

## FOR IMMEDIATE RELEASE

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## **E\*TRADE FINANCIAL CORPORATION ANNOUNCES THIRD QUARTER RESULTS**

- *Net loss per share of \$0.14, including \$0.30 of asset-backed securities write downs*
- *Total Net Revenue of \$321 million*
- *Target Segment account growth of 16 percent annualized*
- *Record Total Retail Client Assets of \$218 billion*
- *Total Customer Cash and Deposits growth of \$1.7 billion to a record \$40 billion*
- *Record third quarter Daily Average Revenue Trades of 194,000*
- *Revised 2007 earnings guidance to a range of \$0.75 to \$0.90 per share*

**New York, October 17, 2007** – E\*TRADE FINANCIAL Corporation (NASDAQ: ETFC) today announced results for its third quarter ended September 30, 2007, reporting a net loss of \$58 million, or \$0.14 per share, compared to net income of \$153 million, or \$0.35 per share a year ago.

“While we are extremely pleased with the continued growth trends we are generating throughout the retail business, we are clearly disappointed with the overall Company performance as a result of the severe volatility in the credit markets,” said Mitchell H. Caplan, Chief Executive Officer, E\*TRADE FINANCIAL Corporation. “We are working diligently to execute our strategic plan to manage through the credit challenges as quickly as possible and focus the Company on the opportunity and strength of our retail franchise.”

The Company’s Retail segment generated record revenue and income in the quarter of \$474 million and \$224 million, respectively. These results were driven by the continued growth and engagement of retail customers. Retail client assets rose 18 percent year-over-year to a record \$218 billion, including a 25 percent increase in total customer cash and deposits. Daily Average Revenue Trades (“DARTs”) rose 44 percent over the year-ago period to a third-quarter record of 194,000.

The net loss in the quarter was primarily due to higher provision for loan losses and securities write downs in the Company’s Institutional segment. Provision for loan losses in the quarter increased to \$187 million principally due to higher loan delinquencies and net charge-offs. This increase was consistent with previous expectations. Securities write downs in the quarter totaled \$197 million, pre-tax. This amount was previously forecasted to occur in the second half of 2007 and throughout 2008, and was realized instead in the third quarter rather than in future periods. Total net revenue for the third quarter declined 45 percent year-over-year to \$321 million as a result of the higher provision and securities write downs.

(more)

Based primarily on the realization of securities write downs in the third quarter, the Company has revised its 2007 guidance. As a baseline, the Company is now forecasting 2007 earnings of \$0.85 to \$0.90 per share. This range includes an assumption of \$80 million in provision for loan losses and no additional securities write downs. However, the Company believes that in the current environment it is extremely difficult to accurately forecast credit-related items. As a result, management believes it is prudent to include another \$0.10 in its forecast for the possibility of further credit deterioration – in some combination of securities write downs and provision – for new 2007 earnings guidance of \$0.75 to \$0.90 per share.

Other selected recent and third quarter highlights:

- Delivered strong year-over-year Retail growth trends
  - Total accounts increased 6 percent
  - Total client assets increased 18 percent, with cash up 25 percent
  - Total DARTs increased 44 percent
  - International DARTs increased 76 percent
  - Margin debt increased 19 percent
- Passed the 1,000,000 target segment account threshold – 28 percent of retail accounts
- Produced record trade levels for options at 16.7 percent of U.S. DART volumes
- Delivered record international DARTs of 33,000
- Launched retail operations in Singapore
- Repurchased \$53 million of common stock

Note that the Company has updated its Supplemental Portfolio Disclosure to include data as of September 30, 2007. Additional credit-related details, key performance metrics and historical monthly metrics, including data from January 2003 to September 2007 have also been disclosed. All of this information can be found on the E\*TRADE FINANCIAL Investor Relations site at <https://investor.etrade.com>.

The Company will host a conference call to discuss its third quarter results beginning at 5:00 p.m. (EDT) today. The conference call will be available to domestic participants by dialing 1-800-683-1525 and 1-973-872-3197 for international participants. The conference ID number is 9308480. A live audio webcast of this conference call will also be accessible at <https://investor.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 FINRA/SIPC). Bank and lending products and services are offered by E\*TRADE Bank, a Federal savings bank, Member FDIC, or its subsidiaries.

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#### **Important Notice**

E\*TRADE FINANCIAL, E\*TRADE and the E\*TRADE logo are trademarks or registered 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, macro trends of the economy in general and the residential real estate market, instability in the consumer credit markets and credit trends, rising mortgage interest rates, tighter mortgage lending guidelines across the industry, increased mortgage loan delinquency and default rates, portfolio growth, portfolio seasoning and resolution through collections, sales or charge-offs, 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 FINANCIAL Corporation with the SEC on Form 10-K (including information under the caption "Risk Factors") and quarterly reports on Form 10-Q.

