



2003
corporate report

E*TRADE
FINANCIAL®

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letter to shareholders

Dear E*TRADE FINANCIAL Shareholders:

What a difference a year can make — 2003 certainly amplified that notion. From a financial standpoint, 2003 was the best year in the Company's history. This is especially compelling when you consider that in January 2003, the industry was wondering if the retail investor would ever come back. Clearly the retail investor is back; better still, the retail investor has embraced the E*TRADE FINANCIAL value proposition and cemented our position as *the* growth player in an exciting growth segment of the financial services industry.

In 2003, we were able to make the most of our highly scalable business model by maintaining the brokerage as the hub of our business and building off that hub to incorporate an array of products and services as market conditions revealed opportunity. We asserted our ongoing operating strategy to take advantage of a dynamic business environment by focusing on the right components of our business at precisely the right time.

Whether it's on a day-to-day, week-to-week, or year-to-year basis, we will always drive the business forward by making the most of market conditions when and where our competitors have not. At E*TRADE FINANCIAL, we have the distinct advantage of being able to leverage the strength of an unsurpassed technology-driven infrastructure. We continue to evolve the integration capacity of our infrastructure, as it is core to our differentiation and to our overall strength.

Just as we continuously evolve, so too does our industry. Today, financial services is a multi-trillion dollar industry. Our challenge is to position ourselves to gain a larger share of this wealth. We believe the best way to do this is to continue to challenge the status quo on behalf of all customers. As the de facto challenger brand in the financial services industry, we expect to be held accountable for introducing business initiatives that continue to force the industry to look at innovative ways to deliver tangible value to customers.

In 2004, you will see an intense focus on the retail, institutional, and corporate customer segments, and you will see us continue to pursue strategies to gain market share in each segment. We will continue to build products and services that are differentiated by integration, functionality, and cost.

At the end of every day, our objective is the same: to build a franchise that creates long-term sustainable value for our customers and shareholders. We will do so by understanding and acting on our points of differentiation.

Our Company founder, Bill Porter often reminds us that we need to think about the franchise value we want to create, not 10 days or 10 months from now, but 10 years from now. We are thinking about it, and we are creating it. The opportunity is in front of us. It's about focus. It's about discipline. It's about execution.

2003 was an incredibly gratifying year for all of us at E*TRADE FINANCIAL — customers, employees and shareholders alike. The next ten years should be even more so. We are ready for the next phase of growth!

Sincerely,



Mitchell H. Caplan
Chief Executive Officer



Mitchell H. Caplan
Chief Executive Officer

CEO's highlights from 2003:

- Aligned business to ensure all initiatives are core to the vision
- Reconstituted the Board of Directors
- Expanded disclosure of the Company's performance metrics
- Right-sized the branch strategy
- Realigned international business to be profitable
- Launched industry-leading products and services: Mortgage on the Move, Mutual Fund Rebate, Sweep Account and Real-Time Cash Transfers
- Implemented relationship manager strategy
- Reinstated a pride of association with customers, employees, and shareholders

Net revenues
\$1,483,708,000

financial highlights

E*TRADE FINANCIAL Corporate Report Financial Highlights

Years Ended December 31 (dollars and shares in thousands except per share amounts)	2003	2002	2001
Net revenues	\$ 1,483,708	\$ 1,325,864	\$ 1,275,364
Income (loss) before cumulative effect of accounting changes	\$ 203,027	\$ 107,264	\$ (241,532)
Cumulative effect of accounting changes	\$ -	\$ (293,669)	\$ -
Net Income (loss)	\$ 203,027	\$ (186,405)	\$ (241,532)
Income (loss) per share before cumulative effect of accounting changes			
Basic	\$ 0.57	\$ 0.30	\$ (0.73)
Diluted	\$ 0.55	\$ 0.30	\$ (0.73)
Income (loss) per share			
Basic	\$ 0.57	\$ (0.52)	\$ (0.73)
Diluted	\$ 0.55	\$ (0.52)	\$ (0.73)
Shares used in computation of income (loss) per share			
Basic	358.320	355.090	332.370
Diluted	367.361	361.051	332.370

