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MANAGEMENT DISCUSSION SECTION

Operator: Welcome to E*TRADE financial corporation's fourth quarter and year end 2004 earnings conference call. At this time all participants have been placed on listen only mode. Following the presentation the floor will be open for questions. I have been asked to begin the call with the following Safe Harbor statement. During this conference call the company will be sharing with you certain projections or other forward looking statements regarding future events or future performance. E*TRADE financial cautions you that certain factors including risks and uncertainties referred to in the 10Ks, 10Qs and other reports it periodically files with the Securities and Exchange Commission could cause the company's actual results to differ materially from the those indicated by its projections or forward looking statements. In this call, E*TRADE Financial will discuss some non-GAAP measures in talking about its performance and you can find the reconciliation of those measures to GAAP in the company's press release which can be found on its web site at www.etrade.com. This call is being recorded. The replay of this call will be available by telephone beginning at approximately 11:00 A.M. eastern time today through 11:00 P.M. eastern time on Friday, February 11th. The call is also being webcast at www.etrade.com. No other recordings or copies of this call are authorized or may be relied upon. I will now turn the call over to Mitchell Caplan, Chief Executive Officer of E*TRADE Financial Corporation who is joined by Jarrett Lilien, Chief Operating Officer and Robert Simmons, Chief Financial Officer. Mr. Caplan.

Mitchell Caplan, Chief Executive Officer

Good morning, thanks everyone for joining us. This time last year, I characterized 2003 as an outstanding year for E*TRADE Financial. I talked about how we continued to introduce innovative products and use technology to create customer and competitive advantage while creating shareholder value through the best financial results in the company's history. In 2004, we built on our successes and executed on our vision. As we did this, we delivered another year of record results generating core earnings growth of over 70% and the highest operating margins in the company's history. I am pleased to announce that we reported EPS of 26 cents in the fourth quarter and $1.01 for the full year.

With that, I must say, 2004 was an extraordinary year for E*TRADE Financial. The continued strength of our financial performance and the operational achievements in 2004 has put us in a position to execute on our vision of building a franchise by meeting the needs of our retail and institutional customers. We will do this through our discipline and focus on one objective: To deliver a compelling and differentiated value proposition to customers through technology and innovation. With this objective at the center of our strategic vision, we use technology and innovation to deliver unique and high value products and services to our customers. By doing this, we have created a value proposition that is compelling and differentiated. Our products are compelling, because we offer an unmatched combination of price, service, and functionality. And we are differentiated as a company because we are unique in the financial services industry.

Our mono-line competitors lack the breadth of product to compete with our offering while the large diversified financial service companies lack the operating efficiencies to deliver compelling value to their customers. In 2004, we executed on our vision by enhancing the three components of our value proposition. We enhanced price to our customers, with the launch of a third pricing tier in our commission structure, Priority E*TRADE. We created a commission break point for valued customers based on activity or assets. We lowered option contract fees for all customers. We paid out nearly $2 million to customers through our 12B1 rebate program on mutual funds, putting 50% of the fees we received on customers' mutual funds back in their pockets. We introduced no fee, no minimum IRAs and proprietary S&P 500 and international stock index funds with the lowest expense ratios in the industry. We improved service on several fronts, but perhaps most importantly, through the successful migration of our core processing and clearing system to a single platform. This migration was the single largest infrastructure project in our history and establishes the backbone for our integrated value proposition. This year, we also expanded our relationship manager program and opened five additional E*TRADE financial centers in key cities around the country, bolstering our overall asset gathering strategy.

Finally, we improved functionality through new technology and upgrades to existing features. We completed a widespread website upgrade including improved navigation on our home page and a new accounts page where customers can view all of their accounts at E*TRADE Financial on one consolidated page. We launched major upgrades to our Main Street active trader and professional trading front ends as well as a new exchange traded fund center. We made significant enhancements to our options edge trading center including more sophisticated analytics and order type features. In our loan origination business, we introduced Equity Express, an innovative feature allowing customers to secure a home equity loan or line of credit in as little as 24 hours.

As we strengthened the three components of our value proposition, we were able to enhance competitive advantage and greater value for customers while unlocking operational efficiencies and delivering solid financial performance for our shareholders. This is a key differentiator of our model. We have created a model that maximizes the strengths of our individual businesses and leverages those strengths across the company, generating greater operational, product, and service efficiencies. And these efficiencies together with our strict financial discipline delivered record results again in 2004. In 2005, we will continue to innovate and reinvest for growth, all made possible by the strength of our model and our disciplined approach to managing the business. With the right set of investing, trading, banking and lending solutions, and now, an organizational structure aligned with the needs of our retail and institutional customers, we're poised to move E*TRADE Financial into the next phase of its evolution and deliver on our long term vision. For the details regarding our segment performance I'll now turn the call over to Jarrett.

Jarrett Lilien, Chief Operating Officer

Thank you, Mitch. We executed on our strategy in 2004 creating a path to tremendous opportunity in 2005. We have assembled the products and created a technology infrastructure that efficiently delivers a unique and high value experience to our customers. We have aligned our technology with our products and our products with our customers to deliver a truly integrated financial services experience, one that gives greater value back to our customers.

Our fourth quarter results demonstrate once again the strength of our value proposition and the positive response to our increased investment in marketing this past quarter. We experienced a sharp rebound in trading activity and continued to gain market share as we closed out the year. Total DARTs [Daily Average Revenue Trades], increased 40% sequentially in the fourth quarter and more specifically retail DARTS increased by 43%. Average commission per trade increased to $10.89 from $10.27 in the prior quarter predominantly due to volume mix. Through the combination of a 40% increase in total DARTS, and 62 cent improvement in average commission per trade, total brokerage commission increased by $30.1 million in the fourth quarter up 40% -- 47% sequentially.

In addition to the strong trading activity, we experienced impressive growth in total client assets and accounts. Total client assets increased by $17 billion or 20% sequentially. With this growth we achieved a new milestone in the company's history exceeding $100 billion in total client assets for the first time, including $88.1 billion in investing accounts and $12.3 billion in bank account deposits. More specifically, assets in client investing accounts increased 23% in the quarter compared to market appreciation of 9% as measured by the S & P 500. Growth in new accounts and reduced attrition resulted in 61,000 net new brokerage accounts in the quarter. These results highlight the success of our focused asset gathering strategy. Average assets per household increased in the quarter to $37,000 from $31,000 last quarter. With the launch of our Priority E*TRADE offering last March and the expansion of our relationship manager program we are attracting customers with higher assets. These customers bring securities and cash to E*TRADE Financial. This cash continues to fuel organic growth in our sweep deposit account or the SDA account; through the SDA we have created a mechanism that enables us to effectively monetize growth in customer cash balances. Our average brokerage customer holds approximately $4,000 of cash in their account. Access to this cash as a source of deposit funding for the bank's balance sheet lowers our overall funding cost, driving a greater level of recurring net interest income. Through the sweep account we have increased the potential value of an average brokerage customer account by generating an incremental spread of about 300 to 400 basis points at the bank or up to $160 per year compared to about $30 per year previously generated from fees on our money market funds.

