

FOR IMMEDIATE RELEASE

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**E*TRADE FINANCIAL CORPORATION ANNOUNCES
FIRST QUARTER 2012 RESULTS**

First Quarter Results

- *Net income of \$63 million, or \$0.22 per share on total net revenue of \$489 million*
- *Income tax included a benefit of approximately \$26 million, or \$0.09 per share⁽¹⁾, related to certain losses on the 2009 Debt Exchange previously treated as non-deductible*
- *Provision for loan losses of \$72 million*
- *Daily Average Revenue Trades (DARTs) of 157,000*
- *Net new brokerage accounts of 46,000*
- *Record net new brokerage assets of \$4.0 billion, representing an 11% annualized growth rate⁽²⁾*

NEW YORK, April 19, 2012 – E*TRADE Financial Corporation (NASDAQ: ETFC) today announced results for its first quarter ended March 31, 2012, reporting net income of \$63 million, or \$0.22 per share including a tax benefit of \$26 million or \$0.09 per share. This compares with a net loss of \$6 million, or \$0.02 loss per share in the prior quarter, and net income of \$45 million, or \$0.16 per share in the first quarter of 2011. The Company reported total net revenue of \$489 million for the first quarter, compared with \$475 million in the prior quarter and \$537 million in the year-ago period.

During the quarter the Company recorded an income tax benefit of approximately \$26 million, or \$0.09 per share, related to certain losses on the 2009 Debt Exchange previously considered non-deductible. Through additional research completed in the current quarter, the Company identified a portion of these losses that are deductible for tax purposes and were incorrectly treated as non-deductible in 2009. As a result of this change, the Company recorded a current period income tax benefit and a corresponding increase to the Company's deferred tax asset which currently stands at \$1.6 billion.

“We started the year off with a solid first quarter, reflecting good momentum in the core brokerage business, and continued improvement in our legacy loan portfolio,” said Steven Freiberg, Chief Executive Officer of E*TRADE Financial. “Achieving firm records in net new brokerage assets and account retention are a testament to our ongoing efforts in sales and service, while trading activity benefited from market-wide reengagement of the retail investor during the quarter. Meanwhile, we continued to improve our risk profile as our legacy loan portfolio declined in size and risk – now accounting for less than a quarter of the firm's assets

with total special mention delinquencies down 20 percent sequentially, and down 26 percent year over year.”

E*TRADE reported DARTs of 157,000 during the quarter, an increase of 12 percent from the prior quarter and a decrease of 11 percent versus the same quarter a year ago.

At quarter end, the Company reported 4.4 million customer accounts, which included 2.8 million brokerage accounts. Net new brokerage accounts were 46,000 during the quarter compared with 10,000 in the prior quarter and 51,000 in the first quarter of 2011.

The Company ended the quarter with \$202 billion in total customer assets, compared with \$172 billion at the end of the fourth quarter of 2011 and \$189 billion from the year-ago period.

During the quarter, customers added a record \$4.0 billion in net new brokerage assets. Brokerage related cash increased by \$3.3 billion to \$31.0 billion during the period, while customers were net buyers of approximately \$0.1 billion of securities. Average margin receivables for the quarter remained flat at \$4.9 billion, and decreased nine percent from the year-ago period, while end of period balances increased \$0.5 billion in the quarter and declined \$0.4 billion from the year-ago period, ending the quarter at \$5.3 billion.

Net operating interest income for the first quarter was \$285 million, down from \$289 million in the prior quarter and \$310 million a year ago. First quarter results reflected a net interest spread of 2.49 percent on average interest-earning assets of \$44.9 billion, compared with a net interest spread of 2.66 percent on average interest-earning assets of \$42.6 billion in the prior quarter.

Commissions, fees and service charges, principal transactions, and other revenue in the first quarter were \$173 million, compared with \$156 million in the prior quarter and \$201 million in the first quarter of 2011. This sequential increase primarily reflected a rise in trading activity. Average commission per trade for the quarter was \$11.04, compared to \$10.80 in the prior quarter, and \$11.32 in the first quarter of 2011.

Total net revenue in the quarter also included \$31 million of net gains on loans and securities, including a net impairment of \$4 million.

Total operating expenses for the quarter increased \$2 million sequentially to \$306 million and included an \$11 million seasonal increase in advertising spend.

The Company’s loan portfolio ended the quarter at \$12.4 billion, contracting \$780 million from the prior quarter, primarily related to \$464 million of paydowns and \$316 million in charge-offs. Approximately half of the charge-offs in the quarter resulted from aligning certain loan modification policies and procedures with the guidance of the Company’s new primary banking regulator. The majority of the losses associated with these charge-offs were previously recognized. First quarter provision for loan losses was \$72 million, down \$51 million from the prior quarter.

“As we progress in our transition to the Fed and OCC, a key focus for management is aligning all of the Company’s policies and procedures with the guidance of our new regulators, ensuring their confidence on all fronts,” said Freiberg. “While our regulators are in the process of completing their initial review of our business and practices, the process itself is dynamic and ongoing and we can’t be certain that additional changes or actions will not result from their continuing review.”

The allowance for loan losses at quarter end was \$579 million, or five percent of gross loans receivable.

For the Company's entire loan portfolio, special mention delinquencies decreased 20 percent sequentially, and total at-risk delinquencies declined 19 percent. As compared to the year-ago period, special mention delinquencies declined 26 percent and total at-risk delinquencies declined 33 percent.

As of March 31, 2012, the Company reported a consolidated Tier 1 common ratio of 9.4 percent⁽³⁾, unchanged from the prior period and up from 6.5 percent at the end of the first quarter of 2011. E*TRADE Bank ended the quarter with Tier 1 leverage⁽⁴⁾ and total risk-based capital ratios of 7.3 percent and 17.0 percent, compared with 7.8 percent and 17.3 percent, respectively, at the end of the prior period and 7.5 percent and 15.6 percent, respectively, in the year-ago period.

Historical metrics and financials can be found on the E*TRADE Financial Investor Relations website at investor.etrade.com.

The Company will host a conference call to discuss the results beginning at 5:00 p.m. EDT today. This conference call will be available to domestic participants by dialing 800-683-1525 and 973-872-3197 for international participants. The conference ID number is 68632975. A live audio webcast and replay of this conference call will also be available at investor.etrade.com.

About E*TRADE Financial

The E*TRADE Financial family of companies provides financial services including online brokerage and related banking products and services to retail investors. Specific business segments include Trading and Investing and Balance Sheet Management. Securities products and services are offered by E*TRADE Securities LLC (Member FINRA/SIPC). Bank products and services are offered by E*TRADE Bank, a Federal savings bank, Member FDIC, or its subsidiaries and affiliates. More information is available at www.etrade.com. ETFC-E

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Important Notices

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Forward-Looking Statements: The statements contained in this news release that are forward looking are based on current expectations that are subject to a number of uncertainties and risks, and actual results may differ materially. The uncertainties and risks include, but are not limited to, potential changes in market activity, anticipated changes in the rate of new customer acquisition, macro trends of the economy in general and the residential real estate market, instability in the consumer credit markets and credit trends, increased mortgage loan delinquency and default rates, portfolio growth, portfolio seasoning and resolution through collections, sales or charge-offs, the uncertainty surrounding the foreclosure process, and the potential negative regulatory consequences resulting from the implementation of financial regulatory reform as well as from actions by or potentially more restrictive policies or interpretations of the Federal Reserve and the Office of the Comptroller of the Currency or other regulators. Further information about these risks and uncertainties can be found in the annual, quarterly, and current reports on Form 10-K, Form 10-Q, and Form 8-K previously filed by

E*TRADE Financial Corporation with the Securities and Exchange Commission (including information in these reports under the caption “Risk Factors”). Any forward-looking statement included in this release speaks only as of the date of this communication; the Company disclaims any obligation to update any information.

