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E*TRADE FINANCIAL SELLS SHARES OF INDIA'S IL&FS INVESTSMART TO HSBC

New York, May 17, 2008 – E*TRADE FINANCIAL Corporation (NASDAQ: ETFC), through its indirectly wholly-owned subsidiary E*TRADE Mauritius Limited, today announced it has signed a definitive agreement with HSBC, through its Group subsidiaries, to sell 100 percent of its equity shares in IL&FS Investsmart Limited (“Investsmart”), an India-based financial services organization, for Rs. 200 per share. The sale will yield approximately \$145 million of proceeds to E*TRADE and result in a pre-tax gain of approximately \$20 to \$30 million.

The signing of the definitive agreement requires HSBC to make an open offer for shares of Investsmart under Regulations 10, 12 and other applicable provisions of the Securities and Exchange Board of India (SEBI) Regulations, 1997 (the “Offer”). The Offer is subject to the receipt of applicable regulatory approvals in India. The sale from E*TRADE to HSBC will close once the condition precedents are fulfilled which includes all required regulatory approvals and the completion of the Offer. This is anticipated to occur within 120 days.

“As part of our previously-announced plans to efficiently monetize our non-core assets to re-build our capital position, E*TRADE is selling its shares in Investsmart,” said Donald H. Layton, Chairman and Chief Executive Officer, E*TRADE FINANCIAL Corporation. “Our partnership with IL&FS was an effective combination of skills and has proven a good investment for both parties; we wish the company future success.”

About E*TRADE Mauritius Limited

E*TRADE Mauritius Limited, an indirectly wholly-owned subsidiary of E*TRADE FINANCIAL Corporation, identifies strategic investment opportunities throughout the Indian Ocean Rim.

About E*TRADE FINANCIAL

The E*TRADE FINANCIAL family of companies provides financial services including trading, investing and banking for retail and institutional customers. In the U.S., securities products and services are offered by E*TRADE Securities LLC (Member FINRA/SIPC) and bank products

and services are offered by E*TRADE Bank, a Federal savings bank, Member FDIC, or its subsidiaries.

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.

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