In the fourth quarter, net interest spread at the bank widened by 7 basis points to 220 basis points. This spread widening was the net result of an 8 basis point improvement from higher yielding assets offset by a one basis point – offset by one basis point from liability repricing as interest rates increased. In a rising rate environment we were able to improve spread by repricing retail liabilities slower than assets. The wider average spread on a larger balance sheet generated 10% growth in net interest income during the fourth quarter to $139 million, representing 86% of net banking revenue compared to 83% in the prior quarter and 65% a year ago. The ongoing opportunity of the sweep deposit account comes from the brokerage customers' cash yet to be swept, the organic growth of those balances, and the continued growth of cash inflows into accounts already participating in the sweep. Last month we talked about our outlook for 2005 and we indicated that our earnings guidance included the partial year benefit of an additional $2.7 billion out of a potential 4.7 billion of brokerage cash that we expected to sweep.

Through strong organic growth in the fourth quarter, this 4.7 billion has now increased to $5.9 billion at year end creating an even larger opportunity than originally outlined. In the meantime, we continued to experience impressive organic growth in existing sweep accounts. Since the launch of the SDA in September 2003, we have experienced organic growth of over $1 billion representing 17% of the total balances. In the fourth quart alone, organic growth totaled approximately $560 million. For every billion dollars of sweep growth, the bank's net interest spread should widen by approximately 10 basis points translating into about five cents of incremental earnings per year. We will increase marketing and hone our offering to drive continued growth in customer assets in 2005. We expect the relationship between brokerage customer cash and bank interest income to strengthen this year with the launch of our integrated cash management solution.

Before I turn the call over to Rob for the financial details, I would like to comment on the current pricing environment in the industry. There has been significant talk about commission rates over the past six months with many fearing a price war. To be clear there has been increased competition around pricing in certain segments. And when we – when we guided we indicated that our average commission rate would be down in 2005. That said, any discussion of pricing really has to be put into context. Pricing has been coming down in the industry for years, yet our margins have continued to improve. As we look as the competitive landscape, it is clear that price alone does not win. Many have experimented with lower price points including free trade offers, and few have been successful at gaining traction among valuable customers based solely on price. What wins in our opinion is the combination of price, functionality, and service, coupled with a broad set of financial solutions. In 2005 we will build on the success we have achieved through our approach which optimizes the value of our offering to segmented self directed investors. We are confident that this model will drive success for E*TRADE Financial in the years to come. And with that I will turn the call over to Rob for financial details.

Robert Simmons, Chief Financial Officer

Thanks, Jarrett. In addition to investing in our customer value proposition in 2004, we also built on our investment in strengthening the company's financial position. We deployed capital to grow our businesses, bought back stock, and de-leveraged the balance sheet by retiring debt and refinancing equity linked debt with straight debt. Over the past three years as our financial performance has improved, we have continued to reinvest in the company and we will continue to do so in the future. Our initial share buy back program began in Q3 of 2001. And since that time, we have invested $487 million and repurchased 66 million shares at an average price of $7.34. During that same time, we also retired $390 million in corporate debt, and lowered our debt to equity ratio to 26% from over 52% prior to these balance sheet initiatives. In the fourth quarter alone, we invested $56 million to buy back just over 4 million shares. We continue to see significant value in reinvesting in the company through stock buybacks and debt retirement. We will do this as we continue to explore potential acquisitions and other strategic opportunities. On December 15th, we announced a new $200 million repurchase program that may be used to buy back stock and/or retire debt. Our total outstanding unused authorization stands as $238 million as of December 31st.

Now, for the details of our fourth quarter financial results. Total net revenue grew 21% sequentially and 10% year over year to $409.5 million. Against this revenue growth, total operating expenses increased 20% to $284.4 million. This number includes $11 million of nonrecurring expenses comprised of $5 million from legal settlement expenses associated with past acquisitions and $6 million related to ADP and S-Ox. Excluding these one-time items total operating expenses increased by 15%. Total compensation and benefits increased by 10% sequentially, but declined 3% versus the year ago period and fell as a percentage of revenue to 23% from 26% in the prior quarter and year ago periods. By controlling expenses as we grew revenue, consolidated operating margin in the fourth quarter increased to 31% from 30% in the prior quarter and 29% in the year ago period. This represents the highest operating margin in the company's history. Operating margin as we define it is a non-GAAP measure which we derive by dividing income before other income, income taxes and discontinued operations by total net revenue.

As we drive greater integration and create additional operational efficiencies our model continues to deliver strong results in various environments. In fact, we have improved our operating margins or held it constant for six consecutive quarters, despite volatility in interest rates, DART volumes and average commission rates. The growth in revenue across our entire model continues to reduce our dependence on commission revenue, which represented just 23% of total net revenue in the quarter. Given the trend toward declining average commission in the industry, it is important to note that within our model, a $1 decline in average commission equates to approximately 6 cents in annual earnings which is nearly entirely offset by an incremental increase of 10,000 DARTs. As we continue to realize operational efficiencies and improved synergies across the entire company through integration, we can expect to see further margin expansion in 2005 of between 300 and 500 basis points even with the expectation of lower average commission rates which Jarrett mentioned earlier.

Turning back to our quarterly results we produced GAAP earnings of 26 cents per share in the fourth quarter on net income of $98.4 million. Two cents of the 26 cents was the result of a lower corporate tax rate. This compares to GAAP earnings of 21 cents per share and net income of $79.3 million in the prior quarter and 27 cents on net income of $107.5 million a year ago. Note that the year ago GAAP earnings of 27 cents included 11 cents or approximately $49 million in net income from corporate items driven by gains on sale of certain equity investments predominantly SBI. By comparison, corporate items contributed 3 cents to Q3 2004 earnings and just two cents to our fourth quarter results. To better evaluate the performance of our recurring operations and create more direct quarter over quarter comparisons, we focus on segment level results. In the fourth quarter, segment earnings totaled 24 cents per share up from 18 cents in the prior quarter and 16 cents a year ago. Of the six cent increase from the third quarter, two cents again were attributable to a lower tax rate with the remaining 4 cents from segment earnings growth. Using our key earnings drivers the four cent increase was due to the net contributions of the following factors: 6 cents from higher DARTs and margins and two cents from wider net interest spread and a larger balance sheet for a sequential increase of 8 cents. Total offsets were 4 cents, including a penny from higher marketing, a penny from restructuring and FAS 133, and two cents of nonrecurring expenses split between ADP and S-Ox related expenses and legal. Based on these earnings drivers and the tax related benefit, brokerage related EPS increased to 11 cents from 7 cents in the prior quarter, and bank related EPS increased to 13 cents from 11. The lower tax rate added a penny to both segments. In summary, the company's 2004 results highlight the strength of our integrated model and the success of the investments that we have made. As we enter 2005 we are positioned from a financial as well as an organizational perspective to further unlock the strategic opportunities and earnings power of our model. With that, we'll now open the call to your questions.

