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E*TRADE FINANCIAL CORPORATION ANNOUNCES SECOND QUARTER RESULTS

- *Earnings of \$0.37 per share, or \$0.42 per share excluding \$0.05 per share of expense for certain legal and regulatory matters*
- *Record Total Net Revenue of \$664 million*
- *Pre-tax Income of \$241 million*
- *Net Income of \$159 million*
- *Target Segment account growth of 29 percent on an annualized basis*
- *Record Total Retail Client Assets of \$213 billion*
- *Total Customer Cash and Deposits growth of \$1.9 billion*

New York, July 25, 2007 – E*TRADE FINANCIAL Corporation (NASDAQ: ETFC) today announced results for its second quarter ended June 30, 2007, reporting net income of \$159 million, or \$0.37 per share, compared to \$156 million, or \$0.36 per share a year ago. The results in the second quarter of 2007 produced a 39 percent operating margin⁽¹⁾ including approximately \$35 million of pre-tax expense, or \$0.05 per share, for certain legal and previously disclosed regulatory matters related to the Company's institutional equity business. Excluding the impact of these items, the Company generated earnings of \$0.42 per share and achieved a 45 percent operating margin⁽¹⁾. Total net revenue for the second quarter increased 9 percent year over year to a record \$664 million. Net operating interest income after provision for loan losses increased 15 percent year over year to a record \$384 million – representing 58 percent of total net revenue. The Company's retail client assets increased to a record \$213 billion including growth in total customer cash and deposits of \$1.9 billion – a more than six-fold increase versus the year ago period.

The Company also narrowed its 2007 pro-forma earnings guidance to a range of \$1.58 - \$1.72 per share from the previous range of \$1.55 - \$1.75, leaving the mid-point of \$1.65 unchanged. This pro-forma range excludes the \$0.05 per share of expense for certain legal and regulatory matters realized during the second quarter. Including these expenses, the Company now expects to earn \$1.53 - \$1.67 per share on a GAAP basis in 2007.

“Our second quarter results demonstrate the strategic and economic success we have achieved through investments in product, service and marketing over the past several years,” said Mitchell H. Caplan, Chief Executive Officer, E*TRADE FINANCIAL Corporation. “We delivered record performance in the quarter while improving the overall quality of revenue and earnings through continued growth and engagement led by our high-value, target segment accounts.”

(more)

Other selected recent and second quarter highlights:

- Launched Global Trading Platform, providing U.S. retail investors online access to foreign stocks and currencies in the major international markets and the ability to buy, hold and sell in the respective local currencies
- Recognized by *SmartMoney* magazine as the #1 premium broker (August 2007 issue)
- Produced record levels of options trades at 15.4 percent of U.S. Daily Average Revenue Trade ("DART") volumes, up 3 percentage points versus the year ago period
- Generated record quarterly Quick Transfer volume averaging over 400,000 cash transactions per month
- Expanded international business with the launch of operations in Norway and the Netherlands
- Extended branch network with three new locations: Minneapolis, Minnesota; Charlotte, North Carolina; and Houston, Texas – increasing total branches to 27 nationwide
- Repurchased over 3.1 million shares of common stock at a weighted average price of \$23.30 per share

Historical monthly metric data from January 2003 to June 2007 can be found on the E*TRADE FINANCIAL investor relations site at <https://investor.etrade.com>.

The Company will host a conference call to discuss its second quarter results beginning at 5:00 p.m. (EDT) today. The conference call will be available to domestic participants by dialing 1-888-694-4768 and 1-973-872-3197 for international participants. The conference ID number is 8977979. A live audio webcast of this conference call will also be accessible at <https://investor.etrade.com>.

