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**E*TRADE FINANCIAL CORPORATION REPORTS
INITIAL PROGRESS OF TURNAROUND PLAN**

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- *Sold Additional $3.0 Billion of Mortgage-backed Securities and Bonds*
- *Reduced Balance Sheet Risk and Maintaining Strong Bank Capital Levels*
- *Maintaining Customer Assets and Cash Balances*
- *Continuing to Attract New Customers*

New York, January 9, 2008 – E*TRADE FINANCIAL Corporation (NASDAQ: ETFC) today provided an update to the early success in the execution of the Company's turnaround plan for 2008. The full details of the comprehensive plan will be announced on January 24, along with the release of the Company's fourth quarter results. In recent weeks, the Company has made significant progress toward executing on its plan, taking steps to further reduce balance sheet-related risk and leverage, maintain strong Bank capital ratios and strengthen its leadership team.

Subsequent to the November 29 sale of its $3.0 billion asset-backed securities portfolio, the Company successfully completed the orderly sale of additional available-for-sale securities totaling approximately $3.0 billion, including a combination of mortgage-backed securities and municipal bonds. These assets were sold through a series of transactions at a realized loss of less than $5 million. A portion of the transactions settled prior to December 31, 2007, and the remainder will settle in January/February 2008. In addition, the Company's home equity loan portfolio continued to run off as anticipated, ending the year with under $12 billion in balances.

Along with the asset sales and reduction in home equity loans, the Company also reduced wholesale borrowing levels at the Bank by eliminating an aggregate of approximately $3.5 billion in Federal Home Loan Bank (FHLB) advances and repurchase agreements quarter over quarter. E*TRADE Bank ended the year with $10.5 billion of excess borrowing capacity from FHLB. The Company expects 2007 year-end tier I and risk-based Bank capital to be equal to or better than 5.9 percent and 11.1 percent respectively, as reported on November 29.

"We have taken important steps in the execution of our turnaround plan by reducing balance sheet-related risk and maintaining strong Bank capital levels," said R. Jarrett Lilien, acting CEO and President, E*TRADE FINANCIAL Corporation.

As part of management's assessment of its operating expense base, the Company announced today the decision to fully exit the institutional trading business by closing its remaining institutional trading desk which will impact fewer than 30 employees. This move follows the decision to exit the international institutional business, which was disclosed on September 17. The business does not align with the core retail business and has not met the financial expectations set forth by the Company.

Management also reported today that they continue to see turnaround momentum with regard to customer behavior. Total client assets ended the year at $190 billion, with $33 billion in cash. This compares to $192 billion and $33 billion, respectively as reported on November 29.   The strength of the Company's value proposition and marketing initiatives continue to attract new customers, with 87,000 gross new accounts opened in December.

Additionally, E*TRADE announced the formation of a special committee tasked with aggressively reducing the risk of the Company's real estate portfolio. The special committee will be led by mortgage industry veteran Robert V. Burton, who recently joined the Company and has been appointed E*TRADE Bank's Chief Operating Officer.

"With over 25 years experience in mortgage and banking finance, Mr. Burton's expertise is perfectly aligned with this critically important part of the Company's turnaround plan," said Mr. Lilien.

Prior to joining E*TRADE, Mr. Burton served as Executive Vice President and Head of Retail Credit Businesses and Products at Wachovia Corporation where he was responsible for mortgage banking and home equity lending. Mr. Burton has also served as Executive Vice President and Chief Administrative Officer at PNC Mortgage Bank and as Senior Vice President and Group Finance Officer at Bank of America.

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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