Operator: Thank you, sir, for participants listening via the phone lines if you would like to ask a question please press star followed by the number one on your telephone keypad as this time. If you would look to withdraw your question, please press star followed by the number two. We'll pause for a moment to compile the.

QUESTION AND ANSWER SECTION

Operator: Your first question comes from the line of Richard Repetto from Sandler O'Neill.

<Q – Richard Repetto>: Yeah, hi, guys. Congrats on the strong top line growth here. First question is, on the commission, it looks like the mix, you know where the U.S. retail – grew more than the other segments, that contributed to the increase. Does that change the guidance, you know, the guidance for the year of $9.30 to $9.70?

<A – Mitchell Caplan>: No. And the reason for that is – you're exactly right. If you look as Q4, there is definitely a shift in the mix. And so you saw more retail than you did professional in Q4 than we traditionally did. And even within the retail segment you saw a lot of strength in U.S. retail and particularly in resurgence in Q4 around Main Street. Which helped a lot in terms of the average commissions. That's what you're seeing specifically in Q 4. As we guided next year or this current year, in 2005, we presumed that mix would float and so that was the high and the low end of the range that we guided to. And so, right now, we're not prepared to change that guidance. As we continue to go through 2005 and through Q1 and Q2 we will readjust it to the extent that we see that there is obviously a difference and an up tick in average commission.

<Q – Richard Repetto>: Understood. Understood. At least we are off to a good start here any way. Second question, the net new assets, increase in 20% quarter to quarter I know you spent more on marketing. I guess, just wanted to get a little bit, you know the model, this has been a knock on the model. Asset growth hasn't been there in historically. Now, you know, as least we can see the Schwab range. Can you tell us more on how you actually brought in the assets and where they're coming from.

<A – Mitchell Caplan>: Absolutely. So we feel pretty gratified because you see them coming really across the whole company. So when you look as the growth it really is pretty extraordinary. We assume that 8% or 9% of the growth that occurred came just from an increase in mark to market. Obviously because if you look at it, the S&P was up about 9%, NASDAQ, in general, the indices were up about 9%. The differential in that is pretty significant as you can see. And it comes in a couple different areas. One is we saw significant growth in our mutual funds, both in our supermarket around the 12 B 1 rebate as well as significant really dramatic growth in our own proprietary index fund. We did a significant amount of advertising as you know, the end of Q3 and going into Q4 around the asset gathering products and particularly a lot of advertising around our low cost index funds, the proprietary index funds and you saw obviously the rewards of that in terms of asset growth even in-quarter.

Equally as important there was extraordinary growth in cash in the system. So that growth occurred both in the brokerage arena and in the banking arena. So as Jarrett said in the script, on the banking side, we saw organic growth in our current sweep balances of $560 million. So it was strong. And equally or probably more interestingly on the brokerage side you saw growth in cash up 1.3 billion, so as Jarrett said, or 1.2 billion, so what had been $4.7 billion of cash and brokerage that we thought was the – the opportunity to sweep, and we talked about sweeping a portion of that for a portion of the year in 05. That's now up by another $1.2 billion. So you saw cash come into the system both in traditional brokerage accounts as well as into the cash sweep account which sits on the bank's balance sheet. So we see that as a big opportunity. So when you add that together it makes a huge difference. What you are really seeing is the result of two different things. One is the marketing spend around not only our trading solutions but around our investing and cash management solutions. We're doing it on line; we're doing it offline and we're seeing the results of it. It's being backed up dramatically by our RMs. So when you look at the increase in relationship managers, quarter over quarter and year over year ,it's extraordinary so whether it is in the growth of the centers and putting the RMs in the centers or putting them on the phone that's been a big focus and push is to transform our business model as you say from one that was so reliant on commissions and trading volume to one that becomes much more diverse as a result of higher average asset balances. And again you saw them go from, you know, 30,000. I remember when we were at a low of 14,000 in accounts to now 37,000, 38,000 in a retail account really marching in that direction of trying to get us to $100,000 an account.

<Q – Richard Repetto>: OK. I'm just trying to – to do a more direct comparison with Schwab, Mitch, if I use the S&P as a proxy, I'm just trying to get what net new assets were, and if I grow the third quarter assets of 71.4 by 9% that gets me to about 78 so I'm backing into, maybe I should be using the NASDAQ as the growth in assets, the market appreciation. But, I'm backing, is the net new assets around $10 billion in the quarter?

<A – Mitchell Caplan>: That's about right.

<Q – Richard Repetto>: OK.

<A – Mitchell Caplan>: You have just about nailed it.

<Q – Richard Repetto>: OK. Great. And then, last –Rob, you usually go through the free cash. Just wanted to get where we stand on free cash?

<A – Robert Simmons>: Sure. Rich, we started the quarter with $713 million of free cash and ended the quarter as 691. As we had kind of signaled in the last couple of quarters, we're comfortable starting to bring that cash level down. And in fact as you saw we deployed $56 million of our free cash in the form of share repurchase. So we generated, you know significant cash from operations. You know, net of our tax payments and deployed it in share repurchase. But even bigger than share repurchases we continued to deploy it in our – in our regulated subs, so we deployed $89 million between the capital that continues to be re-levered at the bank and at brokerage to support the growth in the balance sheet there. So it's great that we continue to have, you know, very nice positive NPV ways to redeploy our capital.

<Q – Richard Repetto>: Thanks. Just one last thing. On the one time expenses, the nonrecurring expenses. I fully – agreed and understand the legal settlement, that's not going to be there next year. ADP isn't going to be there. But what component is S-Ox, wouldn't that be -- maybe not next quarter but be there next fourth quarter?