**Financial Statements**

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Revenue:				
Operating interest income	\$ 951,836	\$ 731,429	\$ 2,687,403	\$ 1,986,096
Operating interest expense	(533,804)	(376,293)	(1,464,621)	(961,569)
Net operating interest income	418,032	355,136	1,222,782	1,024,527
Provision for loan losses	(186,536)	(12,547)	(237,767)	(33,014)
Net operating interest income after provision for loan losses	231,496	342,589	985,015	991,513
Commission	188,403	133,606	517,164	476,771
Fees and service charges	64,802	58,330	189,746	174,001
Principal transactions	20,889	22,697	78,739	84,979
Gain (loss) on sales of loans and securities, net	(197,057)	16,003	(174,354)	38,738
Other revenue	12,699	8,541	33,469	25,471
Total non-interest income	89,736	239,177	644,764	799,960
Total net revenue	321,232	581,766	1,629,779	1,791,473
Expense excluding interest:				
Compensation and benefits	117,538	110,705	360,399	352,334
Clearing and servicing	78,784	62,500	220,213	189,926
Advertising and market development	26,508	23,914	108,038	89,115
Communications	27,525	25,576	79,502	84,818
Professional services	21,014	20,741	71,161	71,715
Depreciation and amortization	22,205	18,565	61,663	56,181
Occupancy and equipment	22,848	22,150	69,247	63,082
Amortization of other intangibles	10,485	12,087	30,940	35,391
Facility restructuring and other exit activities	5,871	16,684	5,104	19,315
Other	47,824	45,675	150,925	101,888
Total expense excluding interest	380,602	358,597	1,157,192	1,063,765
Income (loss) before other income (expense), income taxes and discontinued operations	(59,370)	223,169	472,587	727,708
Other income (expense):				
Corporate interest income	1,018	1,942	3,724	6,091
Corporate interest expense	(37,365)	(37,964)	(113,022)	(114,586)
Gain on sales and impairment of investments, net	(18)	26,991	37,005	59,897
Loss on early extinguishment of debt	(37)	-	(6)	(703)
Equity in income (loss) of investments and venture funds	(741)	2,519	6,514	1,701
Total other income (expense)	(37,143)	(6,512)	(65,785)	(47,600)
Income (loss) before income taxes and discontinued operations	(96,513)	216,657	406,802	680,108
Income tax expense (benefit)	(38,065)	66,429	136,711	230,204
Net income (loss) from continuing operations	(58,448)	150,228	270,091	449,904
Discontinued operations, net of tax:				
Loss from discontinued operations	-	-	-	(721)
Gain on disposal of discontinued operations	-	3,021	-	3,021
Gain from discontinued operations, net of tax	-	3,021	-	2,300
Net income (loss)	\$ (58,448)	\$ 153,249	\$ 270,091	\$ 452,204
Basic earnings (loss) per share from continuing operations	\$ (0.14)	\$ 0.35	\$ 0.64	\$ 1.07
Basic earnings per share from discontinued operations	-	0.01	-	0.01
Basic net earnings (loss) per share	\$ (0.14)	\$ 0.36	\$ 0.64	\$ 1.08
Diluted earnings (loss) per share from continuing operations	\$ (0.14)	\$ 0.34	\$ 0.62	\$ 1.03
Diluted earnings per share from discontinued operations	-	0.01	-	-
Diluted net earnings (loss) per share	\$ (0.14)	\$ 0.35	\$ 0.62	\$ 1.03
Shares used in computation of per share data:				
Basic	420,964	423,736	422,676	420,148
Diluted <sup>(1)</sup>	420,964	438,883	433,776	436,959

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

	<b>Three Months Ended</b>		
	<b>September 30, 2007</b>	<b>June 30, 2007</b>	<b>September 30, 2006</b>
Revenue:			
Operating interest income	\$ 951,836	\$ 905,772	\$ 731,429
Operating interest expense	(533,804)	(491,608)	(376,293)
Net operating interest income	418,032	414,164	355,136
Provision for loan losses	(186,536)	(30,045)	(12,547)
Net operating interest income after provision for loan losses	231,496	384,119	342,589
Commission	188,403	169,768	133,606
Fees and service charges	64,802	65,446	58,330
Principal transactions	20,889	27,768	22,697
Gain (loss) on sales of loans and securities, net	(197,057)	5,328	16,003
Other revenue	12,699	11,120	8,541
Total non-interest income	89,736	279,430	239,177
Total net revenue	321,232	663,549	581,766
Expense excluding interest:			
Compensation and benefits	117,538	119,079	110,705
Clearing and servicing	78,784	74,177	62,500
Advertising and market development	26,508	35,938	23,914
Communications	27,525	25,821	25,576
Professional services	21,014	25,162	20,741
Depreciation and amortization	22,205	20,075	18,565
Occupancy and equipment	22,848	22,820	22,150
Amortization of other intangibles	10,485	10,187	12,087
Facility restructuring and other exit activities	5,871	(1,500)	16,684
Other	47,824	70,426	45,675
Total expense excluding interest	380,602	402,185	358,597
Income (loss) before other income (expense), income taxes and discontinued operations	(59,370)	261,364	223,169
Other income (expense):			
Corporate interest income	1,018	1,001	1,942
Corporate interest expense	(37,365)	(37,866)	(37,964)
Gain on sales and impairment of investments, net	(18)	17,267	26,991
Gain (loss) on early extinguishment of debt	(37)	31	-
Equity in income (loss) of investments and venture funds	(741)	(840)	2,519
Total other income (expense)	(37,143)	(20,407)	(6,512)
Income (loss) before income taxes and discontinued operations	(96,513)	240,957	216,657
Income tax expense (benefit)	(38,065)	81,828	66,429
Net income (loss) from continuing operations	(58,448)	159,129	150,228
Discontinued operations, net of tax:			
Gain on disposal of discontinued operations	-	-	3,021
Gain from discontinued operations, net of tax	-	-	3,021
Net income (loss)	\$ (58,448)	\$ 159,129	\$ 153,249
Basic earnings (loss) per share from continuing operations	\$ (0.14)	\$ 0.38	\$ 0.35
Basic earnings per share from discontinued operations	-	-	0.01
Basic net earnings (loss) per share	\$ (0.14)	\$ 0.38	\$ 0.36
Diluted earnings (loss) per share from continuing operations	\$ (0.14)	\$ 0.37	\$ 0.34
Diluted earnings per share from discontinued operations	-	-	0.01
Diluted net earnings (loss) per share	\$ (0.14)	\$ 0.37	\$ 0.35
Shares used in computation of per share data:			
Basic	420,964	423,308	423,736
Diluted <sup>(1)</sup>	420,964	435,775	438,883

