



# **E\*TRADE FINANCIAL INVESTOR PRESENTATION**

September 2019

# Notice to investors

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## Safe Harbor Statement

This presentation contains certain forward-looking statements regarding E\*TRADE Financial Corporation's (the "Company") future plans, objectives, outlook, strategies, expectations and intentions relating to its business and future financial and operating results and the assumptions that underlie these matters, including its outlook on the brokerage industry and the broader economic environment, the Company's strategic business initiatives, including bolstering customer acquisition and retention, the Company's capital plan, the Company's balance sheet plans and expected costs, the Company's ability to generate capital and pay additional dividends in the future, the Company's continued repurchases of outstanding shares, the Company's ability to continue to grow and deliver value for its shareholders, including in various interest rate environments, and any other statement that is not historical in nature. E\*TRADE claims the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 for all forward-looking statements. Such statements are not guarantees of future performance and are subject to risk, uncertainties and assumptions which are difficult to predict and outside of the Company's control. Various factors, including risks and uncertainties referred to in the Company's most recent Form 10-K, as amended, Form 10-Q, and other reports the Company periodically files with the Securities and Exchange Commission (SEC) and that are available for free by visiting EDGAR on the SEC website at [www.sec.gov](http://www.sec.gov), could cause the Company's actual results to differ materially from those indicated by management's projections or other forward-looking statements.

## Non-GAAP financial measures

In addition to financial results prepared in accordance with Generally Accepted Accounting Principles, or GAAP, this presentation also contains certain non-GAAP financial measures. 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 this non-GAAP information internally to evaluate operating performance and in formulating the budget for future periods. Management believes that the non-GAAP measures discussed below are appropriate for evaluating the operating and liquidity performance of the Company. It is important to note these non-GAAP measures involve judgment by management and should be considered in addition to, not as a substitute for, the most directly comparable measures calculated and prepared in accordance with GAAP. Investors and potential investors are encouraged to review the reconciliation of non-GAAP financial measures with their most direct comparable GAAP financial measures included as an appendix to this presentation.

## Important notices

E\*TRADE, E\*TRADE Financial, E\*TRADE Bank, E\*TRADE Savings Bank, E\*TRADE Corporate Services, E\*TRADE Advisor Network, E\*TRADE Advisor Services, the Converging Arrows logo, OptionsHouse, Equity Edge Online, Trust Company of America, and Liberty are trademarks of E\*TRADE Financial Corporation in the United States and in other countries. All other trademarks are the property of their respective owners. All mentions of the bank and the Company's bank are in reference to E\*TRADE Bank and E\*TRADE Savings Bank, where applicable. All mentions of the parent are in reference to E\*TRADE Financial Corporation.

This presentation presents data as of June 30, 2019, unless otherwise indicated. The Company disclaims any obligation to update this presentation or the information contained herein, except as required by law.

# Company overview

E\*TRADE is a leading financial services company and pioneer in the online brokerage industry. Having executed the first-ever online trade by an individual investor more than 30 years ago, the Company has long been at the forefront of the digital revolution, focused on delivering complete and easy-to-use solutions for traders, investors, stock plan participants, and registered investment advisors. Founded on the principle of innovation, E\*TRADE aims to enhance the financial independence of traders and investors through a powerful digital offering and professional guidance—over the phone at two national branches and in person at 30 E\*TRADE branches across the United States. E\*TRADE operates a bank with the primary purpose of maximizing the value of retail deposits and providing transactional banking services.

## Retail channel

**Trading**—platforms for the beginner to the advanced

**Investing**—digitally led capabilities and managed products

**Banking**—range of transaction based and cash management solutions

271K

DARTs

89K

Derivative DARTs

\$329.4B

Retail assets

5MM

Retail accounts



Branches: 30

National branches: 2

Employees: ~4,300

## Institutional channels

**E\*TRADE Corporate Services** is the industry-leading stock plan administrator for plan sponsors and participants globally<sup>1</sup>

\$259.3B

Corporate Services assets

2MM

Corporate Services accounts

**E\*TRADE Advisor Services** is a seamless integration of powerful technology and specialized support, built to help registered investment advisors (RIAs) realize their full potential

\$19.4B

Advisor Services assets

151K

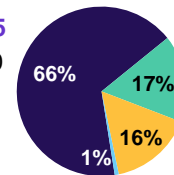
Advisor Services accounts

## Performance highlights

### Financial highlights

**Net revenue (\$ in MMs): \$2,895**

■ Net interest income:	1,930
■ Commissions:	483
■ Fees & service charges:	460
■ Other non-interest income:	22



### Capital return

- **\$1.3B** capital paid out (targeting 80–90% payout ratio over time)
- **23MM** shares repurchased
- **\$0.14** quarterly dividend

### Financial strength

- **47%** adj. operating margin<sup>2</sup>
- **\$4.06** diluted EPS
- **17%** ROE<sup>3</sup>

<sup>3</sup> All performance and financial metrics presented on a trailing 12-month basis.

# Digital experiences fuel secular growth within the direct brokerage industry

Industry dynamics favor direct brokerages and should continue to fuel growth

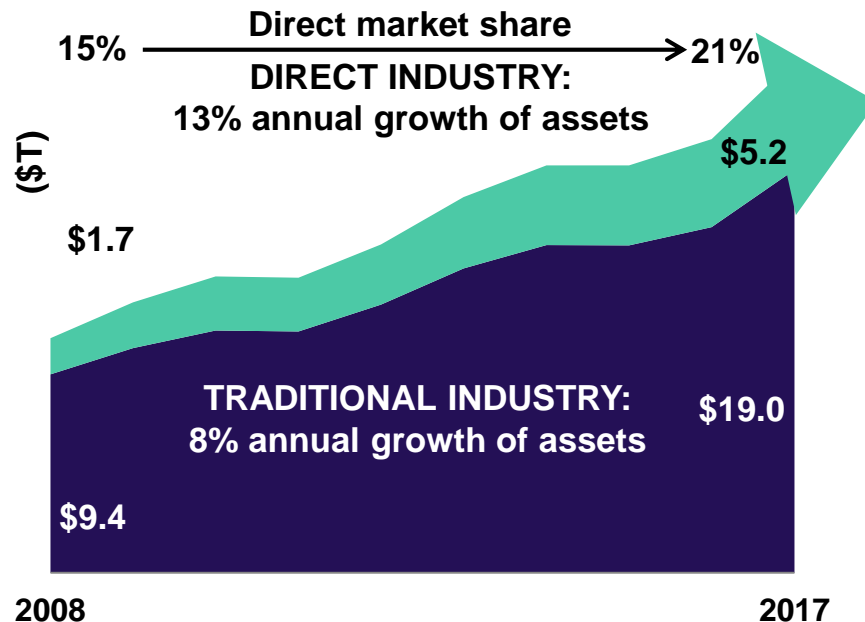
The direct space now represents 21% of the total brokerage industry<sup>4</sup>

Digital experiences permeate the lives of all consumers

Customers increasingly engage with financial providers via technology—particularly mobile

Investors seek an assisted digital approach defined by cutting-edge technology and human guidance

Direct brokerages are outpacing wirehouses in digital innovation



# Deep history of innovation and disruption

**1982**

E\*TRADE GROUP incorporated in Palo Alto, CA

**1983**

E\*TRADE founder Bill Porter processes the first online trade

**1986**

Developed groundbreaking quick ticket system to enable customers to obtain quotes in 15 seconds

**1989**

McGraw Hill begins offering its news services online through E\*TRADE (then called TradePlus)

**1992**

Launches the first IVR service, allowing customers to automatically place trades over the phone

**1993**

First E\*TRADE branch opens in Long Island, with two trading terminals

**1996**

E\*TRADE IPO

**1997**

Launches pioneering online mutual fund center

**1998**

First financial services site to earn CPA WebTrust Seal of Assurance

**2000**

Launches first portal solution for mobile devices

**2002**

Professional-grade active trading software E\*TRADE Pro launched

**2003**

Launches real-time transfers between bank and brokerage accounts

**2005**

Two-factor authentication offered—one of the first of its kind for retail investors

**2008**

Launches first ever mobile app for the digital brokerage industry, via Blackberry