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Financial Statements

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

| | Three Months Ended | | |
|---|---------------------------|------------------------------|---------------------------|
| | March 31, 2012 | December 31, 2011 | March 31, 2011 |
| Revenue: | | | |
| Operating interest income | \$ 362,261 | \$ 366,519 | \$ 387,466 |
| Operating interest expense | (77,409) | (77,261) | (77,764) |
| Net operating interest income | <u>284,852</u> | <u>289,258</u> | <u>309,702</u> |
| Commissions | 107,431 | 94,553 | 124,433 |
| Fees and service charges | 31,998 | 27,153 | 37,245 |
| Principal transactions | 24,146 | 24,682 | 29,576 |
| Gains on loans and securities, net | 34,906 | 32,547 | 32,334 |
| Net impairment | (3,532) | (2,765) | (6,062) |
| Other revenues | <u>9,596</u> | <u>9,582</u> | <u>9,467</u> |
| Total non-interest income | <u>204,545</u> | <u>185,752</u> | <u>226,993</u> |
| Total net revenue | <u>489,397</u> | <u>475,010</u> | <u>536,695</u> |
| Provision for loan losses | 71,947 | 123,036 | 116,058 |
| Operating expense: | | | |
| Compensation and benefits | 92,278 | 88,673 | 84,003 |
| Clearing and servicing | 34,555 | 33,957 | 39,155 |
| Advertising and market development | 47,588 | 36,530 | 44,365 |
| FDIC insurance premiums | 28,362 | 25,154 | 20,567 |
| Professional services | 20,335 | 24,940 | 23,468 |
| Occupancy and equipment | 17,854 | 17,842 | 16,814 |
| Communications | 19,120 | 17,623 | 15,555 |
| Depreciation and amortization | 22,239 | 21,939 | 22,047 |
| Amortization of other intangibles | 6,296 | 6,538 | 6,538 |
| Facility restructuring and other exit activities | (424) | 1,650 | 3,552 |
| Other operating expenses | <u>18,036</u> | <u>29,414</u> | <u>21,950</u> |
| Total operating expense | <u>306,239</u> | <u>304,260</u> | <u>298,014</u> |
| Income before other income (expense) and income tax expense | 111,211 | 47,714 | 122,623 |
| Other income (expense): | | | |
| Corporate interest income | 14 | 13 | 616 |
| Corporate interest expense | (45,125) | (44,959) | (43,277) |
| Gains (losses) on sales of investments, net | (1) | 6 | - |
| Equity in loss of investments and venture funds | <u>(105)</u> | <u>(1,956)</u> | <u>(998)</u> |
| Total other income (expense) | <u>(45,217)</u> | <u>(46,896)</u> | <u>(43,659)</u> |
| Income before income tax expense | 65,994 | 818 | 78,964 |
| Income tax expense | <u>3,403</u> | <u>7,164</u> | <u>33,731</u> |
| Net income (loss) | <u>\$ 62,591</u> | <u>\$ (6,346)</u> | <u>\$ 45,233</u> |
| Basic earnings (loss) per share | \$ 0.22 | \$ (0.02) | \$ 0.20 |
| Diluted earnings (loss) per share | \$ 0.22 | \$ (0.02) | \$ 0.16 |
| Shares used in computation of per share data: | | | |
| Basic | 285,478 | 285,153 | 230,301 |
| Diluted ⁽⁵⁾ | 290,017 | 285,153 | 289,677 |

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

| | March 31, 2012 | December 31, 2011 |
|--|---------------------------|------------------------------|
| ASSETS | | |
| Cash and equivalents | \$ 2,018,438 | \$ 2,099,839 |
| Cash required to be segregated under federal or other regulations | 1,411,678 | 1,275,587 |
| Trading securities | 58,830 | 54,372 |
| Available-for-sale securities | 17,496,733 | 15,651,493 |
| Held-to-maturity securities | 7,640,118 | 6,079,512 |
| Margin receivables | 5,285,791 | 4,826,256 |
| Loans receivable, net | 11,796,468 | 12,332,807 |
| Investment in FHLB stock | 140,330 | 140,183 |
| Property and equipment, net | 298,425 | 299,693 |
| Goodwill | 1,934,232 | 1,934,232 |
| Other intangibles, net | 279,509 | 285,805 |
| Other assets | 2,931,192 | 2,960,673 |
| Total assets | \$ 51,291,744 | \$ 47,940,452 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Liabilities: | | |
| Deposits | \$ 29,581,388 | \$ 26,459,985 |
| Securities sold under agreements to repurchase | 5,022,253 | 5,015,499 |
| Customer payables | 5,706,213 | 5,590,858 |
| FHLB advances and other borrowings | 2,732,900 | 2,736,935 |
| Corporate debt | 1,497,376 | 1,493,552 |
| Other liabilities | 1,715,713 | 1,715,673 |
| Total liabilities | 46,255,843 | 43,012,502 |
| Shareholders' equity: | | |
| Common stock, \$0.01 par value, shares authorized: 400,000,000 at March 31, 2012 and December 31, 2011, shares issued and outstanding: 285,676,131 at March 31, 2012 and 285,368,075 at December 31, 2011 | 2,857 | 2,854 |
| Additional paid-in-capital | 7,307,207 | 7,306,862 |
| Accumulated deficit | (1,932,546) | (1,995,137) |
| Accumulated other comprehensive loss | (341,617) | (386,629) |
| Total shareholders' equity | 5,035,901 | 4,927,950 |
| Total liabilities and shareholders' equity | \$ 51,291,744 | \$ 47,940,452 |

Segment Reporting

| | Three Months Ended March 31, 2012 | | | | |
|---|-----------------------------------|-----------------------------|---------------------|-----------------------------|------------|
| | Trading and Investing | Balance Sheet Management | Corporate/ Other | Eliminations ⁽⁶⁾ | Total |
| | (In thousands) | | | | |
| Revenue: | | | | | |
| Operating interest income | \$ 181,250 | \$ 299,816 | \$ 1 | \$ (118,806) | \$ 362,261 |
| Operating interest expense | (10,802) | (185,413) | - | 118,806 | (77,409) |
| Net operating interest income | 170,448 | 114,403 | 1 | - | 284,852 |
| Commissions | 107,431 | - | - | - | 107,431 |
| Fees and service charges | 30,965 | 1,033 | - | - | 31,998 |
| Principal transactions | 24,146 | - | - | - | 24,146 |
| Gains (losses) on loans and securities, net | (88) | 35,007 | (13) | - | 34,906 |
| Net impairment | - | (3,532) | - | - | (3,532) |
| Other revenues | 7,935 | 1,661 | - | - | 9,596 |
| Total non-interest income | 170,389 | 34,169 | (13) | - | 204,545 |
| Total net revenue | 340,837 | 148,572 | (12) | - | 489,397 |
| Provision for loan losses | - | 71,947 | - | - | 71,947 |
| Operating expense: | | | | | |
| Compensation and benefits | 69,200 | 4,731 | 18,347 | - | 92,278 |
| Clearing and servicing | 18,263 | 16,292 | - | - | 34,555 |
| Advertising and market development | 47,374 | 214 | - | - | 47,588 |
| FDIC insurance premiums | - | 28,362 | - | - | 28,362 |
| Professional services | 10,358 | 2,717 | 7,260 | - | 20,335 |
| Occupancy and equipment | 16,416 | 539 | 899 | - | 17,854 |
| Communications | 18,346 | 351 | 423 | - | 19,120 |
| Depreciation and amortization | 17,741 | 175 | 4,323 | - | 22,239 |
| Amortization of other intangibles | 6,296 | - | - | - | 6,296 |
| Facility restructuring and other exit activities | - | - | (424) | - | (424) |
| Other operating expenses | 7,547 | 5,214 | 5,275 | - | 18,036 |
| Total operating expense | 211,541 | 58,595 | 36,103 | - | 306,239 |
| Segment income (loss) before other income (expense) | 129,296 | 18,030 | (36,115) | - | 111,211 |
| Other income (expense): | | | | | |
| Corporate interest income | - | - | 14 | - | 14 |
| Corporate interest expense | - | - | (45,125) | - | (45,125) |
| Losses on sale of investments, net | - | - | (1) | - | (1) |
| Equity in loss of investments and venture funds | - | - | (105) | - | (105) |
| Total other income (expense) | - | - | (45,217) | - | (45,217) |
| Segment income (loss) | \$ 129,296 | \$ 18,030 | \$ (81,332) | \$ - | \$ 65,994 |