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

	<b>September 30, 2007</b>	<b>December 31, 2006</b>
<b>ASSETS</b>		
Cash and equivalents	\$ 1,410,180	\$ 1,212,234
Cash and investments required to be segregated under Federal or other regulations	357,847	281,622
Trading securities	120,501	178,600
Available-for-sale mortgage-backed and investment securities	16,581,257	13,921,983
Loans held-for-sale	119,357	283,496
Margin receivables	7,529,971	6,828,448
Loans receivable, net	32,389,894	26,372,697
Property and equipment, net	360,366	318,389
Goodwill	2,034,726	2,072,920
Other intangibles, net	441,125	471,933
Other assets	2,841,541	1,796,981
Total assets	\$ 64,186,765	\$ 53,739,303
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Liabilities:</b>		
Deposits	\$ 29,197,344	\$ 24,071,012
Securities sold under agreements to repurchase	10,826,523	9,792,422
Customer payables	7,002,986	6,182,672
Other borrowings	9,067,529	5,323,962
Senior notes	1,436,794	1,401,592
Mandatory convertible notes	444,318	440,577
Accounts payable, accrued and other liabilities	2,107,288	2,330,696
Total liabilities	60,082,782	49,542,933
<b>Shareholders' equity:</b>		
Common stock, \$0.01 par value, shares authorized: 600,000,000; shares issued and outstanding: 423,650,257 at September 30, 2007 and 426,304,136 at December 31, 2006	4,237	4,263
Additional paid-in-capital	3,118,944	3,184,290
Retained earnings	1,464,477	1,209,289
Accumulated other comprehensive loss	(483,675)	(201,472)
Total shareholders' equity	4,103,983	4,196,370
Total liabilities and shareholders' equity	\$ 64,186,765	\$ 53,739,303

**Segment Reporting**

	Three Months Ended September 30, 2007			
	Retail	Institutional	Eliminations <sup>(2)</sup>	Total
Revenue:	(In thousands)			
Operating interest income	\$ 540,675	\$ 787,912	\$ (376,751)	\$ 951,836
Operating interest expense	(281,829)	(628,726)	376,751	(533,804)
Net operating interest income	258,846	159,186	-	418,032
Provision for loan losses	-	(186,536)	-	(186,536)
Net operating interest income (expense) after provision for loan losses	258,846	(27,350)	-	231,496
Commission	142,291	46,112	-	188,403
Fees and service charges	62,019	5,370	(2,587)	64,802
Principal transactions	-	20,889	-	20,889
Gain (loss) on sales of loans and securities, net	1,148	(198,205)	-	(197,057)
Other revenue	9,824	3,019	(144)	12,699
Total non-interest income (expense)	215,282	(122,815)	(2,731)	89,736
Total net revenue	474,128	(150,165)	(2,731)	321,232
Expense excluding interest:				
Compensation and benefits	81,319	36,219	-	117,538
Clearing and servicing	23,950	57,565	(2,731)	78,784
Advertising and market development	26,428	80	-	26,508
Communications	24,142	3,383	-	27,525
Professional services	14,501	6,513	-	21,014
Depreciation and amortization	16,164	6,041	-	22,205
Occupancy and equipment	19,796	3,052	-	22,848
Amortization of other intangibles	9,370	1,115	-	10,485
Facility restructuring and other exit activities	1,261	4,610	-	5,871
Other	32,970	14,854	-	47,824
Total expense excluding interest	249,901	133,432	(2,731)	380,602
Segment income (loss)	\$ 224,227	\$ (283,597)	\$ -	\$ (59,370)

