E*TRADE FINANCIAL

Basel III Standardized Approach Disclosures

September 30, 2020

E*TRADE FINANCIAL CORPORATION
BASEL III STANDARDIZED APPROACH DISCLOSURES
September 30, 2020
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Unless otherwise indicated, references to "the Company," "we," "us," "our," "E*TRADE" and "E*TRADE Financial" mean E*TRADE Financial, LLC, successor in interest of E*TRADE Financial Corporation, and its subsidiaries, and references to the parent company mean E*TRADE Financial, LLC but not its subsidiaries.

INTRODUCTION

Company Overview

E*TRADE Financial Corporation (the Company or E*TRADE) is a financial services company that provides brokerage and related products and services for traders, investors, stock plan administrators and participants, and registered investment advisors (RIAs). We deliver a broad range of products and services through the retail and institutional customer channels across the following five product areas: Trading, Investing, Banking and Cash Management, Corporate Services and Advisor Services.

As of September 30, 2020, our corporate offices were located at 671 N. Glebe Road, Arlington, Virginia 22203. We were incorporated in California in 1982 and reincorporated in Delaware in July 1996.

The Company operates directly and through several subsidiaries, many of which are overseen by governmental and self-regulatory organizations. The most important subsidiaries are described below:

- E*TRADE Securities LLC is a registered broker-dealer that clears and settles customer transactions
- E*TRADE Bank is a federally chartered savings bank that provides Federal Deposit Insurance Corporation (FDIC) insurance on certain qualifying amounts of customer deposits and provides other banking and cash management capabilities
- E*TRADE Savings Bank, a subsidiary of E*TRADE Bank, is a federally chartered savings bank that provides FDIC insurance on certain qualifying amounts of customer deposits and provides custody solutions for RIAs
- E*TRADE Financial Corporate Services, Inc. is a provider of software and services for managing equity compensation plans and student loan and financial wellness benefits to our corporate clients
- E*TRADE Futures LLC is a registered non-clearing Futures Commission Merchant (FCM) that provides retail futures transaction capabilities for our customers
- E*TRADE Capital Management LLC is an RIA that provides investment advisory services for our customers

On February 20, 2020, the Company entered into an Agreement and Plan of Merger (the Merger Agreement) with Morgan Stanley under which Morgan Stanley agreed to acquire the Company in an all-stock transaction. The Company's shareholders approved the merger on July 17, 2020. On October 2, 2020, pursuant to the Merger Agreement, Moon-Eagle Merger Sub, Inc., a Delaware corporation and a wholly owned subsidiary of Morgan Stanley, merged with and into the Company, with the Company continuing as the surviving corporation. Also pursuant to the Merger Agreement, immediately following the effective time of the merger, the Company merged with and into Moon-Eagle Merger Sub II, LLC, a newly established wholly owned subsidiary of Morgan Stanley which continued as the surviving entity with the name E*TRADE Financial, LLC. This document includes the Company's required disclosures for the three months ended September 30, 2020, a time period prior to the merger.

Principles of Consolidation and Basis of Presentation

The Company's consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). Intercompany accounts and transactions are eliminated in consolidation. The basis of consolidation used for regulatory reporting is consistent with GAAP. The regulatory instructions, however, do not in all cases follow GAAP. As a result of these differences, information in this report may not be directly comparable to our disclosures in the Annual Report on Form 10-K for the year ended December 31, 2019 (2019 Form 10-K) or our disclosures in the Quarterly Reports on Form 10-Q for the quarterly periods ended March 31, 2020 and June 30, 2020 (Form 10-Q). The Company was not required to file a Form 10-Q for the quarterly period ended September 30, 2020 as a result of the acquisition, and accordingly, this document is not referenced herein.

BACKGROUND

In July 2013, the US federal banking agencies adopted the Basel III capital framework (Basel III or the Rule) in the US, which provides the framework for the calculation of a banking organization's regulatory capital and risk-weighted assets (RWA). Basel III is composed of three parts, or pillars. Pillar 1 addresses capital adequacy and provides minimum capital requirements. Pillar 2 requires supervisory review of capital adequacy assessments and strategies. Pillar 3 promotes market discipline through prescribed regulatory public disclosures on capital structure, capital adequacy, and RWA.

The Rule became effective for the Company and for E*TRADE Bank on January 1, 2015, subject to a phase-in period for certain requirements over several years. Basel III established a new Common Equity Tier 1 (CET1) capital requirement, raised the minimum thresholds for required capital, increased minimum required risk-based capital ratios, narrowed the eligibility criteria for regulatory capital instruments, provided for new regulatory capital deductions and adjustments, and modified methods for calculating RWA (the denominator of risk-based capital ratios) by, among other things, strengthening counterparty credit risk capital requirements. The Rule established two methods of calculating RWA, the standardized approach and the advanced approaches.

The Basel III final rule also introduced a capital conservation buffer that limits a banking organization's ability to make capital distributions and discretionary bonus payments to executive officers if a banking organization fails to maintain a CET1 capital conservation buffer of at least 2.5%, on a fully phased-in basis, in excess of all of its minimum risk-based ratio requirements. This document presents the Company's regulatory disclosures as prescribed under the Pillar 3 framework.

The Company became subject to the modified liquidity coverage ratio requirement (LCR) beginning April 1, 2018. However, in July 2018, the Federal Reserve Board clarified that, pursuant to the Economic Growth, Regulatory Relief, and Consumer Protection Act of 2018 (EGRRCPA), it will not take action to enforce certain regulatory and reporting requirements, including regulation WW, subparts G and J (modified LCR, liquidity-related disclosures). On November 1, 2019, the Federal Reserve Board published a final rule that applies certain requirements to savings and loan holding companies with $100 billion or more in total consolidated assets. For the Company, this final rule formalized relief resulting from the passage of EGRRCPA from certain requirements including company-run stress testing requirements and the modified liquidity coverage ratio. Therefore, such liquidity-related disclosures have not been provided herein. See *Item 1—Overview, Management's Discussion and Analysis of Financial Condition and Results of Operations* (*MD&A)—Overview* and *MD&A—Liquidity and Capital Resources* within the 2019 Form 10-K for further information.

OVERVIEW

Information presented in this report and in certain of the Company's public filings meets the public disclosure requirements as set forth in 12 C.F.R. §217.63 - Disclosures by Board-regulated institutions. Management's discussion of the overall corporate risk profile of the Company and related management strategies is contained in the 2019 Form 10-K filed with the Securities and Exchange Commission.

The Basel III Standardized Approach Disclosures should be read in conjunction with the 2019 Form 10-K, the Q2 2020 Form 10-Q and the Consolidated Financial Statements for Holding Companies dated September 30, 2020 (FR Y-9C). The Disclosure Matrix beginning on page 3 shows where the required disclosures can be found. Note that when relevant information is presented in more than one of the above referenced filings, this document references the most current or most comprehensive disclosure.