| | Three Months Ended December 31, 2011 | | | | |
|---|--------------------------------------|-----------------------------|---------------------|-----------------------------|-----------------|
| | Trading and Investing | Balance Sheet Management | Corporate/ Other | Eliminations ⁽⁶⁾ | Total |
| | (In thousands) | | | | |
| Revenue: | | | | | |
| Operating interest income | \$ 190,804 | \$ 300,227 | \$ 5 | \$ (124,517) | \$ 366,519 |
| Operating interest expense | (10,893) | (190,885) | - | 124,517 | (77,261) |
| Net operating interest income | <u>179,911</u> | <u>109,342</u> | <u>5</u> | <u>-</u> | <u>289,258</u> |
| Commissions | 94,553 | - | - | - | 94,553 |
| Fees and service charges | 26,783 | 370 | - | - | 27,153 |
| Principal transactions | 24,682 | - | - | - | 24,682 |
| Gains (losses) on loans and securities, net | 340 | 32,275 | (68) | - | 32,547 |
| Net impairment | - | (2,765) | - | - | (2,765) |
| Other revenues | 7,783 | 1,799 | - | - | 9,582 |
| Total non-interest income | <u>154,141</u> | <u>31,679</u> | <u>(68)</u> | <u>-</u> | <u>185,752</u> |
| Total net revenue | <u>334,052</u> | <u>141,021</u> | <u>(63)</u> | <u>-</u> | <u>475,010</u> |
| Provision for loan losses | - | 123,036 | - | - | 123,036 |
| Operating expense: | | | | | |
| Compensation and benefits | 66,412 | 4,221 | 18,040 | - | 88,673 |
| Clearing and servicing | 16,175 | 17,782 | - | - | 33,957 |
| Advertising and market development | 36,492 | 38 | - | - | 36,530 |
| FDIC insurance premiums | - | 25,154 | - | - | 25,154 |
| Professional services | 14,120 | 729 | 10,091 | - | 24,940 |
| Occupancy and equipment | 16,725 | 572 | 545 | - | 17,842 |
| Communications | 16,853 | 369 | 401 | - | 17,623 |
| Depreciation and amortization | 17,468 | 193 | 4,278 | - | 21,939 |
| Amortization of other intangibles | 6,538 | - | - | - | 6,538 |
| Facility restructuring and other exit activities | - | - | 1,650 | - | 1,650 |
| Other operating expenses | 2,096 | 11,211 | 16,107 | - | 29,414 |
| Total operating expense | <u>192,879</u> | <u>60,269</u> | <u>51,112</u> | <u>-</u> | <u>304,260</u> |
| Segment income (loss) before other income (expense) | <u>141,173</u> | <u>(42,284)</u> | <u>(51,175)</u> | <u>-</u> | <u>47,714</u> |
| Other income (expense): | | | | | |
| Corporate interest income | - | - | 13 | - | 13 |
| Corporate interest expense | - | - | (44,959) | - | (44,959) |
| Gains on sale of investments, net | - | - | 6 | - | 6 |
| Equity in loss of investments and venture funds | - | - | (1,956) | - | (1,956) |
| Total other income (expense) | <u>-</u> | <u>-</u> | <u>(46,896)</u> | <u>-</u> | <u>(46,896)</u> |
| Segment income (loss) | <u>\$ 141,173</u> | <u>\$ (42,284)</u> | <u>\$ (98,071)</u> | <u>\$ -</u> | <u>\$ 818</u> |

| | Three Months Ended March 31, 2011 | | | | |
|---|--|-------------------------------------|-----------------------------|-----------------------------------|------------------|
| | Trading and Investing | Balance Sheet Management | Corporate/ Other | Eliminations⁽⁶⁾ | Total |
| | (In thousands) | | | | |
| Revenue: | | | | | |
| Operating interest income | \$ 202,487 | \$ 319,205 | \$ 6 | \$ (134,232) | \$ 387,466 |
| Operating interest expense | (13,635) | (198,361) | - | 134,232 | (77,764) |
| Net operating interest income | 188,852 | 120,844 | 6 | - | 309,702 |
| Commissions | 124,433 | - | - | - | 124,433 |
| Fees and service charges | 36,148 | 1,097 | - | - | 37,245 |
| Principal transactions | 29,576 | - | - | - | 29,576 |
| Gains on loans and securities, net | 112 | 32,222 | - | - | 32,334 |
| Net impairment | - | (6,062) | - | - | (6,062) |
| Other revenues | 7,936 | 1,531 | - | - | 9,467 |
| Total non-interest income | 198,205 | 28,788 | - | - | 226,993 |
| Total net revenue | 387,057 | 149,632 | 6 | - | 536,695 |
| Provision for loan losses | - | 116,058 | - | - | 116,058 |
| Operating expense: | | | | | |
| Compensation and benefits | 61,841 | 4,494 | 17,668 | - | 84,003 |
| Clearing and servicing | 21,096 | 18,059 | - | - | 39,155 |
| Advertising and market development | 44,365 | - | - | - | 44,365 |
| FDIC insurance premiums | - | 20,567 | - | - | 20,567 |
| Professional services | 13,308 | 612 | 9,548 | - | 23,468 |
| Occupancy and equipment | 15,144 | 702 | 968 | - | 16,814 |
| Communications | 14,967 | 267 | 321 | - | 15,555 |
| Depreciation and amortization | 16,966 | 326 | 4,755 | - | 22,047 |
| Amortization of other intangibles | 6,538 | - | - | - | 6,538 |
| Facility restructuring and other exit activities | - | - | 3,552 | - | 3,552 |
| Other operating expenses | 8,389 | 8,438 | 5,123 | - | 21,950 |
| Total operating expense | 202,614 | 53,465 | 41,935 | - | 298,014 |
| Segment income (loss) before other income (expense) | 184,443 | (19,891) | (41,929) | - | 122,623 |
| Other income (expense): | | | | | |
| Corporate interest income | - | - | 616 | - | 616 |
| Corporate interest expense | - | - | (43,277) | - | (43,277) |
| Equity in loss of investments and venture funds | - | - | (998) | - | (998) |
| Total other income (expense) | - | - | (43,659) | - | (43,659) |
| Segment income (loss) | <u>\$ 184,443</u> | <u>\$ (19,891)</u> | <u>\$ (85,588)</u> | <u>\$ -</u> | <u>\$ 78,964</u> |

Key Performance Metrics⁽⁷⁾

| | <u>Qtr ended</u> <u>3/31/12</u> | <u>Qtr ended</u> <u>12/31/11</u> | <u>Qtr ended</u> <u>3/31/12</u> <u>vs.</u> <u>12/31/11</u> | <u>Qtr ended</u> <u>3/31/11</u> | <u>Qtr ended</u> <u>3/31/12</u> <u>vs.</u> <u>3/31/11</u> |
|--|------------------------------------|-------------------------------------|---|------------------------------------|--|
| <u>Corporate Metrics</u> | | | | | |
| <u>Operating margin %⁽⁸⁾</u> | | | | | |
| Consolidated | 23 % | 10 % | 13 % | 23 % | 0 % |
| Trading and Investing | 38 % | 42 % | (4)% | 48 % | (10)% |
| Balance Sheet Management | 12 % | N.M. | N.M. | N.M. | N.M. |
| Employees | 3,162 | 3,240 | (2)% | 2,958 | 7 % |
| Consultants and other | 136 | 167 | (19)% | 200 | (32)% |
| Total headcount | 3,298 | 3,407 | (3)% | 3,158 | 4 % |
| Book value per share | \$ 17.63 | \$ 17.27 | 2 % | \$ 17.72 | (1)% |
| Tangible book value per share ⁽⁹⁾ | \$ 10.87 | \$ 10.44 | 4 % | \$ 9.62 | 13 % |
| Corporate cash (\$MM) | \$ 483.8 | \$ 484.4 | 0 % | \$ 460.9 | 5 % |
| Enterprise net interest spread (basis points) ⁽¹⁰⁾ | 249 | 266 | (6)% | 284 | (12)% |
| Enterprise interest-earning assets, average (\$MM) | \$ 44,890 | \$ 42,565 | 5 % | \$ 42,742 | 5 % |
| <u>Earnings before interest, taxes, depreciation & amortization ("EBITDA") (\$MM)</u> | | | | | |
| Net income (loss) | \$ 62.6 | \$ (6.3) | N.M. | \$ 45.2 | 38 % |
| Income tax expense | 3.4 | 7.2 | N.M. | 33.7 | N.M. |
| Depreciation & amortization | 28.6 | 28.4 | 1 % | 28.6 | 0 % |
| Corporate interest expense | 45.1 | 45.0 | 0 % | 43.3 | 4 % |
| EBITDA | \$ 139.7 | \$ 74.3 | 88 % | \$ 150.8 | (7)% |
| Interest coverage ⁽¹¹⁾ | 3.1 | 1.7 | N.M. | 3.5 | N.M. |
| Bank earnings before taxes and before credit losses (\$MM) ⁽¹²⁾ | \$ 153.6 | \$ 174.9 | (12)% | \$ 229.7 | (33)% |
| <u>Trading and Investing Metrics</u> | | | | | |
| Trading days | 62.0 | 62.5 | N.M. | 62.0 | N.M. |
| DARTs | 156,988 | 140,059 | 12 % | 177,279 | (11)% |
| Total trades (MM) | 9.7 | 8.8 | 10 % | 11.0 | (12)% |
| Average commission per trade | \$ 11.04 | \$ 10.80 | 2 % | \$ 11.32 | (2)% |
| End of period margin receivables (\$B) | \$ 5.3 | \$ 4.8 | 10 % | \$ 5.7 | (7)% |
| Average margin receivables (\$B) | \$ 4.9 | \$ 4.9 | 0 % | \$ 5.4 | (9)% |