	Three Months Ended June 30, 2007			
	Retail	Institutional	Eliminations <sup>(2)</sup>	Total
Revenue:	(In thousands)			
Operating interest income	\$ 502,336	\$ 741,770	\$ (338,334)	\$ 905,772
Operating interest expense	(251,832)	(578,110)	338,334	(491,608)
Net operating interest income	250,504	163,660	-	414,164
Provision for loan losses	-	(30,045)	-	(30,045)
Net operating interest income after provision for loan losses	250,504	133,615	-	384,119
Commission	128,183	41,585	-	169,768
Fees and service charges	57,979	9,923	(2,456)	65,446
Principal transactions	-	27,768	-	27,768
Gain on sales of loans and securities, net	7,351	(2,023)	-	5,328
Other revenue	11,173	91	(144)	11,120
Total non-interest income	204,686	77,344	(2,600)	279,430
Total net revenue	455,190	210,959	(2,600)	663,549
Expense excluding interest:				
Compensation and benefits	79,725	39,354	-	119,079
Clearing and servicing	22,658	54,119	(2,600)	74,177
Advertising and market development	34,382	1,556	-	35,938
Communications	22,570	3,251	-	25,821
Professional services	17,074	8,088	-	25,162
Depreciation and amortization	15,246	4,829	-	20,075
Occupancy and equipment	19,759	3,061	-	22,820
Amortization of other intangibles	9,536	651	-	10,187
Facility restructuring and other exit activities	(842)	(658)	-	(1,500)
Other	30,919	39,507	-	70,426
Total expense excluding interest	251,027	153,758	(2,600)	402,185
Segment income	\$ 204,163	\$ 57,201	\$ -	\$ 261,364

	Three Months Ended September 30, 2006			
	Retail	Institutional	Eliminations <sup>(2)</sup>	Total
Revenue:				
			(In thousands)	
Operating interest income	\$ 397,998	\$ 576,258	\$ (242,827)	\$ 731,429
Operating interest expense	(176,939)	(442,181)	242,827	(376,293)
Net operating interest income	221,059	134,077	-	355,136
Provision for loan losses	-	(12,547)	-	(12,547)
Net operating interest income after provision for loan losses	221,059	121,530	-	342,589
Commission	100,902	32,704	-	133,606
Fees and service charges	51,244	7,708	(622)	58,330
Principal transactions	-	22,697	-	22,697
Gain on sales of loans and securities, net	10,608	5,395	-	16,003
Other revenue	8,488	183	(130)	8,541
Total non-interest income	171,242	68,687	(752)	239,177
Total net revenue	392,301	190,217	(752)	581,766
Expense excluding interest:				
Compensation and benefits	77,002	33,703	-	110,705
Clearing and servicing	18,307	44,945	(752)	62,500
Advertising and market development	22,517	1,397	-	23,914
Communications	22,248	3,328	-	25,576
Professional services	12,140	8,601	-	20,741
Depreciation and amortization	14,175	4,390	-	18,565
Occupancy and equipment	20,434	1,716	-	22,150
Amortization of other intangibles	9,913	2,174	-	12,087
Facility restructuring and other exit activities	16,716	(32)	-	16,684
Other	33,775	11,900	-	45,675
Total expense excluding interest	247,227	112,122	(752)	358,597
Segment income	\$ 145,074	\$ 78,095	\$ -	\$ 223,169

**Key Performance Metrics<sup>(3)</sup>**

<b>Corporate Metrics</b>	<b>Qtr ended 9/30/07</b>	<b>Qtr ended 6/30/07</b>	<b>Qtr ended 9/30/07 vs. 6/30/07</b>	<b>Qtr ended 9/30/06</b>	<b>Qtr ended 9/30/07 vs. 9/30/06</b>
<b>Operating margin %<sup>(4)</sup></b>					
Consolidated	(18)%	39 %	(57)%	38 %	(56)%
Retail	47 %	45 %	2 %	37 %	10 %
Institutional	N.M.	27 %	N.M.	41 %	N.M.
Employees	3,880	4,027	(4)%	4,180	(7)%
Consultants and other	229	240	(5)%	455	(50)%
Total headcount	4,109	4,267	(4)%	4,635	(11)%
Revenue per headcount	\$ 78,178	\$ 155,507	(50)%	\$ 125,516	(38)%
Revenue per compensation and benefits dollar	\$ 2.73	\$ 5.57	(51)%	\$ 5.26	(48)%
Book value per share	\$ 9.69	\$ 10.19	(5)%	\$ 9.44	3 %
Tangible book value per share	\$ 3.66	\$ 4.17	(12)%	\$ 3.44	6 %
Free cash (\$MM)	\$ 503.5	\$ 431.7	17 %	\$ 580.1	(13)%
Enterprise net interest spread (basis points) <sup>(5)</sup>	265	271	(2)%	286	(7)%
Enterprise interest-earning assets, average (\$MM)	\$ 60,043	\$ 57,683	4 %	\$ 46,400	29 %
<b>Earnings before interest, taxes, depreciation &amp; amortization ("EBITDA") (\$MM)</b>					
Net income (loss) from continuing operations	\$ (58.4)	\$ 159.1	(137)%	\$ 150.2	(139)%
Tax expense (benefit)	(38.1)	81.8	(147)%	66.4	(157)%
Depreciation & amortization	32.7	30.3	8 %	30.7	7 %
Corporate interest expense	37.4	37.9	(1)%	38.0	(2)%
EBITDA	\$ (26.4)	\$ 309.1	(109)%	\$ 285.3	(109)%
Interest coverage	(0.7)	8.2	(109)%	7.5	(109)%



