,888	4,298	21,186
Charge-offs, net	(12,193)	(8,632)	(20,825)
Allowance for loan losses, ending 3/31/07	\$ 44,126	\$ 23,863	\$ 67,989

Average Enterprise Balance Sheet Data

	Three Months Ended					
	March 31, 2007			December 31, 2006		
	Average Balance	Operating Interest Inc./Exp.	Average Yield/Cost	Average Balance	Operating Interest Inc./Exp.	Average Yield/Cost
Enterprise interest-earning assets:	(In thousands)					
Loans, net ⁽¹⁰⁾	\$ 28,093,409	\$ 451,399	6.43%	\$ 25,752,337	\$ 415,360	6.45%
Margin receivables	6,787,828	123,986	7.41%	6,611,478	122,351	7.34%
Mortgage-backed and related available-for-sale securities	12,040,109	157,967	5.25%	11,815,399	158,435	5.36%
Available-for-sale investment securities	3,901,434	63,496	6.52%	3,473,702	57,022	6.56%
Trading securities	119,779	3,269	10.92%	134,143	3,194	9.53%
Cash and cash equivalents ⁽¹¹⁾	1,358,120	15,930	4.76%	1,129,544	13,900	4.88%
Stock borrow and other	570,805	10,051	7.14%	680,179	11,565	6.75%
Total enterprise interest-earning assets	<u>\$ 52,871,484</u>	<u>826,098</u>	6.27%	<u>\$ 49,596,782</u>	<u>781,827</u>	6.30%
Enterprise interest-bearing liabilities:						
Retail deposits	\$ 24,696,611	177,329	2.91%	\$ 22,612,957	159,889	2.81%
Brokered certificates of deposit	466,559	5,659	4.92%	524,934	6,464	4.89%
Customer payables	6,380,411	20,479	1.30%	6,357,471	20,243	1.26%
Repurchase agreements and other borrowings	12,137,872	159,031	5.24%	11,870,171	157,625	5.20%
FHLB advances	4,996,389	62,852	5.03%	4,456,304	56,849	4.99%
Stock loan and other	1,349,305	12,515	3.76%	1,176,498	10,016	3.38%
Total enterprise interest-bearing liabilities	<u>\$ 50,027,147</u>	<u>437,865</u>	3.53%	<u>\$ 46,998,335</u>	<u>411,086</u>	3.45%
Enterprise net interest income/spread⁽⁴⁾		<u>\$ 388,233</u>	2.74%		<u>\$ 370,741</u>	2.85%

	Three Months Ended		
	March 31, 2006		
	Average Balance	Operating Interest Inc./Exp.	Average Yield/Cost
Enterprise interest-earning assets:	(In thousands)		
Loans, net ⁽¹⁰⁾	\$ 19,571,064	\$ 281,270	5.75%
Margin receivables	6,477,585	104,904	6.57%
Mortgage-backed and related available-for-sale securities	10,555,616	125,504	4.76%
Available-for-sale investment securities	2,519,826	37,389	5.94%
Trading securities	138,660	2,648	7.64%
Cash and cash equivalents ⁽¹¹⁾	1,549,180	15,899	4.16%
Stock borrow and other	530,629	7,730	5.91%
Total enterprise interest-earning assets	<u>\$ 41,342,560</u>	<u>575,344</u>	5.56%
Enterprise interest-bearing liabilities:			
Retail deposits	\$ 18,120,089	90,505	2.03%
Brokered certificates of deposit	420,600	4,113	3.97%
Customer payables	6,759,733	16,373	0.98%
Repurchase agreements and other borrowings	9,855,018	111,520	4.53%
FHLB advances	3,054,111	32,539	4.26%
Stock loan and other	669,753	4,197	2.54%
Total enterprise interest-bearing liabilities	<u>\$ 38,879,304</u>	<u>259,247</u>	2.70%
Enterprise net interest income/spread⁽⁴⁾		<u>\$ 316,097</u>	2.86%

Reconciliation from Enterprise Net Interest Income to Net Operating Interest Income

	Three Months Ended		
	March 31, 2007	December 31, 2006	March 31, 2006
	(In thousands)		
Enterprise net interest income	\$ 388,233	\$ 370,741	\$ 316,097
Taxable equivalent interest adjustment ⁽¹²⁾	(7,320)	(6,353)	(3,392)
Stock conduit, net ⁽¹³⁾	9	19	262
Customer cash held by third parties ⁽¹⁴⁾	9,664	11,098	11,822
Net operating interest income	<u>\$ 390,586</u>	<u>\$ 375,505</u>	<u>\$ 324,789</u>

SUPPLEMENTAL INFORMATION

Explanation of Non-GAAP Measures and Certain Metrics

Management believes that free cash, EBITDA, interest coverage, EPS excluding acquisition-related integration expenses, enterprise net interest income and enterprise interest-earning assets are appropriate measures for evaluating the operating and liquidity performance of the Company. We believe that the elimination of certain items from the related GAAP measures is helpful to investors and analysts who may wish to use some or all of this information to analyze our current performance, prospects and valuation. Management uses non-GAAP information internally to evaluate our operating performance and in formulating our budget for future periods.