| | <u>Qtr ended</u> <u>3/31/12</u> | <u>Qtr ended</u> <u>12/31/11</u> | <u>Qtr ended</u> <u>3/31/12</u> <u>vs.</u> <u>12/31/11</u> | <u>Qtr ended</u> <u>3/31/11</u> | <u>Qtr ended</u> <u>3/31/12</u> <u>vs.</u> <u>3/31/11</u> |
|--|------------------------------------|-------------------------------------|---|------------------------------------|--|
| <u>Trading and Investing Metrics (continued)</u> | | | | | |
| Gross new brokerage accounts | 106,418 | 75,953 | 40 % | 116,753 | (9)% |
| Gross new stock plan accounts | 61,234 | 40,802 | 50 % | 56,169 | 9 % |
| Gross new banking accounts | 4,978 | 4,497 | 11 % | 5,794 | (14)% |
| Closed accounts | (123,142) | (111,945) | N.M. | (124,952) | N.M. |
| Net new accounts | 49,488 | 9,307 | N.M. | 53,764 | N.M. |
| Net new brokerage accounts | 45,994 | 10,196 | N.M. | 50,512 | N.M. |
| Net new stock plan accounts | 10,989 | 8,326 | N.M. | 19,581 | N.M. |
| Net new banking accounts | (7,495) | (9,215) | N.M. | (16,329) | N.M. |
| Net new accounts | 49,488 | 9,307 | N.M. | 53,764 | N.M. |
| End of period brokerage accounts | 2,829,006 | 2,783,012 | 2 % | 2,734,823 | 3 % |
| End of period stock plan accounts | 1,081,403 | 1,070,414 | 1 % | 1,068,105 | 1 % |
| End of period banking accounts | 456,073 | 463,568 | (2)% | 498,668 | (9)% |
| End of period total accounts | 4,366,482 | 4,316,994 | 1 % | 4,301,596 | 2 % |
| <u>Customer Assets (\$B)</u> | | | | | |
| Security holdings | \$ 138.3 | \$ 118.1 | 17 % | \$ 130.0 | 6 % |
| Customer payables (cash) | 5.7 | 5.6 | 2 % | 5.4 | 6 % |
| Customer cash balances held by third parties | 3.7 | 3.5 | 6 % | 3.4 | 9 % |
| Unexercised stock plan customer options (vested) | 24.6 | 18.8 | 31 % | 24.2 | 2 % |
| Customer assets in brokerage and stock plan accounts | 172.3 | 146.0 | 18 % | 163.0 | 6 % |
| Sweep deposits | 21.6 | 18.6 | 16 % | 17.1 | 26 % |
| Savings, transaction and other | 8.0 | 7.8 | 3 % | 8.8 | (9)% |
| Customer assets in banking accounts | 29.6 | 26.4 | 12 % | 25.9 | 14 % |
| Total customer assets | \$ 201.9 | \$ 172.4 | 17 % | \$ 188.9 | 7 % |
| Net new brokerage assets (\$B) ⁽¹³⁾ | \$ 4.0 | \$ 1.7 | N.M. | \$ 3.9 | N.M. |
| Net new banking assets (\$B) ⁽¹³⁾ | 0.1 | - | N.M. | (0.2) | N.M. |
| Net new customer assets (\$B) ⁽¹³⁾ | \$ 4.1 | \$ 1.7 | N.M. | \$ 3.7 | N.M. |
| Brokerage related cash (\$B) | \$ 31.0 | \$ 27.7 | 12 % | \$ 25.9 | 20 % |
| Other customer cash and deposits (\$B) | 8.0 | 7.8 | 3 % | 8.8 | (9)% |
| Total customer cash and deposits (\$B) | \$ 39.0 | \$ 35.5 | 10 % | \$ 34.7 | 12 % |
| Unexercised stock plan customer options (unvested) (\$B) | \$ 47.5 | \$ 38.2 | 24 % | \$ 42.8 | 11 % |
| Customer net (purchase) / sell activity (\$B) | \$ (0.1) | \$ 0.9 | N.M. | \$ (2.3) | N.M. |
| <u>Market Making</u> | | | | | |
| Equity shares traded (MM) | 108,613 | 73,597 | 48 % | 190,332 | (43)% |
| Average revenue capture per 1,000 equity shares | \$ 0.220 | \$ 0.328 | (33)% | \$ 0.153 | 44 % |
| % of Bulletin Board equity shares to total equity shares | 93.3% | 91.0% | 2 % | 95.5% | (2)% |

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| | <u>Qtr ended</u> <u>3/31/12</u> | <u>Qtr ended</u> <u>12/31/11</u> | <u>Qtr ended</u> <u>3/31/12</u> <u>vs.</u> <u>12/31/11</u> | <u>Qtr ended</u> <u>3/31/11</u> | <u>Qtr ended</u> <u>3/31/12</u> <u>vs.</u> <u>3/31/11</u> |
|--|------------------------------------|-------------------------------------|---|------------------------------------|--|
| <u>Balance Sheet Management Metrics</u> | | | | | |
| Loans receivable (\$MM) | | | | | |
| Average loans receivable | \$ 12,958 | \$ 13,623 | (5)% | \$ 15,820 | (18)% |
| Ending loans receivable, net | \$ 11,796 | \$ 12,333 | (4)% | \$ 14,336 | (18)% |
| Loan performance detail (all loans, including TDRs) (\$MM) | | | | | |
| <u>One- to Four-Family</u> | | | | | |
| Current | \$ 5,543 | \$ 5,756 | (4)% | \$ 6,464 | (14)% |
| 30-89 days delinquent | 252 | 295 | (15)% | 330 | (24)% |
| 90-179 days delinquent | 114 | 136 | (16)% | 213 | (46)% |
| Total 30-179 days delinquent | 366 | 431 | (15)% | 543 | (33)% |
| 180+ days delinquent (net of \$232M, \$226M and \$295M in charge-offs for Q112, Q411 and Q111, respectively) | 413 | 458 | (10)% | 741 | (44)% |
| Total delinquent loans ⁽¹⁴⁾ | 779 | 889 | (12)% | 1,284 | (39)% |
| Gross loans receivable ⁽¹⁵⁾ | \$ 6,322 | \$ 6,645 | (5)% | \$ 7,748 | (18)% |
| <u>Home Equity</u> | | | | | |
| Current | \$ 4,776 | \$ 5,073 | (6)% | \$ 5,844 | (18)% |
| 30-89 days delinquent | 106 | 154 | (31)% | 155 | (32)% |
| 90-179 days delinquent | 80 | 100 | (20)% | 136 | (41)% |
| Total 30-179 days delinquent | 186 | 254 | (27)% | 291 | (36)% |
| 180+ days delinquent (net of \$24M, \$20M and \$25M in charge-offs for Q112, Q411 and Q111, respectively) | 49 | 58 | (16)% | 54 | (9)% |
| Total delinquent loans ⁽¹⁴⁾ | 235 | 312 | (25)% | 345 | (32)% |
| Gross loans receivable ⁽¹⁵⁾ | \$ 5,011 | \$ 5,385 | (7)% | \$ 6,189 | (19)% |
| <u>Consumer and Other</u> | | | | | |
| Current | \$ 1,021 | \$ 1,104 | (8)% | \$ 1,324 | (23)% |
| 30-89 days delinquent | 17 | 18 | (6)% | 24 | (29)% |
| 90-179 days delinquent | 5 | 4 | 25 % | 3 | 67 % |
| Total 30-179 days delinquent | 22 | 22 | 0 % | 27 | (19)% |
| 180+ days delinquent | - | - | N.M. | 1 | (100)% |
| Total delinquent loans | 22 | 22 | 0 % | 28 | (21)% |
| Gross loans receivable ⁽¹⁵⁾ | \$ 1,043 | \$ 1,126 | (7)% | \$ 1,352 | (23)% |
| <u>Total Loans Receivable</u> | | | | | |
| Current | \$ 11,340 | \$ 11,933 | (5)% | \$ 13,632 | (17)% |
| 30-89 days delinquent | 375 | 467 | (20)% | 509 | (26)% |
| 90-179 days delinquent | 199 | 240 | (17)% | 352 | (43)% |
| Total 30-179 days delinquent | 574 | 707 | (19)% | 861 | (33)% |
| 180+ days delinquent | 462 | 516 | (10)% | 796 | (42)% |
| Total delinquent loans ⁽¹⁴⁾ | 1,036 | 1,223 | (15)% | 1,657 | (37)% |
| Total gross loans receivable ⁽¹⁵⁾ | \$ 12,376 | \$ 13,156 | (6)% | \$ 15,289 | (19)% |