Key Performance Metrics<sup>(3)</sup>

<u>Retail Metrics</u>	<u>Qtr ended</u> <u>9/30/07</u>	<u>Qtr ended</u> <u>6/30/07</u>	<u>Qtr ended</u> <u>9/30/07</u> <u>vs.</u> <u>6/30/07</u>	<u>Qtr ended</u> <u>9/30/06</u>	<u>Qtr ended</u> <u>9/30/07</u> <u>vs.</u> <u>9/30/06</u>
Trading days	62.5	63.0	(1)%	62.5	0 %
<u>DARTs</u>					
US	161,459	141,606	14 %	116,459	39 %
International	32,926	27,516	20 %	18,671	76 %
Total DARTs	194,385	169,122	15 %	135,130	44 %
Total trades (MM)	12.1	10.7	13 %	8.4	44 %
Average commission per trade	\$ 11.71	\$ 12.03	(3)%	\$ 11.95	(2)%
End of period margin debt (\$B)	\$ 7.63	\$ 7.52	1 %	\$ 6.42	19 %
Average margin debt (\$B)	\$ 7.71	\$ 7.13	8 %	\$ 6.66	16 %
Gross new investing/trading accounts	172,460	198,538	(13)%	151,344	14 %
Gross new deposit/lending accounts	114,182	125,179	(9)%	102,658	11 %
Inactive accounts	(153,574)	(147,605)	4 %	(142,415)	8 %
Customer closed accounts	(70,893)	(75,436)	(6)%	(60,670)	17 %
Net new accounts	62,175	100,676	(38)%	50,917	22 %
End of period investing/trading accounts	3,662,583	3,653,413	0 %	3,627,414	1 %
End of period deposit/lending accounts	1,046,812	993,807	5 %	799,416	31 %
End of period total accounts	4,709,395	4,647,220	1 %	4,426,830	6 %
<u>Account Segmentation Detail<sup>(6)</sup></u>					
Retail accounts within target segment <sup>(7)</sup>	1,018,392	978,084	4 %	N.A.	N.M.
Other retail accounts <sup>(8)</sup>	2,637,292	2,610,164	1 %	N.A.	N.M.
Corporate Services accounts	1,053,711	1,058,972	0 %	N.A.	N.M.
End of period total accounts	4,709,395	4,647,220	1 %	4,426,830	6 %
Net new customers	27,421	51,193	N.M.	29,209	N.M.
End of period total customers	3,555,682	3,528,261	1 %	3,444,851	3 %
End of period assets per customer	\$ 61,320	\$ 60,323	2 %	\$ 53,632	14 %
Consolidated net revenue per customer	\$ 90	\$ 188	(52)%	\$ 169	(47)%
Consolidated segment income per customer	\$ (17)	\$ 74	N.M.	\$ 65	N.M.
Products per customer	2.1	2.1	0 %	2.1	0 %
<u>Client Assets (\$B)</u>					
Security holdings	\$ 142.4	\$ 140.2	2 %	\$ 123.4	15 %
Customer payables (cash)	7.0	6.5	8 %	5.9	19 %
Customer cash balances held by third parties	4.0	4.1	(2)%	3.9	3 %
Unexercised Corporate Services client options (vested)	36.0	34.7	4 %	29.8	21 %
Client assets in investing/trading accounts	189.4	185.5	2 %	163.0	16 %
Sweep deposit accounts	11.5	11.0	5 %	10.4	11 %
Transaction accounts	12.8	11.7	9 %	6.8	88 %
CDs	4.3	4.6	(7)%	4.6	(7)%
Client assets in deposit accounts	28.6	27.3	5 %	21.8	31 %
Total client assets	\$ 218.0	\$ 212.8	2 %	\$ 184.8	18 %
Net new client assets (\$B) <sup>(9)</sup>	\$ 1.1	\$ 1.6	N.M.	N.A.	N.M.
Total customer cash and deposits (\$B)	\$ 39.6	\$ 37.9	4 %	\$ 31.6	25 %
Unexercised Corporate Services client options (unvested) (\$B)	\$ 27.2	\$ 24.8	10 %	\$ 18.7	45 %