**2009**

- First iPhone® app launched
- Online Advisor launched
- Equity Edge Online® launched

**2010**

- First to launch iPad® & Android apps
- CNBC live streaming offered on Pro

**2012**

- First to launch Windows Phone app
- First to offer mobile check deposit and voice recognition on iPhone

**2014**

- iOS8 app launch with biometric logon
- First-ever browser-based trading app

**2015**

First AppleWatch® app with account detail

**2016**

- Launched Core Portfolios robo-advisor as part of the managed account suite
- Acquires OptionsHouse and its #1-rated options platform

**2017**

Launched Power E\*TRADE—combining advanced tools, discounted pricing, and dedicated service for experienced traders

**2018**

Acquired TCA—leading provider of technology solutions and custody services for RIAs

# Strategy

## LEVERAGE EPIC BRAND, HYBRID SUPPORT MODEL, AND TECH FOR SCALE AND GROWTH

- Unrivaled and tech-forward brand drives outsized awareness and consideration
- Strong and scalable infrastructure serves peak volumes with capacity for growth
- Digitally led experiences, complemented by professional advice and support

## EMPOWER CUSTOMERS VIA POWERFUL DIGITAL OFFERING AND PROFESSIONAL GUIDANCE

- Maintain leading position among active and derivatives traders
- Connect investors with a range of easy-to-use wealth management solutions
- Advance digital banking capabilities to increase engagement with customers

## CAPITALIZE ON SYMBIOTIC INSTITUTIONAL CHANNELS TO DRIVE GROWTH

- Expand on #1 position in stock plans via intuitive platform and expert support<sup>(1)</sup>
- Grow RIA custody channel utilizing brand, digital ethos, and customer base
- Connect customers in need of higher touch services to top-tier advisors

## GENERATE ROBUST EARNINGS GROWTH AND EXCEPTIONAL RETURNS

- Deliver superior return on customer assets by capturing full value of relationships
- Leverage highly scalable model to expand operating margin
- Return more than 80% of earnings to shareholders and expand ROE > 20%
- Generate double-digit annual earnings growth to >\$7 EPS by 2023

# LEVERAGE EPIC BRAND, HYBRID SUPPORT MODEL, AND TECH FOR SCALE AND GROWTH

Unrivaled and tech-forward brand drives outsized awareness and consideration



The Original Place To Invest Online®

## Heritage

Executed the first-ever electronic trade by an individual more than 30 years ago

## Customer advocacy

Democratized investing and created a new category by advocating on behalf of individual investors

## Expression

Commands attention like no other brand in the category

Trust and credibility of established brand,  
while preserving the spirit of disruption and advocacy at its core

**96% brand awareness score<sup>5</sup>**

- Shaking up the establishment and challenging conventions are in the brand's DNA
- Rich history of iconic, famous advertising
- Results in strong and consistent overall brand awareness performance
- One of the highest brand awareness scores in the category

# LEVERAGE EPIC BRAND, HYBRID SUPPORT MODEL, AND TECH FOR SCALE AND GROWTH

## Digitally led experiences, complemented by professional advice and support

### Platforms for retail channel



#### Web

#1 online broker offering an extremely easy-to-use site for customers and the primary channel to interact with prospects<sup>6</sup>



#### Mobile

Industry leader in mobile applications  
Integrations with leading mobile AI assistants



#### Active trading platforms

Sophisticated trading tools, advanced portfolio and market tracking, with idea generation and analysis

### Platforms for institutional channels



#### Equity Edge Online

#1 platform in the stock plan administration industry offering unrivalled automation and flexibility<sup>1</sup>



#### Liberty

Intuitive technology built for registered investment advisors and simplifies how RIAs invest and manage client assets

### Professional advice and support across all channels



#### Customer Service

24/7 availability via phone, email, or chat from industry licensed representatives

White glove service for highest-tiered customers

#### Financial Consultants

~370 FCs available by phone or at branches to provide one-on-one investing advice

#### Active Trader Services

Specialized support for sophisticated high-tier customers with advanced knowledge and skills

#### Corporate Services

Personalized service on a global scale driven by a one-to-one client focus with dedicated relationship and service managers backed by comprehensive training and education

#### Advisor Services

Dedicated relationship manager acts as a single point of contact offering specialized support



# EMPOWER CUSTOMERS VIA POWERFUL DIGITAL OFFERING AND PROFESSIONAL GUIDANCE

## Maintain leading position among active and derivatives traders

### Solutions for all investors

- **Competitive pricing at \$6.95 per trade**
- A full range of investment vehicles across digital platforms
- Seamless trading experiences across mobile and online platforms
- Educational resources and independent research
- Fully integrated cash management solutions to easily fund trading ideas and strategies
- Access to IPO and follow-on offerings through New Issue Center
  - 400+ IPOs/follow-ons since 2014

### Advanced capabilities for active traders

- **Discounted pricing with \$4.95 trades and \$0.50 option contracts, with 30+ trades per quarter**
- **A dedicated Trader Service Team** comprised of many former floor traders and licensed Futures Specialists



- **The industry's #1 retail options trading platform,<sup>6</sup>** with leading-edge tools such as Spectral Analysis and a first-of-its kind automated pattern analysis and education tool

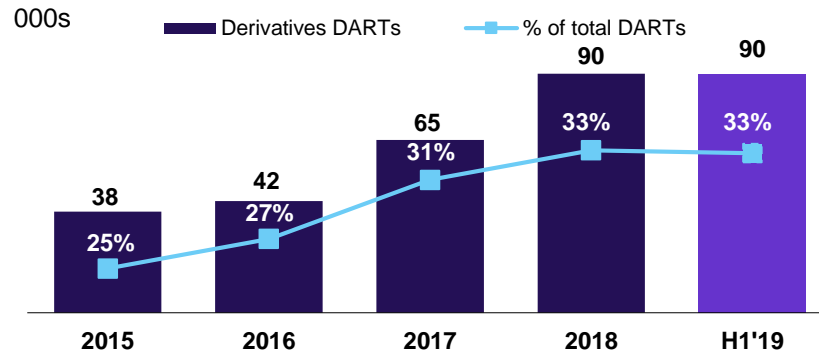
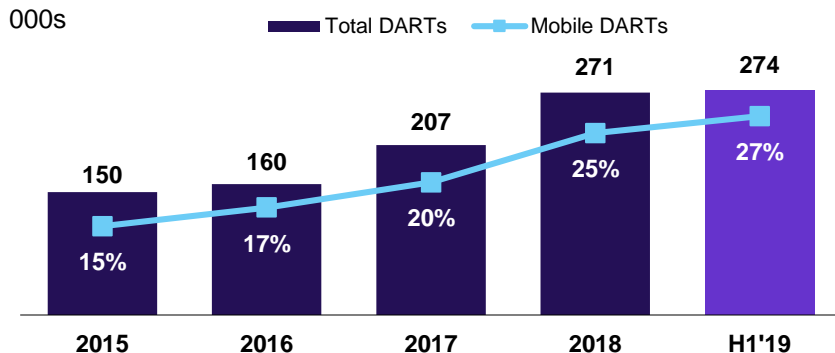
- **Customizable option chain views** that make it fast and easy to research, analyze, and take action
- **Proprietary Risk Slide tool** using powerful models to provide a theoretical P&L for every symbol/component in a portfolio