E*TRADE Financial Corporation Results for the Quarter Ended March 31, 2012
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| <u>Balance Sheet Management Metrics (continued)</u> | <u>Qtr ended</u> <u>3/31/12</u> | <u>Qtr ended</u> <u>12/31/11</u> | <u>Qtr ended</u> <u>3/31/12</u> <u>vs.</u> <u>12/31/11</u> | <u>Qtr ended</u> <u>3/31/11</u> | <u>Qtr ended</u> <u>3/31/12</u> <u>vs.</u> <u>3/31/11</u> |
|--|------------------------------------|-------------------------------------|---|------------------------------------|--|
| <u>TDR performance detail (\$MM)⁽¹⁶⁾</u> | | | | | |
| <u>One- to Four-Family TDRs</u> | | | | | |
| Current | \$ 782 | \$ 767 | 2 % | \$ 526 | 49 % |
| 30-89 days delinquent | 91 | 88 | 3 % | 49 | 86 % |
| 90-179 days delinquent | 38 | 33 | 15 % | 24 | 58 % |
| Total 30-179 days delinquent | 129 | 121 | 7 % | 73 | 77 % |
| 180+ days delinquent | 83 | 85 | (2)% | 47 | 77 % |
| Total delinquent TDRs | 212 | 206 | 3 % | 120 | 77 % |
| TDRs | \$ 994 | \$ 973 | 2 % | \$ 646 | 54 % |
| <u>Home Equity TDRs</u> | | | | | |
| Current | \$ 272 | \$ 352 | (23)% | \$ 372 | (27)% |
| 30-89 days delinquent | 21 | 51 | (59)% | 56 | (63)% |
| 90-179 days delinquent | 13 | 35 | (63)% | 35 | (63)% |
| Total 30-179 days delinquent | 34 | 86 | (60)% | 91 | (63)% |
| 180+ days delinquent | 5 | 8 | (38)% | 4 | 25 % |
| Total delinquent TDRs | 39 | 94 | (59)% | 95 | (59)% |
| TDRs | \$ 311 | \$ 446 | (30)% | \$ 467 | (33)% |
| <u>Total TDRs</u> | | | | | |
| Current | \$ 1,054 | \$ 1,119 | (6)% | \$ 898 | 17 % |
| 30-89 days delinquent | 112 | 139 | (19)% | 105 | 7 % |
| 90-179 days delinquent | 51 | 68 | (25)% | 59 | (14)% |
| Total 30-179 days delinquent | 163 | 207 | (21)% | 164 | (1)% |
| 180+ days delinquent | 88 | 93 | (5)% | 51 | 73 % |
| Total delinquent TDRs | 251 | 300 | (16)% | 215 | 17 % |
| TDRs | \$ 1,305 | \$ 1,419 | (8)% | \$ 1,113 | 17 % |
| <u>Capital Metrics</u> | | | | | |
| <u>E*TRADE Bank</u> | | | | | |
| Tier 1 leverage ratio ⁽⁴⁾⁽¹⁷⁾ | 7.3 % | 7.8 % | (0.5)% | 7.5 % | (0.2)% |
| Tier 1 risk-based capital ratio ⁽¹⁷⁾ | 15.7 % | 16.0 % | (0.3)% | 14.3 % | 1.4 % |
| Total risk-based capital ratio ⁽¹⁷⁾ | 17.0 % | 17.3 % | (0.3)% | 15.6 % | 1.4 % |
| Tier 1 common ratio ⁽¹⁷⁾⁽¹⁸⁾ | 15.7 % | 16.0 % | (0.3)% | 9.6 % | 6.1 % |
| E*TRADE Bank excess Tier 1 capital (\$MM) ⁽¹⁷⁾ | \$ 1,072.6 | \$ 1,188.1 | (10)% | \$ 1,094.1 | (2)% |
| E*TRADE Bank excess Tier 1 risk-based capital (\$MM) ⁽¹⁷⁾ | \$ 2,101.7 | \$ 2,086.9 | 1 % | \$ 1,872.2 | 12 % |
| E*TRADE Bank excess risk-based capital (\$MM) ⁽¹⁷⁾ | \$ 1,513.7 | \$ 1,516.1 | 0 % | \$ 1,255.0 | 21 % |
| <u>E*TRADE Financial</u> | | | | | |
| Tier 1 leverage ratio ⁽¹⁹⁾ | 5.5 % | 5.7 % | (0.2)% | 4.4 % | 1.1 % |
| Tier 1 risk-based capital ratio ⁽¹⁹⁾ | 11.4 % | 11.4 % | 0.0 % | 8.3 % | 3.1 % |
| Total risk-based capital ratio ⁽¹⁹⁾ | 12.6 % | 12.7 % | (0.1)% | 9.6 % | 3.0 % |
| Tier 1 common ratio ⁽³⁾ | 9.4 % | 9.4 % | 0.0 % | 6.5 % | 2.9 % |

Activity in Allowance for Loan Losses

| | Three Months Ended March 31, 2012 | | | |
|--|-----------------------------------|-------------------|--------------------|-------------------|
| | One- to Four-Family | Home Equity | Consumer and Other | Total |
| | (In thousands) | | | |
| Allowance for loan losses, ending 12/31/11 | \$ 314,187 | \$ 463,288 | \$ 45,341 | \$ 822,816 |
| Provision for loan losses | 15,867 | 42,977 | 13,103 | 71,947 |
| Charge-offs, net | (90,452) | (215,250) | (9,886) | (315,588) |
| Allowance for loan losses, ending 3/31/12 | <u>\$ 239,602</u> | <u>\$ 291,015</u> | <u>\$ 48,558</u> | <u>\$ 579,175</u> |

| | Three Months Ended December 31, 2011 | | | |
|--|--------------------------------------|-------------------|--------------------|-------------------|
| | One- to Four-Family | Home Equity | Consumer and Other | Total |
| | (In thousands) | | | |
| Allowance for loan losses, ending 9/30/11 | \$ 311,451 | \$ 454,042 | \$ 54,562 | \$ 820,055 |
| Provision for loan losses | 52,546 | 66,269 | 4,220 | 123,035 |
| Charge-offs, net | (49,810) | (57,023) | (13,441) | (120,274) |
| Allowance for loan losses, ending 12/31/11 | <u>\$ 314,187</u> | <u>\$ 463,288</u> | <u>\$ 45,341</u> | <u>\$ 822,816</u> |

| | Three Months Ended March 31, 2011 | | | |
|--|-----------------------------------|-------------------|--------------------|-------------------|
| | One- to Four-Family | Home Equity | Consumer and Other | Total |
| | (In thousands) | | | |
| Allowance for loan losses, ending 12/31/10 | \$ 389,594 | \$ 576,089 | \$ 65,486 | \$ 1,031,169 |
| Provision for loan losses | 17,839 | 90,349 | 7,870 | 116,058 |
| Charge-offs, net | (54,316) | (127,267) | (12,038) | (193,621) |
| Allowance for loan losses, ending 3/31/11 | <u>\$ 353,117</u> | <u>\$ 539,171</u> | <u>\$ 61,318</u> | <u>\$ 953,606</u> |