The links to the referenced public filings are provided below:

Filing	Link to Filing
2019 Form 10-K	https://www.sec.gov/ix?doc=/Archives/edgar/data/1015780/000101578020000065/etfc-2019123110k.htm
Q2 2020 Form 10-Q	https://www.sec.gov/ix?doc=/Archives/edgar/data/1015780/000101578020000166/etfc-20200630.htm
FR Y-9C	https://www.ffiec.gov/npw/Institution/Profile/3412583?dt=20170901 Note search terms: Report = Consolidated Financial Statements for BHCs (FR Y-9C) Report Date = September 30, 2020

DISCLOSURE MATRIX

Table	Disclosure Requirement	Disclosure Location	Disclosure or Source Reference
Scope of Application (Table 1)			
Qualitative Disclosures			
(a)	The name of the top corporate entity in the group to which subpart D of this part applies.	Basel III Standardized Approach Disclosures	
		Introduction	Pg. 1
(b)	A brief description of the differences in the basis for consolidating entities for accounting and regulatory purposes, with a description of those entities: (1) That are fully consolidated; (2) That are deconsolidated and deducted from total capital; (3) For which the total capital requirement is deducted; and (4) That are neither consolidated nor deducted (for example, where the investment in the entity is assigned a risk weight in accordance with this subpart).	Basel III Standardized Approach Disclosures	
		Introduction	Pg. 1
(c)	Any restrictions, or other major impediments, on transfer of funds or total capital within the group.	2019 Form 10-K	
		Item 1. Business—Regulation	Pg. 9
		Item 1A. Risk Factors	Pg. 12
		Basel III Standardized Approach Disclosures	
		Capital Adequacy	Pg. 12
(d)	The aggregate amount of surplus capital of insurance subsidiaries included in the total capital of the consolidated group.	Not applicable. The Company does not have any insurance subsidiaries.	
(e)	The aggregate amount by which actual total capital is less than the minimum total capital requirement in all subsidiaries, with total capital requirements and the name(s) of the subsidiaries with such deficiencies.	Not applicable. The Company does not have any subsidiaries with total capital requirements where total capital is less than the minimum requirement.	
Capital Structure (Table 2)			
Qualitative Disclosures			
(a)	Summary information on the terms and conditions of the main features of all regulatory capital instruments.	FR Y-9C	
		Schedule HC—Consolidated Balance Sheet	Pg. 16
		Basel III Standardized Approach Disclosures	
		Components of Capital	Pg. 12

Table	Disclosure Requirement	Disclosure Location	Disclosure or Source Reference
Capital Structure (Table 2)—continued			
Quantitative Disclosures			
(b)	The amount of Common Equity Tier 1 capital, with separate disclosure of: 1. Common stock and related surplus; 2. Retained Earnings; 3. Common equity minority interest; 4. Accumulated other comprehensive income (AOCI); and 5. Regulatory adjustments and deductions made to Common Equity Tier 1 capital.	FR Y-9C Schedule HI-A—Changes in Holding Company Equity Capital Schedule HC—Consolidated Balance Sheet Basel III Standardized Approach Disclosures Components of Capital	 Pg. 7 Pg. 16 Pg. 12
(c)	The amount of Tier 1 capital, with separate disclosure of: 1. Additional Tier 1 capital elements, including additional Tier 1 capital instruments and Tier 1 minority interest not included in Common Equity Tier 1 capital; and 2. Regulatory adjustments and deductions made to Tier 1 capital.	FR Y-9C Schedule HC-R—Regulatory Capital Components and Ratios	 Pg. 50
(d)	The amount total capital, with separate disclosure of: 1. Tier 2 capital elements, including Tier 2 capital instruments and total capital minority interest not included in Tier 1 capital; and 2. Regulatory adjustments and deductions made to total capital.	FR Y-9C Schedule HC-R—Regulatory Capital Components and Ratios	 Pg. 50
Capital Adequacy (Table 3)			
Qualitative Disclosures			
(a)	A summary discussion of the Board-regulated institution's approach to assessing the adequacy of its capital to support current and future activities.	Basel III Standardized Approach Disclosures Capital Adequacy	 Pg. 12
Quantitative Disclosures			
(b)	Risk-weighted assets for: 1. Exposures to sovereign entities; 2. Exposures to certain supranational entities and MDBs; 3. Exposures to depository institutions, foreign banks, and credit unions; 4. Exposures to PSEs; 5. Corporate exposures; 6. Residential mortgage exposures; 7. Statutory multifamily mortgages and pre-sold construction loans; 8. HVCRE loans; 9. Past due loans; 10. Other assets; 11. Cleared transactions; 12. Default fund contributions; 13. Unsettled transactions; 14. Securitization exposures; and 15. Equity exposures.	Basel III Standardized Approach Disclosures Standardized Risk-Weighted Assets	 Pg. 13

Table	Disclosure Requirement	Disclosure Location	Disclosure or Source Reference
Capital Adequacy (Table 3)—continued			
Quantitative Disclosures			
(c)	Standardized market risk-weighted assets as calculated under subpart F of this part.	Not applicable. E*TRADE is not subject to the Market Risk Capital Rule.	
(d)	Common Equity Tier 1, Tier 1 and Total risk-based capital ratios: 1. For the top consolidated group; and 2. For each depository institution subsidiary.	Basel III Standardized Approach Disclosures Capital Ratios	 Pg. 13
(e)	Total standardized risk-weighted assets.	Basel III Standardized Approach Disclosures Standardized Risk-Weighted Assets	 Pg. 13
Capital Conservation Buffer (Table 4)			
Quantitative Disclosures			
(a)	At least quarterly, the Board-regulated institution must calculate and publicly disclose the capital conservation buffer as described under § 217.11.	FR Y-9C Schedule HC-R—Regulatory Capital Components and Ratios	 Pg. 50
(b)	At least quarterly, the Board-regulated institution must calculate and publicly disclose the eligible retained income of the Board-regulated institution, as described under § 217.11.	FR Y-9C Schedule HC-R—Regulatory Capital Components and Ratios	 Pg. 50
(c)	At least quarterly, the Board-regulated institution must calculate and publicly disclose any limitations it has on distributions and discretionary bonus payments resulting from the capital conservation buffer framework described under § 217.11, including the maximum payout amount for the quarter.	E*TRADE's capital ratios exceed the regulatory minimum requirements, inclusive of the capital conservation buffer.	
Credit Risk: General Disclosures (Table 5)			
Qualitative Disclosures			
(a)	The general qualitative disclosure requirement with respect to credit risk (excluding counterparty credit risk disclosed in accordance with Table 6), including the: 1. Policy for determining past due or delinquency status; 2. Policy for placing loans on nonaccrual; 3. Policy for returning loans to accrual status; 4. Definition of and policy for identifying impaired loans (for financial accounting purposes); 5. Description of the methodology that the Board-regulated institution uses to estimate its allowance for loan and lease losses or adjusted allowance for credit losses, as applicable, including statistical methods used where applicable; 6. Policy for charging-off uncollectible amounts; and 7. Discussion of the Board-regulated institution's credit risk management policy.	2019 Form 10-K MD&A—Risk Management Note 1—Organization, Basis of Presentation and Summary of Significant Accounting Policies Q2 2020 Form 10-Q Note 1—Organization, Basis of Presentation and Summary of Significant Accounting Policies	 Pg. 63 Pg. 97 Pg. 53