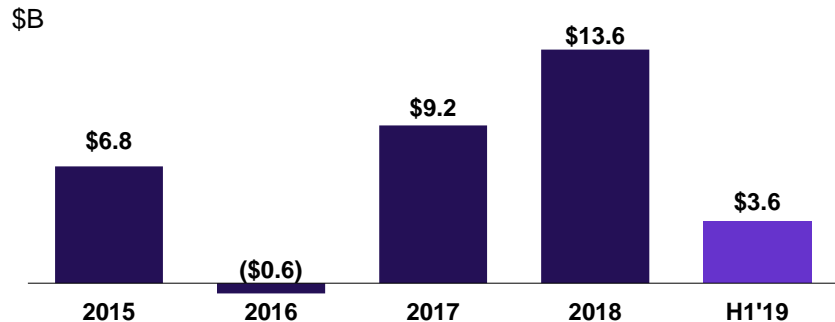
# EMPOWER CUSTOMERS VIA POWERFUL DIGITAL OFFERING AND PROFESSIONAL GUIDANCE

## Maintain leading position among active and derivatives traders

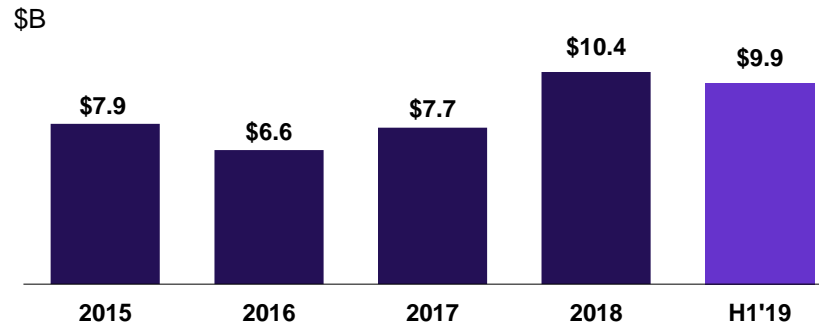
Daily average revenue trades (DARTs)<sup>7</sup>



Customer net buying (selling) activity<sup>7</sup>



Average customer margin balances<sup>7</sup>



# EMPOWER CUSTOMERS VIA POWERFUL DIGITAL OFFERING AND PROFESSIONAL GUIDANCE

## Connect investors with a range of easy-to-use wealth management solutions



### Easy-to-use digital platforms

- Simplified user experience allows customers to get invested in just a few clicks, from Thematic Investing ideas to Prebuilt Portfolios
- Life-stage planning resources to help investors plan for all phases of the retirement process
- Innovative and easy-to-understand solutions to help customers plan and stay on track for their investing goals



### Education and insights

- Robust educational content—including live and on-demand webinars and events—provides relevant insight to customers
- Specialized tools help customers create plans and to-do lists to keep their goals on track
- Timely content helps with idea generation, trends, and actionable strategies



### Professional guidance and support

- ~370 Financial Consultants available by phone or in person to provide guidance when customers want
- Complimentary portfolio reviews and personalized investment recommendations
- Chartered Retirement Planning Counselors<sup>SM</sup>
- Rollover Specialists
- Managed portfolios

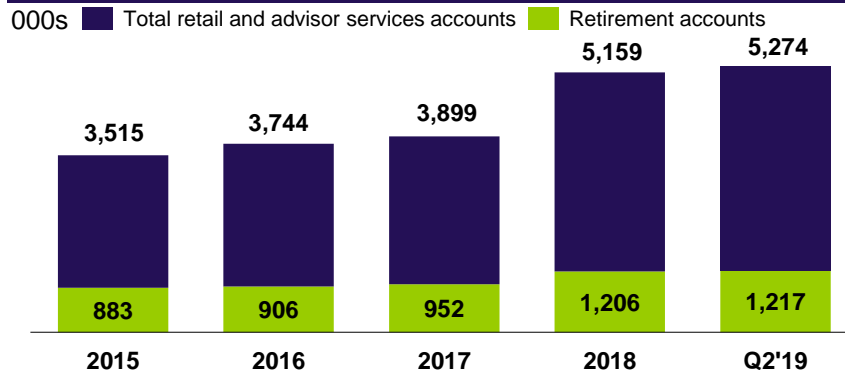
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## Connect investors with a range of easy-to-use wealth management solutions

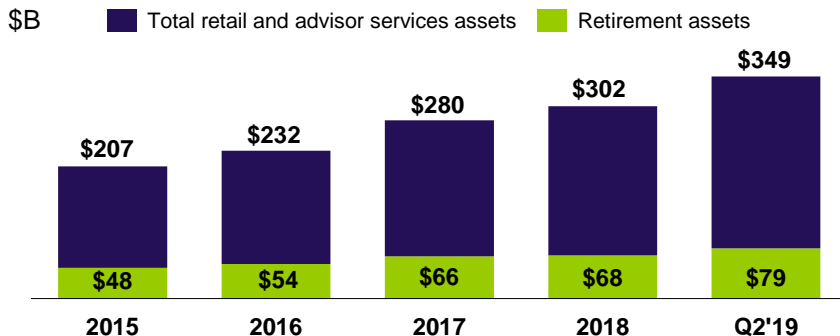
### Retirement and investing

- Opportunity to increase engagement with existing customer base by expanding relationships beyond trading-based accounts to retirement and investing-related assets
- 23% of retail and advisor services accounts are retirement accounts
- 16% of vested customer assets are in retirement accounts
- More than 300 commission-free ETFs

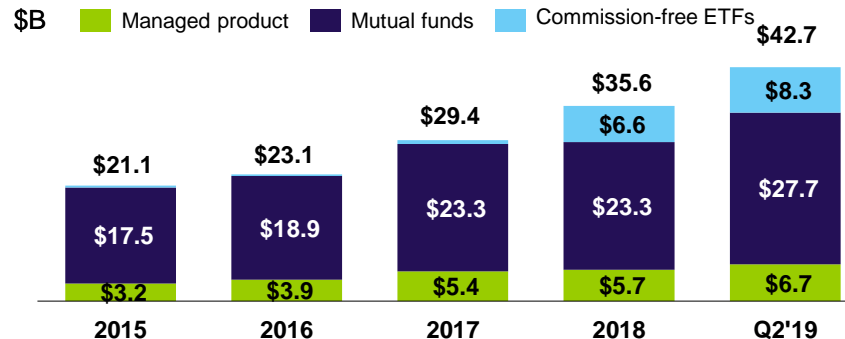
### Total retail and advisor services accounts<sup>7,8</sup>



### Total retail and advisor services assets<sup>7</sup>



### Fee-based retail assets<sup>7,9</sup>



# EMPOWER CUSTOMERS VIA POWERFUL DIGITAL OFFERING AND PROFESSIONAL GUIDANCE

## Connect investors with a range of easy-to-use wealth management solutions

Full range of investing solutions—from the self-directed to the fully managed



Digital

### Screeners and All-Star lists

- +300 commission-free ETFs
- ~9,000 mutual funds
- +4,400 no-load, NTF mutual funds



Standard commissions and fees for mutual funds<sup>10</sup>

### Prebuilt Portfolios

- Deliver a diversified, self-directed portfolio free of commissions in just a few clicks



Min: \$2,500 (ETFs)  
\$500 (MFs)

Hybrid

### Core Portfolios

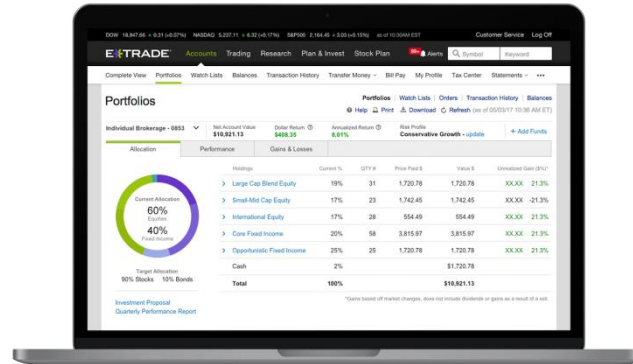
- Automated investing with access to a dedicated team of specialists<sup>11</sup>
- Diversified, online managed portfolio of ETFs
- No proprietary products



Min: \$500



Flat annual fee:  
0.30% of assets



FC-driven

### Blend Portfolios

- FC guides customers to one of seven investment profiles
- Reviews progress quarterly



Min: \$25,000



Blended annual fee:  
0.90% to 0.65% of assets

### Dedicated Portfolios

- Dedicated FC creates a fully customized portfolio based on customer's needs



Min: \$150,000



Blended annual fee:  
1.25% to 0.95% of assets

### Fixed Income Portfolios

- Bond portfolio built to customer specifications by professional portfolio managers