<A – Mitchell Caplan>: You are absolutely right, Rich. So let me take you through it. The legal will clearly not be there. It was related to one of the acquisitions that we had done a couple years ago where we had an arbitration and our view as you know is that we're trying in my mind just to get out of everything else there that is an exposure. We settled it for a penny and we moved on and we view it as nonrecurring. When you move over to the expenses it took us through the end of this year to finalize the ADP conversion. We have talked on prior quarters, it literally and we mentioned it in the script it literally is the single biggest thing we have ever done in back office infrastructure. And for two quarters now we have had expenses associated with temps and otherwise in order to get us fully functioning as we've switched over. We are there now at the end of Q4. So you should not see any of those expenses -- which were showing up, frankly both in professional services and in comp -- come down. Finally, on the S-Ox all we did when we talked about the nonrecurring was that payment for S-Ox that was directly related to an increased expense for 2004. We do have additional costs in our budget for 2005 related to S-Ox. We did not back that out. All we backed out was the incremental payments associated with closing out S-Ox and the attestation which we'll be doing for 2004.

<Q – Richard Repetto>: Understood. Thanks, guys.

<A – Mitchell Caplan>: Absolutely.

Operator: Your next question is from Matthew Snowling of Friedman, Billings, Ramsey.

<Q – Matthew Snowling>: Yeah, Good morning.

<A>: Good morning, Matt.

<Q – Matthew Snowling>: Back in December you talked about folding the -- your clearing operations inside of your bank charter as really one of the roadblocks to gaining access to that sweep deposits or the remaining sweep deposits. Can you give us an update on the timing of that?

<A – Mitchell Caplan>: Sure, I think we guided, so if you remember, in December we said that we expected our spread for 2005 to be somewhere between 220 basis points and 233 basis points. 220, obviously would assume nothing changes and we're not successful in our initiatives. 233 basis points would assume that we are successful and that we end the year at 250 basis points of spread. So if you back into that it would assume that we are successful in moving the clearing operations under the bank about halfway through this year. Again we guided to the fact that if it happens sooner, i.e. the end of Q1, instead of the end of Q2 there could be some pickup. And if it happened later or didn't happen at all then presumably you would be closer to the 220. Again we are extremely comfortable with the guidance we have given you. We believe we are well on track in this process. We are working our way through it both from a regulatory and an operational perspective and the only update I can give you is that we remain very comfortable with the strategy and execution.

<Q – Matthew Snowling>: Fair enough. Quick question. Where did you end the quarter on your spread at the bank?

<A>: 220 basis points.

<Q – Matthew Snowling>: Thanks.

Operator: Your next question from Richard Herr with Keefe, Bruyette & Woods. You may proceed with your question.

<Q – Richard Herr>: Good morning.

<A>: Good morning, Rich.

<Q – Richard Herr>: I apologize if I missed it before but the tax rate, I'm assuming we go back to the 36% guidance in Q1?

<A – Robert Simmons>: That's right. We guided to 36% as the tax rate for 2005. And I mean, as that changes we'll give you updates to that as in all of our other metrics.

<Q – Richard Herr>: Okay thanks. Maybe talk a little bit about the principal trading, obviously very strong. Market making, looked like you did $24.1 million in revenue there. Can you kind of walk us through some of the other components, what kind of drove that number?

<A – Mitchell Caplan>: Absolutely. Let me give you top level and then I will turn it over to Lou. You're right if you look at principal transactions and assume it is predominately driven by two of our core businesses, one is our Dempsey market making operation and the other is E*TRADE Institutional, the global execution and settlement business. Both of them had extremely strong performance this quarter and it's why you saw the up tick. Clearly it was validating our model of – of a penny and a half per every 10,000 in DARTS, typically that penny or so coming from retail and approximately the other half a penny coming from the institutional business. When you look at the Dempsey operation we were stronger in two ways, volume was up, and recapture was up. That's really good news for us. And if you look at -- multiply it out and you look at the top line revenue and

I think last time I guided to in the 40's as an op margin for that business, it will tell you that we had a very strong quarter. The same is true as well when you look as the E*TRADE institutional business. Strong volume in terms of additional flow. Again, with this value proposition of leveraging off of our core, technology infrastructure, our core operational infrastructure dropping it to the bottom line. Lou, anything you want to add?

<A – Lou Klobuchar Jr. [Chief Brokerage Officer]>: Just that overall increase, about half of it came from Dempsey, the other half as Mitch said split between institutional and E*TRADE Professional. And again to just, maybe add a few more numbers to Mitch's point. From a volume standpoint we saw an increase in listed volumes of about 27% in the quarter, in over the counter volumes of about 71% in the quarter. And we saw a slight expansion in the spread that you would tend to expect with that up tick in volumes and volatility as well, in the 12% to 15% range in both listed and the over the counter markets.

<Q – Richard Herr>: OK. That's helpful. Just one last question. If you would speak a little bit about the loan originations. Looks like in the last few months, just looking at the month to month trend and relative to year over year looks like both consumer and mortgages slowed. Could you talk a little bit about are you not emphasizing that business as much. Kind of maybe walk us through a little bit what is going on there.

<A – Mitchell Caplan>: Yeah, absolutely. I would argue we are repositioning the business. So as you know a little over a year ago the concern in the market place was what happens to our overall E*TRADE Financial earnings and our business model when mortgage slows. I think we have very successfully worked our way through that discussion. And we have guided at, at the end of 03 as we went into 04 to expect about half a cent of earnings from our mortgage operation or two cents for the year. Now that 2004 is complete if you look back we earned about 3 cents. So we did exactly as we said and that half a cent. And there was that one quarter where you had a bit of a pick up volume because of a drop in rates. So it was sort of the last push or the last hurrah in refinancing.