Table	Disclosure Requirement	Disclosure Location	Disclosure or Source Reference
Credit Risk: General Disclosures (Table 5)—continued			
Quantitative Disclosures			
(b)	Total credit risk exposures and average credit risk exposures, after accounting offsets in accordance with GAAP, without taking into account the effects of credit risk mitigation techniques (for example, collateral and netting not permitted under GAAP), over the period categorized by major types of credit exposure. For example, Board-regulated institutions could use categories similar to that used for financial statement purposes. Such categories might include, for instance 1. Loans, off-balance sheet commitments, and other non-derivative off-balance sheet exposures; 2. Debt securities; and 3. Over the Counter (OTC) derivatives.	2019 Form 10-K MD&A—Risk Management Basel III Standardized Approach Disclosures Credit Risk Exposure by Product Type and Contractual Maturity	 Pg. 63 Pg. 14
(c)	Geographic distribution of exposures, categorized in significant areas by major types of credit exposure.	Basel III Standardized Approach Disclosures Credit Risk Exposure by Product Type and Contractual Maturity	 Pg. 14
(d)	Industry or counterparty type distribution of exposures, categorized by major types of credit exposure.	2019 Form 10-K MD&A—Risk Management Basel III Standardized Approach Disclosures Credit Risk Exposure by Product Type and Counterparty	 Pg. 63 Pg. 15
(e)	By major industry or counterparty type: (1) Amount of impaired loans for which there was a related allowance under GAAP; (2) Amount of impaired loans for which there was no related allowance under GAAP; (3) Amount of loans past due 90 days and on nonaccrual; (4) Amount of loans past due 90 days and still accruing; (5) The balance in the allowance for loan and lease losses or adjusted allowance for credit losses, as applicable, at the end of each period, disaggregated on the basis of the Board-regulated institution's impairment method. To disaggregate the information required on the basis of impairment methodology, an entity shall separately disclose the amounts based on the requirements in GAAP; and (6) Charge-offs during the period.	2019 Form 10-K Note 1—Organization, Basis of Presentation and Summary of Significant Accounting Policies FR Y-9C Schedule HI-B—Charge-Offs and Recoveries on Loans and Leases and Changes in Allowances for Credit Losses Schedule HI-C—Disaggregated Data on the Allowance for Loan and Lease Losses (Part II) Schedule HC-N—Past Due and Nonaccrual Loans, Leases, and Other Assets Basel III Standardized Approach Disclosures Allowance for Credit Losses	 Pg. 97 Pg. 8 Pg. 12 Pg. 41 Pg. 17
(f)	Amount of impaired loans and, if available, the amount of past due loans categorized by significant geographic areas including, if practical, the amounts of allowances related to each geographical area, further categorized as required by GAAP.	Basel III Standardized Approach Disclosures Credit Risk Exposure by Product Type and Contractual Maturity	 Pg. 14

Table	Disclosure Requirement	Disclosure Location	Disclosure or Source Reference
Credit Risk: General Disclosures (Table 5)—continued			
Quantitative Disclosures			
(g)	Reconciliation of changes in allowance for loan and lease losses or adjusted allowance for credit losses, as applicable.	Basel III Standardized Approach Disclosures	
		Allowance for Credit Losses	Pg. 17
(h)	Remaining contractual maturity delineation (for example, one year or less) of the whole portfolio, categorized by credit exposure.	2019 Form 10-K	
		MD&A—Statistical Disclosure by Bank Holding Companies	Pg. 72
		Basel III Standardized Approach Disclosures	
		Credit Risk Exposure by Product Type and Contractual Maturity	Pg. 14
General Disclosures for Counterparty Credit Risk-Related Exposures (Table 6)			
Qualitative Disclosures			
(a)	The general qualitative disclosure requirement with respect to OTC derivatives, eligible margin loans, and repo-style transactions, including a discussion of: 1. The methodology used to assign credit limits for counterparty credit exposures; 2. Policies for securing collateral, valuing and managing collateral, and establishing credit reserves; 3. The primary types of collateral taken; and 4. The impact of the amount of collateral the Board-regulated institution would have to provide given a deterioration in the Board-regulated institution's own creditworthiness.	2019 Form 10-K	
		MD&A—Risk Management	Pg. 63
		Note 1—Organization, Basis of Presentation and Summary of Significant Accounting Policies	Pg. 97
		Q2 2020 Form 10-Q	
		Note 1—Organization, Basis of Presentation and Summary of Significant Accounting Policies	Pg. 53
		Basel III Standardized Approach Disclosures	
		Credit Risk	Pg. 14
Quantitative Disclosures			
(b)	Gross positive fair value of contracts, collateral held (including type, for example, cash, government securities), and net unsecured credit exposure.	Basel III Standardized Approach Disclosures	
		Credit Risk Exposure by Product Type and Counterparty	Pg. 15
	A Board-regulated institution also must disclose the notional value of credit derivative hedges purchased for counterparty credit risk protection and the distribution of current credit exposure by exposure type.	Not applicable. E*TRADE does not transact in credit derivatives.	
(c)	Notional amount of purchased and sold credit derivatives, segregated between use for the Board-regulated institution's own credit portfolio and in its intermediation activities, including the distribution of the credit derivative products used, categorized further by protection bought and sold within each product group.	Not applicable. E*TRADE does not transact in credit derivatives.	