About E*TRADE FINANCIAL

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

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Financial Statements

E*TRADE FINANCIAL CORPORATION AND SUBSIDIARIES
Consolidated Statement of Income
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Revenue:				
Operating interest income	\$ 905,772	\$ 660,373	\$ 1,735,567	\$ 1,254,667
Operating interest expense	(491,608)	(315,771)	(930,817)	(585,276)
Net operating interest income	414,164	344,602	804,750	669,391
Provision for loan losses	(30,045)	(10,270)	(51,231)	(20,467)
Net operating interest income after provision for loan losses	384,119	334,332	753,519	648,924
Commission	169,768	167,296	328,761	343,165
Fees and service charges	65,446	57,809	124,944	115,671
Principal transactions	27,768	31,590	57,850	62,282
Gain on sales of loans and securities, net	5,328	11,107	22,703	22,735
Other revenue	11,120	9,224	20,770	16,930
Total non-interest income	279,430	277,026	555,028	560,783
Total net revenue	663,549	611,358	1,308,547	1,209,707
Expense excluding interest:				
Compensation and benefits	119,079	125,641	242,861	241,629
Clearing and servicing	74,177	64,138	141,429	127,426
Advertising and market development	35,938	30,420	81,530	65,201
Communications	25,821	27,834	51,977	59,242
Professional services	25,162	23,219	50,147	50,974
Depreciation and amortization	20,075	18,827	39,458	37,616
Occupancy and equipment	22,820	20,428	46,399	40,932
Amortization of other intangibles	10,187	11,972	20,455	23,304
Facility restructuring and other exit activities	(1,500)	2,884	(767)	2,631
Other	70,426	25,208	103,101	56,213
Total expense excluding interest	402,185	350,571	776,590	705,168
Income before other income (expense), income taxes and discontinued operations	261,364	260,787	531,957	504,539
Other income (expense):				
Corporate interest income	1,001	2,188	2,706	4,149
Corporate interest expense	(37,866)	(36,114)	(75,657)	(76,622)
Gain on sales and impairment of investments	17,267	15,290	37,023	32,906
Gain (loss) on early extinguishment of debt	31	(568)	31	(703)
Equity in income (loss) of investments and venture funds	(840)	189	7,255	(818)
Total other income (expense)	(20,407)	(19,015)	(28,642)	(41,088)
Income before income taxes and discontinued operations	240,957	241,772	503,315	463,451
Income tax expense	81,828	85,080	174,776	163,775
Net income from continuing operations	159,129	156,692	328,539	299,676
Discontinued operations, net of tax:				
Loss from discontinued operations	-	(208)	-	(721)
Loss from discontinued operations, net of tax	-	(208)	-	(721)
Net income	<u>\$ 159,129</u>	<u>\$ 156,484</u>	<u>\$ 328,539</u>	<u>\$ 298,955</u>
Basic earnings per share from continuing operations	\$ 0.38	\$ 0.37	\$ 0.78	\$ 0.72
Basic earnings (loss) per share from discontinued operations	-	(0.00)	-	(0.00)
Basic net earnings per share	<u>\$ 0.38</u>	<u>\$ 0.37</u>	<u>\$ 0.78</u>	<u>\$ 0.72</u>
Diluted earnings per share from continuing operations	\$ 0.37	\$ 0.36	\$ 0.75	\$ 0.69
Diluted earnings (loss) per share from discontinued operations	-	(0.00)	-	(0.00)
Diluted net earnings per share	<u>\$ 0.37</u>	<u>\$ 0.36</u>	<u>\$ 0.75</u>	<u>\$ 0.69</u>
Shares used in computation of per share data:				
Basic	423,308	421,929	423,546	418,324
Diluted	435,775	439,460	436,708	435,918

E*TRADE FINANCIAL CORPORATION AND SUBSIDIARIES
Consolidated Statement of Income
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended		
	June 30, 2007	March 31, 2007	June 30, 2006
Revenue:			
Operating interest income	\$ 905,772	\$ 829,795	\$ 660,373
Operating interest expense	(491,608)	(439,209)	(315,771)
Net operating interest income	414,164	390,586	344,602
Provision for loan losses	(30,045)	(21,186)	(10,270)
Net operating interest income after provision for loan losses	384,119	369,400	334,332
Commission	169,768	158,993	167,296
Fees and service charges	65,446	59,498	57,809
Principal transactions	27,768	30,082	31,590
Gain on sales of loans and securities, net	5,328	17,375	11,107
Other revenue	11,120	9,650	9,224
Total non-interest income	279,430	275,598	277,026
Total net revenue	663,549	644,998	611,358
Expense excluding interest:			
Compensation and benefits	119,079	123,782	125,641
Clearing and servicing	74,177	67,252	64,138
Advertising and market development	35,938	45,592	30,420
Communications	25,821	26,156	27,834
Professional services	25,162	24,985	23,219
Depreciation and amortization	20,075	19,383	18,827
Occupancy and equipment	22,820	23,579	20,428
Amortization of other intangibles	10,187	10,268	11,972
Facility restructuring and other exit activities	(1,500)	733	2,884
Other	70,426	32,675	25,208
Total expense excluding interest	402,185	374,405	350,571
Income before other income (expense), income taxes and discontinued operations	261,364	270,593	260,787
Other income (expense):			
Corporate interest income	1,001	1,705	2,188
Corporate interest expense	(37,866)	(37,791)	(36,114)
Gain on sales and impairment of investments	17,267	19,756	15,290
Gain (loss) on early extinguishment of debt	31	-	(568)
Equity in income (loss) of investments and venture funds	(840)	8,095	189
Total other income (expense)	(20,407)	(8,235)	(19,015)
Income before income taxes and discontinued operations	240,957	262,358	241,772
Income tax expense	81,828	92,948	85,080
Net income from continuing operations	159,129	169,410	156,692
Discontinued operations, net of tax:			
Loss from discontinued operations	-	-	(208)
Loss from discontinued operations, net of tax	-	-	(208)
Net income	\$ 159,129	\$ 169,410	\$ 156,484
Basic earnings per share from continuing operations	\$ 0.38	\$ 0.40	\$ 0.37
Basic earnings (loss) per share from discontinued operations	-	-	(0.00)
Basic net earnings per share	\$ 0.38	\$ 0.40	\$ 0.37
Diluted earnings per share from continuing operations	\$ 0.37	\$ 0.39	\$ 0.36
Diluted earnings (loss) per share from discontinued operations	-	-	(0.00)
Diluted net earnings per share	\$ 0.37	\$ 0.39	\$ 0.36
Shares used in computation of per share data:			
Basic	423,308	423,786	421,929
Diluted	435,775	437,535	439,460

