



Corporate Report 2015



Paul T. Idzik
Chief Executive Officer

TO MY FELLOW SHAREHOLDERS:

Across many factors, 2015 was a most gratifying year at E*TRADE. Our core financial performance was the Company's best since the financial world hit reset, and we ended the year in a stronger position than the Company has ever been. Our accomplishments on both the capital and customer experience fronts were big in number and significant in scope. To summarize a full year of noteworthy progress, in 2015 we...

- Launched four major capital deployments, emblematic of our improved financial position and flexibility — the result of many accomplishments and steps taken along the way.
- Vastly improved our risk profile, demonstrating the sustainability of enhanced enterprise risk controls; while the reduction and performance of the legacy loan

- portfolio led to lower reserves — all of which helped solidify a regulatory standing of which we are proud.
- Earned investment grade credit ratings from both Moody's and S&P, following a battery of ratings upgrades peppered throughout the year.
- Continued to deliver a best-in-class customer experience, introducing several digital enhancements while further sharpening our focus through the discontinuation of non-core businesses.
- Produced solid bottom-line results as we continued to grow the business amidst a backdrop of macroeconomic uncertainty.

Most importantly, we have positioned the franchise for continued success.

CAPITAL POSITION AND DEPLOYMENT

We executed vigorously on the capital front during the year, exceeding our own demanding expectations on a number of key measures. We achieved meaningfully lower capital requirements at the bank well ahead of plan as well as the Street's expectations. We generated healthy levels of capital, distributing more than \$800 million of excess to the parent, all the while bolstering our bank's capital position. We began deploying capital through four major actions — two of which we completed and two of which continued in flight in 2016. The first was a reduction in corporate debt — closing the chapter on a series of meaningful pay-downs and refinances to reach our target of \$1 billion outstanding, at the lowest coupons in Company history with a vastly improved maturity profile. The second was the termination of \$4.4 billion of costly legacy liabilities in the form of wholesale funding, which created capacity to begin our next action — growing the balance sheet to our targeted \$49.5 billion. Finally, we embarked on an \$800 million share buyback program to return capital directly to our owners.

Today, the Company is well positioned to continue executing on these initiatives while vigilantly looking for additional ways to deploy capital to benefit our owners, including opportunities for inorganic growth.

RISK PROFILE

The Company's significantly improved risk profile — largely driven by hard work to bolster our enterprise risk management framework — was further benefited by the reduction of legacy risks associated with our loan portfolio. We hit an important inflexion point in this regard, reducing loan reserves for two consecutive quarters driven by better than expected performance. The portfolio continues to dwindle in size and importance, ending the year at a mere 15 percent of its peak size.

Our progress and position were recognized by our regulators and rating agencies across important dimensions. First, the Memoranda of Understanding at both the bank and parent were lifted. Next, reflective of our much improved risk profile and regulatory standing, our FDIC insurance rates were cut by more than half. We also achieved lower capital requirements at the bank, reducing our Tier 1 leverage ratio target by 150 bps — 50 basis points and a full year ahead of our original plan.

Each of our credit rating agencies — S&P and Moody's — bestowed us with investment grade ratings in 2015 for the first time in the Company's history. This distinction represents the culmination of years of diligent work delivering on our strategy of de-risking the franchise while optimizing capital. These ratings followed a remarkable **seven** notches worth of cumulative upgrades between the two agencies during the year.

CUSTOMER EXPERIENCE

With the digital experience core to our offering, we rolled out an attractive assortment of enhancements to our Web, software, and mobile platforms.

On etrade.com, we launched a new welcome page for prospective customers to better engage window shoppers when they step into the store. The initial launch contributed to an improvement in the funding rate for new accounts channeled through the new welcome page. Once in the door, customers were met with several enhanced experiences, including: a revamped Account Overview page, which integrates core functionality all on one page; our new Retirement Center, which delivers engaging widgets to help investors take charge and keep their goals on track; our new Tax Center, which eases an annual process that is notoriously stressful and convoluted; and TipRanks, which presents analyst sentiment on individual stocks in an ultra-clear way, analyzing and aggregating recommendations from thousands of sell side analysts and financial bloggers.

On our active trader platform, E*TRADE Pro, we made a number of upgrades to further equip retail investors with professional-grade tools. The big ticket items include a new Options Analyzer, which simplifies complex derivative strategies, and our new Margin Analyzer, which provides greater clarity by way of a detailed overview of buying power, displaying real-time requirements for each position in a customer's portfolio.