Specific Valuation Allowance Activity

| | As of March 31, 2012 | | | | |
|---------------------|-----------------------------|------------------------------|------------------------|--|---------------------------------------|
| | Recorded Investment in TDRs | Specific Valuation Allowance | Net Investment in TDRs | Specific Valuation Allowance as a % of TDR Loans | Total Expected Losses ⁽²⁰⁾ |
| | (Dollars in thousands) | | | | |
| One- to four-family | \$ 993,902 | \$ 90,122 | \$ 903,780 | 9% | 30% |
| Home equity | 310,885 | 114,522 | 196,363 | 37% | 58% |
| Total | <u>\$ 1,304,787</u> | <u>\$ 204,644</u> | <u>\$ 1,100,143</u> | 16% | 37% |

| | As of December 31, 2011 | | | | |
|---------------------|-----------------------------|------------------------------|------------------------|--|---------------------------------------|
| | Recorded Investment in TDRs | Specific Valuation Allowance | Net Investment in TDRs | Specific Valuation Allowance as a % of TDR Loans | Total Expected Losses ⁽²⁰⁾ |
| | (Dollars in thousands) | | | | |
| One- to four-family | \$ 972,953 | \$ 101,188 | \$ 871,765 | 10% | 28% |
| Home equity | 445,939 | 218,955 | 226,984 | 49% | 55% |
| Total | <u>\$ 1,418,892</u> | <u>\$ 320,143</u> | <u>\$ 1,098,749</u> | 23% | 35% |

| | As of March 31, 2011 | | | | |
|---------------------|-----------------------------|------------------------------|------------------------|--|---------------------------------------|
| | Recorded Investment in TDRs | Specific Valuation Allowance | Net Investment in TDRs | Specific Valuation Allowance as a % of TDR Loans | Total Expected Losses ⁽²⁰⁾ |
| | (Dollars in thousands) | | | | |
| One- to four-family | \$ 646,064 | \$ 84,990 | \$ 561,074 | 13% | 27% |
| Home equity | 467,111 | 253,492 | 213,619 | 54% | 58% |
| Total | <u>\$ 1,113,175</u> | <u>\$ 338,482</u> | <u>\$ 774,693</u> | 30% | 39% |

Average Enterprise Balance Sheet Data

| | Three Months Ended | | | | | |
|---|----------------------|------------------------------|--------------------|----------------------|------------------------------|--------------------|
| | March 31, 2012 | | | December 31, 2011 | | |
| | 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 ⁽²¹⁾ | \$ 12,972,684 | \$ 139,501 | 4.30% | \$ 13,630,858 | \$ 155,104 | 4.55% |
| Margin receivables | 4,857,266 | 47,990 | 3.97% | 4,924,505 | 51,155 | 4.12% |
| Available-for-sale securities | 16,054,904 | 105,960 | 2.64% | 15,118,778 | 101,700 | 2.69% |
| Held-to-maturity securities | 6,917,621 | 53,406 | 3.09% | 5,347,207 | 42,684 | 3.19% |
| Cash and equivalents | 1,604,562 | 839 | 0.21% | 1,622,995 | 774 | 0.19% |
| Segregated cash and investments | 1,830,021 | 365 | 0.08% | 1,324,309 | 310 | 0.09% |
| Securities borrowed and other | 653,097 | 12,664 | 7.80% | 596,543 | 13,423 | 8.93% |
| Total enterprise interest-earning assets | <u>\$ 44,890,155</u> | <u>360,725</u> | 3.22% | <u>\$ 42,565,195</u> | <u>365,150</u> | 3.43% |
| Enterprise interest-bearing liabilities: | | | | | | |
| Deposits | \$ 27,927,872 | 8,342 | 0.12% | \$ 25,859,600 | 8,650 | 0.13% |
| Customer payables | 5,965,680 | 2,670 | 0.18% | 5,522,278 | 2,343 | 0.17% |
| Securities sold under agreements to repurchase | 4,989,235 | 40,764 | 3.23% | 5,078,591 | 39,164 | 3.02% |
| FHLB advances and other borrowings | 2,732,185 | 25,422 | 3.68% | 2,733,340 | 26,702 | 3.82% |
| Securities loaned and other | 588,505 | 168 | 0.12% | 573,105 | 365 | 0.25% |
| Total enterprise interest-bearing liabilities | <u>\$ 42,203,477</u> | <u>77,366</u> | 0.73% | <u>\$ 39,766,914</u> | <u>77,224</u> | 0.77% |
| Enterprise net interest income/spread⁽¹⁰⁾ | | <u>\$ 283,359</u> | 2.49% | | <u>\$ 287,926</u> | 2.66% |

| | Three Months Ended | | |
|---|----------------------|------------------------------|--------------------|
| | March 31, 2011 | | |
| | Average Balance | Operating Interest Inc./Exp. | Average Yield/Cost |
| Enterprise interest-earning assets: | (In thousands) | | |
| Loans ⁽²¹⁾ | \$ 15,824,906 | \$ 186,345 | 4.71% |
| Margin receivables | 5,443,336 | 56,293 | 4.19% |
| Available-for-sale securities | 15,752,878 | 111,172 | 2.82% |
| Held-to-maturity securities | 2,518,499 | 20,750 | 3.30% |
| Cash and equivalents | 1,831,111 | 943 | 0.21% |
| Segregated cash and investments | 727,193 | 234 | 0.13% |
| Securities borrowed and other | 643,782 | 9,781 | 6.16% |
| Total enterprise interest-earning assets | <u>\$ 42,741,705</u> | <u>385,518</u> | 3.61% |
| Enterprise interest-bearing liabilities: | | | |
| Deposits | \$ 25,635,313 | 12,274 | 0.19% |
| Customer payables | 5,319,100 | 1,866 | 0.14% |
| Securities sold under agreements to repurchase | 5,885,044 | 37,993 | 2.58% |
| FHLB advances and other borrowings | 2,752,190 | 25,264 | 3.67% |
| Securities loaned and other | 684,968 | 334 | 0.20% |
| Total enterprise interest-bearing liabilities | <u>\$ 40,276,615</u> | <u>77,731</u> | 0.77% |
| Enterprise net interest income/spread⁽¹⁰⁾ | | <u>\$ 307,787</u> | 2.84% |

Reconciliation from Enterprise Net Interest Income to Net Operating Interest Income

| | Three Months Ended | | |
|---|--------------------|-------------------|-------------------|
| | March 31, 2012 | December 31, 2011 | March 31, 2011 |
| | (In thousands) | | |
| Enterprise net interest income | \$ 283,359 | \$ 287,926 | \$ 307,787 |
| Taxable equivalent interest adjustment ⁽²²⁾ | (298) | (291) | (291) |
| Earnings on customer cash held by third parties and other ⁽²³⁾ | 1,791 | 1,623 | 2,206 |
| Net operating interest income | <u>\$ 284,852</u> | <u>\$ 289,258</u> | <u>\$ 309,702</u> |

SUPPLEMENTAL INFORMATION

Explanation of Non-GAAP Measures and Certain Metrics

Management believes that tangible book value per share, corporate cash, EBITDA, interest coverage, Bank earnings before taxes and before credit losses, E*TRADE Bank Tier 1 common ratio and E*TRADE Financial ratios are appropriate measures for evaluating the operating and liquidity performance of the Company. Management believes that adjusting GAAP measures by excluding or including certain items is helpful to investors and analysts who may wish to use some or all of this information to analyze the Company's current performance, prospects and valuation. Management uses non-GAAP information internally to evaluate operating performance and in formulating the budget for future periods.

Tangible Book Value per Share

Tangible book value per share represents shareholders' equity less goodwill (net of related deferred tax liability) and other intangible assets divided by common stock outstanding. The Company believes that tangible book value per share is a measure of the Company's capital strength. See endnote (9) for a reconciliation of this non-GAAP measure to the comparable GAAP measure.

Corporate Cash

Corporate cash represents cash held at the parent company as well as cash held in certain subsidiaries that can distribute cash to the parent company without any regulatory approval. The Company believes that corporate cash is a useful measure of the parent company's liquidity as it is the primary source of capital above and beyond the capital deployed in regulated subsidiaries. See the Company's financial statements and "Management's Discussion and Analysis of Results of Operations and Financial Condition" that will be included in the periodic report the Company expects to file with the SEC with respect to the financial periods discussed herein for a reconciliation of this non-GAAP measure to the comparable GAAP measure.