E*TRADE FINANCIAL CORPORATION AND SUBSIDIARIES
Consolidated Balance Sheet
(In thousands, except share amounts)
(Unaudited)

	June 30, 2007	December 31, 2006
ASSETS		
Cash and equivalents	\$ 1,039,510	\$ 1,212,234
Cash and investments required to be segregated under Federal or other regulations	352,518	281,622
Trading securities	161,851	178,600
Available-for-sale mortgage-backed and investment securities	16,893,248	13,921,983
Loans held-for-sale	242,269	283,496
Margin receivables	7,399,916	6,828,448
Loans receivable, net	31,483,530	26,372,697
Property and equipment, net	363,349	318,389
Goodwill	2,036,920	2,072,920
Other intangibles, net	451,528	471,933
Other assets	2,550,427	1,796,981
Total assets	\$ 62,975,066	\$ 53,739,303
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Deposits	\$ 27,770,749	\$ 24,071,012
Securities sold under agreements to repurchase	12,435,733	9,792,422
Customer payables	6,493,401	6,182,672
Other borrowings	7,785,101	5,323,962
Senior notes	1,396,906	1,401,592
Mandatory convertible notes	443,071	440,577
Accounts payable, accrued and other liabilities	2,315,943	2,330,696
Total liabilities	58,640,904	49,542,933
Shareholders' equity:		
Common stock, \$0.01 par value, shares authorized: 600,000,000; shares issued and outstanding: 425,256,687 at June 30, 2007 and 426,304,136 at December 31, 2006	4,253	4,263
Additional paid-in-capital	3,146,768	3,184,290
Retained earnings	1,522,925	1,209,289
Accumulated other comprehensive loss	(339,784)	(201,472)
Total shareholders' equity	4,334,162	4,196,370
Total liabilities and shareholders' equity	\$ 62,975,066	\$ 53,739,303

Segment Reporting

	Three Months Ended June 30, 2007			
	Retail	Institutional	Eliminations⁽²⁾	Total
Revenue:	(In thousands)			
Operating interest income	\$ 502,336	\$ 741,770	\$ (338,334)	\$ 905,772
Operating interest expense	(251,832)	(578,110)	338,334	(491,608)
Net operating interest income	250,504	163,660	-	414,164
Provision for loan losses	-	(30,045)	-	(30,045)
Net operating interest income after provision for loan losses	250,504	133,615	-	384,119
Commission	128,183	41,585	-	169,768
Fees and service charges	57,979	9,923	(2,456)	65,446
Principal transactions	-	27,768	-	27,768
Gain on sales of loans and securities, net	7,351	(2,023)	-	5,328
Other revenue	11,173	91	(144)	11,120
Total non-interest income	204,686	77,344	(2,600)	279,430
Total net revenue	455,190	210,959	(2,600)	663,549
Expense excluding interest:				
Compensation and benefits	79,725	39,354	-	119,079
Clearing and servicing	22,658	54,119	(2,600)	74,177
Advertising and market development	34,382	1,556	-	35,938
Communications	22,570	3,251	-	25,821
Professional services	17,074	8,088	-	25,162
Depreciation and amortization	15,246	4,829	-	20,075
Occupancy and equipment	19,759	3,061	-	22,820
Amortization of other intangibles	9,536	651	-	10,187
Facility restructuring and other exit activities	(842)	(658)	-	(1,500)
Other	30,919	39,507	-	70,426
Total expense excluding interest	251,027	153,758	(2,600)	402,185
Segment income	<u>\$ 204,163</u>	<u>\$ 57,201</u>	<u>\$ -</u>	<u>\$ 261,364</u>