As you look as Q3 and Q4 we have singularly focused on doing two things, one is ensuring we keep our fixed versus variable costs in line in our entire lending operation so that as lending volume drops we still are able to produce profits at the level at which we guided to and we have done an extraordinary job there. Arlen [Arlen Gelbard, Chief Baking Officer] has really been on top of the team as they have repositioned. Equally or probably more important is we are getting back to a place where we are moving away from refinancing in our lending business to being a direct originator. And probably more important to me than anything is being a direct originator to our own retail customers. And so, we have spent an awful lot of time rebuilding and repositioning in a way in which the value proposition will go around pricing and otherwise to our retail customers you originate first lien purchase money mortgages and put them on balance sheet as opposed to selling them into the secondary market. So as we go into 05, I would hope that you would see a growth in originations but you would not see it in the gain in sale but rather you would see it in spread widening as a result of originating products to our customers and putting it on balance sheets. So the business delivered exactly as we expected it to. Again in QQ4 it delivered half a penny in mortgage. When you look as the consumer side, the same thing is true. We're focused on where is the upside? How do we look around? Not only in our marine and RV but also extending it as we have talked about when you think about HELOCs and credit cards again selling that to our core customer base. The other thing you are seeing is there is definitively some seasonality. So if you looked year over year and you trended it out, what you are seeing in terms of general, it makes a huge difference to know what quarter you are in and again you would expect to see a pickup in Q1 as a result of just going into what is seasonally a stronger quarter than into Q4. Probably most important in concluding is the vision of trying to tie all of the lending products together. So when you step back rather than thinking about mortgage as a one off or consumer finance as a one off, the purpose of the restructuring of the organization between retail and institutional was to really think about and to align the businesses in a way in which you had trading solutions, investing solutions, lending solutions, and cash management. A part of the reason that you want to put clearing under the bank is that you then consider margin a lending product. It's no different. It is a borrowing relationship between E*TRADE Financial and our core retail customer and you figure out how you crease a lending optimization for that customer as between a mortgage, a HELOC, a margin, or a – a generalized line of credit through a credit card or otherwise.

<Q – Richard Herr>: Thank you very much.

<A>: Absolutely.

Operator: Your next question is from the line of Scott Patrick with Morgan Stanley. Mr. Patrick.

<Q – Scott Patrick>: Good morning. First question is just, you know, the net account growth on the brokerage side that you had this quarter surpassed anything we have seen in the recent past. I'm wondering if you can give us a little bit more color around the drivers where you were seeing the most growth there.

<A – Mitchell Caplan>: Absolutely. So, Nick has been extremely vocal about increasing our marketing spend and I think we talked about it when we guided into 2005 and talked about the increase. A part of that was we obviously had internally already begun to see the success. He was extremely vocal about what we would do in Q4. You see that there is a full penny of increased marketing expense in this quarter and we believed it was the right time to market. I mean a big part of what we were focusing on in Q4 and otherwise as we go into 05 is literally doubling our share of voice in the marketplace. And traditionally when you look at our marketing spend I think we have been extremely pragmatic and it's made a great deal of sense in the sense that when we view the opportunity not being there we withdraw. And when we believe that there is an opportunity we spend. We are spending in an entirely different way now, Scott. So where traditionally, the vast majority of our money was spent around a trading solution, we're spending, marketing much more broadly and you are seeing the results of it in the growth and assets. So, we are spending money both on line and off line and we are doing it around trading, but we're equally as importantly doing it around our investing products with whether it is the 12B1 rebate, or probably more importantly as I had said early to Rich, around our proprietary index funds and we've spent a good deal of money around the benefits of cash, cash management and cash maintenance to our customers and we believe that's helping drive organic growth of cash as I said earlier both in the brokerage account and in the sweep account.

So all of those coming together and Nick would tell you and I will let him add if there is anything he wants to add, that he's been spending the money and splitting it between both on line and off line and believes he has been getting really fair value for the money within the context of really trying to double our share of voice. So you see that growth in accounts from advertising. Also for the first time, we really threw a lot of the changes that we have made in our corporate services businesses. We have been materially more successful in this last quarter or so at engaging existing retail customers from our corporate services arena. As people exercise their options, getting them to keep cash with us within the system. Getting them to trade through our serious investor offering. Getting them to invest in these products. So again corporate services has contributed meaningfully into the retail growth. And finally, as you know we did do a small acquisition which accounted for a fairly nominal amount of the growth as you look at it. But really we were quite pleased to see the success overall in accounts and particularly in the brokerage arena, and in the cash management arena. Nick, anything you want to add? Does that answer it, Scott?

<Q – Scott Patrick>: It does. It does. Following question related to that. In terms of the, you know you obviously saw great asset growth and some of that clearly is coming from around advertising more generally. What I'm trying to get a better sense of is how much of your asset growth is really tied to new account growth versus growth in existing accounts.

<A – Mitchell Caplan>: Both. And it's probably 50/50 as you look at it. So, Nick would tell you one of the things that, as you look as 05 and I think Jarrett talked about this on the call in December, we do absolutely expect to see net account growth. We expect to see nice account growth in 2005. We talked about that in December. That said we are equally as focused at doing more with our existing customers. So if you looked at the overall increase in advertising that we intend to spend in 2005 over 2004, about 50%, about – all of it is really driven towards acquisition as opposed to brand. I think Nick's view is that you build brand by advertising product and try to get acquisition and it rolls to a global brand. Then when you – when you drop down a level, he's very focused on not only trying to get new accounts that are bringing higher assets with them and also trading characteristics but also trying to do more with our existing accounts particularly in both the cash management and lending arenas and it's really, about a 50/50 split.

<A>: The other thing that I would add is at this point about 90% of the assets that are held by our serious investors, people that we define with total assets of greater than $50,000 with E*TRADE, are now under the review and under the overall relationship of a – relationship manager. So, those people are calling out to these customers, talking about some of the unique value propositions we have that Mitch has talked about. And that were talked about in the script. 50% rebates, low cost index funds. Those are compelling offers to people looking for value and you're starting to see the success of that initiative.

<Q – Scott Patrick>: OK. Great. That's very helpful. Then just, one more question. Just in terms of trying to understand impact of – of presumably continued Fed rate increases, on the brokerage side clearly with margin debt there is a lot of flexibility around what you and your peers can do in terms of how much you are going to pass to the bottom line, how much you are going to pass on to the customer. Can you talk a little bit about your strategy there and where that stands? How much? What really the EPS impact is of a 25 basis point or 50 basis point Fed rate increase and then I know you are asset sensitive on the banking side, same question there.

<A – Mitchell Caplan>: Yep, love to do it. Let me start with the banking side first. So as you know we have traditionally run a relatively tight duration mismatch on a post hedge basis. And we – as you pointed out have traditionally been asset sensitive. When you step back and again indulge me for two minutes here, when you step back and you think about the real risk associated with a movement in interest rates on a bank's balance sheet where your asset class is heavily skewed towards mortgages, there are really two impacts associated with a rise or a decline or any movement in interest rates. The first is duration mismatch. So, are your assets repricing sooner than your liabilities or are your liabilities repricing sooner than your assets and the other is convexity which is just --comes from the prepayment optionality associated with a mortgage. So when you combine both of those risks which are imbedded in our balance sheet, I would tell you that as we exited Q4 we view ourselves to be overall pretty neutral on a duration mismatch basis so we are pretty flat. And with the convexity piece we are still poised for increased earnings as a result of a zero to 100 basis point increase. So as the fed tightens anywhere from up, from flat to up 100, you would see our earnings increase at a give or take about $5 million, $6 million a year. Those two combined continue to put us in the minimum risk category as determined by the OTS. That said, you now have to overlay on top of that, and I think the bigger issue is, not only an increase in Fed funds rates, but the fear would be a flattening of the yield curve. So that, rates rise, but as the same time, the short end of the curve comes up much faster than the long end of the curve rises. And that's probably the single greatest concern in the market place, right now, for financial services, for banks and I'm sure it is weighing heavily on us. Let me tell you precisely what will happen. We have been fairly aggressive in our assumptions when we look out through 2005. If you look at the forward rates curve it implies somewhere between 4 and 5 rate hikes generating between over the course of 2005, 100 to 125 basis point raise in rates. At the same time, when you look at that same forward rate curve and you look as the zero to ten year, it assumes a flattening of as much as 70 to 80 basis points. So should the marketplace be as aggressive as 125 basis point raise in rates and should you see the short end of the curve flatten as much as 70 or 80 basis points, the total impact on our earnings is about 3 cents or $20 million.