Table	Disclosure Requirement	Disclosure Location	Disclosure or Source Reference
Credit Risk Mitigation (Table 7)			
Qualitative Disclosures			
(a)	The general qualitative disclosure requirement with respect to credit risk mitigation, including: 1. Policies and processes for collateral valuation and management; 2. A description of the main types of collateral taken by the Board-regulated institution; 3. The main types of guarantors/credit derivative counterparties and their creditworthiness; and 4. Information about (market or credit) risk concentrations with respect to credit risk mitigation.	<u>2019 Form 10-K</u> MD&A—Risk Management Note 1—Organization, Basis of Presentation and Summary of Significant Accounting Policies <u>Q2 2020 Form 10-Q</u> Note 1—Organization, Basis of Presentation and Summary of Significant Accounting Policies <u>Basel III Standardized Approach Disclosures</u> Credit Risk	 Pg. 63 Pg. 97 Pg. 53 Pg. 14
Quantitative Disclosures			
(b)	For each separately disclosed credit risk portfolio, the total exposure that is covered by eligible financial collateral, and after the application of haircuts.	<u>FR Y-9C</u> Schedule HC-R—Risk-Weighted Assets <u>Basel III Standardized Approach Disclosures</u> Credit Risk Exposure by Product Type and Contractual Maturity	 Pg. 55 Pg. 14
(c)	For each separately disclosed portfolio, the total exposure that is covered by guarantees/credit derivatives and the risk-weighted asset amount associated with that exposure.	Not applicable. E*TRADE does not hold credit derivatives.	
Securitization (Table 8)			
Qualitative Disclosures			
(a)	The general qualitative disclosure requirement with respect to a securitization (including synthetic securitizations), including a discussion of: 1. The Board-regulated institution's objectives for securitizing assets, including the extent to which these activities transfer credit risk of the underlying exposures away from Board-regulated institution to other entities and including the type of risks assumed and retained with resecuritization activity; 2. The nature of the risks (e.g. liquidity risk) inherent in the securitized assets; 3. The roles played by the Board-regulated institution in the securitization process and an indication of the extent of the Board-regulated institution's involvement in each of them; 4. The processes in place to monitor changes in the credit and market risk of securitization exposures including how those processes differ for resecuritization exposures; 5. The Board-regulated institution's policy for mitigating the credit risk retained through securitization and resecuritization exposures; and 6. The risk-based capital approaches that the Board-regulated institution follows for its securitization exposures including the type of securitization exposure to which each approach applies.	E*TRADE does not currently securitize assets. <u>2019 Form 10-K</u> MD&A—Risk Management <u>Basel III Standardized Approach Disclosures</u> Securitization Exposures	 Pg. 63 Pg. 19

Table	Disclosure Requirement	Disclosure Location	Disclosure or Source Reference
Securitization (Table 8)—continued			
(b)	A list of: 1. The type of securitization SPEs that the Board-regulated institution, as sponsor, uses to securitize third-party exposures. The Board-regulated institution must indicate whether it has exposure to these SPEs, either on- or off-balance sheet; and 2. Affiliated entities: i That the Board-regulated institution manages or advises; and ii That invest either in the securitization exposures that the Board-regulated institution has securitized or in securitization SPEs that the Board-regulated institution sponsors.	Not applicable. E*TRADE does not currently securitize assets.	
(c)	Summary of the Board-regulated institution's accounting policies for securitization activities, including: 1. Whether the transactions are treated as sales or financings; 2. Recognition of gain-on-sale; 3. Methods and key assumptions applied in valuing retained or purchased interests; 4. Changes in methods and key assumptions from the previous period for valuing retained interests and impact of the changes; 5. Treatment of synthetic securitizations; 6. How exposures intended to be securitized are valued and whether they are recorded under subpart D of this part; and 7. Policies for recognizing liabilities on the balance sheet for arrangements that could require the Board-regulated institution to provide financial support for securitized assets.	Not applicable. E*TRADE does not currently securitize assets.	
(d)	An explanation of significant changes to any quantitative information since the last reporting period.	Not applicable. E*TRADE does not currently securitize assets. Basel III Standardized Approach Disclosures Securitization Exposures	 Pg. 19
Quantitative Disclosures			
(e)	The total outstanding exposures securitized by the Board- regulated institution in securitizations that meet the operational criteria provided in § 217.41 (categorized into traditional and synthetic securitizations), by exposure type, separately for securitizations of third-party exposures for which the bank acts only as sponsor.	Not applicable. E*TRADE does not currently securitize assets.	
(f)	For exposures securitized by Board-regulated institution in securitizations that meet the operational criteria in § 217.41: 1. Amount of securitized assets that are impaired/past due categorized by exposure type; and 2. Losses recognized by Board-regulated institution during the current period categorized by exposure type.	Not applicable. E*TRADE does not currently securitize assets.	
(g)	The total amount of outstanding exposures intended to be securitized categorized by exposure type.	Not applicable. E*TRADE does not currently securitize assets.	

Table	Disclosure Requirement	Disclosure Location	Disclosure or Source Reference
Securitization (Table 8)—continued			
(h)	Aggregate amount of: 1. On-balance sheet securitization exposures retained or purchased categorized by exposure type; and 2. Off-balance sheet securitization exposures categorized by exposure type.	Basel III Standardized Approach Disclosures Securitization Exposures FR Y-9C Schedule HC-R—Risk-Weighted Assets E*TRADE does not have any off-balance sheet securitization exposures.	 Pg. 19 Pg. 55
(i)	(1) Aggregate amount of securitization exposures retained or purchased and the associated capital requirements for these exposures, categorized between securitization and resecuritization exposures, further categorized into a meaningful number of risk weight bands and by risk-based capital approach (e.g., SSFA); and (2) Aggregate amount disclosed separately by type of underlying exposure in the pool of any: (i) After-tax-gain-on-sale on securitization that has been deducted from common equity tier 1 capital; and (ii) Credit-enhancing interest-only strip that is assigned a 1,250 percent risk weight.	Basel III Standardized Approach Disclosures Securitization Exposures	 Pg. 19
(j)	Summary of current year's securitization activity, including the amount of exposures securitized (by exposure type), and recognized gain or loss on sale by exposure type.	Not applicable. E*TRADE does not currently securitize assets.	
(k)	Aggregate amount of resecuritization exposures retained or purchased categorized according to: 1. Exposures to which credit risk mitigation is applied and those not applied; and 2. Exposures to guarantors categorized according to guarantor creditworthiness categories or guarantor name.	Not applicable. E*TRADE does not have any resecuritization exposures.	
Equities Not Subject to Subpart F of This Part (Table 9)			
Qualitative Disclosures			
(a)	The general qualitative disclosure requirement with respect to equity risk for equities not subject to subpart F of this part, including: 1. Differentiation between holdings on which capital gains are expected and those taken under other objectives including for relationship and strategic reasons; and 2. Discussion of important policies covering the valuation of and accounting for equity holdings not subject to subpart F of this part. This includes the accounting techniques and valuation methodologies used, including key assumptions and practices affecting valuation as well as significant changes in these practices.	Basel III Standardized Approach Disclosures Equities Not Subject to the Market Risk Capital Rule	 Pg. 19