**Key Performance Metrics<sup>(3)</sup>**

<u>Institutional Metrics</u>	<u>Qtr ended</u> <u>9/30/07</u>	<u>Qtr ended</u> <u>6/30/07</u>	<u>Qtr ended</u> <u>9/30/07</u> <u>vs.</u> <u>6/30/07</u>	<u>Qtr ended</u> <u>9/30/06</u>	<u>Qtr ended</u> <u>9/30/07</u> <u>vs.</u> <u>9/30/06</u>
<u>Market Making</u>					
Equity shares traded (MM)	46,389	59,988	(23)%	54,472	(15)%
Average revenue capture per 1,000 equity shares	\$ 0.415	\$ 0.433	(4)%	\$ 0.382	9%
% of Bulletin Board equity shares to total equity shares	88.9%	91.3%	(2)%	92.5%	(4)%
<u>Capital Ratios</u>					
Tier 1 Capital Ratio <sup>(10)</sup>	5.88 %	6.15 %	(0.27)%	5.80 %	0.08 %
Risk Weighted Capital Ratio <sup>(10)</sup>	10.55 %	10.58 %	(0.03)%	10.61 %	(0.06)%
<u>Loans receivable (\$MM)</u>					
Average loans receivable	\$ 32,272	\$ 30,802	5 %	\$ 22,780	42 %
Ending loans receivable, net	\$ 32,390	\$ 31,484	3 %	\$ 23,215	40 %
<u>One- to Four- Family</u>					
<u>Loan performance detail (\$MM)</u>					
Current	\$ 16,558	\$ 15,472	7 %	\$ 8,837	87 %
30-89 days delinquent (special mention loans)	250	203	23 %	94	166 %
90+ days delinquent (nonperforming loans)	115	66	74 %	25	360 %
Total delinquent loans	365	269	36 %	119	207 %
Gross loans receivable	\$ 16,923	\$ 15,741	8 %	\$ 8,956	89 %
<u>Credit Quality and Reserve Metrics</u>					
Special mention loans (30-89 days delinquent) as a % of gross loans receivable	1.47%	1.29 %	0.18 %	1.04 %	0.43 %
Nonperforming loans (90+ days delinquent) as a % of gross loans receivable	0.68%	0.42 %	0.26 %	0.28 %	0.40 %
Allowance for loan losses as a % of gross loans receivable	0.06%	0.02 %	0.04 %	0.07 %	(0.01)%
Allowance for loan losses as a % of nonperforming loans	8.11%	5.43 %	2.68 %	23.80 %	(15.69)%
Net charge-offs as a % of average loans receivable (annualized)	0.01%	0.00 %	0.01 %	(0.00)%	0.01 %
Provision as a % of average loans receivable (annualized)	0.15%	0.01 %	0.14 %	0.02 %	0.13 %
<u>Home Equity</u>					
<u>Loan performance detail (\$MM)</u>					
Current	\$ 12,262	\$ 12,391	(1)%	\$ 10,625	15 %
30-89 days delinquent (special mention loans)	253	181	40 %	48	427 %
90+ days delinquent (nonperforming loans)	151	98	54 %	24	529 %
Total delinquent loans	404	279	45 %	72	461 %
Gross loans receivable	\$ 12,666	\$ 12,670	0 %	\$ 10,697	18 %
<u>Credit Quality and Reserve Metrics</u>					
Special mention loans (30-89 days delinquent) as a % of gross loans receivable	1.99%	1.42 %	0.57 %	0.45 %	1.54 %
Nonperforming loans (90+ days delinquent) as a % of gross loans receivable	1.19%	0.77 %	0.42 %	0.22 %	0.97 %
Allowance for loan losses as a % of gross loans receivable	1.38%	0.40 %	0.98 %	0.29 %	1.09 %
Allowance for loan losses as a % of nonperforming loans	115.69%	51.11 %	64.58 %	131.54 %	(15.85)%
Net charge-offs as a % of average loans receivable (annualized)	1.46%	0.49 %	0.97 %	0.13 %	1.33 %
Provision as a % of average loans receivable (annualized)	5.45%	0.78 %	4.67 %	0.21 %	5.24 %
<u>Consumer and Other</u>					
<u>Loan performance detail (\$MM)</u>					
Current	\$ 2,985	\$ 3,133	(5)%	\$ 3,601	(17)%
30-89 days delinquent (special mention loans)	17	12	42 %	25	(32)%
90+ days delinquent (nonperforming loans)	8	3	167 %	6	33 %
Total delinquent loans	25	15	67 %	31	(19)%
Gross loans receivable	\$ 3,010	\$ 3,148	(4)%	\$ 3,632	(17)%
<u>Credit Quality and Reserve Metrics</u>					
Special mention loans (30-89 days delinquent) as a % of gross loans receivable	0.63%	0.39 %	0.24 %	0.69 %	(0.06)%
Nonperforming loans (90+ days delinquent) as a % of gross loans receivable	0.25%	0.11 %	0.14 %	0.16 %	0.09 %
Allowance for loan losses as a % of gross loans receivable	0.82%	0.70 %	0.12 %	0.90 %	(0.08)%
Allowance for loan losses as a % of nonperforming loans	332.30%	630.11 %	(297.81)%	567.76 %	(235.46)%
Net charge-offs as a % of average loans receivable (annualized)	0.92%	0.83 %	0.09 %	0.70 %	0.22 %
Provision as a % of average loans receivable (annualized)	1.25%	0.61 %	0.64 %	0.72 %	0.53 %