Min: \$250,000



Blended annual fee:  
0.75% to 0.35% of assets

# EMPOWER CUSTOMERS VIA POWERFUL DIGITAL OFFERING AND PROFESSIONAL GUIDANCE

## Advance digital banking capabilities to increase engagement with customers

### Banking with E\*TRADE

- Suite of digital banking products that fully integrates with brokerage accounts so customers can interact with their money
- Seamless transfers between brokerage and banking accounts allows customers the ability to manage the vast majority of financial needs at E\*TRADE
- Convenient, secure, low-fee banking accounts backed by FDIC insurance

### Range of banking solutions

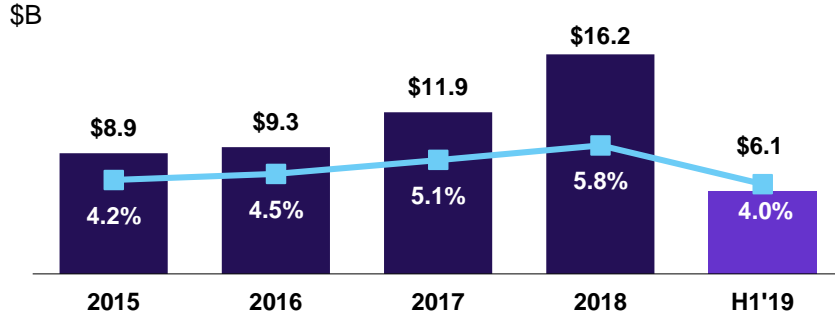
- **Premium Savings Account (PSA)** offers a high-yield cash management solution
- **Convenient banking solutions**
  - Free online Bill Pay services
  - Unlimited ATM fee refunds
  - Mobile check deposit
  - Fully supported by Apple Pay®
- **E\*TRADE Line of Credit** is a securities-based lending solution allowing customers to borrow up to 50% against eligible assets in their E\*TRADE brokerage account



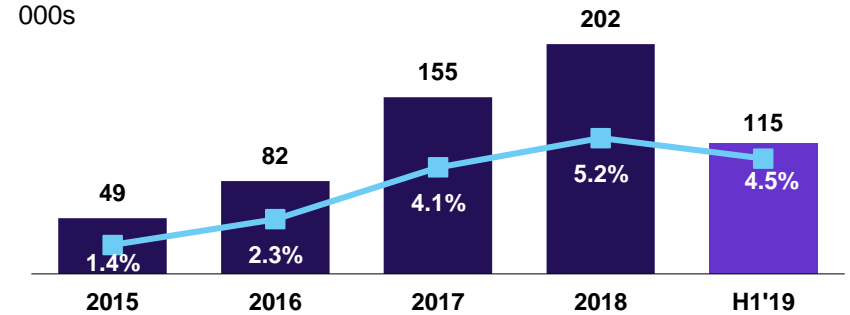
# EMPOWER CUSTOMERS VIA POWERFUL DIGITAL OFFERING AND PROFESSIONAL GUIDANCE

## Drive customer acquisition and deepen engagement

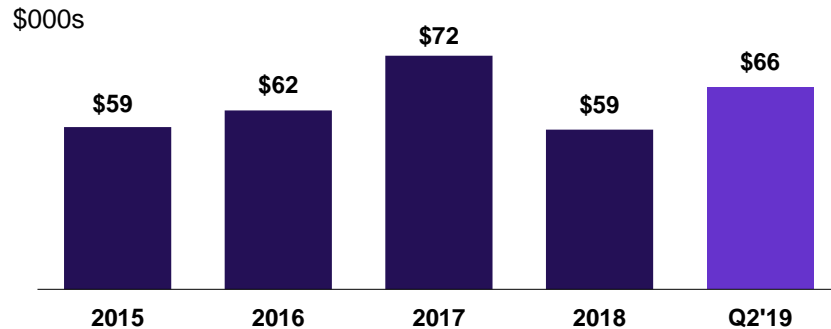
Net new retail and advisor services assets | Annual growth rate<sup>7,12</sup>



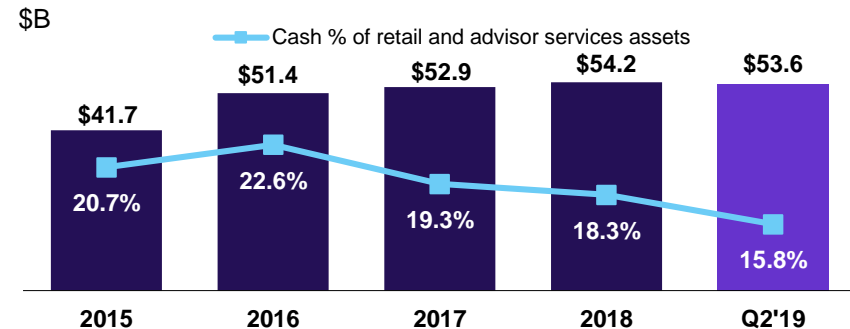
Net new retail and advisor services accounts | Annual growth rate<sup>7,13</sup>



Average retail and advisor services assets per account<sup>7,14</sup>



Retail and advisor services cash (excluding banking)<sup>7</sup>



# CAPITALIZE ON SYMBIOTIC INSTITUTIONAL CHANNELS TO DRIVE GROWTH

## Expand on #1 position in stock plans via intuitive platform and expert support

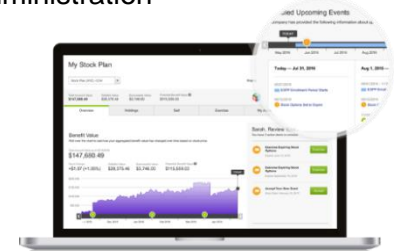
### Industry leading position



- **E\*TRADE Corporate Services** is the industry's leading provider of stock plan administration services for public and private multinational companies
- **2 million stock plan participants** and language line translation in more than 140 languages
- **\$259.3 billion in assets**
- Represent approximately **20% of S&P 500®** companies
  - **Over 50%** of publicly traded US technology companies
  - **794 total** US publicly traded companies

### Award-winning platform

- **Equity Edge Online (EEO):** #1 in Loyalty and Overall Satisfaction by stock plan administrators seven years running<sup>1</sup>; leading position is the result of more than 30 years of innovation
  - Cloud-based platform offers sophisticated functionality built exclusively for plan administration
- **Dedicated implementation manager** for seamless onboarding and one-to-one client focus with a dedicated Relationship Manager and Service Manager
- **Premium executive services** delivers exemplary service to the most senior plan participants including restricted stock sales support and SEC filing assistance
  - First online automated 10b5-1 plan





# CAPITALIZE ON SYMBIOTIC INSTITUTIONAL CHANNELS TO DRIVE GROWTH

## Expand on #1 position in stock plans via intuitive platform and expert support

### B2B relationship...

- Corporation selects E\*TRADE for plan administration
- Support for many equity vehicles
- Plan participants moved onto E\*TRADE platform, stock plan account opened



### ...creates B2C opportunity...

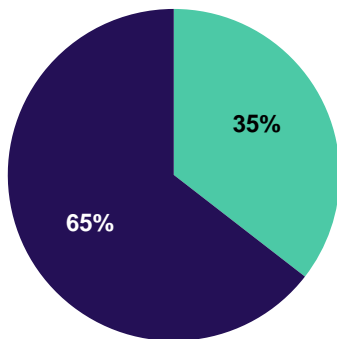
- **Engage, surprise, and delight:**
  - First-class user experience for 2 million stock plan accounts
  - Easy, intuitive interface helps participants manage, track, and learn about their equity compensation
  - In-person interactions with FCs at corporate offices



### ...to build long-term relationship

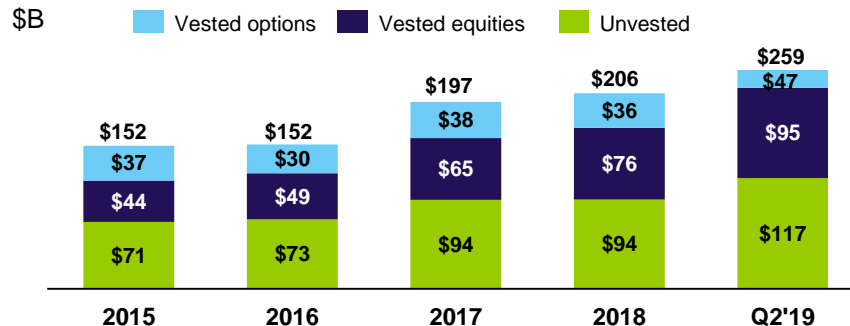
- **Sale proceeds converted into E\*TRADE brokerage account:**
  - Currently retaining 15% of proceeds 12 months post exercise
  - Contributes nearly 1/3 of gross new retail accounts
  - Leverage E\*TRADE Advisor Network to attract and retain high-net-worth clients