Table	Disclosure Requirement	Disclosure Location	Disclosure or Source Reference
Equities Not Subject to Subpart F of This Part (Table 9)—continued			
Quantitative Disclosures			
(b)	Value disclosed on the balance sheet of investments, as well as the fair value of those investments; for securities that are publicly traded, a comparison to publicly-quoted share values where the share price is materially different from fair value.	Basel III Standardized Approach Disclosures Equities Not Subject to the Market Risk Capital Rule	Pg. 19
(c)	The types and nature of investments, including the amount that is: 1. Publicly traded; and 2. Non publicly traded.	Basel III Standardized Approach Disclosures Equities Not Subject to the Market Risk Capital Rule	Pg. 19
(d)	The cumulative realized gains (losses) arising from sales and liquidations in the reporting period.	Basel III Standardized Approach Disclosures Equities Not Subject to the Market Risk Capital Rule	Pg. 19
(e)	(1) Total unrealized gains (losses). (2) Total latent revaluation gains (losses). (3) Any amounts of the above included in Tier 1 or Tier 2 capital.	Basel III Standardized Approach Disclosures Equities Not Subject to the Market Risk Capital Rule	Pg. 19
(f)	Capital requirements categorized by appropriate equity groupings, consistent with the Board-regulated institution's methodology, as well as the aggregate amounts and the type of equity investments subject to any supervisory transition regarding regulatory capital requirements.	Basel III Standardized Approach Disclosures Equities Not Subject to the Market Risk Capital Rule	Pg. 19
Interest Rate Risk for Non-Trading Activities (Table 10)			
Qualitative Disclosures			
(a)	The general qualitative disclosure requirement, including the nature of interest rate risk for non-trading activities and key assumptions, including assumptions regarding loan prepayments and behavior of non-maturity deposits, and frequency of measurement of interest rate risk for non-trading activities.	2019 Form 10-K MD&A—Risk Management Basel III Standardized Approach Disclosures Interest Rate Risk	Pg. 63 Pg. 17
Quantitative Disclosures			
(b)	The increase (decline) in earnings or economic value (or relevant measure used by management) for upward and downward rate shocks according to management's method for measuring interest rate risk for non-trading activities, categorized by currency (as appropriate).	Basel III Standardized Approach Disclosures Interest Rate Risk	Pg. 17

COMPONENTS OF CAPITAL

The following table presents a reconciliation of total shareholders' equity to CET1 capital, additional Tier 1 capital, Tier 2 capital, and total capital (dollars in millions):

		September 30, 2020
E*TRADE Financial shareholders’ equity	**$**	**7,012**
Preferred stock		(689)
E*TRADE Financial CET1 capital before regulatory adjustments		**6,323**
Goodwill and other intangible assets, net of deferred tax liabilities		(2,410)
Disallowed deferred tax assets		(37)
Losses in other comprehensive income on available-for-sale debt securities, net of tax		3
E*TRADE Financial CET1 capital		**3,879**
Preferred stock		689
E*TRADE Financial Tier 1 capital		**4,568**
Other		—
E*TRADE Financial Tier 2 capital		**—**
E*TRADE Financial Total capital	**$**	**4,568**

The Company’s capital instruments include common stock that qualifies as CET1 capital, and non-cumulative perpetual preferred stock that qualifies as additional Tier 1 capital. As of September 30, 2020, the Company had 400,000,000 authorized shares of common stock with $0.01 par value and 221,122,743 of such shares outstanding. The Company had 400,000 shares of Series A Fixed-to-Floating Rate Non-Cumulative preferred stock and 3,000 shares of Series B Fixed-to-Floating Rate Non-Cumulative preferred stock outstanding at September 30, 2020. These common and preferred shares were exchanged as per the Merger Agreement on October 2, 2020.

CAPITAL ADEQUACY

The Company’s capital planning processes are critical to its financial strength and resiliency and therefore prudent management of capital is one of its highest priorities. Capital must be sufficient to support the business plans and risk profiles of its business activities as well as absorb any possible adverse shocks. The Company has a robust and well-defined Internal Capital Adequacy Assessment Process (ICAAP) outlined in its Capital Policy that requires it to operate in a safe and sound manner consistent with the Company's Enterprise Risk Appetite Statement (RAS), maintaining an appropriate amount of capital under both baseline expectations and potential stress scenarios.

The Company’s ICAAP addresses the three major components of an effective capital adequacy framework: identify and measure material risks, set and assess internal capital adequacy goals, and ensure the integrity of the internal capital adequacy assessments.

The Company’s Capital Policy describes how the Company sets capital goals under both baseline and stress circumstances. The Capital Policy also describes how the Company monitors, assesses, and reports capital adequacy against these goals. The monitoring and reporting process includes the use of triggers that signal potential weaknesses in capital position in order for the Company to take timely and appropriate mitigation steps.

The Company ensures the sound governance of the capital adequacy assessment process by clearly defining roles and responsibilities, inclusive of providing for a strong oversight role by senior management and management committees, and the Board of Directors. The Company’s internal controls framework ensures that all aspects of the capital planning process are functioning as designed and result in sound assessments of the Company's capital adequacy.

The Capital Policy also highlights the approach used to manage both capital distribution as well as issuance. Distribution of capital is considered only when the projected capital ratios are in excess of the capital goals. In addition, prior to any capital distribution or issuance, the Company will file notifications and/or applications with all relevant regulator(s) as appropriate.

The Company's RAS and investment policies permit investments in high-credit quality non-agency securities that include asset-backed securities, including, but not limited to, those collateralized by credit card, automobile loan, or student loan receivables, as well as commercial mortgage-backed securities. While these investments typically represent senior classes in the securitization exposures, we may be exposed to a higher level of credit risk, compared to the Company's agency portfolio, related to these investments. See *Securitization Exposures* for further details.

At September 30, 2020, none of the Company's broker-dealer, FCM or bank subsidiaries had capital less than the minimum required capital amount.

Capital Ratios

The following table presents capital ratios for E*TRADE Financial, E*TRADE Bank, and E*TRADE Savings Bank (dollars in millions):

	September 30, 2020				
	Actual		Well Capitalized Minimum Capital		Excess Capital
	Amount	Ratio	Amount	Ratio	Amount
E*TRADE Financial [(1)]					
Tier 1 leverage	$ 4,568	6.7 %	$ 3,400	5.0 %	$ 1,168
Common Equity Tier 1	$ 3,879	32.4 %	$ 779	6.5 %	$ 3,100
Tier 1 risk-based	$ 4,568	38.1 %	$ 958	8.0 %	$ 3,610
Total risk-based	$ 4,568	38.1 %	$ 1,198	10.0 %	$ 3,370
E*TRADE Bank [(1)]					
Tier 1 leverage	$ 3,633	7.2 %	$ 2,540	5.0 %	$ 1,093
Common Equity Tier 1	$ 3,633	36.3 %	$ 650	6.5 %	$ 2,983
Tier 1 risk-based	$ 3,633	36.3 %	$ 800	8.0 %	$ 2,833
Total risk-based	$ 3,633	36.3 %	$ 1,000	10.0 %	$ 2,633
E*TRADE Savings Bank [(1)]					
Tier 1 leverage	$ 1,512	33.5 %	$ 226	5.0 %	$ 1,286
Common Equity Tier 1	$ 1,512	146.2 %	$ 67	6.5 %	$ 1,445
Tier 1 risk-based	$ 1,512	146.2 %	$ 83	8.0 %	$ 1,429
Total risk-based	$ 1,512	146.2 %	$ 103	10.0 %	$ 1,409

(1) Basel III includes a capital conservation buffer that limits a banking organization's ability to make capital distributions and discretionary bonus payments to executive officers if a banking organization fails to maintain a Common Equity Tier 1 capital conservation buffer of more than 2.5%, on a fully phased-in basis, of total risk-weighted assets above each of the following minimum risk-based capital ratio requirements: Common Equity Tier 1 capital (4.5%), Tier 1 risk-based capital (6.0%), and Total risk-based capital (8.0%).