EBITDA

EBITDA represents net income (loss) before taxes, depreciation and amortization and corporate interest expense. Management believes that EBITDA provides a useful additional measure of the Company's performance by excluding certain non-cash charges and expenses that are not directly related to the performance of the 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 the Company's ability to continue to meet interest obligations and liquidity needs. See endnote (11) for a reconciliation of this non-GAAP measure to the comparable GAAP measure.

Bank Earnings Before Taxes and Before Credit Losses

Bank earnings before taxes and before credit losses represents the pre-tax earnings of E*TRADE Bank's holding company, ETB Holdings, Inc. ("Bank") before provision for loan losses, gains on loans and securities, net, net impairment and losses on early extinguishment of FHLB advances. This metric shows the amount of earnings that the Bank, after accruing for the interest expense on its trust preferred securities, generates each quarter prior to credit related losses, primarily provision and losses on securities. Management believes this non-GAAP measure is useful to investors and analysts as it is an indicator of the level of credit related losses the Bank can absorb without causing a decline in E*TRADE Bank's excess risk-based capital. See endnote (12) for a reconciliation of this non-GAAP measure to the comparable GAAP measure.

E*TRADE Bank Tier 1 Common Ratio and E*TRADE Financial Ratios

E*TRADE Financial ratios, including Tier 1 leverage, Tier 1 risk-based capital and total risk-based capital ratios, are based on the Federal Reserve regulatory minimum well-capitalized threshold. E*TRADE Bank's and E*TRADE Financial's Tier 1 common ratios are defined as the Tier 1 capital less elements of

Tier 1 capital that are not in the form of common equity, such as trust preferred securities, divided by total risk-weighted assets. Management believes these ratios are an important measure of E*TRADE Bank's and the Company's capital strength. See endnotes (3), (18) and (19) for reconciliations of these non-GAAP measures to the comparable GAAP measures.

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 (loss), consolidated statements of cash flows, or other measures of financial performance prepared in accordance with GAAP. For additional information on the adjustments to these non-GAAP measures, please see the Company's financial statements and "Management's Discussion and Analysis of Results of Operations and Financial Condition" that will be included in the periodic report the Company expects to file with the SEC with respect to the financial periods discussed herein.

ENDNOTES

(1) The following table provides a reconciliation for the calculation of the income tax benefit impact related to certain losses on the 2009 Debt Exchange on diluted EPS (dollars in thousands, except per share amounts):

| | Q1 2012 | |
|--|-----------|-------------|
| | Amount | Diluted EPS |
| Income before income tax expense | \$ 65,994 | \$ 0.23 |
| Income tax benefit related to certain losses on the 2009 Debt Exchange | (26,284) | (0.09) |
| Other income tax expense | 29,687 | 0.10 |
| Total income tax expense | 3,403 | 0.01 |
| Net income | \$ 62,591 | \$ 0.22 |

(2) The annualized growth rate for net new brokerage assets is calculated by annualizing net new brokerage assets during the current period divided by the sum of security holdings, customer payables (cash), customer cash balances held by third parties and sweep deposits for the previous period end.

(3) The Tier 1 common ratio at E*TRADE Financial is a Q112 estimate and is a non-GAAP measure. Management believes this ratio is an important measure of the Company's capital strength. The Tier 1 common ratio is calculated as follows (dollars in thousands):

| | Q1 2012 | Q4 2011 | Q1 2011 |
|---|---------------|---------------|---------------|
| Shareholders' equity | \$ 5,035,901 | \$ 4,927,950 | \$ 4,397,792 |
| <i>DEDUCT:</i> | | | |
| Losses in OCI on AFS debt securities and cash flow hedges, net of tax | (345,336) | (389,623) | (422,102) |
| Goodwill and other intangible assets, net of deferred tax liabilities | 1,930,657 | 1,947,488 | 2,009,845 |
| Subtotal | 3,450,580 | 3,370,085 | 2,810,049 |
| <i>DEDUCT:</i> | | | |
| Disallowed servicing assets and deferred tax assets | 1,353,189 | 1,331,001 | 1,289,048 |
| Tier 1 common | \$ 2,097,391 | \$ 2,039,084 | \$ 1,521,001 |
| Total risk-weighted assets | \$ 22,243,997 | \$ 21,668,053 | \$ 23,442,795 |
| Tier 1 common ratio (Tier 1 common / Total risk-weighted assets) | 9.4% | 9.4% | 6.5% |

(4) In Q112, the Company transitioned from reporting under the OTS reporting requirements to reporting under the OCC reporting requirements. The Tier 1 leverage ratio in this release is the OCC Tier 1 leverage ratio for Q112 and the OTS Tier 1 capital ratio previously reported for prior periods. The OTS Tier 1 capital ratio and OCC Tier 1 leverage ratio are both calculated using total adjusted assets.

(5) Because the Company reported a net loss for the three months ended December 31, 2011, the calculation of diluted net loss per share does not include common stock equivalents as they are anti-dilutive and would result in a reduction of net loss per share.

(6) Reflects elimination of transactions between Trading and Investing and Balance Sheet Management segments, which includes deposit and intercompany transfer pricing arrangements.

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

(8) Operating margin is the percentage of net revenue that results in income (loss) before other income (expense) and income taxes. The percentage is calculated by dividing income (loss) before other income (expense) and income taxes by total net revenue.

(9) The following tables provide a reconciliation of GAAP book value and book value per share to non-GAAP tangible book value and tangible book value per share (dollars in thousands, except per share amounts):

| | <u>Q1 2012</u> | <u>Q4 2011</u> | <u>Q1 2011</u> |
|--|---------------------|---------------------|---------------------|
| Book value | \$ 5,035,901 | \$ 4,927,950 | \$ 4,397,792 |
| Less: Goodwill and other intangibles, net | (2,213,741) | (2,220,037) | (2,239,650) |
| Less: Deferred tax liability related to goodwill | 283,084 | 272,549 | 229,805 |
| Tangible book value | <u>\$ 3,105,244</u> | <u>\$ 2,980,462</u> | <u>\$ 2,387,947</u> |
| | <u>Q1 2012</u> | <u>Q4 2011</u> | <u>Q1 2011</u> |
| Book value per share | \$ 17.63 | \$ 17.27 | \$ 17.72 |
| Less: Goodwill and other intangibles, net per share | (7.75) | (7.78) | (9.02) |
| Less: Deferred tax liability related to goodwill per share | 0.99 | 0.95 | 0.92 |
| Tangible book value per share | <u>\$ 10.87</u> | <u>\$ 10.44</u> | <u>\$ 9.62</u> |

(10) 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 and customer cash held by third parties.

(11) Interest coverage represents the ratio of the Company's EBITDA to its corporate interest expense. The interest coverage ratio based on the Company's net income was 1.4, (0.1), and 1.0 for the three months ended March 31, 2012, December 31, 2011, and March 31, 2011, respectively.

(12) Bank earnings before taxes and before credit losses represents the pre-tax earnings of E*TRADE Bank's holding company, ETB Holdings, Inc. ("Bank") before provision for loan losses, gains on loans and securities, net, net impairment and losses on early extinguishment of FHLB advances. This metric shows the amount of earnings that the Bank, after accruing for the interest expense on its trust preferred securities, generates each quarter prior to credit related losses, primarily provision and loss on securities. Management believes this non-GAAP measure is useful to investors and analysts as it is an indicator of the level of credit related losses the Bank can absorb without causing a decline in E*TRADE Bank's excess risk-based capital^(a). Below is a reconciliation of Bank earnings before taxes and before credit losses from income before income taxes (dollars in thousands):

| | <u>Q1 2012</u> | <u>Q4 2011</u> | <u>Q1 2011</u> |
|--|-------------------|-------------------|-------------------|
| Income before income taxes | \$ 65,994 | \$ 818 | \$ 78,964 |
| Add back: | | | |
| Non-bank loss before income tax benefit ^(b) | 47,075 | 80,839 | 60,927 |
| Provision for loan losses | 71,947 | 123,036 | 116,058 |
| Gains on loans and securities, net | (34,906) | (32,547) | (32,334) |
| Net impairment | 3,532 | 2,765 | 6,092 |
| Bank earnings before taxes and before credit losses | <u>\$ 153,642</u> | <u>\$ 174,911</u> | <u>\$ 229,707</u> |

^(a) Excess risk-based capital is the excess capital that E*TRADE Bank has compared to the regulatory minimum well-capitalized threshold.