### 35% of customer cash is sourced from Corporate Services



- Cash in accounts originally sourced from Corporate Services
- Other cash

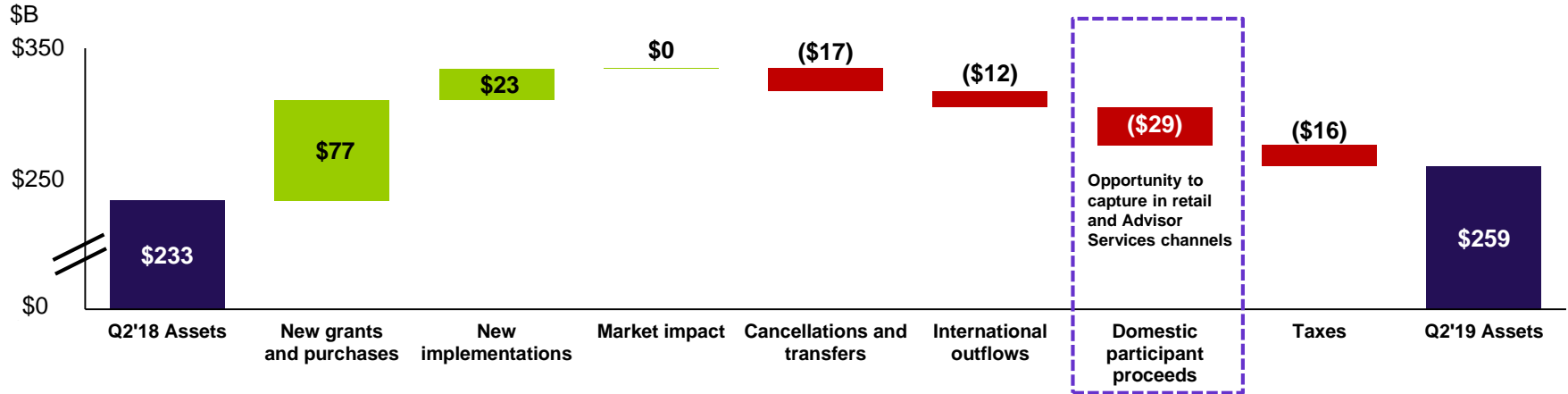
### Corporate Services assets



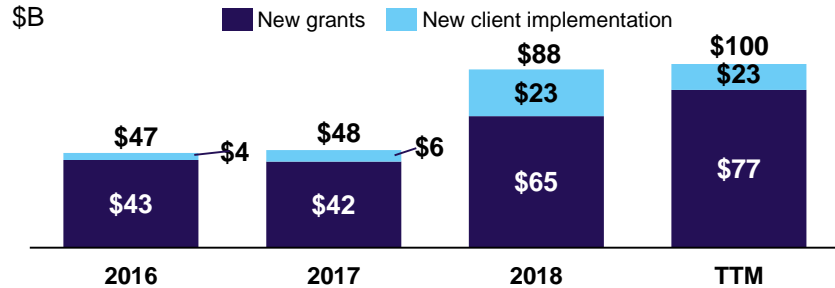
# CAPITALIZE ON SYMBIOTIC INSTITUTIONAL CHANNELS TO DRIVE GROWTH

## Steady growth in the franchise drives Corporate Services asset growth

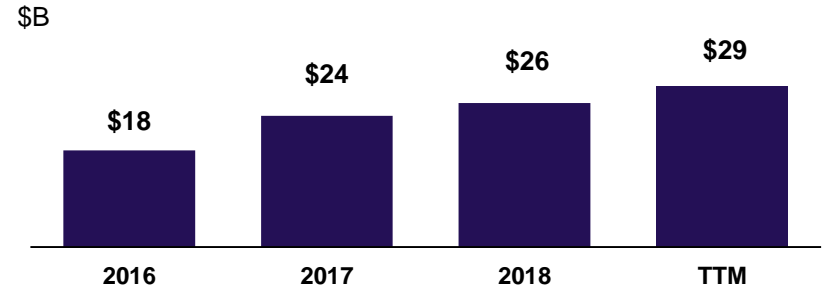
Corporate Services asset activity over the trailing 12 months



Corporate Services inflows



Corporate Services domestic participant proceeds



# CAPITALIZE ON SYMBIOTIC INSTITUTIONAL CHANNELS TO DRIVE GROWTH

## Grow RIA custody channel | Connect retail customers with top-tier advisors

### Full breadth of RIA custody solutions



- **E\*TRADE Advisor Services** provides technology solutions and custody services to the independent registered investment advisor
- Over 220 RIAs and \$19.4B investor assets under custody
- **Liberty platform**—a robust, mobile-ready technology platform that enables advisors access to sophisticated modeling, rebalancing, reporting, and practice management capabilities
- Fully customizable documents, statements and mobile app for the RIA

### Emerging advisor referral network

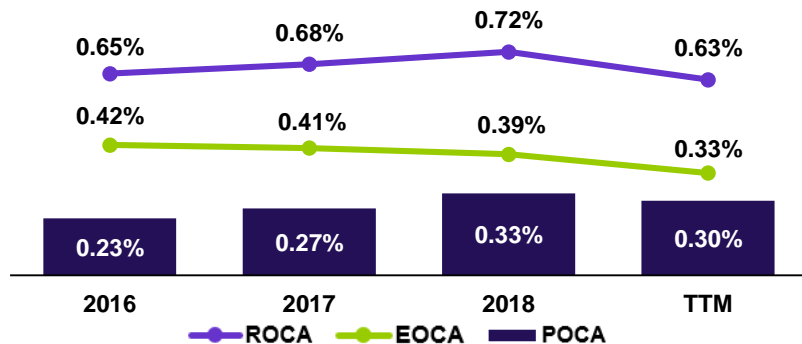
- **E\*TRADE Advisor Network** is a national referral program that connects independent financial advisors to potential customers who need wealth management services beyond the scope of E\*TRADE's in-house offerings
- E\*TRADE utilizes top-tier national and regional advisors that offer their clients a wide variety of services and diverse specializations
- Provides an opportunity to better meet customers' diverse financial needs while growing customer wallet share
- Natural synergies with Corporate Services; advisors benefit from a unique pipeline of clients

# GENERATE ROBUST EARNINGS GROWTH AND EXCEPTIONAL RETURNS

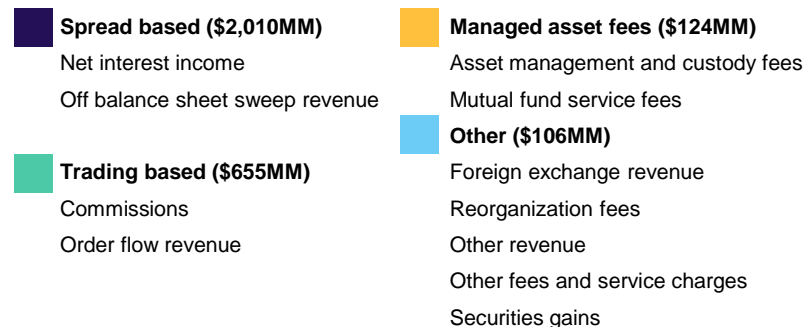
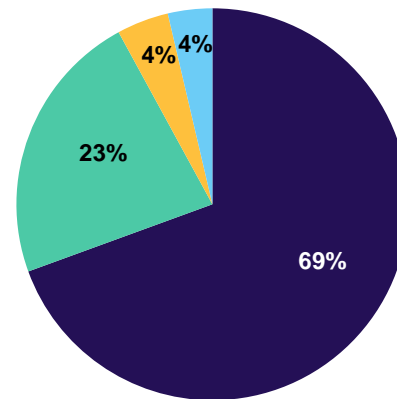
## Deliver superior return on customer assets by capturing full value of relationships