Standardized Risk-Weighted Assets

The Basel III standardized approach for calculating RWA takes into account measures of general credit risk (including consideration of general risk weights, off-balance sheet exposures, cleared transactions, guarantees, credit derivatives, and collateralized transactions), and market risk (if applicable). See Schedule HC-R in the FR Y-9C for a distribution of the Company's RWA by balance sheet category.

The following table presents RWA distributed by exposure categories as prescribed under the standardized approach (dollars in millions):

		September 30, 2020
RWA by applicable Basel III exposure category:		
Exposures to sovereign entities (1)	$	7,652
Exposures to depository institutions, foreign banks, and credit unions		584
Corporate exposures		72
Residential mortgage exposures		1,001
Other loans (2)		525
Other assets		1,376
Securitization exposures		325
Equity exposures		222
RWA for balance sheet asset categories		**11,757**
Off-balance sheet items		222
Total standardized RWA	**$**	**11,979**

(1) Includes securities issued by US government agencies and US government sponsored agencies.

(2) Includes the Company's margin lending and E*TRADE Line of Credit product.

CREDIT RISK

Credit risk is the risk of loss arising from the inability or failure of a borrower or counterparty to meet its credit obligations. Our mortgage loan portfolio represents our most significant credit risk exposure.

Credit Risk Exposure by Product Type and Contractual Maturity

The following table shows the Company's credit risk exposures by product type and remaining contractual maturity (dollars in millions):

	September 30, 2020						
	Years to Maturity						
Product Type	**Less than 1**	**1-5**	**Over 5**	**Total(1)**	**Netting**	**Total, Net**	**Quarterly Average**
Cash(2)	$ 3,453	$ —	$ —	$ 3,453	$ —	$ 3,453	$ 3,135
Investment securities	139	2,889	45,021	48,049	—	48,049	45,267
Margin receivables(3)	12,293	—	—	12,293	—	12,293	10,630
Loans receivable(3)(4)	516	274	846	1,636	—	1,636	1,569
Securities borrowed(5)	983	—	—	983	(962)	21	727
Total on-balance sheet(6)	**$ 17,384**	**$ 3,163**	**$ 45,867**	**$ 66,414**	**$ (962)**	**$ 65,452**	**$ 61,328**

(1) The Company is primarily exposed to credit risk in the United States of America. At September 30, 2020 approximately 32% and 11% of the Company’s mortgage loans receivable, 28% and 19% of the Company’s past-due mortgage loans, and 40% and 11% of the Company’s impaired mortgage loans were concentrated in California and New York, respectively. No other state had concentrations in these loan categories that represented 10% or more of the Company's total mortgage loans receivables.

(2) Includes cash and equivalents and cash segregated under federal or other regulations.

(3) Margin receivables and securities-based lending loans are reflected in the less than one year category as these products have no contractual maturity.

(4) Loans receivable includes $462 million of securities-based lending which was fully collateralized by cash and securities with fair values in excess of borrowings at September 30, 2020. Loans receivable also includes $198 million of recorded investment in loans that had been modified as troubled debt restructurings, including $116 million of one-to-four family loans and $82 million of home equity loans, respectively.

(5) Netting includes financial instruments and collateral pledged (including cash) for disclosure purposes only. The total amount of cash collateral paid for securities borrowed includes $433 million transacted through a program with a clearing organization, which guarantees the return of cash to the Company. For presentation purposes, this amount presented is based on the counterparties under the Company’s master securities loan agreements.

(6) Off-balance sheet commitments and other exposures are not material.

Credit Risk Exposure by Product Type and Counterparty

The following table shows the Company's credit risk exposures by product type and counterparty (dollars in millions):

	September 30, 2020						
	Counterparty						
Product Type	Sovereign Entities[1]	Bank and Brokerage Customers	Depository Institutions	Other[2]	Total	Netting	Total, Net
Cash	$ —	$ —	$ 3,453	$ —	$ 3,453	$ —	$ 3,453
Investment securities	46,404	—	—	1,645	48,049	—	48,049
Margin receivables	—	12,293	—	—	12,293	—	12,293
Loans receivable	—	1,636	—	—	1,636	—	1,636
Securities borrowed[3]	—	—	—	983	983	(962)	21
Total on-balance sheet	**$ 46,404**	**$ 13,929**	**$ 3,453**	**$ 2,628**	**$ 66,414**	**$ (962)**	**$ 65,452**

(1) Includes securities issued by US government agencies and US government sponsored agencies.

(2) Other includes sponsors of the Company's investments in non-agency commercial mortgage-backed and asset-backed securities and exposures to financial institutions acting as counterparties to the Company's securities lending activities.

(3) Netting includes financial instruments and collateral pledged (including cash) for disclosure purposes only.

Investment Securities

We focus primarily on security type and credit rating to monitor credit risk in our securities portfolios. We consider securities backed by the US government or its agencies to have low credit risk as the long-term debt rating of the US government is AA+ by S&P and Aaa by Moody’s at September 30, 2020. The amortized cost of these securities accounted for 97% of our total securities portfolio at September 30, 2020. We review the remaining debt securities that were not backed by the US government or its agencies according to their credit ratings from S&P and Moody’s where available, and all such debt securities were rated investment grade at September 30, 2020.

We are also exposed to risk in connection with the investments in non-agency commercial mortgage-backed and non-agency asset-backed securities, the latter of which are collateralized by credit card, automobile loan and student loan receivables at September 30, 2020. We manage risk with respect to non-agency securities by performing pre-purchase due diligence to assess collateral quality, transaction structure, cash flow sensitivity, and overall transaction risk. The results of the due diligence are reviewed and approved prior to purchase and the related investment performance is monitored monthly to assess any risk or other trends that emerge.

Margin Receivables

Margin receivables represent credit extended to customers to finance their purchases of securities by borrowing against securities they own and are fully collateralized by these securities in customer accounts. Borrowers of a margin loan are contractually required to continually adjust the amount of the collateral as a result of changes in its fair value such that the collateral can be replenished on a daily basis. The Company expects the borrowers will continually replenish the collateral as necessary because the Company subjects the borrowers to an internal qualification process and an interview to align investing objectives and risk appetite in addition to monitoring customer activity. The Company has no expectation of credit losses for margin loans where the fair value of the collateral securing the loans is equal to or in excess of the loaned amount. In cases where the fair value of the collateral is less than the amortized cost basis of the loan, for example, in times of severe or prolonged market volatility, the Company recognizes an allowance for credit losses in the amount of the difference, or unsecured balance. The Company fully reserves for unsecured margin balances and related accrued interest receivable when they become 90 days past due.