With each passing day, our mobile platforms increase in importance and engagement. In 2015, customers executed a record 14 percent of total daily average revenue trades (DARTs) through this channel. Investors and traders increasingly seek an experience that rivals the desktop in terms of power and depth, and this year, we delivered robust enhancements to further empower customers on the go. Some of the more noteworthy features added this year include: conditional orders; multi-leg options capability; a bespoke mutual fund trading experience on mobile; and several new technologies available on Apple products, including home screen support on iOS, Apple Pay, and our Apple Watch app, where we are the only broker among our peers to offer account-level data.

FINANCIAL AND BROKERAGE PERFORMANCE

Our adjusted net income of \$344 million, or \$1.17 per share, was aided by the growth and health of our brokerage franchise, the continued runoff of legacy-related risks, and the accretive deployment of capital.

While customer activity slowed during the year with daily average revenue trades (DARTs) declining 8 percent to 155,000, our customers showed confidence when they acted. They were net buyers of \$6.8 billion of securities during the year and maintained relatively healthy margin balances throughout, ending the year at \$7.4 billion. Meanwhile, our core franchise also continued its steady growth despite macroeconomic uncertainty, adding 96,000 net new

brokerage accounts after adjusting for unique items. Our adjusted attrition rate remained healthy at 8.9 percent.

We brought in \$9.3 billion of net new brokerage assets, approximately one-third of which were into retirement accounts — a positive measure as we continue to focus on securing our customers' retirement, investing, and savings dollars. Both our challenge, and our opportunity, is to better engage our customers and broaden their awareness of E*TRADE as an investment solutions provider for both near- and long-term goals. We ended the year with \$48 billion in retirement assets in 880,000 retirement accounts.

Another area where we continue to see opportunity is our stock plan administration business, E*TRADE Corporate Services. As the industry leader, we are in an enviable position. The Equity Edge Online platform earned No. 1 in customer satisfaction and loyalty for the fourth year in a row by Group Five — the undisputed benchmark for this industry — and our clients include some of the biggest and most innovative companies in the world. Our imperative with this business is to convert participants into brokerage customers, which is no small task in light of how they typically handle their equity compensation. We aim to surprise and delight participants, compelling them to deepen their relationship with us as brokerage customers. To this end, we continued to invest in this business during the year, rolling out a faster technology release cadence, improving our testing capabilities, listening to our clients more closely, and completing the transition of clients onto our award-winning Equity Edge Online platform. We grew the business nicely this year, with the addition of 144,000 net new accounts, to end the year with 1.4 million plan participants.

STARTING 2016

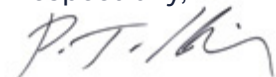
Within the past few years, we successfully completed important work to fortify the Company's risk and control framework, bolster our foundation through improvements to systems and infrastructure, and upgrade talent. Now comes the even more exciting phase: shifting our focus toward fueling growth. In this regard, we are evaluating initiatives and investments for both organic and inorganic paths. Throughout the year, we will aim to grow organically through an acute focus on the customer — to empower and do more for them. We will continue to enhance the digital experience and will also look to add financial consultants to assist those that seek human support and guidance. We will also continue to focus on fostering core brokerage relationships from our corporate services customers. Additionally, in taking an appropriate acquisitive stance, which is one we have not assumed in quite some time, we are also on the lookout for any inorganic opportunities that can boost the franchise, further strengthen capabilities, and drive value for our owners.

As 2016 unfolds, we know that we must continue to work hard to drive success, which compels us to raise the bar even higher. Propelled by greater momentum and guided by an unwavering charge to deliver more for our customers, we aim to seize the many opportunities in our path, and stake our claim as the standout competitor in our space.

On a personal note, in reflecting on an extraordinary year, I am deeply proud of the team's ability to seize an abundance of opportunity and transform it into a meaningful body of accomplishments.

We will remain steadfast in our commitment to be good stewards of the Company and its capital for you, our owners.

Respectfully,



Paul T. Idzik

Company Overview

We are a financial services company that provides brokerage and related products and services primarily to individual retail investors under the brand "E*TRADE Financial." Our competitive strategy is to attract and retain customers by emphasizing a hybrid model for investing, trading and saving for retirement that leads with best-in-class digital channels, backed by professional support and guidance. We also provide investor-focused banking products, primarily sweep deposits, to retail investors.

Our hybrid service delivery model is delivered through the following digital platforms:

- E*TRADE.com, our award-winning site, provides customers with tools, guidance, actionable ideas, research and education to take control of their finances;
- E*TRADE Mobile offers powerful trading applications for all popular smartphones and tablets, coupled with groundbreaking experiences like the Apple Watch® app - delivering the functionality investors and traders need while on the go; and
- E*TRADE Pro is our advanced trading platform for active and elite traders, with sophisticated tools and customizable layouts.