### Consistent history of delivering superior ROCA

- E\*TRADE's customer base, asset mix, and breadth of product offering provides an enormous opportunity to capture a leading **Return On Client Assets**
  - Skew to the self-directed retail channel drives an outsized ROCA
- High incremental margin on revenues leads to improvement in **Expense On Client Assets** over time
- Scalability of the business model coupled with efficient transformation of client assets into revenues drives leading **Profit On Client Assets**



### Trailing 12-month net revenue



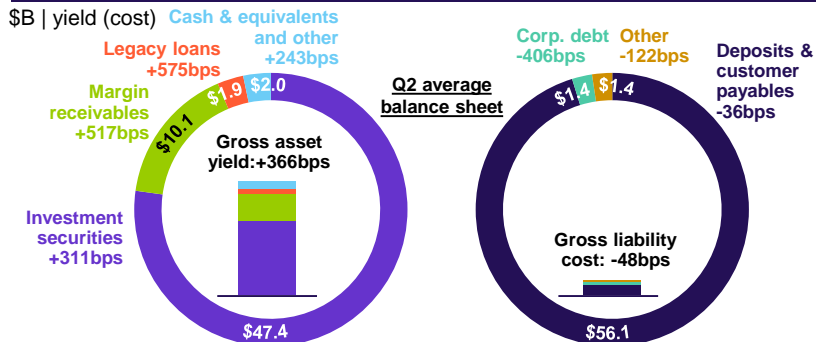
# GENERATE ROBUST EARNINGS GROWTH AND EXCEPTIONAL RETURNS

## Deliver superior return on customer assets by capturing full value of relationships

### Balance sheet strategy

- Business generates stable, low cost deposits
- Company maintains ultimate control to grow balances on or off balance sheet, through third party sweep program
- On balance sheet investments primarily in agency securities – average duration of assets matched to liabilities at three to four years
- Fees from third party sweep program roughly equivalent to Fed funds effective rate – at 221bps, net of deposit costs in Q2'19<sup>15</sup>
- In Q2'19, the Company began directing deposits off balance sheet to generate additional capital capacity to support share repurchases<sup>21</sup>

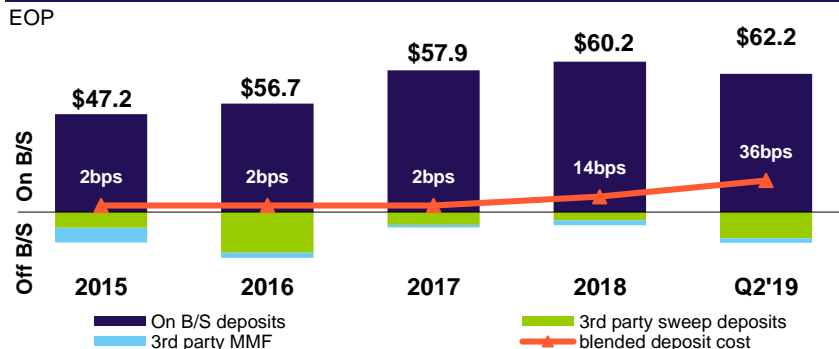
### Low-risk assets | Low-cost liabilities



### Sensitivity to changes in interest rates<sup>16</sup>

		Short-term interest rate Δ		
		-25 bps	0 bps	+25 bps
Long-term interest rate Δ	NIM	(5)bps	(3)bps	0bps
	-25 bps	(3)bps	Baseline	3bps
	0 bps	(1)bps	2bps	5bps
3 <sup>rd</sup> party sweep fee sensitivity		(20)bps	0bps	20bps

### Steady deposit growth with flexible 3<sup>rd</sup> party arrangement<sup>7</sup>

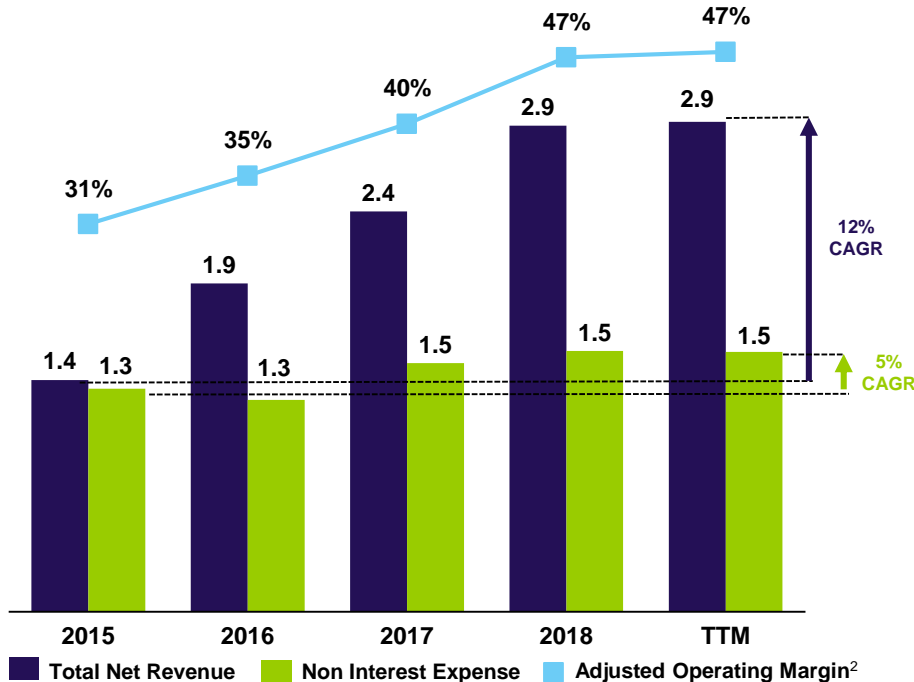


# GENERATE ROBUST EARNINGS GROWTH AND EXCEPTIONAL RETURNS

## Leverage highly scalable model to expand operating margin

### High degree of operating leverage in the business model

\$B



### Contributing factors to operating margin expansion

- Revenue growth outpaced expense growth by 700 basis points over the last five years
- Scalable infrastructure and small physical footprint drive incremental margins on revenue of 70–75%
- Multiple cost-saving levers exist to allow for greater control of external macro factors' impact to the bottom-line
- Mid-50s operating margin by 2023

# GENERATE ROBUST EARNINGS GROWTH AND EXCEPTIONAL RETURNS

Return more than 80% of earnings to shareholders and expand ROE > 20%

## Ongoing capital actions

### Share repurchases

- Repurchased \$2.3B of stock since Q4'15
- \$157M remaining on current repurchase authorization and \$1.5B in new authorization

### Dividend

- \$0.14 quarterly dividend to common shareholders

## Disciplined and strategic acquisitions increase our scale at a compelling value

### OptionsHouse

**\$725MM<sup>17</sup>**

#### Acquired:

- ~150,000 accounts<sup>13</sup>
- \$3.7B assets<sup>12</sup>
- Leading options platform

**September 2016**

### Trust Company of America

**\$275MM<sup>17</sup>**

#### Acquired:

- ~150,000 accounts<sup>13</sup>
- \$1.2B sweep deposits and \$18.4B in assets<sup>12</sup>
- State-of-the-art RIA custody platform