Loans Receivable

Loans receivable is comprised of the Company’s mortgage loan portfolio, which includes one- to- four-family and home equity loans, and our E*TRADE Line of Credit, a securities-based lending product which allows customers to borrow against the market value of their securities pledged as collateral.

One- to four-family loans include loans with a five to ten-year interest-only period, followed by an amortizing period ranging from 20 to 25 years. The home equity loan portfolio consists of home equity installment loans (HEILs) and home equity lines of credit (HELOCs) and is primarily second lien loans on residential real estate properties that have a higher level of credit risk than first lien mortgage loans. HEILs are primarily fixed rate and fixed term, fully amortizing loans that do not offer the option of an interest-only payment. The majority of HELOCs had an interest-only draw period at origination and converted to amortizing loans at the end of the draw period, which typically ranged from five to ten years. At September 30, 2020, all of the one-to four-family loans were amortizing and substantially all of the HELOC portfolio had converted from the interest-only draw period. These conversions mitigate the risk associated with these loans; however, the Company is still exposed to risk if the borrowers fail to perform or if prolonged disruption to the global economy as a result of the COVID-19 pandemic impairs our customers' ability to fulfill their credit obligations. In addition, certain borrowers have requested forbearance under the Coronavirus Aid, Relief, and Economic Security Act during the three months ended September 30, 2020. These modifications are generally intended to provide short-term relief; however, we may be exposed to credit risk if the relief is not sufficient and the borrowers fail to perform as a result of continued disruption to the global economy.

Securities-based lending is fully collateralized by cash and securities with fair values in excess of the amount borrowed. The borrowers are contractually required to continually adjust the amount of the collateral as a result of changes in its fair value such that the collateral can be replenished on a daily basis. The Company expects the borrowers will continually replenish the collateral. As a result, the Company has no expectation of credit losses on its securities-based lending loans. The Company fully reserves for unsecured securities-based lending and related accrued interest receivable when they become 90 days past due.

Securities Borrowed Transactions

Securities borrowed transactions are recorded at the amount of cash collateral delivered to the counterparty plus accrued interest. For financial statement purposes, the Company does not offset securities borrowing and securities lending transactions. These activities are generally transacted under master agreements that are widely used by counterparties and that may allow for net settlements of payments in the normal course, as well as offsetting of all contracts with a given counterparty in the event of bankruptcy or default of one of the two parties to the transaction.

The Company is required to deliver cash to the lender for securities borrowed whereas the Company receives collateral in the form of cash for securities loaned. These activities both require cash in an amount generally in excess of the market value of the securities and have overnight or continuous remaining contractual maturities. Securities lending transactions expose the Company to counterparty credit risk and market risk. To manage the counterparty risk, the Company maintains internal standards for approving counterparties, reviews and analyzes the credit rating of each counterparty, and monitors its positions with each counterparty on an ongoing basis. In addition, for certain of the Company's securities lending transactions, the Company uses a program with a clearing organization that guarantees the return of collateral. The Company monitors the market value of the securities borrowed and loaned using collateral arrangements that require additional collateral to be obtained from or excess collateral to be returned to the counterparties based on changes in market value, in an effort to maintain specified collateral levels.

Equity Securities Risk

We are indirectly exposed to equity securities risk in connection with securities collateralizing margin receivables and amounts borrowed under our E*TRADE Line of Credit, as well as risk related to our securities borrowing activities. We manage risk on margin and securities-based lending by requiring customers to maintain collateral in compliance with internal and, as applicable, regulatory guidelines. We monitor required margin levels daily and require our customers to deposit additional collateral, or to reduce positions, when necessary. We continuously monitor customer accounts to detect excessive concentration, large orders or positions, and other activities that indicate increased risk to us. We manage risks associated with our securities lending and borrowing activities by requiring credit approvals for counterparties, by monitoring the market value of securities loaned and collateral values for securities borrowed on a daily basis and requiring additional cash as collateral for securities loaned or return of collateral for securities borrowed when necessary, and by participating in a risk-sharing program offered through the Options Clearing Corporation.

Allowance for Credit Losses

The following table presents a roll forward by loan portfolio of the allowance for credit losses (dollars in millions):

	Three Months Ended September 30, 2020		
	One- to Four-Family	Home Equity	Total[(1)]
Allowance for credit losses, beginning of period	$ 36	$ 46	$ 82
(Provision) benefit for credit losses	(1)	4	3
Charge-offs[(2)]	—	—	—
Recoveries[(2)]	—	(5)	(5)
Net charge-offs (recoveries)	—	(5)	(5)
Allowance for credit losses, end of period[(3)]	**$ 35**	**$ 45**	**$ 80**

(1) Securities-based lending loans were fully collateralized by cash and securities with fair values in excess of borrowings, and were unconditionally cancellable by the Company.

(2) Includes benefits resulting from recoveries of partial charge-offs due to principal paydowns or payoffs. The benefits included in the charge-offs line item exceeded other charge-offs for both one-to-four family and home equity loans during the three months ended September 30, 2020.

(3) The allowance for credit losses is a "negative allowance," which reflects the Company's adoption of amended accounting guidance on January 1, 2020. Refer to *Note 1—Organization, Basis of Presentation and Summary of Significant Accounting Policies* in the Q2 2020 Form 10-Q for further details.

MARKET RISK

Market risk is the risk that asset values or income streams will be adversely affected by changes in market conditions. The most significant type of market risk we face is interest rate risk. Interest rate risk is the risk of adverse changes in earnings or market value arising from our balance sheet position due to changes in interest rates.

Interest Rate Risk

Our exposure to interest rate risk is related primarily to interest-earning assets and interest-bearing liabilities. Managing interest rate risk is essential to profitability. The primary objective of interest rate risk management is to control exposure to interest rates within the Board-approved limits and with limited exposure to earnings volatility resulting from interest rate fluctuations. Our general strategies to manage interest rate risk include balancing variable-rate and fixed-rate assets and liabilities and utilizing derivatives to help manage exposures to changes in interest rates. Exposure to interest rate risk requires management to make complex assumptions regarding maturities, market interest rates and customer behavior. Changes in interest rates, including the following, could impact interest income and expense:

- Interest-earning assets and interest-bearing liabilities may re-price at different times or by different amounts, creating a mismatch.
- The yield curve may steepen, flatten or otherwise change shape, which could affect the spread between short- and long-term rates. Widening or narrowing spreads could impact net interest income.
- Market interest rates may influence prepayments, resulting in maturity mismatches. In addition, prepayments could impact yields as premiums and discounts amortize.