**Key Performance Metrics<sup>(3)</sup>**

<u>Institutional Metrics (continued)</u>	<u>Qtr ended</u> <u>9/30/07</u>	<u>Qtr ended</u> <u>6/30/07</u>	<u>Qtr ended</u> <u>9/30/07</u> <u>vs.</u> <u>6/30/07</u>	<u>Qtr ended</u> <u>9/30/06</u>	<u>Qtr ended</u> <u>9/30/07</u> <u>vs.</u> <u>9/30/06</u>
<u>Total Loans Receivable</u>					
<u>Loan performance detail (\$MM)</u>					
Current	\$ 31,805	\$ 30,996	3 %	\$ 23,063	38 %
30-89 days delinquent (special mention loans)	520	396	31 %	167	211 %
90+ days delinquent (nonperforming loans)	274	167	64 %	55	398 %
Total delinquent loans	794	563	41 %	222	258 %
Total gross loans receivable	\$ 32,599	\$ 31,559	3 %	\$ 23,285	40 %
<u>Credit Quality and Reserve Metrics</u>					
Special mention loans (30-89 days delinquent) as a % of gross loans receivable	1.60%	1.25 %	0.35 %	0.72 %	0.88 %
Nonperforming loans (90+ days delinquent) as a % of gross loans receivable	0.84%	0.53 %	0.31 %	0.24 %	0.60 %
Allowance for loan losses as a % of gross loans receivable	0.64%	0.24 %	0.40 %	0.30 %	0.34 %
Allowance for loan losses as a % of nonperforming loans	76.24%	45.34 %	30.90 %	127.57 %	(51.33)%
Net charge-offs as a % of average loans receivable (annualized)	0.66%	0.29 %	0.37 %	0.17 %	0.49 %
Provision as a % of average loans receivable (annualized)	2.31%	0.39 %	1.92 %	0.22 %	2.09 %

**Activity in Allowance for Loan Losses**

<u>Three Months Ended September 30, 2007</u>				
<u>One- to Four- Family</u>	<u>Home Equity</u>	<u>Consumer and Other</u>	<u>Total</u>	
(In thousands)				
Allowance for loan losses, ending 6/30/07	\$ 3,554	\$ 50,090	\$ 22,060	\$ 75,704
Provision for loan losses	6,261	170,639	9,636	186,536
Charge-offs, net	(452)	(45,641)	(7,109)	(53,202)
Allowance for loan losses, ending 9/30/07	<u>\$ 9,363</u>	<u>\$ 175,088</u>	<u>\$ 24,587</u>	<u>\$ 209,038</u>
<u>Three Months Ended June 30, 2007</u>				
<u>One- to Four- Family</u>	<u>Home Equity</u>	<u>Consumer and Other</u>	<u>Total</u>	
(In thousands)				
Allowance for loan losses, ending 3/31/07	\$ 3,286	\$ 40,840	\$ 23,863	\$ 67,989
Provision for loan losses	322	24,832	4,891	30,045
Charge-offs, net	(54)	(15,582)	(6,694)	(22,330)
Allowance for loan losses, ending 6/30/07	<u>\$ 3,554</u>	<u>\$ 50,090</u>	<u>\$ 22,060</u>	<u>\$ 75,704</u>
<u>Three Months Ended September 30, 2006</u>				
<u>One- to Four- Family</u>	<u>Home Equity</u>	<u>Consumer and Other</u>	<u>Total</u>	
(In thousands)				
Allowance for loan losses, ending 6/30/06	\$ 5,603	\$ 28,858	\$ 32,660	\$ 67,121
Provision for loan losses	401	5,491	6,655	12,547
Charge-offs, net	50	(3,340)	(6,470)	(9,760)
Allowance for loan losses, ending 9/30/06	<u>\$ 6,054</u>	<u>\$ 31,009</u>	<u>\$ 32,845</u>	<u>\$ 69,908</u>

