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E*TRADE FINANCIAL CORPORATION ISSUES 2006 EARNINGS GUIDANCE AND REPORTS NOVEMBER ACTIVITY

- *Established 2006 earnings guidance of \$1.30 - \$1.45 per share excluding \$0.05 per share in acquisition-related integration expenses*
- *Retail Daily Average Revenue Trades (DARTs) increase 8.3 percent month over month*

New York, December 14, 2005 – E*TRADE FINANCIAL Corporation (NYSE: ET) today established 2006 earnings guidance of \$1.30 - \$1.45 per share on Total Net Revenue of \$2.2 - \$2.4 billion. This guidance range excludes the impact of an expected \$35 million, or approximately \$0.05 per share, of integration-related expenses associated with the Company's recent acquisitions of *Harrisdirect* and *BrownCo*. Of the \$0.05 in expected integration-related expense, management anticipates that \$0.03 will be realized in the first quarter of 2006, \$0.01 in the second quarter and the remaining \$0.01 in the third quarter. Including these integration-related expenses, the Company expects GAAP EPS of \$1.25 - \$1.40 in 2006.

"We expect 2006 to be a year of accelerated growth for E*TRADE FINANCIAL," said Mitchell H. Caplan, CEO, E*TRADE FINANCIAL Corporation. "The strength of strategic acquisitions along with our continued ability to leverage our retail customer base against our institutional business positions our differentiated model to deliver strong performance in net revenue and earnings with operating margins over 40 percent."

E*TRADE FINANCIAL now expects earnings accretion from its recent acquisitions, included in its guidance, to be \$0.19 in 2006, up from \$0.15 at the time of announcement. The Company was able to finance and close both the *Harrisdirect* and the *BrownCo* acquisitions ahead of plan. The *Harrisdirect* conversion is expected to be completed in early Q1 '06 – six months ahead of plan – and the *BrownCo* conversion to be completed in early Q2 '06 – a full quarter ahead of plan.

As part of its ongoing disciplined review, the Company has made the decision to exit the remaining portion of E*TRADE Professional and is in negotiations to sell the business to its current management team. This action does not impact the Company's 2005 guidance. The change eliminates 30,955 daily average revenue trades from the Company's total trade volume in November. Excluding the Professional DARTs, the Company expects its average commission rate in the fourth quarter to be in a range of \$12.85 - \$13.10 per trade.

The Company also reported November Retail Daily Average Revenue Trades of 123,506, an increase of 8.3 percent from October and 29.8 percent from a year ago. Gross new accounts totaled 91,338 with 52,582 new investing/trading accounts and 38,756 new deposit/lending accounts added during the month. Average margin debt balances were up slightly versus October and increased 65 percent from a year ago to \$3.3 billion. The Company also reported total client assets of \$144.0 billion, representing a 4.6 percent increase from October and a 54.5 percent increase over the year ago period.

2006 GAAP Earnings Guidance

<u>Key Driver Assumptions</u>	<u>2006 Estimates</u>	
	<u>Low</u>	<u>High</u>
DARTs ⁽¹⁾ (in thousands)	135	150
Average commission per revenue trade	\$12.25	\$12.40
Average margin debt (\$B)	\$6.0	\$6.6
Enterprise cash, end of period (\$B)	\$28.5	\$30.5
Average enterprise interest rate spread (basis points)	270	285
Average enterprise interest earning assets ⁽²⁾ (\$B)	\$41	\$44
Total net revenues (\$MM)	\$2,200	\$2,400
Total expenses excluding interest	1,250	1,350
Segment income ⁽³⁾	\$950	\$1,050
Consolidated operating margin ⁽⁴⁾	43%	44%
Total other income	(\$110)	(\$110)
Effective tax rate	37%	37%
Net income	\$530	\$595
GAAP EPS Guidance	\$1.25	\$1.40
Acquisition-related integration costs ⁽⁵⁾	\$0.05	\$0.05
EPS, excluding acquisition-related integration costs	\$1.30	\$1.45
Average diluted shares outstanding (MM)	425	425

(1) Excludes Professional DARTs.

(2) Includes margin debt balances.

(3) Income before other income, income taxes and discontinued operations.

(4) Income before other income, income taxes and discontinued operations divided by total net revenues.

(5) Expected one-time costs related to the integration of Harris*direct* and BrownCo.

Key Performance Metrics ⁽¹⁾

	Nov-05	Oct-05	Nov-05 vs. Oct-05	Q405 QTD *	Qtr Ended 9/30/05	Q405 QTD * vs. Qtr Ended 9/30/05
Trading days	20.5	21.0	N.M.	41.5	64.0	N.M.
<u>Daily Average Revenue Trades (DARTs)</u>						
US	107,821	98,787	9.1 %	103,250	79,257	30.3 %
International	15,685	15,265	2.8 %	15,472	14,619	5.8 %
Total Retail DARTs	123,506	114,052	8.3 %	118,722	93,876	26.5 %
<u>Market Making</u>						
Equity shares traded (MM)	9,677	10,154	(4.7)%	19,831	35,125	N.M.
Average revenue capture per 1,000 shares	\$0.658	\$0.634	3.8 %	\$0.646	\$0.535	20.7 %
<u>Gross New Accounts</u>						
Investing/Trading accounts	52,582	484,423	N.M.	537,005	155,304	N.M.
Deposit/Lending accounts	38,756	15,557	N.M.	54,313	68,560	N.M.
Total gross new accounts	91,338	499,980	N.M.	591,318	223,864	N.M.
<u>Active Accounts</u>						
Investing/Trading accounts	3,440,576	3,426,892	0.4 %	3,440,576	3,014,467	14.1 %
Deposit/Lending accounts	681,854	679,921	0.3 %	681,854	678,449	0.5 %
Total active accounts end of period	4,122,430	4,106,813	0.4 %	4,122,430	3,692,916	11.6 %
End of period margin debt (\$MM)	\$3,327	\$3,341	(0.4)%	\$3,327	\$2,426	37.1 %
Average margin debt (\$MM)	\$3,326	\$3,323	0.1 %	\$3,324	\$2,268	46.6 %
<u>Retail Assets / Deposits (\$MM)</u>						
Retail client assets in investing accounts	\$129,004	\$123,543	4.4 %	\$129,004	\$92,320	39.7 %
Retail deposits in customer accounts	\$15,012	\$14,088	6.6 %	\$15,012	\$14,031	7.0 %
Total retail assets / deposits in customer accounts	\$144,016	\$137,631	4.6 %	\$144,016	\$106,351	35.4 %

*Q405 quarter-to-date (QTD) includes results for the two months ended November 30, 2005

⁽¹⁾ November data includes accounts, DARTs, assets and margin debt from the acquisition of *Harrisdirect*, but does not include the 186,000 accounts, \$3.1B in margin debt, 30,000 DARTs, or \$33.5B in assets resulting from the BrownCo acquisition.

Historical monthly metric data from January 2003 to November 2005 can be found on the E*TRADE FINANCIAL investor relations site at www.etrade.com.

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