	Three Months Ended March 31, 2007			
	Retail	Institutional	Eliminations⁽²⁾	Total
Revenue:	(In thousands)			
Operating interest income	\$ 457,764	\$ 671,243	\$ (299,212)	\$ 829,795
Operating interest expense	(230,283)	(508,138)	299,212	(439,209)
Net operating interest income	227,481	163,105	-	390,586
Provision for loan losses	-	(21,186)	-	(21,186)
Net operating interest income after provision for loan losses	227,481	141,919	-	369,400
Commission	123,305	35,688	-	158,993
Fees and service charges	54,203	7,475	(2,180)	59,498
Principal transactions	-	30,082	-	30,082
Gain on sales of loans and securities, net	4,911	12,464	-	17,375
Other revenue	9,751	41	(142)	9,650
Total non-interest income	192,170	85,750	(2,322)	275,598
Total net revenue	419,651	227,669	(2,322)	644,998
Expense excluding interest:				
Compensation and benefits	80,296	43,486	-	123,782
Clearing and servicing	20,761	48,813	(2,322)	67,252
Advertising and market development	43,924	1,668	-	45,592
Communications	22,795	3,361	-	26,156
Professional services	15,099	9,886	-	24,985
Depreciation and amortization	14,809	4,574	-	19,383
Occupancy and equipment	20,572	3,007	-	23,579
Amortization of other intangibles	9,619	649	-	10,268
Facility restructuring and other exit activities	1,017	(284)	-	733
Other	19,301	13,374	-	32,675
Total expense excluding interest	248,193	128,534	(2,322)	374,405
Segment income	<u>\$ 171,458</u>	<u>\$ 99,135</u>	<u>\$ -</u>	<u>\$ 270,593</u>

	Three Months Ended June 30, 2006			
	Retail	Institutional	Eliminations⁽²⁾	Total
	(In thousands)			
Revenue:				
Operating interest income	\$ 372,732	\$ 503,168	\$ (215,527)	\$ 660,373
Operating interest expense	(144,026)	(387,272)	215,527	(315,771)
Net operating interest income	228,706	115,896	-	344,602
Provision for loan losses	-	(10,270)	-	(10,270)
Net operating interest income after provision for loan losses	228,706	105,626	-	334,332
Commission	127,567	39,729	-	167,296
Fees and service charges	52,052	7,536	(1,779)	57,809
Principal transactions	-	31,590	-	31,590
Gain on sales of loans and securities, net	8,958	2,149	-	11,107
Other revenue	10,903	52	(1,731)	9,224
Total non-interest income	199,480	81,056	(3,510)	277,026
Total net revenue	428,186	186,682	(3,510)	611,358
Expense excluding interest:				
Compensation and benefits	80,352	45,289	-	125,641
Clearing and servicing	20,124	47,524	(3,510)	64,138
Advertising and market development	28,388	2,032	-	30,420
Communications	24,520	3,314	-	27,834
Professional services	18,168	5,051	-	23,219
Depreciation and amortization	14,570	4,257	-	18,827
Occupancy and equipment	18,483	1,945	-	20,428
Amortization of other intangibles	9,814	2,158	-	11,972
Facility restructuring and other exit activities	2,824	60	-	2,884
Other	21,452	3,756	-	25,208
Total expense excluding interest	238,695	115,386	(3,510)	350,571
Segment income	\$ 189,491	\$ 71,296	\$ -	\$ 260,787