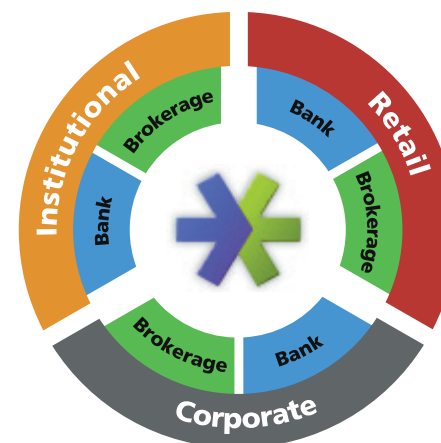
company highlights

Introduction | Challenger. Opportunistic. Dynamic.

These are the hallmarks of today's economic and business climate and these are also the attributes that made 2003 such an outstanding year for E*TRADE FINANCIAL. E*TRADE FINANCIAL has solidified its position as a financial services provider that delivers superior returns to shareholders by maintaining diversified lines of business — while providing exceptional value to customers by tapping these lines of business to deliver integrated product and service solutions. In 2003, we delivered the best financial results in the Company's history. We introduced innovative market-leading products and services. We leveraged technology to further our competitive advantage. Most importantly, we made the E*TRADE FINANCIAL brand synonymous with value in the minds of key customer segments — the customer segments that show strong growth potential and strengthen our position as a customer champion.

Business Overview | Growth Company. Growth Segment.

E*TRADE FINANCIAL's 2003 best-in-our-history financial results validate the Company's vision: to deliver success through a unique business model that leverages diversified lines of business with integrated product offerings for key customer segments. Today, E*TRADE FINANCIAL serves more than 2.7 million households and 3.5 million customer accounts worldwide. Our model, along with significant discipline and focus, enabled the Company to thrive in volatile economic conditions. We successfully transitioned from bank-driven earnings at the beginning of the year, fueled by an active mortgage market, to year-end brokerage-driven earnings, fueled by an improved equities market. True to our vision, we have executed on our business strategy with vigor — focusing only on those activities that best support our core strategy and making strategic decisions to enhance critical businesses and products, while eliminating other less viable offerings. As a result, we have built an even stronger business base that positions the Company for success in a growing market segment.



company highlights

Business Growth

BROKERAGE

Our Brokerage continues to be the hub of our business and the primary point of contact for the majority of our customer base. Capitalizing on this business driver, we have strategically added complementary products and services around our retail brokerage. In 2003, we gained from strong retail investor activity levels, superior operational and technology efficiencies, and industry accolades for our advanced product and service offerings. Continuing our tenet of innovation, we introduced the industry's first 12b-1 Mutual Fund Fee Rebate Program — rebating to E*TRADE Securities mutual fund shareholder customers 50 percent of the standard dollar amount we collect via the 12b-1 and servicing fees from mutual fund companies. We remain a leading provider of stock plan administration services in the U.S. through our renamed E*TRADE FINANCIAL Corporate Services group, which serves more than 2,500 corporate clients and 1.3 million stock plan participants. Our market-making operation, Dempsey/GVR, processes over 100 million shares per day and receives order flow from over 130 broker-dealers. E*TRADE Institutional is a leading provider of international independent research, global trading, and multi-currency settlement. Within the E*TRADE Securities network (retail, institutional, professional, and market making) we execute over 280 million shares per day in U.S. listed and NMS equities.