(b) Non-bank loss represents all of the Company's subsidiaries, including Corporate, but excluding the Bank.

(13) Net new customer assets are total inflows to all new and existing customer accounts less total outflows from all closed and existing customer accounts. The net new banking assets and net new brokerage assets metrics treat asset flows between E*TRADE entities in the same manner as unrelated third party accounts.

(14) Delinquent loans include charge-offs for loans that are in bankruptcy or are 180 days past due which have been written down to their expected recovery value. The following table shows the total amount of charge-offs on loans that are still held by the Company as of the periods presented (dollars in millions):

| | Q1 2012 | | Q4 2011 | | Q1 2011 |
|---------------------|---------------|-----------|------------|-----------|------------|
| One- to four-family | \$ 514 | \$ | 458 | \$ | 427 |
| Home equity | 275 | | 148 | | 143 |
| Total charge-offs | <u>\$ 789</u> | <u>\$</u> | <u>606</u> | <u>\$</u> | <u>570</u> |

(15) Includes unpaid principal balances and premiums (discounts).

(16) The TDR loan performance detail is a subset of the Company's total loan performance.

(17) E*TRADE Bank capital ratios and excess capital amounts are Q112 estimates based on the regulatory minimum well-capitalized threshold. Below is a reconciliation of beginning to ending E*TRADE Bank excess risk-based capital for the quarterly periods presented:

| | Q1 2012 | | Q4 2011 | | Q1 2011 |
|---|-----------------|-----------|--------------|-----------|--------------|
| Beginning E*TRADE Bank excess risk-based capital (\$MM) | \$ 1,516 | \$ | 1,537 | \$ | 1,106 |
| Bank earnings before taxes and before credit losses | 154 | | 175 | | 230 |
| Provision for loan losses | (72) | | (123) | | (116) |
| Loan portfolio run-off ^(a) | 66 | | 51 | | 66 |
| Margin decrease (increase) | (50) | | 34 | | (58) |
| Capital upstream ^(b) | - | | - | | (28) |
| Other capital changes ^(c) | (100) | | (158) | | 55 |
| Ending E*TRADE Bank excess risk-based capital (\$MM) | <u>\$ 1,514</u> | <u>\$</u> | <u>1,516</u> | <u>\$</u> | <u>1,255</u> |

(a) The capital release from loan portfolio run-off includes the decrease in risk-based capital required for the one- to four-family, home equity and consumer loan portfolios.

(b) Represents cash flows to and from the parent company.

(c) Represents the capital impact related to changes in other risk-weighted assets.

(18) The increase in the E*TRADE Bank Tier 1 common ratio in Q411 was due to the conversion of the Company's \$1.05 billion in preferred stock in E*TRADE Bank to common stock in December 2011. As a result of the conversion, the common stock is includable in the Tier 1 common capital for E*TRADE Bank. The Tier 1 common ratio at E*TRADE Bank is a Q112 estimate and is a non-GAAP measure. Management believes this ratio is an important measure of E*TRADE Bank's capital strength. The E*TRADE Bank Tier 1 common ratio is calculated as follows (dollars in thousands):

| | Q1 2012 | Q4 2011 | Q1 2011 |
|---|---------------|---------------|---------------|
| E*TRADE Bank shareholder's equity | \$ 5,562,499 | \$ 5,445,234 | \$ 5,240,637 |
| <i>DEDUCT:</i> | | | |
| Losses in OCI on AFS debt securities and cash flow hedges, net of tax | (350,059) | (392,951) | (421,575) |
| Goodwill and other intangible assets, net of deferred tax liabilities | 1,639,725 | 1,656,176 | 1,707,158 |
| Subtotal | 4,272,833 | 4,182,009 | 3,955,054 |
| <i>DEDUCT:</i> | | | |
| Disallowed servicing assets and deferred tax assets | 877,652 | 830,149 | 703,327 |
| Deduction for low-level recourse and residual interests | - | 13,242 | 24,024 |
| Preferred stock | - | - | 1,050,000 |
| E*TRADE Bank Tier 1 common | \$ 3,395,181 | \$ 3,338,618 | \$ 2,177,703 |
| E*TRADE Bank total risk-weighted assets | \$ 21,557,377 | \$ 20,862,432 | \$ 22,591,969 |
| E*TRADE Bank tier 1 common ratio (Tier 1 common / Total risk-weighted assets) | 15.7% | 16.0% | 9.6% |

(19) The Tier 1 leverage, Tier 1 risk-based capital and total risk-based capital ratios at E*TRADE Financial are Q112 estimates based on the Federal Reserve regulatory minimum well-capitalized requirements. E*TRADE Financial is not currently subject to capital requirements; however, the implementation of holding company capital requirements are expected to become effective within the next four years as a result of the Dodd-Frank Act. Management believes this ratio is an important measure of the Company's capital strength and has begun to track this ratio internally, using the current capital guidelines that apply to bank holding companies. The Tier 1 leverage, Tier 1 risk-based capital and total risk-based capital ratios are calculated as follows (dollars in thousands):

| | Q1 2012 | Q4 2011 | Q1 2011 |
|---|---------------|---------------|---------------|
| Shareholders' equity | \$ 5,035,901 | \$ 4,927,950 | \$ 4,397,792 |
| <i>DEDUCT:</i> | | | |
| Losses in OCI on AFS debt securities and cash flow hedges, net of tax | (345,336) | (389,623) | (422,102) |
| Goodwill and other intangible assets, net of deferred tax liabilities | 1,930,657 | 1,947,488 | 2,009,845 |
| <i>ADD:</i> | | | |
| Qualifying restricted core capital elements (TRUPs) | 433,000 | 433,000 | 433,000 |
| Subtotal | 3,883,580 | 3,803,085 | 3,243,049 |
| <i>DEDUCT:</i> | | | |
| Disallowed servicing assets and deferred tax assets | 1,353,189 | 1,331,001 | 1,289,048 |
| Tier 1 capital | 2,530,391 | 2,472,084 | 1,954,001 |
| <i>ADD:</i> | | | |
| Allowable allowance for loan losses | 282,464 | 277,665 | 301,190 |
| Total capital | \$ 2,812,855 | \$ 2,749,749 | \$ 2,255,191 |
| Total average assets | \$ 49,331,407 | \$ 46,964,166 | \$ 47,214,774 |
| <i>DEDUCT:</i> | | | |
| Goodwill and other intangible assets, net of deferred tax liabilities | 1,930,657 | 1,947,488 | 2,009,845 |
| Subtotal | 47,400,750 | 45,016,678 | 45,204,929 |
| <i>DEDUCT:</i> | | | |
| Disallowed servicing assets and deferred tax assets | 1,353,189 | 1,331,001 | 1,289,048 |
| Average total assets for leverage capital purposes | \$ 46,047,561 | \$ 43,685,677 | \$ 43,915,881 |
| Total risk-weighted assets ^(a) | \$ 22,243,997 | \$ 21,668,053 | \$ 23,442,795 |
| Tier 1 leverage ratio (Tier 1 capital / Average total assets for leverage capital purposes) | 5.5% | 5.7% | 4.4% |
| Tier 1 capital / Total risk-weighted assets | 11.4% | 11.4% | 8.3% |
| Total capital / Total risk-weighted assets | 12.6% | 12.7% | 9.6% |

(a) Under the regulatory guidelines for risk-based capital, on-balance sheet assets and credit equivalent amounts of derivatives and off-balance sheet items are assigned to one of several broad risk categories according to the obligor or, if relevant, the guarantor or the nature of any collateral. The aggregate dollar amount in each risk category is then multiplied by the risk weight associated with that category. The resulting weighted values from each of the risk categories are aggregated for determining total risk-weighted assets.

(20) The total expected losses on TDRs includes both the previously recorded charge-offs and the specific valuation allowance.

(21) Excludes loans to customers on margin.

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

(23) Includes interest earned on average customer assets of \$4.0 billion, \$3.7 billion, and \$3.6 billion for the quarters ended March 31, 2012, December 31, 2011, and March 31, 2011, respectively, held by parties outside E*TRADE Financial, including third party money market funds and sweep deposit accounts at unaffiliated financial institutions.