Key Performance Metrics⁽³⁾

<u>Corporate Metrics</u>	<u>Qtr ended</u> <u>6/30/07</u>	<u>Qtr ended</u> <u>3/31/07</u>	<u>Qtr ended</u> <u>6/30/07</u> <u>vs.</u> <u>3/31/07</u>	<u>Qtr ended</u> <u>6/30/06</u>	<u>Qtr ended</u> <u>6/30/07</u> <u>vs.</u> <u>6/30/06</u>
<u>Operating margin %⁽¹⁾</u>					
Consolidated	39 %	42 %	(3)%	43 %	(4)%
Retail	45 %	41 %	4 %	44 %	1 %
Institutional	27 %	44 %	(17)%	38 %	(11)%
Employees	4,027	4,217	(5)%	4,140	(3)%
Consultants and other	240	266	(10)%	565	(58)%
Total headcount	4,267	4,483	(5)%	4,705	(9)%
Revenue per headcount	\$ 155,507	\$ 143,876	8 %	\$ 129,938	20 %
Revenue per compensation and benefits dollar	\$ 5.57	\$ 5.21	7 %	\$ 4.87	14 %
Book value per share	\$ 10.19	\$ 10.19	0 %	\$ 9.03	13 %
Tangible book value per share	\$ 4.17	\$ 4.22	(1)%	\$ 3.11	34 %
Cash & equivalents (\$MM)	\$ 1,039.5	\$ 1,195.0	(13)%	\$ 876.4	19 %
Free cash (\$MM)	\$ 431.7	\$ 464.7	(7)%	\$ 650.8	(34)%
Enterprise net interest spread (basis points) ⁽⁴⁾	271	274	(1)%	291	(7)%
Enterprise interest-earning assets, average (\$MM)	\$ 57,683	\$ 52,871	9 %	\$ 44,064	31 %
<u>Earnings before interest, taxes, depreciation & amortization ("EBITDA") (\$MM)</u>					
Net income from continuing operations	\$ 159.1	\$ 169.4	(6)%	\$ 156.7	2 %
Tax expense	81.8	92.9	(12)%	85.1	(4)%
Depreciation & amortization	30.3	29.7	2 %	30.8	(2)%
Corporate interest expense	37.9	37.8	0 %	36.1	5 %
EBITDA	\$ 309.1	\$ 329.8	(6)%	\$ 308.7	0 %
Interest coverage	8.2	8.7	(6)%	8.5	(4)%

Key Performance Metrics⁽³⁾

<u>Retail Metrics</u>	Qtr ended		Qtr ended	Qtr ended	
	6/30/07	3/31/07	6/30/07 vs. 3/31/07	6/30/06	6/30/06 vs. 6/30/06
Trading days	63.0	61.0	3 %	63.0	0 %
<u>DARTs</u>					
US	141,606	141,238	0 %	142,621	(1)%
International	27,516	28,798	(4)%	22,981	20 %
Total DARTs	169,122	170,036	(1)%	165,602	2 %
Total trades (MM)	10.7	10.4	3 %	10.4	3 %
Average commission per trade	\$ 12.03	\$ 11.89	1 %	\$ 12.23	(2)%
End of period margin debt (\$B)	\$ 7.52	\$ 7.03	7 %	\$ 7.15	5 %
Average margin debt (\$B)	\$ 7.13	\$ 6.91	3 %	\$ 6.99	2 %
Gross new investing/trading accounts	198,538	170,672	16 %	169,595	17 %
Gross new deposit/lending accounts	125,179	179,547	(30)%	97,739	28 %
Inactive accounts	(147,605)	(150,981)	(2)%	(164,166)	(10)%
Customer closed accounts	(75,436)	(80,364)	(6)%	(61,689)	22 %
Net new accounts	100,676	118,874	(15)%	41,479	143 %
End of period investing/trading accounts	3,653,413	3,613,762	1 %	3,626,963	1 %
End of period deposit/lending accounts	993,807	932,782	7 %	748,950	33 %
End of period total accounts	4,647,220	4,546,544	2 %	4,375,913	6 %
<u>Account Segmentation Detail⁽⁵⁾</u>					
Retail accounts within target segment ⁽⁶⁾	978,084	912,057	7 %	N.A.	N.M.
Other retail accounts ⁽⁷⁾	2,610,164	2,583,257	1 %	N.A.	N.M.
Corporate Services accounts	1,058,972	1,051,230	1 %	N.A.	N.M.
End of period total accounts	4,647,220	4,546,544	2 %	4,375,913	6 %
Net new customers	51,193	37,100	N.M.	11,040	N.M.
End of period total customers	3,528,261	3,477,068	1 %	3,415,642	3 %
End of period assets per customer	\$ 60,323	\$ 57,659	5 %	\$ 52,741	14 %
Consolidated net revenue per customer	\$ 188	\$ 186	1 %	\$ 179	5 %
Consolidated segment income per customer ⁽¹⁾	\$ 74	\$ 78	(5)%	\$ 76	(3)%
Products per customer	2.1	2.1	0 %	2.1	0 %
<u>Client Assets (\$B)</u>					
Security holdings	\$ 140.2	\$ 133.5	5 %	\$ 121.6	15 %
Cash (including money market funds)	10.6	10.2	4 %	9.5	12 %
Unexercised Corporate Services client options (vested)	34.7	31.0	12 %	28.4	22 %
Client assets in investing/trading accounts	185.5	174.7	6 %	159.5	16 %
Sweep Deposit Account	11.0	10.8	2 %	10.5	5 %
Transaction accounts	11.7	10.3	14 %	6.1	92 %
CDs	4.6	4.7	(2)%	4.0	15 %
Client assets in deposit accounts	27.3	25.8	6 %	20.6	33 %
Total client assets	\$ 212.8	\$ 200.5	6 %	\$ 180.1	18 %
Net new client assets (\$B) ⁽⁸⁾	\$ 1.6	\$ 2.9	N.M.	N.A.	N.M.
Total customer cash and deposits (\$B)	\$ 37.9	\$ 36.0	5 %	\$ 30.1	26 %
Unexercised Corporate Services client options (unvested) (\$B)	\$ 24.8	\$ 20.5	21 %	\$ 16.5	50 %