Reporting Changes

During the period ended March 31, 2007, the Company re-defined the line item "Service charges and fees" by reclassifying certain fee-like revenue items formerly reported in "Other revenue" into the "Service charges and fees" line item, now called "Fees and service charges". We also re-presented our balance sheet to report margin receivables and customer payables directly on the face of the balance sheet. The remaining components of brokerage receivables and brokerage payables are now reported in the "Other assets" and "Accounts payable, accrued and other liabilities" line items, respectively. The Company has re-presented the income statement and balance sheet for the past two years on our Investor Relations website.

Free Cash

Free cash represents cash held at the Company and its non-Bank and non-Brokerage subsidiaries, less discretionary reserves, plus excess capital at Bank and Brokerage after application of regulatory capital requirements and the Company's own regulatory capital guidelines. The Company believes that free cash is a useful measure of the Company's liquidity as it excludes cash reflected on the balance sheet that may not be freely available to the Company.

EBITDA

EBITDA represents net income from continuing operations before corporate interest expense, taxes and depreciation and amortization. Management believes that EBITDA provides a useful additional measure of our performance by excluding certain non-cash charges and expenses that are not directly related to the performance of our business.

Interest Coverage

Interest coverage represents EBITDA divided by corporate interest expense. Management believes that by excluding the charges and expenses that are excluded from EBITDA, interest coverage provides a useful additional measure of our ability to continue to meet our interest obligations and our liquidity.

EPS Excluding Acquisition-Related Integration Expenses

EPS excluding acquisition-related integration expenses represents net income plus acquisition-related integration expenses, net of tax, divided by diluted shares. Management believes that excluding charges associated with the integration of our acquisitions from EPS provides a useful measure to assess the ongoing operating performance of the Company without the impact of nonrecurring charges associated with acquisitions.

Enterprise Net Interest Income

Enterprise net interest income is taxable equivalent basis net operating interest income excluding corporate interest income and corporate interest expense, stock conduit interest income and expense and interest earned on customer cash held by third parties. Management believes this non-GAAP measure is useful to investors and analysts as it is a measure of the net operating interest income generated by our core operations.

Enterprise Interest-Earning Assets

Enterprise interest-earning assets consists of the primary interest-earning assets of the Company and includes: loans receivable, mortgage-backed and available-for-sale securities, margin receivables, stock borrow balances, and cash required to be segregated under regulatory guidelines that earn interest for the Company. Management believes that this non-GAAP measure is useful to investors and analysts as it is a measure of the primary assets from which the Company generates net operating interest income.

It is important to note these metrics and other non-GAAP measures may involve judgment by management and should be considered in addition to, not as a substitute for, or superior to, net income, consolidated statements of cash flows, or other measures of financial performance prepared in accordance with GAAP. For complete information on the items excluded from these non-GAAP measures, please see our financial statements and "Management's Discussion and Analysis of Results of Operations and Financial Condition" that will be included in the periodic report we expect to file with the SEC with respect to the financial periods discussed herein.

ENDNOTES

- (1) Reflects elimination of transactions between retail and institutional segments, which include deposit transfer pricing, servicing and order flow rebates.
- (2) Amounts and percentages may not calculate due to rounding.
- (3) Operating margin is the percentage of net revenue that results in income before other income (expense), income taxes and discontinued operations. The percentage is calculated by dividing our income before other income (expense), income taxes and discontinued operations by our total net revenue.
- (4) Enterprise net interest spread is the taxable equivalent rate earned on average enterprise interest-earning assets less the rate paid on average enterprise interest-bearing liabilities, excluding corporate interest-earning assets and liabilities, stock conduit and customer cash held by third parties.
- (5) Data prior to Q4 2006 is not available.
- (6) Target segment accounts are accounts with over \$50,000 in assets and/or generating 30 or more trades per quarter.
- (7) Other retail accounts are accounts that (a) were opened less than 90 days prior to the end of the relevant quarter; (b) only include a lending relationship or (c) that otherwise do not meet the definition of a target segment account.
- (8) Net new client assets are total inflows to all new and existing client accounts less total outflows from all closed and existing client and closed accounts. Data prior to Q1 2007 is not available.
- (9) Q1 2007 estimate. Includes E*TRADE Clearing, LLC, which became E*TRADE Bank's subsidiary in Q1 2007.
- (10) Excludes loans to customers on margin.
- (11) Includes segregated cash balances.
- (12) Gross-up for tax-exempt securities.
- (13) Net operating interest income earned on average stock conduit assets of \$2.7 million, \$13.1 million and \$824.0 million for the quarters ended March 31, 2007, December 31, 2006 and March 31, 2006, respectively.
- (14) Includes interest earned on average customer assets of \$3.9 billion, \$3.8 billion and \$3.6 billion for the quarters ended March 31, 2007, December 31, 2006 and March 31, 2006, respectively, held by parties outside E*TRADE FINANCIAL, including third party money market funds and sweep deposit accounts at unaffiliated financial institutions.