**April 2018**

### Capital One Brokerage Accounts

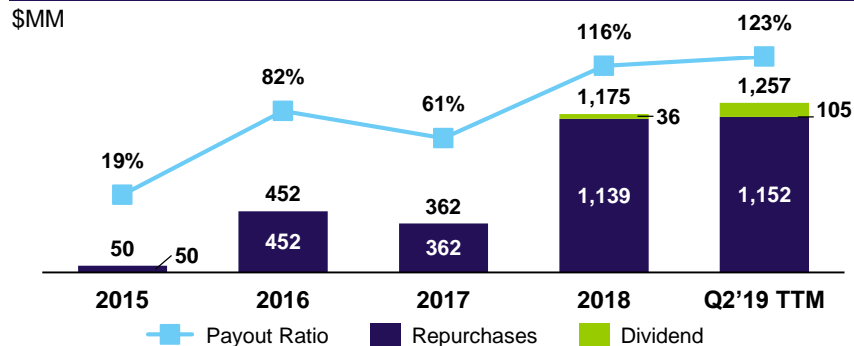
**\$109MM<sup>17</sup>**

#### Acquired:

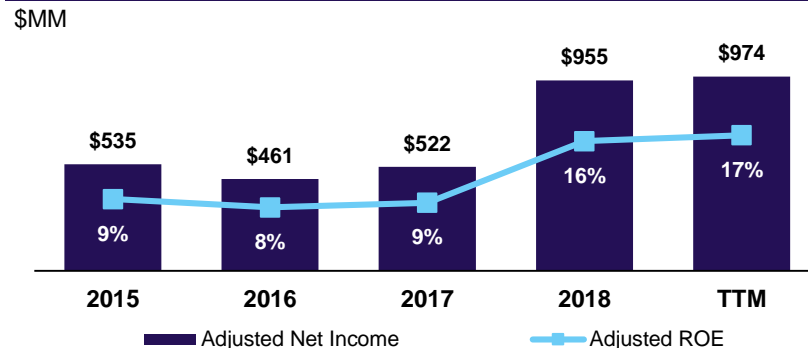
- ~1 million accounts<sup>13</sup>
- \$1.6B sweep deposits and \$15.1B in assets<sup>12</sup>

**November 2018**

## Growing capital return program

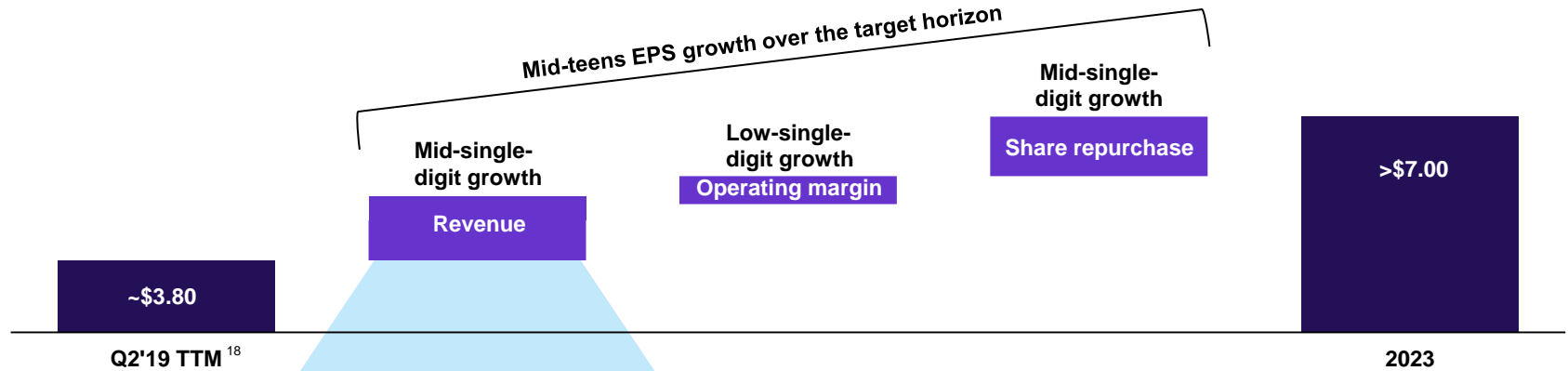


## Growing return on equity<sup>3</sup>



# GENERATE ROBUST EARNINGS GROWTH AND EXCEPTIONAL RETURNS

## Generate double-digit annual earnings growth to >\$7 EPS by 2023



### Model assumptions:

- Interest rates: two Fed cuts by end of 2019; Fed Funds flat through end of 2023
- Equity market growth: ~5%
- Cash as a % of retail and advisor services assets remains consistent with current levels
- Modest growth in customer activity metrics
- Modest reduction in commission per trade
- Operating margin expands to mid-50s
  - Incremental margin on revenue growth 70–75%
- Share repurchase beginning at current valuation, normalizing to 16x earnings by 2023



# E\*TRADE is well-positioned to deliver long-term value for stakeholders

## Key investment takeaways

Strong digital ethos and world-class product and service capabilities, optimally positioned for secular shift to digital

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Leading retail offering, emerging wealth solutions, and institutional channels that offer significant synergies provide strong foundation for growth

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Strong revenue yield on client assets coupled with scalable infrastructure and small physical footprint provide significant operating leverage and allow for robust cash flow

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Financial plan centered in shareholder value creation delivers; **EPS >\$7 over time, mid-50s operating margins, ROE beyond 20%, return of 80–90% of earnings to shareholders**

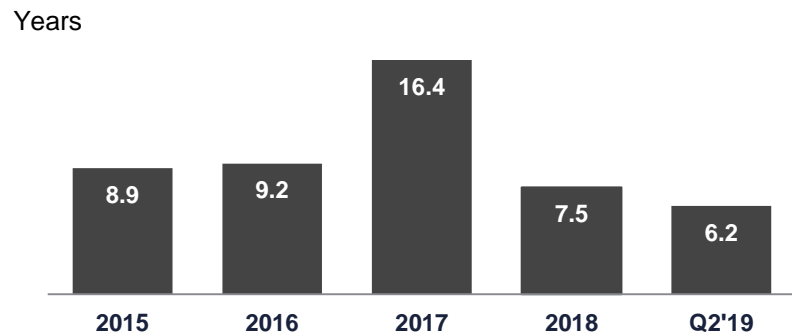
# APPENDIX

# APPENDIX

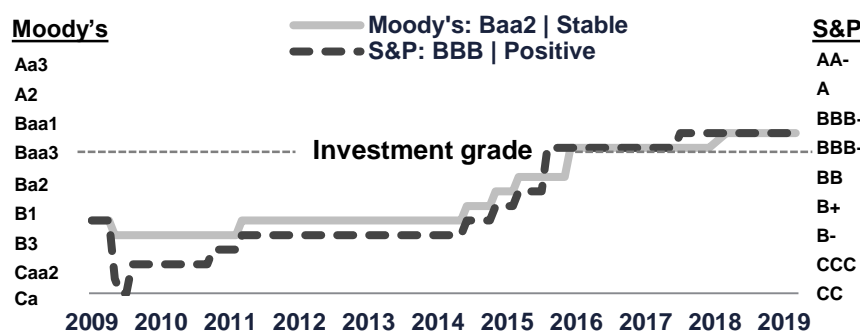
## Corporate debt and preferred stock

Security:	Senior Notes due 2022	Senior Notes due 2027	Senior Notes due 2028	Non-Cumulative Perpetual Preferred Stock <sup>19</sup>	Non-Cumulative Perpetual Preferred Stock <sup>20</sup>
<b>Amount outstanding</b>	\$600MM	\$400MM	\$420MM	\$400MM	\$300MM
<b>Coupon</b>	2.95%	3.80%	4.50%	5.875%	5.30%
<b>Interest / dividend payable</b>	Feb. 24 & Aug. 24	Feb. 24 & Aug. 24	Dec. 20 & Jun. 20	Mar. 15 & Sep. 15	Mar. 15 & Sep. 15
<b>Issued</b>	Aug. 24, 2017	Aug. 24, 2017	Jun. 20, 2018	Aug. 16, 2016	Nov. 27, 2017
<b>Maturity</b>	Aug. 24, 2022	Aug. 24, 2027	Jun. 20, 2028	N/A	N/A

### Debt service coverage



### Credit ratings over time



# Appendix

- Equity Edge Online was rated #1 in Loyalty and Overall Satisfaction in the 2018, 2017, 2016, 2015, 2014, 2013 and 2012 Group Five Stock Plan Administration Study Industry Report. Group Five, Inc. is not affiliated with E\*TRADE Financial Corporate Services, Inc. or its affiliates.
- Operating margin is the percentage of net revenue that results in income before income taxes. The percentage is calculated by dividing income before income taxes by total net revenue. The following table presents a reconciliation of GAAP operating margin percentage to non-GAAP adjusted operating margin percentage (dollars in millions):