Key Performance Metrics⁽³⁾

<u>Institutional Metrics</u>	<u>Qtr ended 6/30/07</u>	<u>Qtr ended 3/31/07</u>	<u>Qtr ended 6/30/07 vs. 3/31/07</u>	<u>Qtr ended 6/30/06</u>	<u>Qtr ended 6/30/07 vs. 6/30/06</u>
<u>Market Making</u>					
Equity shares traded (MM)	59,988	47,425	26 %	69,537	(14)%
Average revenue capture per 1,000 equity shares	\$ 0.433	\$ 0.576	(25)%	\$ 0.387	12 %
% of Bulletin Board equity shares to total equity shares	91.3%	89.7%	2 %	92.7%	(1)%
<u>End of Period Enterprise Loans Receivable Detail (\$MM)</u>					
Mortgage and home equity loans, net	\$ 28,599	\$ 26,628	7 %	\$ 17,256	66 %
Margin receivables	7,400	6,948	7 %	7,143	4 %
Consumer loans, net	2,854	3,006	(5)%	3,610	(21)%
Other	273	231	18 %	151	81 %
Total enterprise loans receivable, net	\$ 39,126	\$ 36,813	6 %	\$ 28,160	39 %
<u>Credit Quality and Reserve Metrics</u>					
Net charge-offs as a % of average loans receivable, net (annualized)	0.29 %	0.30 %	(0.01)%	0.15 %	0.14 %
Provision as a % of average loans receivable, net (annualized)	0.39 %	0.30 %	0.09 %	0.20 %	0.19 %
Total allowance for loan losses as a % of total ending gross loans receivable	0.24 %	0.23 %	0.01 %	0.32 %	(0.08)%
Total nonperforming loans receivable as a % of total gross loans receivable	0.53 %	0.39 %	0.14 %	0.22 %	0.31 %
Tier 1 Capital Ratio ⁽⁹⁾	6.15 %	6.24 %	(0.09)%	5.85 %	0.30 %
Risk Weighted Capital Ratio ⁽⁹⁾	10.58 %	10.48 %	0.10 %	11.01 %	(0.43)%

Activity in Allowance for Loan Losses

	<u>Three Months Ended June 30, 2007</u>		
	<u>Mortgage</u>	<u>Consumer</u>	<u>Total</u>
	(In thousands)		
Allowance for loan losses, ending 3/31/07	\$ 44,126	\$ 23,863	\$ 67,989
Provision for loan losses	25,154	4,891	30,045
Charge-offs, net	(15,636)	(6,694)	(22,330)
Allowance for loan losses, ending 6/30/07	<u>\$ 53,644</u>	<u>\$ 22,060</u>	<u>\$ 75,704</u>

Average Enterprise Balance Sheet Data

	Three Months Ended					
	June 30, 2007			March 31, 2007		
	Average Balance	Operating Interest Inc./Exp.	Average Yield/Cost	Average Balance	Operating Interest Inc./Exp.	Average Yield/Cost
Enterprise interest-earning assets:	(In thousands)					
Loans, net ⁽¹⁰⁾	\$ 31,037,971	\$ 497,517	6.41%	\$ 28,093,409	\$ 451,399	6.43%
Margin receivables	7,003,411	127,335	7.29%	6,787,828	123,986	7.41%
Mortgage-backed and related available-for-sale securities	13,027,383	172,501	5.30%	12,040,109	157,967	5.25%
Available-for-sale investment securities	4,502,434	73,133	6.50%	3,901,434	63,496	6.52%
Trading securities	114,135	3,174	11.12%	119,779	3,269	10.92%
Cash and cash equivalents ⁽¹¹⁾	1,244,965	15,008	4.84%	1,358,120	15,930	4.76%
Stock borrow and other	752,280	14,688	7.83%	570,805	10,051	7.14%
Total enterprise interest-earning assets	<u>\$ 57,682,579</u>	<u>903,356</u>	6.27%	<u>\$ 52,871,484</u>	<u>826,098</u>	6.27%
Enterprise interest-bearing liabilities:						
Retail deposits	\$ 26,778,743	200,081	3.00%	\$ 24,696,611	177,329	2.91%
Brokered certificates of deposit	424,645	5,220	4.93%	466,559	5,659	4.92%
Customer payables	6,836,301	22,779	1.34%	6,380,411	20,479	1.30%
Repurchase agreements and other borrowings	13,558,998	175,337	5.12%	12,137,872	159,031	5.24%
FHLB advances	6,151,086	78,800	5.07%	4,996,389	62,852	5.03%
Stock loan and other	1,194,006	8,381	2.82%	1,349,305	12,515	3.76%
Total enterprise interest-bearing liabilities	<u>\$ 54,943,779</u>	<u>490,598</u>	3.56%	<u>\$ 50,027,147</u>	<u>437,865</u>	3.53%
Enterprise net interest income/spread⁽⁴⁾		<u>\$ 412,758</u>	2.71%		<u>\$ 388,233</u>	2.74%

