

FOR IMMEDIATE RELEASE

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**E*TRADE FINANCIAL ANNOUNCES OFFICE OF THRIFT SUPERVISION
APPROVAL OF CITADEL'S PARTICIPATION IN DEBT EXCHANGE**

New York, NY, August 7, 2009 – E*TRADE FINANCIAL Corporation (NASDAQ: ETFC) announced today that its primary federal banking regulator, the Office of Thrift Supervision (OTS), has approved participation by certain affiliates of Citadel Investment Group L.L.C. in the Company's previously announced debt Exchange Offer. Receipt of the OTS approval satisfies a condition to the completion of the Exchange Offer.

Pursuant to the Exchange Offer, E*TRADE proposes to exchange approximately \$1.7 billion of its existing high yield notes for an equal aggregate principal amount of new zero coupon senior convertible debentures due 2019.

The complete terms and conditions of the Exchange Offer are set forth in the Offering Memorandum dated June 22, 2009 and the related letter of transmittal sent to holders of the Notes. Completion of the Exchange Offer remains subject to shareholder approval at a special meeting of shareholders, which is currently scheduled for August 19, 2009.

About E*TRADE FINANCIAL

The E*TRADE FINANCIAL family of companies provides financial services including trading, investing and related banking products and services to retail investors. Securities products and services are offered by E*TRADE Securities LLC (Member FINRA/SIPC). Bank products and services are offered by E*TRADE Bank, a Federal savings bank, Member FDIC, or its subsidiaries.

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Important Notices

E*TRADE FINANCIAL, E*TRADE and the E*TRADE logo are trademarks or registered trademarks of E*TRADE FINANCIAL Corporation.

Forward-Looking Statements. 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. Such statements include those relating to the ability of the Company to complete the Exchange Offer. The uncertainties and risks include, but are not limited to, potential negative regulatory

consequences resulting from actions by the OTS or other regulators, potential failure to obtain shareholder approval for the Exchange Offer and related matters. Additional uncertainties and risks affecting the business, financial condition, results of operations and prospects of the Company include, but are not limited to, potential changes in market activity, anticipated changes 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, including changes to the U.S. Treasury's Troubled Asset Relief Program, 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 "Risk Factors" section of the Company's prospectus supplement dated June 18, 2009 and in the information included or incorporated in the annual, quarterly and current reports on Form 10-K, Form 10-Q and Form 8-K previously filed by E*TRADE FINANCIAL Corporation with the SEC (including information under the caption "Risk Factors"). Any forward-looking statement included in this release speaks only as of the date of this communication; the Company disclaims any obligation to update any information.

Proxy Statement. In connection with the special meeting of stockholders scheduled for August 19, 2009, E*TRADE FINANCIAL Corporation filed with the Securities and Exchange Commission (the "**SEC**") and mailed to its shareholders a proxy statement. Shareholders are advised to read the proxy statement because it contains important information about the proposals to be presented and voted upon. Shareholders may also obtain a copy of the proxy statement and any other relevant documents filed by E*TRADE FINANCIAL Corporation for free at the SEC web site at www.sec.gov. The proxy statement and other documents also may be obtained for free from E*TRADE FINANCIAL Corporation, Attn: Corporate Secretary, 135 East 57th Street, New York, New York, 10022.

E*TRADE FINANCIAL Corporation and its directors, executive officers and other members of management and employees may be deemed participants in the solicitation of proxies and voting instructions for the 2009 Special Meeting of Stockholders. Information concerning the interests of these persons, if any, in the matters to be voted upon is set forth in the proxy statement.

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