These digital platforms are complemented by our offline channels, which includes our network of customer service representatives and financial consultants and our 24/7 customer service available via phone, email and online at our two national branches and in person through our 30 E*TRADE branches.

Strategy

Our business strategy is centered on two core objectives: accelerating the growth of our core brokerage business to drive organic growth and improve market share, and generating robust earnings growth and healthy returns on capital to deliver long-term value for our stockholders.

ACCELERATE GROWTH OF CORE BROKERAGE BUSINESS

Enhance digital and offline customer experience.

We are focused on delivering innovative solutions for trading, margin lending and cash management, while expanding our customer share of wallet in retirement, investing and savings. Through these offerings, we aim to continue acquiring new customers while deepening engagement with both new and existing customers.

Capitalize on value of corporate services business.

Our corporate services business is a strategically important driver of brokerage account and asset growth for us. We leverage our industry-leading position to improve client acquisition, and bolstering awareness among U.S. plan participants of our full suite of offerings.

GENERATE ROBUST EARNINGS GROWTH AND HEALTHY RETURNS ON CAPITAL

Maximize value of deposits while improving balance sheet efficiency.

Our brokerage business generates a significant amount of stable, low-cost deposits, which we monetize through E*TRADE Bank by investing primarily in low-risk, agency mortgage-backed securities. We also continue to manage down the size and risks associated with our legacy loan portfolio, while mitigating credit losses where possible.

Create capital efficiency.

Our capital plan was laid out in 2012 with a key goal of distributing capital from E*TRADE Bank to the parent company, to reduce corporate debt, which we completed in March 2015. As we continue to deliver on our capital plan initiatives, we are focused on deploying excess capital generated through earnings and lower capital requirements at E*TRADE Bank.

Technology

Delivering a compelling digital experience to our customers is a core pillar of our business strategy. We believe our focus on being a digital leader in the financial services industry is a competitive advantage. Following significant investments to strengthen our foundations in 2013 and 2014, we made a number of meaningful enhancements to our digital storefront and core platforms in 2015 that provide our customers an engaging, more intuitive experience.

SIGNIFICANT UPDATES IN 2015 INCLUDE:

- new features for our website including a new welcome page for prospective customers, an updated account overview page, a new retirement center and a new tax center;
- new features for our leading mobile applications including conditional orders, multi-leg options orders, mutual fund trading, and several new technologies available via Apple® products including our Apple Watch® app; and
- upgrades to E*TRADE Pro, including a new options analyzer tool, new margin analyzer tool, and a new user orientation module with customized predefined layouts.



Products and Services

We offer a comprehensive suite of financial products and services to individual retail investors. The most significant of these products and services are described below:

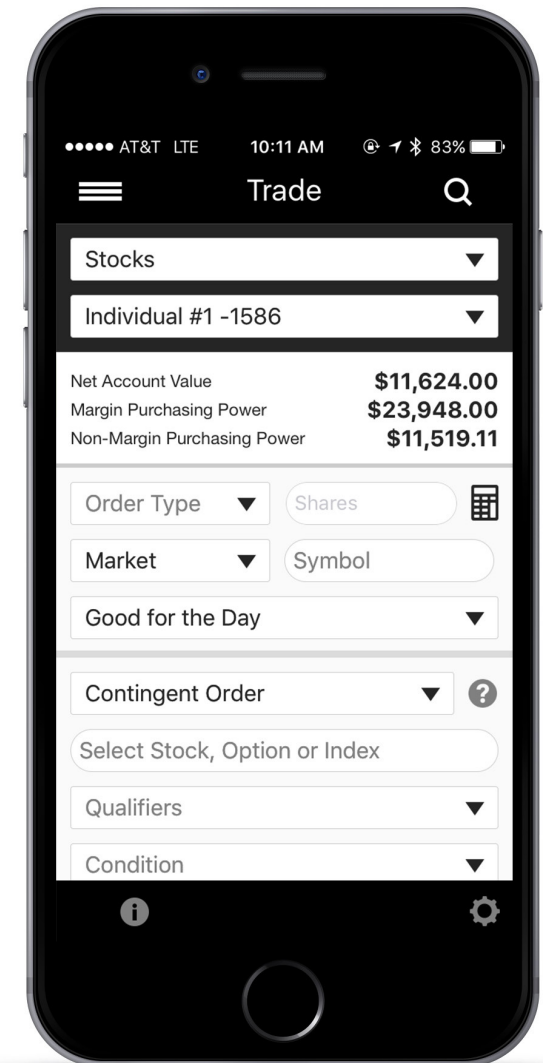
TRADING, MARGIN, AND CASH MANAGEMENT

Trading, Margin and Cash Management delivers automated order placement and execution, empowering traders throughout the entire life cycle of a trade. We offer our customers a full range of investment vehicles including U.S. equities, American depositary receipts (“ADRs”) bonds, futures, options, exchange-traded funds (“ETFs”), including over 115 commission-free ETFs from leading independent providers, and over 7,500 non-proprietary mutual funds. Our tools cater to novice to professional-grade investors, delivering fundamental and technical research resources.

Our trading tools and vehicles are supported by guidance when customers need it, including fixed income and derivative specialists available on-call to guide customers, independent research and analytics, live and on-demand education resources, strategies and trading ideas and comprehensive screeners for all major asset classes.

Cash management includes FDIC insured deposit accounts, including checking, savings and money market accounts. These are fully integrated into customer brokerage accounts, delivering real-time transfers between E*TRADE accounts, free debit cards and unlimited ATM fee refunds, free online and mobile bill pay, mobile check deposits, and Apple Pay.

Margin accounts are also available to qualified customers, enabling them to borrow against their securities. We provide these customers with robust margin resources including a margin calculator, requirement lookup and margin analyzer tools to help customers strategize, plan and execute margin trades more efficiently and effectively.



RETIREMENT, INVESTING AND SAVINGS

Retirement, Investing and Saving is dedicated to expanding our customer share of wallet by helping investors take control of and understand the steps to achieve their desired financial goals. We offer the following account types and services:

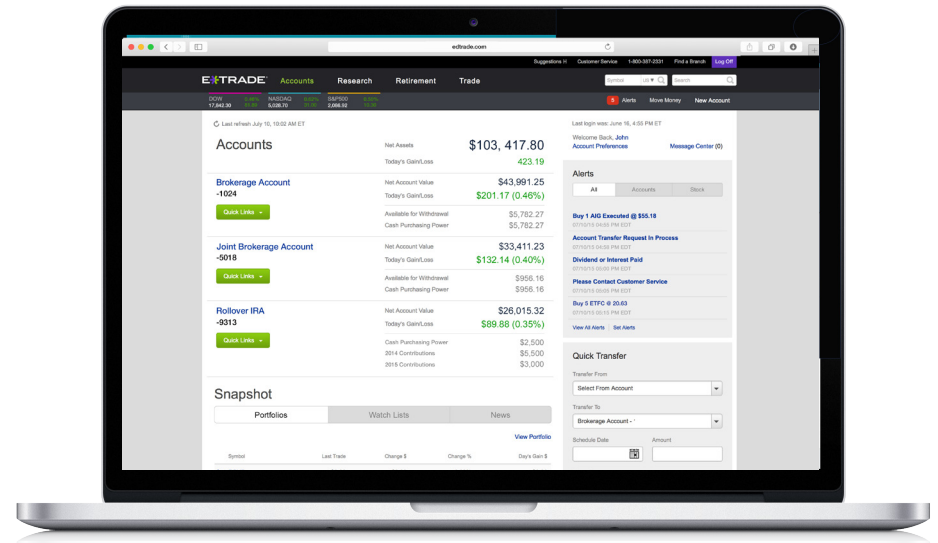
- no annual fee and individual retirement accounts with no minimum, along with specialists to guide customers through the rollover process;
- Managed Investment Portfolio advisory services from an affiliated registered investment advisor, with an investment of \$25,000 or more, which provides one-on-one professional portfolio management; and
- Unified Managed Account advisory services from an affiliated registered investment advisor, with an investment of \$150,000 or more, which provides customers the opportunity to work with a dedicated investment professional to obtain a comprehensive, integrated approach to asset allocation, investments, and portfolio rebalancing.

We also offer full breadth of digital tools to help investors take control:

- OneStop Rollover, a simplified, online rollover program that enables investors to invest their 401(k) savings from a previous employer into a portfolio managed by the customer or an investment professional;
- Online Portfolio Advisor, helping customers identify asset allocations and providing a range of solutions including a one-time investment portfolio or a managed investment account;
- Retirement Center, offering interactive tools, account selection assistance and to-do lists;

- Investing Insights, delivering idea generation, topical ideas and actionable strategies;
- Bond Resource Center, offering tools to help customers research, evaluate and choose bonds;
- TipRanks, helping customers make sense of sellside ratings and social chatter through success metrics and aggregated sentiment; and
- life-stage planning resources, helping investors plan for all phases of the retirement process.