Exposure to interest rate risk is dependent upon the distribution and composition of interest-earning assets, interest-bearing liabilities and derivatives. The differing risk characteristics of each product are managed to mitigate our exposure to interest rate fluctuations. At September 30, 2020, 92% of our total assets were interest-earning assets and we had no securities classified as trading.

At September 30, 2020, 60% of total assets were available-for-sale and held-to-maturity mortgage-backed securities and residential real estate loans. The values of these assets are sensitive to changes in interest rates as well as expected prepayment levels. As interest rates increase, fixed-rate residential mortgages and mortgage-backed securities tend to exhibit lower prepayments. The inverse is true in a falling rate environment.

When real estate loans or mortgage-backed securities are prepaid, unamortized premiums and/or discounts are recognized immediately in interest income. Depending on the timing of the prepayment, these adjustments to income would impact anticipated yields. The Company reviews estimates of the impact of changing market rates on prepayments. This information is incorporated into our interest rate risk management strategy.

Our liability structure consists of two central sources of funding: deposits and customer payables, both of which re-price at management's discretion. We may utilize securities lending and wholesale funding sources as needed for short-term liquidity and contingency funding requirements.

Derivative Instruments

We use derivative instruments to help manage interest rate risk using designated hedge relationships. Interest rate swaps involve the exchange of fixed-rate and variable-rate interest payments between two parties based on a contractual underlying notional amount, but do not involve the exchange of the underlying notional amounts.

Scenario Analysis

Scenario analysis is an advanced approach to estimating interest rate risk exposure. The Company monitors interest rate risk using the Economic Value of Equity (EVE) approach and the Earnings-at-Risk (EAR) approach.

Under the EVE approach, the present value of expected cash flows of all existing interest-earning assets, interest-bearing liabilities, derivatives and forward commitments are estimated and combined to produce an EVE figure. The change in EVE is a long-term sensitivity measure of interest rate risk. The approach values only the current balance sheet in which the most significant assumptions are the prepayment rates of the loan and mortgage-backed securities portfolios and the repricing of deposits. This approach does not incorporate assumptions related to business growth, or liquidation and reinvestment of instruments. This approach provides an indicator of future earnings and capital levels because changes in EVE indicate the anticipated change in the value of future cash flows. The sensitivity of this value to changes in interest rates is then determined by applying alternative interest rate scenarios. The change in EVE amounts fluctuate based on instantaneous parallel shifts in interest rates primarily due to the change in timing of cash flows, which considers prepayment estimates, in the Company's residential loan and mortgage-backed securities portfolios.

EAR is a short-term sensitivity measure of interest rate risk and illustrates the impact of alternative interest rate scenarios on net interest income, including corporate interest expense, over a twelve month time frame. In measuring the sensitivity of net interest income to changes in interest rates, we assume instantaneous parallel interest rate shocks applied to the forward curve. In addition, we assume that cash flows from loan payoffs are reinvested in mortgage-backed securities, we exclude revenue from off-balance sheet customer cash and we assume no balance sheet growth.

The following table presents the sensitivity of EVE and EAR at the consolidated E*TRADE Financial level (dollars in millions):

Instantaneous Parallel Change in Interest Rates (basis points)	September 30, 2020			
	Economic Value of Equity		Earnings-at-Risk	
	Amount	Percentage	Amount	Percentage
+200	$ 185	3.5 %	$ 425	31.9 %
+100	$ 291	5.4 %	$ 222	16.7 %
+50	$ 206	3.8 %	$ 114	8.5 %
-50	$ (181)	(3.4)%	$ (89)	(6.7)%

We actively manage interest rate risk. As interest rates change, we will adjust our strategy and mix of assets, liabilities and derivatives to optimize our interest rate risk position. For example, a 100 basis points increase in rates may not result in a change in value as indicated above. We compare the instantaneous parallel interest rate changes in EVE and EAR to the established limits set by the board of directors in order to assess interest rate risk. In the event that the percentage change in EVE or EAR exceeds the Board limits, our Chief Executive Officer, Chief Risk Officer, Chief Financial Officer and Treasurer must all be promptly notified in writing and decide upon a plan of remediation. In addition, the board of directors must be notified of the exception and the planned resolution. At September 30, 2020 the EVE and EAR percentage changes were within our Board limits.

SECURITIZATION EXPOSURES

The disclosures in this section refer to securitization exposures held in the Company's investment portfolio and the regulatory capital impact of these exposures calculated according to the Rule. The Rule defines securitization exposures as on-balance sheet and off-balance sheet credit exposures that result from traditional securitizations, synthetic securitizations, or resecuritizations. Traditional and synthetic securitizations arise when the credit risk of one or more underlying exposures is transferred to one or more third parties, and the underlying exposures have been separated into at least two tranches reflecting different levels of seniority, where performance of the exposures depends on the performance of the underlying assets, and substantially all of the underlying assets are financial exposures.

A participant in the securitization market is typically an originator, investor, or sponsor. The Company's investments in non-agency asset-backed and non-agency mortgage-backed securities qualify as securitization exposures under the Rule. As such, the Company participates in these exposures as an investor. The Company’s investments in mortgage-backed securities issued or guaranteed by government agencies do not qualify as securitization exposures. The Company does not have any synthetic securitization or resecuritization exposures.

The Company utilizes the Simplified Supervisory Formula Approach (SSFA) to determine RWA for its securitization exposures. The following table shows the Company's securitization exposures as of September 30, 2020 by exposure type (dollars in millions):

	Carrying Value	RWA Value(1)
Non-agency asset-backed securities(2)	$ 1,353	$ 270
Non-agency mortgage-backed securities	292	55
Total securitization exposures	**$ 1,645**	**$ 325**

(1) RWA value is based on risk weight bands of approximately 20% for all exposures. The capital impact of RWA was $26 million and is calculated by multiplying RWA by the minimum total risk-based capital ratio of 8%.

(2) All non-agency asset-backed securities were collateralized by credit card, automobile loan and student loan receivables as of September 30, 2020.

EQUITIES NOT SUBJECT TO THE MARKET RISK CAPITAL RULE

The Company has total equity exposures of approximately $222 million at September 30, 2020. The majority are related to the Company's Community Reinvestment Act investments, including Low Income Housing Tax Credit (LIHTC) investments totaling $145 million and investments in Bank-Owned Life Insurance (BOLI) of $72 million. Additional exposure to equities includes investments in Federal Home Loan Bank equity of $4 million. The Company utilizes the alternative modified look-through approach to determine risk-weighted assets associated with its investment in BOLI and the simple risk-weight approach for its remaining equity investments.

LIHTC investments are generally accounted for under the proportional amortization method. Other equity securities are generally accounted for using the equity method or an alternative method for securities without readily determinable fair value. For additional information on the Company's accounting policy for these investments, refer to *Note 1—Organization, Basis of Presentation and Summary of Significant Accounting Policies* in the 2019 Form 10-K.