	Three Months Ended		
	June 30, 2006		
	Average Balance	Operating Interest Inc./Exp.	Average Yield/Cost
Enterprise interest-earning assets:	(In thousands)		
Loans, net ⁽¹⁰⁾	\$ 20,419,936	\$ 303,499	5.95%
Margin receivables	6,982,867	123,390	7.09%
Mortgage-backed and related available-for-sale securities	11,715,510	147,374	5.03%
Available-for-sale investment securities	3,048,166	47,287	6.21%
Trading securities	142,452	2,946	8.27%
Cash and cash equivalents ⁽¹¹⁾	1,260,684	13,421	4.27%
Stock borrow and other	493,981	8,795	7.14%
Total enterprise interest-earning assets	<u>\$ 44,063,596</u>	<u>646,712</u>	5.87%
Enterprise interest-bearing liabilities:			
Retail deposits	\$ 19,848,322	115,062	2.33%
Brokered certificates of deposit	577,068	6,696	4.65%
Customer payables	6,416,136	16,957	1.06%
Repurchase agreements and other borrowings	10,580,283	129,103	4.83%
FHLB advances	2,842,198	32,207	4.48%
Stock loan and other	1,133,694	8,487	3.00%
Total enterprise interest-bearing liabilities	<u>\$ 41,397,701</u>	<u>308,512</u>	2.96%
Enterprise net interest income/spread⁽⁴⁾		<u>\$ 338,200</u>	2.91%

Reconciliation from Enterprise Net Interest Income to Net Operating Interest Income

	Three Months Ended		
	June 30, 2007	March 31, 2007	June 30, 2006
	(In thousands)		
Enterprise net interest income	\$ 412,758	\$ 388,233	\$ 338,200
Taxable equivalent interest adjustment ⁽¹²⁾	(7,487)	(7,320)	(4,306)
Stock conduit, net ⁽¹³⁾	3	9	132
Customer cash held by third parties ⁽¹⁴⁾	8,890	9,664	10,576
Net operating interest income	<u>\$ 414,164</u>	<u>\$ 390,586</u>	<u>\$ 344,602</u>

SUPPLEMENTAL INFORMATION

Explanation of Non-GAAP Measures and Certain Metrics

Management believes that free cash, EBITDA, interest coverage, EPS excluding certain legal and regulatory items, operating margin excluding legal and regulatory matters, enterprise net interest income and enterprise interest-earning assets are appropriate measures for evaluating the operating and liquidity performance of the Company. We believe that the elimination of certain items from the related GAAP measures is helpful to investors and analysts who may wish to use some or all of this information to analyze our current performance, prospects and valuation. Management uses non-GAAP information internally to evaluate our operating performance and in formulating our budget for future periods.

Reporting Changes

During the period ended March, 31, 2007, the Company re-defined the line item "Service charges and fees" by reclassifying certain fee-like revenue items formerly reported in "Other revenue" into the "Service charges and fees" line item, now called "Fees and service charges". We also re-presented our balance sheet to report margin receivables and customer payables directly on the face of the balance sheet. The remaining components of brokerage receivables and brokerage payables are now reported in the "Other assets" and "Accounts payable, accrued and other liabilities" line items, respectively. The Company has re-presented the income statement and balance sheet for the past two years on our Investor Relations website.

Free Cash

Free cash represents cash held at the Company and its non-Bank and non-Brokerage subsidiaries, less discretionary reserves, plus excess capital at Bank and Brokerage after application of regulatory capital requirements and the Company's own regulatory capital guidelines. The Company believes that free cash is a useful measure of the Company's liquidity as it excludes cash reflected on the balance sheet that may not be freely available to the Company.