Education and guidance also play a large role as we deliver a wide variety of educational formats, including traditional in-person events and digital content on our platforms. We also offer guidance from our financial consultants and Chartered Retirement Planning CounselorsSM at our 30 regional branches across the country, or through our two national branches via phone and email to receive complementary portfolio reviews and personalized investment recommendations.





Corporate Services

The corporate services business is an important driver of brokerage account and asset growth, with more than 1.4 million individual stock plan accounts across approximately 1,000 corporate clients that represent approximately 20% of S&P 500 companies. This business serves as an important introductory channel to E*TRADE, with our goal to convert the stock plan participants of our corporate clients into retail brokerage customers by providing best-in-class user experience and technology along with exceptional support and service. We offer the following software and services for managing equity compensation plans for corporate customers through the Equity Edge Online™ platform:

- management of employee stock option plans, employee stock purchase plans and restricted stock plans with fully-automated administration, as well as accounting, reporting and scenario modeling tools;
- integrated stock plan solutions including multi-currency settlement and delivery, disbursement in 33 countries, streamlined tax calculations and country code compatibility;
- stock plan and investing education, restricted stock sales support, custom 10b5-1 plan design and implementation, SEC filing assistance; and
- dedicated stock plan service representatives with live support in six languages in addition to phone-based translation in 140 languages.
- Equity Edge Online™ recordkeeping and reporting was rated #1 in Loyalty and Overall Satisfaction for the fourth year in a row by Group Five, an independent consulting and research firm, in its 2015 Stock Plan Administration Study Industry Report.

E*TRADE FINANCIAL BOARD OF DIRECTORS

Rodger A. Lawson, Chairman
Retired Financial Services Executive

Richard J. Carbone
Retired Financial Services Executive

James P. Healy
Chief Executive Officer, Capra Ibx Advisors

Paul T. Idzik
Chief Executive Officer, E*TRADE Financial Corporation

Frederick W. Kanner
Retired Corporate Lawyer

James Lam
President, James Lam & Associates

Shelley B. Leibowitz
Retired Financial Technology Executive

Rebecca Saeger
Retired Marketing Executive

Joseph L. Sclafani
Retired Banking Executive

Gary H. Stern
Retired Financial Services Regulator

Donna L. Weaver
Retired Corporate Executive

E*TRADE FINANCIAL EXECUTIVE LEADERSHIP

Paul T. Idzik
Chief Executive Officer

Paul W. Brandow
Acting Chief Risk Officer

Michael E. Foley
Executive Vice President and Chief Administrative Officer

David S. Herbert
Senior Vice President, Retail Services

Paul B. Hutchison
Senior Vice President, Corporate Services

Kyle Okimoto
Senior Vice President, Marketing

Michael A. Pizzi
Executive Vice President and Chief Financial Officer

Karl A. Roessner
Executive Vice President and General Counsel

SHAREHOLDER SERVICES

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Media Relations
Thayer Fox
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646-521-4418

Wholly-Owned Subsidiaries
For a list of wholly-owned subsidiaries, please refer to our Form 10-K.

Transfer Agent and Registrar
American Stock Transfer & Trust Company
6201 15th Avenue
Brooklyn, NY 11219
1-800-937-5449

Independent Auditors
Deloitte & Touche LLP
McLean, VA

Forward-Looking Statements

The statements contained in this report that are forward looking, including statements regarding the utilization of excess capital to grow the Company's balance sheet, repurchase shares of the Company's stock, and future opportunities for inorganic growth; and the ability of the Company to meaningfully grow its business, enhance the customer experience; and cultivate brokerage relationships from corporate services customers are "forward-looking statements" within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995, and are subject to a number of uncertainties and risks. Actual results may differ materially from those indicated in the forward-looking statements. The uncertainties and risks include, but are not limited to, macro trends of the economy in general and the residential real estate market, instability in the consumer credit markets and credit trends, increased mortgage loan delinquency and default rates, portfolio growth, portfolio seasoning and resolution through collections, sales or charge-offs, the uncertainty surrounding the foreclosure process, and the potential negative regulatory consequences resulting from the implementation of financial regulatory reform as well as from actions by or more restrictive policies or interpretations of the Federal Reserve and the Office of the Comptroller of the Currency or other regulators. Further information about these risks and uncertainties can be found 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 Securities and Exchange Commission (including information in these reports under the caption "Risk Factors"). Any forward-looking statement included in this report speaks only as of the date of this communication; the Company disclaims any obligation to update any information.