In total. Out of guidance this year of 93 to $1.08. So when you look as it I think we are fairly well positioned. The reason that's the case is as you know we have traditionally operated on tighter spreads. By doing that, it has put us in a place where by and large, when Dennis [Dennis Webb, President, Capital Markets Division] in his old role and now in his new role overseeing all of institutional and balance sheet management purchased or originated assets for our business, he did it by picking up spread almost entirely from credit. So he looked at it and said I could go out and buy a treasury or a similar institution, instead I'm originating a mortgage. What's the imbedded credit risk in owning a mortgage over a Treasury and how much am I picking up on spread? He did not assume a significant pick up, as other institutions often do, in yield associated with the duration mismatch. And we have chosen to traditionally run the business that way on tighter spreads and control the ultimate ROA and ROE by having much tighter expense control in the business. There is no doubt we will be impacted by a flattening yield curve. But as I have indicated here, a flattening yield curve will have significantly less impact on our earnings than on most financial services in the marketplace as a result of that. So, what you saw in Q4 was assets up 8 basis points and a total increase in liabilities of only 1 basis point. In a rising rate environment. So, as we said, assets priced ahead of liabilities.

If you dig down and this is where I want to now switch over to the brokerage part of the business, and you look as the bank first, that 7 basis point net move or the one basis point increase in liability is really the result of a couple actions. The first is – you saw another 7 basis point pickup around the sweep accounts. The full benefit of the sweep in Q4. Offsetting that – you saw two basis points of a rise in rates generally in the marketplace and six basis points of generalized repricing on our balance sheet. OK. And this really is consolidated between bank and brokerage. So Lou has now stepped back and begun to think about the retail business. And he's looked at pricing for cash by way of example, or borrowing with margin and HELOCs or otherwise and cash as you think about it on the liability side of the banking, he had to rationalize some of the pricing he had to take everything and make sure that once and for all it was all put in line in a way in which it made sense and there was a clear value proposition. As we did that and rationalized pricing, it had a negative impact, once and only once in this past quarter of 6 basis points. So, again, if you go back to the banking, you had six basis points of negative impact as you rationalize pricing across all of retail. You had two basis points just because of what was happening as a rising rate movement in the industry. And you had 7 basis points of improvement as a result of sweep. Resulting in a net one negative against an 8 basis point improvement in asset yields, therefore 7 basis points of spread widening. Same thing now when you move over to the brokerage side. You have seen – we saw extraordinary strength in margin balances. So while our average margin balance was only up 2%, quarter over quarter, ending balance was up 10%. So we really did experience and when we look at the industry at large it looks like most of the other players, I know Ameritrade had real strength, but most of the players were up 6% or 7% while we were up 10. That bodes well for us going into Q1. Our margins stayed pretty flat in Q4 over Q3 and a part of the reason was as rates rose, we did not choose to correspondingly take up the cost associated with that margin for our customers. We will revisit that as we go into 05 and beyond but will revisit it in the context of assuring that we have a clear and compelling value proposition for our customers. Does that help, Scott?

<Q – Scott Patrick>: That's great. Thank you very much.

<A>: My pleasure.

Operator: Your next question is from Colin Clark with Merrill Lynch. Colin?

<Q – Colin Clark>: Good morning.

<A>: Good morning, Colin.

<Q – Colin Clark>: Just touching on the – on the potential price changes you discussed last quarter and the impact on the average commission rate in 05, can you just – touch on I guess the timing of potential changes in option price and segmented pricing and how that plays into your estimates again? Thanks.

<A – Mitchell Caplan>: Yeah, happy to do that. I won't answer you about timing. The reason for that is there is no big bang theory here in the sense that we are going to constantly be evaluating our products and relationship based pricing in a way to assure that we believe we have created a compelling value proposition for our customer. That compelling value proposition as we've said over and over will have a part of it be price, a part be functionality, and a part be service. As we go through '05 and beyond you are going to see us continue to improve our service, continue to upgrade our functionality and technology, and also look at the appropriate pricing around certain products. We have talked about cash management and a cash management solution and optimizing cash management. We have also talked about lending and an optimized lending solution. Both of those will be launched as you go through all of '05. But the specifics on when we're going to do what we are not going to release yet.

<Q – Colin Clark>: OK. And the – and the advisor acquisition how much, you mentioned it was not a meaningful contributor to the asset increase in 04, fourth quarter?

<A>: That's correct.

<Q – Colin Clark>: And, can you just talk also about the effectiveness of the branches and I know that's another part of your strategy in '05 and what, what you are seeing there in terms of, you know asset gathering and relationship building?

<A – Mitchell Caplan>: Absolutely. Let me set it in the context of, you know, I guess just because you've made mistakes in the past it is not excusable in the future. But you know part of what we look at is, as you well know, when, when we as a management team got to take over we sort of rationalized everything that was going on. When you looked as our most visible branch, which was our New York center, you, know it became fairly apparent to Jarrett and I immediately that that was an example of a branch gone bad in a big way. And, our cost of operation for that thing was literally between $13 million and $14 million a year and when you looked at it and said is there any way you could justify operating expenses of that, 100% not doable, there is no way to make it economically feasible. So, as we have started to look as this concept of centers and growing them, there are a few points of context. So now, we are as 10 or 11. We have added four or five this year as we have gone through the year. We believe that the absolute maximum we would ever have is about 30. The goal when you have 30 is that you are in a place where you have covered literally 100% of your customers with serious assets. Right now even with the number of branches we have, we are covering about 80%. So we have made significant headway in terms of being able to be in and around areas where you are covering those customers through RMs with a physical presence in the form of a center and as we said earlier we do believe that that's been meaningfully helpful this year and particularly in Q4 to drive some of the growth along with Nick's marketing campaign in the asset arena.