Business Growth

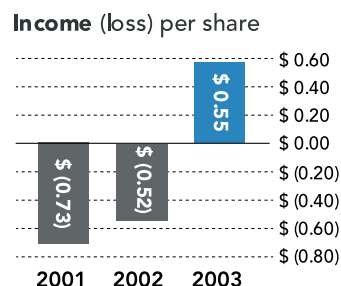
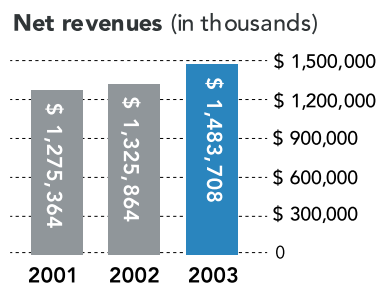
BANKING

At E*TRADE FINANCIAL, we have come to understand the full value and importance of integrating our product and service offerings into the Brokerage hub. In addition to creating a decidedly better customer experience, integration produces cost efficiencies and enhances profitability. For example, E*TRADE Bank's newly introduced Sweep Deposit Account — a product that more closely binds retail banking offerings to our core brokerage franchise — met with early success, closing the year with a balance of over \$4 billion. In 2003, the Bank continued its track record of profitability, generating recurring and steadily increasing income despite a decline in volume in the mortgage industry in the second half of the year. E*TRADE Bank remains one of the largest branchless banks, with nearly \$20.4 billion in assets in 2003. The Bank also operates the second-largest ATM network nationwide, with over 15,000 machines, and generates \$14 billion in mortgage originations through direct and indirect channels. Reinforcing its position as a consumer champion, E*TRADE Bank introduced three innovative offerings in 2003: the Mortgage on the Move program, the Fair Compare tool, and the Up Front Price Promise program.

company highlights

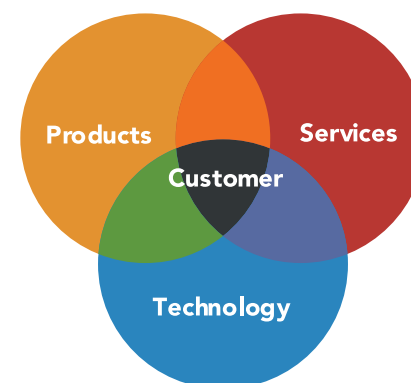
Results | Innovation. Discipline. Results.

A mindset of innovation, integration, and profitability drove E*TRADE FINANCIAL's best-ever business performance in 2003. For the year, we produced a GAAP profit of \$0.55 cents per share compared to a loss of \$0.52 cents per share one year ago. We increased operational efficiencies and produced record earnings, all while extending the scope of our product portfolio and enhancing our customer experience. E*TRADE FINANCIAL is a challenger brand poised to seize opportunities in a growing market segment. The operating leverage inherent in our diversified business model continues to turn improving market conditions into higher profits and wider margins, underscoring the power and advantage of our integrated brokerage and banking offerings and the leverage of our scalable infrastructure.



Future | Leadership. Success. Growth.

We have set a course for growth in 2004 — one that we are well positioned to achieve based on the roadmap set in motion in 2003. To meet our goals, we will continue to integrate products, services, and technology to improve our customers' experience and keep our operating model efficient and profitable. Key to our future success will be our ability to focus our lines of business along specific customer segment value propositions. We believe delivering E*TRADE FINANCIAL's intrinsic value to the growing retail, institutional, and corporate customer sets the foundation of our future.