**Average Enterprise Balance Sheet Data**

	Three Months Ended					
	September 30, 2007			June 30, 2007		
	Average Balance	Operating Interest Inc./Exp.	Average Yield/Cost	Average Balance	Operating Interest Inc./Exp.	Average Yield/Cost
<b>Enterprise interest-earning assets:</b>	(In thousands)					
Loans, net <sup>(11)</sup>	\$ 32,445,828	\$ 528,193	6.51%	\$ 31,037,971	\$ 497,517	6.41%
Margin receivables	7,605,184	138,290	7.21%	7,003,411	127,335	7.29%
Mortgage-backed and related available-for-sale securities	12,811,113	169,603	5.30%	13,027,383	172,501	5.30%
Available-for-sale investment securities	5,097,480	83,595	6.56%	4,502,434	73,133	6.50%
Trading securities	118,195	3,052	10.33%	114,135	3,174	11.12%
Cash and cash equivalents <sup>(12)</sup>	1,266,614	13,102	4.10%	1,244,965	15,008	4.84%
Stock borrow and other	698,251	14,528	8.25%	752,280	14,688	7.83%
Total enterprise interest-earning assets	<u>\$ 60,042,665</u>	<u>950,363</u>	6.33%	<u>\$ 57,682,579</u>	<u>903,356</u>	6.27%
<b>Enterprise interest-bearing liabilities:</b>						
Retail deposits	\$ 27,764,658	216,426	3.09%	\$ 26,778,743	200,081	3.00%
Brokered certificates of deposit	418,123	5,154	4.89%	424,645	5,220	4.93%
Customer payables	6,678,370	23,614	1.40%	6,836,301	22,779	1.34%
Repurchase agreements and other borrowings	12,582,907	165,925	5.16%	13,558,998	175,337	5.12%
FHLB advances	8,650,546	115,531	5.23%	6,151,086	78,800	5.07%
Stock loan and other	1,048,037	6,539	2.48%	1,194,006	8,381	2.82%
Total enterprise interest-bearing liabilities	<u>\$ 57,142,641</u>	<u>533,189</u>	3.68%	<u>\$ 54,943,779</u>	<u>490,598</u>	3.56%
<b>Enterprise net interest income/spread<sup>(5)</sup></b>		<u>\$ 417,174</u>	2.65%		<u>\$ 412,758</u>	2.71%

	Three Months Ended		
	September 30, 2006		
	Average Balance	Operating Interest Inc./Exp.	Average Yield/Cost
<b>Enterprise interest-earning assets:</b>	(In thousands)		
Loans, net <sup>(11)</sup>	\$ 22,955,022	\$ 364,744	6.36%
Margin receivables	6,645,017	123,855	7.39%
Mortgage-backed and related available-for-sale securities	12,068,052	159,199	5.28%
Available-for-sale investment securities	3,220,054	51,885	6.44%
Trading securities	114,806	2,600	9.06%
Cash and cash equivalents <sup>(12)</sup>	974,738	11,272	4.59%
Stock borrow and other	422,010	8,690	8.17%
Total enterprise interest-earning assets	<u>\$ 46,399,699</u>	<u>722,245</u>	6.22%
<b>Enterprise interest-bearing liabilities:</b>			
Retail deposits	\$ 20,992,962	141,035	2.67%
Brokered certificates of deposit	618,681	7,453	4.78%
Customer payables	5,794,586	18,326	1.25%
Repurchase agreements and other borrowings	11,586,260	150,837	5.09%
FHLB advances	3,583,663	43,950	4.80%
Stock loan and other	1,283,026	11,617	3.59%
Total enterprise interest-bearing liabilities	<u>\$ 43,859,178</u>	<u>373,218</u>	3.36%
<b>Enterprise net interest income/spread<sup>(5)</sup></b>		<u>\$ 349,027</u>	2.86%

Reconciliation from Enterprise Net Interest Income to Net Operating Interest Income

	Three Months Ended		
	September 30, 2007	June 30, 2007	September 30, 2006
	(In thousands)		
Enterprise net interest income	\$ 417,174	\$ 412,758	\$ 349,027
Taxable equivalent interest adjustment <sup>(13)</sup>	(8,523)	(7,487)	(5,246)
Customer cash held by third parties and other <sup>(14)</sup>	9,381	8,893	11,355
Net operating interest income	<u>\$ 418,032</u>	<u>\$ 414,164</u>	<u>\$ 355,136</u>

**SUPPLEMENTAL INFORMATION**

**Explanation of Non-GAAP Measures and Certain Metrics**

Management believes that free cash, EBITDA, interest coverage, 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.

**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) Because the Company reported a net loss for Q3 2007, the calculation of diluted net loss per share does not include common stock equivalents as they are anti-dilutive and would result in a reduction of net loss per share.
- (2) Reflects elimination of transactions between retail and institutional segments, which includes deposit and customer payable transfer pricing, servicing and order flow rebates.
- (3) Amounts and percentages may not calculate due to rounding.
- (4) 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.
- (5) 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.
- (6) Data prior to Q4 2006 is not available.
- (7) Target segment accounts are accounts held by customers with over \$50,000 in assets and/or generating 30 or more trades per quarter.
- (8) 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.
- (9) 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.
- (10) Q3 2007 estimate. Includes E\*TRADE Clearing, LLC, which became an operating subsidiary of E\*TRADE Bank in Q1 2007.
- (11) Excludes loans to customers on margin.
- (12) Includes segregated cash balances.
- (13) Gross-up for tax-exempt securities.
- (14) Includes interest earned on average customer assets of \$4.1 billion, \$4.0 billion and \$3.6 billion for the quarters ended September 30, 2007, June 30, 2007 and September 30, 2006, respectively, held by parties outside E\*TRADE FINANCIAL, including third party money market funds and sweep deposit accounts at unaffiliated financial institutions. Other consists of net operating interest income earned on average stock conduit assets of \$2.2 million and \$26.5 million for the quarters ended June 30, 2007 and September 30, 2006, respectively. There were no stock conduit assets for September 30, 2007.