Now how we measure that is as follows. Traditionally it costs us incrementally in the neighborhood of $300,000 to $500,000 on an annualized basis to run that branch. We step back and we look at a number of things. The first is, do we find that when Nick is spending money on advertising that response and conversion is greater at a branch than it is at a non-branch in exactly the same area. So we measure response and conversion. The second thing is we add on average balances. So when a customer comes in, what's the traditional initial balance that's added again in that center versus not in that center as a control group. Finally what do those balances look like 90, 180 days later. So how have they grown in that center versus not in that center. We run an economic return based on the increased response and conversion and the increased assets as well as increased trading behavior, and increased margin or lending balances. Now we'll start to add on to that in 05, more analysis and analytics around both the lending and cash management as we push those products more aggressively in the centers. But currently that's how we do it. We look at the economic return. We justify it against the 300,000 to 500,000 in incremental annual expenses we generates an ROE on it and we view that as a huge opportunity for us. When we look at it right now we are still at quite frankly close to a two year pay back. Our hope would be that you move to not only a one year pay back, but you actually get a pay back sooner than one year. That would be our intent as we execute.

The other thing that is probably important, Nick would tell you is he spends time with us going through it, that he views it to be in alignment and he looks at the spend that we have around both our RM strategy and our center cost as a part of marketing. Because to him it goes part and parcel as a branding opportunity. Does it add credibility to the brand? As he comes out in 05 with new marketing campaigns, can he align that with some of the things that we're doing around the centers and the RMs to increase that opportunity of moving us away from what had been traditionally viewed as a trading solution organization to one that has multiple solutions, and will it result as we have seen in Q4 and we certainly hope to see in 05 significantly higher asset gathering and asset collection.

<Q – Colin Clark>: Great, thank you.

<A>: Absolutely.

Operator: Your next question is from Michael Vinciquerra with Raymond James. Mike?

<Q – Michael Vinciquerra>: Thank you, Good morning.

<A>: Good morning.

<Q – Michael Vinciquerra>: On the bank balance sheet there is a really large jump in mortgages and home equity held for sale is up about 18% while at the same time consumer loans dropped. I had thought you were trying to shift the balance sheet a little bit more toward the consumer side and away from, well not away from, but grow the consumer side faster than home equity and mortgage. Can you just talk about what happened there this quarter?

<A – Mitchell Caplan>: Absolutely. On the consumer side you saw a decline because we securitized and sold a piece from our Ganis operation, which is our Marine and RV so the decline was entirely as a result of the securitization and sale which we believe was prudent given pricing in the marketplace. The growth you are seeing in mortgages does include HELOCs, and so when you look at the mortgage you have to understand that does include the HELOCs, we are pushing hard, and the significant growth, the vast majority of it was in the HELOC arena, about a little over a billion of growth in – in HELOCs in the quarter.

<Q – Michael Vinciquerra>: And even though it is listed as held for sale, I'm guessing that you guys prefer to hold that on the balance sheet for an extended period of time.

<A – Mitchell Caplan>: You bet. Big focus as you know as we go through 05 on increasing the balance sheet in HELOCs and HELOC type products as we sell it to our retail customer and basically hold it on the balance sheet.

<Q – Michael Vinciquerra>: Okay thank you. Just to clarify, when you were talking about earlier, the flattening of the curve and raising of short term rates was it a 3 cent positive or negative impact? Secondly that was in your 93 cents to $1.08, just to clarify that?

<A – Mitchell Caplan>: To be clear it is a negative. In the short term you would have about a penny positive. In a 0 to 100 basis point just because of the way we've positioned our hedges. At the same time you would have an offset as result of a significant flattening of the yield curve of about 3 cents. Net net, you would be down two cents. I would argue it is basically embedded in the guidance that we gave in the range that we gave. But, you know, one of the things that I think is probably an important takeaway is as we look at the macroeconomic environment we remain extremely comfortable that if the Fed were to tighten four to five times, raising rates 125 basis points and allowing through jawboning and otherwise up to a 70 basis point flattening of the yield curve, you are in a very strong economic environment. As a result we would believe there would be significant offset in the equity side of the marketplace and to offset, you know literally, 10,000 DARTs as you well know going forward would offset 5 cents so it would take less than, it would take about a 4% or 5% increase in DART volumes off of where you are currently running in Q4 to offset anything that were to occur as a result of as much as 125 basis point rate increase with an 80 basis point flattening.

<Q – Michael Vinciquerra>: OK. Thank you very much. Finally, just one question on your, you mentioned the great growth in index funds you had this quarter, what are the economics or the profit dynamics in that business how much do you have today say in index funds? Can you give us any sense for the contribution to the bottom line from that product?

<A – Mitchell Caplan>: Yeah, it's not meaningful enough yet and we do not release that information.

<A>: Maybe more importantly, people who are bringing in money to buy funds with us are also bringing in more cash and they're also bringing in more cash to do things like buy stocks with. So there is the economics that's directly tied to what we would make in the index fund where we are seeing the flows have tripled since we moved to the positioning of being the low cost, you know provider there. But, there is also, more importantly the added benefit of the quality of the account that comes with customers that are bringing in these assets.

<Q – Michael Vinciquerra>: OK. Thank you.

Operator: Your next question is Charlotte Chamberlain with Jefferies. Ms. Chamberlain?

<Q – Charlotte Chamberlain>: Good morning. Congratulations on a great quarter. I would summarize by saying my only regret is that you guys don't run night trading at Washington Mutual. I think shareholders would have been a whole lot happier. Question, the DARTs in December were down to 140 from roughly 145 in November. Looking as our text it looks like they're down in January. Can you just comment a little bit about that?

<A – Mitchell Caplan>: Yeah, you know that we don't comment about in-quarter. I think that again, if you start big picture, we felt good about the quarter as you pointed out. Overall DARTs were up 40%. We were up significantly I think 43% in retail. And maybe 45 in U.S. retail. So we did see tremendous strength in October and November. December was equally as strong in the beginning and it slowed just as I think you commented and everybody else commented as you got closer and closer to the holidays. So there was, strength, in the beginning of December. And then as people went on vacation, fundamentally they stopped trading. And as a result of that, you saw overall the net decline. So the strength I think lasted longer than even we anticipated in – through November, through Thanksgiving, into a good part of December. And then there was that drop-off right around the holidays. As you have gone into this year again we have guided a range of DARTs and we remain very comfortable with that range that we've guided to anywhere from the low to high end for the year.