corporate information

Company Milestones

- 2003** ● Company renamed E*TRADE FINANCIAL
Portable mortgages offered
12b-1 Mutual Fund Fee Rebate Program announced
Sweep account established
Real-time transfers between Bank and Brokerage accounts offered
Portable rate program launched for marine loans
Fair Compare mortgage comparison tool announced
E*TRADE FINANCIAL Center - Alpharetta opened
E*TRADE FINANCIAL Center - Orlando opened
- 2002** ● Auto loans origination platform launched
Tradescape acquisition - to become E*TRADE Professional
Trading technology from A.B. Watley acquired
Ganis Credit Corp. acquisition - to become E*TRADE Consumer Finance
E*TRADE FINANCIAL Center -San Francisco opened
- 2001** ● E*TRADE moved to the NYSE
Power E*TRADE Pro introduced
MarketTrader introduced
LoansDirect acquisition - to become E*TRADE Mortgage
Dempsey and Company acquisition
E*TRADE Germany launched
E*TRADE Hong Kong launched
HELOCs offered
E*TRADE FINANCIAL Center - New York opened
E*TRADE FINANCIAL Center - Denver opened
E*TRADE FINANCIAL Center - Boston opened
E*TRADE FINANCIAL Center - Beverly Hills opened
- 2000** ● Telebank acquisition - to become E*TRADE Bank
CCS acquisition - to become E*TRADE Access

Company Milestones

- 1999** ● TIR Holdings acquisition
ClearStation acquisition
E*TRADE Sweden launched
E*TRADE Denmark launched
- 1998** ● ShareData acquisition – to become E*TRADE Corporate Services
Power E*TRADE launched
E*TRADE Australia launched
E*TRADE Japan launched
E*TRADE UK launched
- 1997** ● OptionsLink acquisition
E*TRADE Canada launched
- 1996** ● Initial Public Offering

corporate information

Officers



Mitchell H. Caplan
Chief Executive Officer



R. Jarrett Lilien
President and Chief
Operating Officer



Betsy Barclay
Chief Government
Affairs Officer



James R. Bidwell
Chief Risk Officer



Connie Dotson
Chief Communications
Officer



Russell S. Elmer
General Counsel and
Corporate Secretary



Arlen W. Gelbard
Chief Banking Officer and
President, E*TRADE Bank



Lou Klobuchar, Jr.
Chief Brokerage Officer
and President, E*TRADE
Securities LLC



Pamela S. Kramer
Chief Marketing Officer



Joshua S. Levine
Chief Technology and
Administrative Officer



Robert J. Simmons
Chief Financial Officer

Directors

- **George A. Hayter**
Chairman of the Board, E*TRADE FINANCIAL Corporation
- **Mitchell H. Caplan**
Chief Executive Officer, E*TRADE FINANCIAL Corporation
- **Ronald D. Fisher**
Vice Chairman, SOFTBANK Holdings, Inc.
- **Michael K. Parks**
Managing Director, Leveraged Finance Group of Trust Company of the West
- **William A. Porter**
Chairman Emeritus, E*TRADE FINANCIAL Corporation
Chairman Emeritus, International Securities Exchange
- **C. Cathleen Raffaelli**
Chief Executive Officer and President, UNext, Inc.
- **Lewis E. Randall**
Private Investor
- **Lester C. Thurow, Ph.D.**
Lemelson Professor of Management and Economics, Sloan School,
Massachusetts Institute of Technology
- **Donna L. Weaver**
Chairman, MxSecure, Inc.

corporate information

Investor Information

Corporate Office:

E*TRADE FINANCIAL Corporation
135 East 57th Street
New York, NY 10022

Financial Information:

To obtain our Form 10-K or other publications without charge, visit our Web site or contact:

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916-463-2889

Corporate Communications:

Pam Erickson

Vice President,
Corporate Communications
Mediainq@etrade.com
617-296-6080

Wholly Owned Subsidiaries:

For a list of wholly owned subsidiaries, please refer to our Form 10-K.

Transfer Agent and Registrar:

American Stock Transfer & Trust
Company
59 Maiden Lane
New York, NY 10038
800-937-5449

Independent Auditors:

Deloitte & Touche LLP
McLean, Virginia

Annual Meeting:

The Annual Meeting of Shareholders will be held:

Thursday, May 27, 2004
The Ritz Carlton – Pentagon City
1250 South Hayes Street
Arlington, Virginia 22202

Investor Information

About E*TRADE FINANCIAL

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

Important Notice

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