EBITDA

EBITDA represents net income from continuing operations before corporate interest expense, taxes and depreciation and amortization. Management believes that EBITDA provides a useful additional measure of our performance by excluding certain non-cash charges and expenses that are not directly related to the performance of our business.

Interest Coverage

Interest coverage represents EBITDA divided by corporate interest expense. Management believes that by excluding the charges and expenses that are excluded from EBITDA, interest coverage provides a useful additional measure of our ability to continue to meet our interest obligations and our liquidity.

EPS Excluding Certain Legal and Regulatory Items

EPS excluding certain legal and regulatory items represents net income plus certain legal and regulatory items, net of tax, divided by diluted shares. Management believes that excluding charges associated with certain legal and regulatory matters from EPS provides a useful measure to assess the ongoing operating performance of the Company without the impact of nonrecurring charges associated with certain legal and regulatory matters.

Operating Margin Excluding Certain Legal and Regulatory Matters

Operating margin excluding certain legal and regulatory items represents operating income plus legal and regulatory items, net of tax, divided by total net revenue. Management believes that excluding charges associated with certain legal and regulatory matters from operating margin provides a useful measure to assess the ongoing operating performance of the Company without the impact of nonrecurring charges associated with certain legal and regulatory matters.

Enterprise Net Interest Income

Enterprise net interest income is taxable equivalent basis net operating interest income excluding corporate interest income and corporate interest expense, stock conduit interest income and expense and interest earned on customer cash held by third parties. Management believes this non-GAAP measure is useful to investors and analysts as it is a measure of the net operating interest income generated by our core operations.

Enterprise Interest-Earning Assets

Enterprise interest-earning assets consists of the primary interest-earning assets of the Company and includes: loans receivable, mortgage-backed and available-for-sale securities, margin receivables, stock borrow balances, and cash required to be segregated under regulatory guidelines that earn interest for the Company. Management believes that this non-GAAP measure is useful to investors and analysts as it is a measure of the primary assets from which the Company generates net operating interest income.

It is important to note these metrics and other non-GAAP measures may involve judgment by management and should be considered in addition to, not as a substitute for, or superior to, net income, consolidated statements of cash flows, or other measures of financial performance prepared in accordance with GAAP. For complete information on the items excluded from these non-GAAP measures, please see our financial statements and "Management's Discussion and Analysis of Results of Operations and Financial Condition" that will be included in the periodic report we expect to file with the SEC with respect to the financial periods discussed herein.

ENDNOTES

(1) Operating margin is the percentage of net revenue that results in income before other income (expense), income taxes and discontinued operations. The percentage is calculated by dividing our income before other income (expense), income taxes and discontinued operations by our total net revenue. Our second quarter results include \$35 million for certain legal and previously disclosed regulatory matters related to the Company's institutional equity business. Excluding the impact of these items, operating margin was 45 percent for the quarter and consolidated segment income per customer was \$84.

(2) Reflects elimination of transactions between retail and institutional segments, which includes deposit and customer payable transfer pricing, servicing and order flow rebates.

(3) Amounts and percentages may not calculate due to rounding.

(4) Enterprise net interest spread is the taxable equivalent rate earned on average enterprise interest-earning assets less the rate paid on average enterprise interest-bearing liabilities, excluding corporate interest-earning assets and liabilities, stock conduit and customer cash held by third parties.

(5) Data prior to Q4 2006 is not available.

(6) Target segment accounts are accounts held by customers with over \$50,000 in assets and/or generating 30 or more trades per quarter.

(7) Other retail accounts are accounts that (a) were opened less than 90 days prior to the end of the relevant quarter; (b) only include a lending relationship or (c) that otherwise do not meet the definition of a target segment account.

(8) Net new client assets are total inflows to all new and existing client accounts less total outflows from all closed and existing client and closed accounts. Data prior to Q1 2007 is not available.

(9) Q2 2007 estimate. Includes E*TRADE Clearing, LLC, which became an operating subsidiary of E*TRADE Bank in Q1 2007.

(10) Excludes loans to customers on margin.

(11) Includes segregated cash balances.

(12) Gross-up for tax-exempt securities.

(13) Net operating interest income earned on average stock conduit assets of \$2.2 million, \$2.7 million and \$362.4 million for the quarters ended June 30, 2007, March 31, 2007 and June 30, 2006, respectively.

(14) Includes interest earned on average customer assets of \$4.0 billion, \$3.9 billion and \$3.4 billion for the quarters ended June 30, 2007, March 31, 2007 and June 30, 2006, respectively, held by parties outside E*TRADE FINANCIAL, including third party money market funds and sweep deposit accounts at unaffiliated financial institutions.