<Q – Charlotte Chamberlain>: OK.

<A – Mitchell Caplan>: I think we said. What was it Rob?

<A – Robert Simmons>: 135 to 150.

<A – Mitchell Caplan>: 135 to 150. Obviously as we talked about earlier with Rich, with some of the commission being driven by the mix between professional and retail.

<Q – Charlotte Chamberlain>: OK. Two, two quick additional questions. First of all, could you give us – Dempsey's or GVR's revenue captured per share for the fourth versus third quarter. Second could you talk a little bit about the seasonality of assets, growth and especially of asset growth and trading. I mean, our theory is that – that the best time for – for the equity market and for equity market makers and traders like yourselves is November to – to February. Simply because that's when people either get bone uses or they quit and they get a pile of money or they get fired and they get a pile of money and they retire and get a pile of money, some of which goes into the market. So if you are going to get it and you guys certainly did. I'm not denigrating what you did. You did a fabulous job. But, to what extent do you see this asset growth as seasonal?

<A – Mitchell Caplan>: I completely agree with you. There is seasonality to asset growth. I think I'd take it a little longer than you. We traditionally see it maybe through April or May, so through tax season, and some refunds as well. So, what we think is – pretty compelling and interesting, probably the most important thing to us is when we look at our asset growth we look at it against our competition. So when you, your point is that you can't do anything about seasonality. Just like when you look at trading volumes, you can't do anything about what happens in the market but what you can do is look as how you are performing relative to your competition. And there is no doubt through all of 2004, we gained market share on our competition around assets. We meaningfully grew asset market share throughout the year. And so, as a result of that. It was unbelievable. I think for the year, we were up and actually on the quarter by way of example we were up 22, 23%; when you look as some of our competition it ranged anywhere from 8% to 16%. Same trend line would be the case for the whole year. So our view is if you can get when the getting is good, i.e. during the seasonal period, there is a big opportunity. And if you continue to gain share during the rest of the year there is an opportunity. The other piece that I think is interesting is cash is beginning to be a meaningful differentiator for us. Because of what we can offer and hopefully what we are about to launch with our cash optimizer, we believe and what we have seen is there is a huge opportunity out there to try to get people to, as Jarrett was saying earlier, not only open accounts around proprietary index funds, not only open accounts to trade, but to bring cash with them. We're now at a place where literally 1.4 million brokerage customers have a cash sweep account. When you look as the number of customers in the system who have cash across the board it's a tremendous number of the 3.6 million. And when you go across all of the three million brokerage accounts it's 4,000 in average cash. It is a meaningful number and we think that regardless of seasonality, that will be a driver for us as people reallocate consistently a percentage of their portfolio in cash which they do all year and it's not as seasonally driven.

<A>: Just making two other quick points on that. We're clearly benefiting from some of the seasonal factors but we are growing without that. You know, I touched on it a second ago. The index funds, the inflows have tripled. As Mitch mentioned, cash inflows. Great performance. This is a trend line that we have got solidly that is being enhanced by seasonal factors so that's important to point out. And the other thing is, that Mitch touched on, you know seasonality in trading is one thing. People trade if they trade less the next quarter you're down. With assets, it's the rate of pickup that you are talking about. So we have seen a nice seasonal boost to the increases that we are getting in assets. But assets here are increasing quarter on quarter.

<A – Mitchell Caplan>: Yep. Now with respect to Dempsey let me give you the numbers. Average revenue per capture per 1,000 equity shares in Q3 was .234 and it increased in Q4 from .234 to .318. So the good news is equity shares traded were up from Q3 of approximately 65,037 or 65 million to a – billion -- to 75,717. So you saw a 16% increase in the number of shares traded and you saw a 36% increase in the average revenue capture rates.

<Q – Charlotte Chamberlain>: Fantastic. And one final thing. What was CapEx in the quarter?

<A>: About $40 million.

<Q – Charlotte Chamberlain>: Great. Thank you very, very much guys.

<A>: Our pleasure.

Operator: Your final question comes from the line of Campbell Chaney from Sanders, Morris, Harris?

<Q – Campbell Chaney>: Most of my question have been answered. Let me ask this about capital management. With the bank growing as quickly as it has, how are you going to be funding the capital of the bank just strictly from earnings or are you going to be transferring maybe capital from the brokerage to the bank or downstreaming it from the parent. Can you give us an idea of where that capital funding is going to come from?

<A – Mitchell Caplan>: Absolutely. Happy to do it. Again. Fundamentally, as you look at the bank you don't need to add a dollar of capital for it to grow at least 10% to 12% a year. So you could grow the balance sheet, and it is entirely self-funding just based on its earnings. So as Rob mentioned earlier. We exited Q3 with a free cash of about $713 million. We exited Q4 at 691 million. We will take that down. I mean one of the issues that we had for a long time as you are well aware is that people were worried about our cash positions and burning cash. For better or worse, we're now in the opposite position where people are starting to demand on the shareholder side that we invest that capital and generate a return on it. So for us to it becomes a balancing act between share repurchase, debt repurchase, and reinvesting in either the brokerage business or banking business. Today we have talked about we have spent on share repurchases, Rob was clear that we have about $238 million I believe that's left at the end of Q4. It is authorized by the Board. Similarly, there is excess capacity and probably the most important thing for capital redeployment is that when we look at the businesses, our goal has been and continues to be to get our ROE at the company in excess of 20% consistently year in and year out. And we are marching in that direction pretty aggressively. We have made tremendous headway in the last six or eight quarters. And clearly we would continue to do that. So as we look at the opportunities whether it is in redeploying capital into bank or brokerage, we want to ensure that we are generating on an incremental basis in excess of a 20% ROE to move in the direction that we want to for the overall company.

<Q – Campbell Chaney>: Just one final question. Getting to the loan growth in the bank in mostly in the HELOC, I think you said $1 billion in I think it was direct originated HELOCs came on the books, are you going to keep remixing that loan portfolio towards the HELOC product and maybe away from marine or vehicle loans?

<A – Mitchell Caplan>: That is distinctly possible. Yes. We, you know we are quite enamored with – with as you think about our balance sheet growing it as a result of selling products to our own core retail customers and so when you think about our core retail customers, clearly HELOC is a very compelling and interesting product.

<Q – Campbell Chaney>: Great. Thank you.

Mitchell Caplan, Chief Executive Officer

Absolutely. Thank you very much everybody for joining us. We look forward to seeing many of you at analyst day in February.

Operator: ladies and gentlemen, thank you for your participation in today's E*TRADE Financial Corporation's fourth quarter and year end 2004 earnings conference call. This concludes today's call. You may now disconnect.