	Twelve months ended,		Year ended		Year ended		Year ended		Year ended	
	June 30, 2019		December 31, 2018		December 31, 2017		December 31, 2016		December 31, 2015	
	Amount	Operating Margin %	Amount	Operating Margin %	Amount	Operating Margin %	Amount	Operating Margin %	Amount	Operating Margin %
Income before income tax expense and operating margin	\$ 1,426	49%	\$ 1,418	49%	\$ 1,064	45%	\$ 838	43%	\$ 91	7%
Add back impact of pre-tax items:										
Loss included in Gains (losses) on securities and other, net	-		-		-		-		370	
Provision (benefit) for loan losses	(66)		(86)		(168)		(149)		(40)	
Losses on early extinguishment of debt	4		4		58		-		112	
Subtotal	(62)		(82)		(110)		(149)		442	
Adjusted income before income tax expense and adjusted operating margin	\$ 1,364	47%	\$ 1,336	47%	\$ 954	40%	\$ 689	35%	\$ 533	31%

- Return on common equity is calculated by dividing net income available to common shareholders by average common shareholders' equity, which excludes preferred stock. The following table provides a reconciliation of GAAP return on common equity percentage to non-GAAP adjusted return on common equity percentage (dollars in millions):

	Twelve months ended,		Year ended,		Year ended,		Year ended,		Year ended,	
	June 30, 2019		December 31, 2018		December 31, 2017		December 31, 2016		December 31, 2015	
	Amount	Operating Margin %	Amount	Operating Margin %	Amount	Operating Margin %	Amount	Operating Margin %	Amount	Operating Margin %
Net income available to common shareholders and return on common equity	\$ 1,020	17%	\$ 1,016	17%	\$ 589	10%	\$ 552	10%	\$ 268	5%
Add back impact of the following items:										
Loss included in Gains (losses) on securities and other, net	-		-		-		-		370	
Provision (benefit) for loan losses	(66)		(86)		(168)		(149)		(40)	
Losses on early extinguishment of debt	4		4		58		-		112	
Subtotal	(62)		(82)		(110)		(149)		442	
Income tax impact of the items above	16		21		43		58		(175)	
Net of tax	(46)		(61)		(67)		(91)		267	
Adjusted net income available to common shareholders and return on common equity	\$ 974	17%	\$ 955	16%	\$ 522	9%	\$ 461	8%	\$ 535	9%

# Appendix

4. Based on data from Aite Group's report titled "New Realities in Wealth Management: U.S. Retail Distribution and Market Sizing," July 2018.
5. Brand Health Study conducted by Gfk as of 2018 (on behalf of E\*TRADE).
6. In Kiplinger's annual [Best Online Brokers Review](#) of 10 firms across seven categories, E\*TRADE was awarded first place with an overall score of 82.9 out of 100 and "Best for Mutual Fund Investors." E\*TRADE's ratings for all category rankings include: Overall (#1), User Experience (#2), Investment Choices (#2), Advisory Services (#3), Mobile (#3), Research (#4), Commissions and Fees (#6), and Tools (#7). Read the full "[Best Online Brokers, 2019](#)".

In StockBrokers.com's 2019 Online Broker Review of 17 firms across 284 different variables, E\*TRADE was awarded the #1 Mobile Trading, #1 Options Trading, and #1 Web Based Platform Awards. In addition, E\*TRADE received 10 Best in Class distinctions: Overall, Offering of Investments, Research, Mobile Trading, Education, Options Trading, Beginners, Ease of Use, Customer Service, and Banking. E\*TRADE's star ratings for all category rankings out of 5: Overall (4 stars), Commissions & Fees (3.5 stars), Offering of Investments (4.5 stars), Platforms & Tools (4.5 stars), Research (4.5 stars), Customer Service (4.5 stars), Mobile Trading (5 stars), Ease of Use (4.5 stars), Education (4.5 stars), Beginners (4.5 stars), Options Trading (5 stars), and Banking (4 stars). [Read the 2019 Online Broker Review](#).

In Barron's [Best Online Brokers of 2019](#) review of 14 firms across six categories, E\*TRADE received 4 out of 5 stars overall. E\*TRADE also earned "Best for Mobile Traders" (4.5 stars), "Best for Retirement Investors" (3.5 stars), and "Best for Occasional Traders" (4 stars) distinctions.
7. Customer activity metrics for 2015 have been presented for illustrative purposes only.
8. Retail and advisor services accounts includes the following banking accounts:

	2015	2016	2017	2018	Q1'19	Q2'19
<b>Banking accounts</b>	301,167	281,039	264,313	262,244	271,933	277,877
9. Excludes assets held in custody with E\*TRADE Advisor Services.
10. To discourage short-term trading, E\*TRADE Securities may charge a short-term trading fee on sales of participating ETFs held less than 30 days, and an early redemption fee on redemptions or exchanges of no-load, no-transaction-fee funds that are held for less than 90 days.
11. For Core Portfolios clients, interaction with E\*TRADE Capital Management will generally be limited to the web-based interface. A Core Portfolios client does not have an individual Financial Consultant or portfolio manager assigned to the account. E\*TRADE Capital Management, through its Investment Policy Committee and with support of Investment Strategists, selects, removes, and adds portfolio holdings and determines the program's rebalancing methodology.

For more information on professionally managed portfolios offered by E\*TRADE Capital Management (ETCM), please request a free copy of ETCM's Form ADV Part 2A, which describes, among other things, affiliations, services offered, and fees charged.

# Appendix

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12. The net new retail and advisor services assets metrics treat asset flows between E\*TRADE entities in the same manner as unrelated third party accounts. Net new retail and advisor services assets exclude \$3.7 billion of assets from the OptionsHouse acquisition in the third quarter of 2016, \$18.4 billion of assets from the TCA acquisition in the second quarter of 2018, and \$15.1 billion of assets from the Capital One acquisition in the fourth quarter of 2018.
13. Net new retail and advisor services accounts and end of period retail and advisor services accounts exclude 147,761 accounts from the OptionsHouse acquisition in the third quarter of 2016, the addition of 145,891 accounts from the acquisition of TCA in the second quarter of 2018 and the addition of 912,065 accounts from the acquisition of Capital One in the fourth quarter of 2018. For the full year 2015, net new and end of period retail and advisor services accounts were impacted by the closure of 23,150 accounts related to the shutdown of the Company's global trading platform and the closure of 3,484 accounts related to the escheatment of unclaimed property.
14. Average retail and advisor services assets per account is calculated as the sum of retail and advisor services assets divided by end of period retail and advisor services accounts.
15. The yield on third-party cash is based on the net interest earned on customer cash held by third parties inclusive of sweep deposit accounts.
16. For purposes of this sensitivity, long-term interest rates are defined as rates on any financial instrument with a maturity of over one year, and short-term interest rates are defined as rates on any financial instrument with a maturity of one year or shorter. The sensitivity assumes the end of period balance sheet, along with projected use of derivative instruments across interest rate scenarios. Our baseline assumption for the yield curve is based on our outlook over the course of the next twelve months as of June 30, 2019.
17. Represents acquisition consideration but excludes working capital and other closing adjustments.

# Appendix

18. The following table presents a reconciliation of GAAP diluted earnings per share to non-GAAP diluted earnings per share (dollars in millions except per share amounts):

	<u>Twelve months ended,</u>	
	<u>June 30, 2019</u>	
Net income available to common shareholders and diluted earnings per share <sup>(1)</sup>	\$ 1,020	\$ 4.06
Add back impact of the following item:		
Preferred stock dividends	44	
Income tax expense	<u>362</u>	
Income before income tax expense	1,426	
Provision (benefit) for loan losses	(66)	
Losses on early extinguishment of debt	<u>4</u>	
Subtotal	1,364	
Income tax impact assuming 27% tax rate	<u>368</u>	
After-tax adjusted income	996	
Preferred stock dividends	44	
Adjusted net income available to common shareholders and diluted earnings per share <sup>(1)(2)</sup>	<u>\$ 952</u>	\$ 3.79

(1) Diluted weighted-average shares outstanding (in thousands) were 251,047 for the last twelve months ended June 30, 2019.

(2) Adjusted net income available to common shareholders includes net after tax losses of \$59 million, or \$0.24 per diluted share, from balance sheet repositioning related to the sale of \$4.5 billion of lower-yielding investment securities during the three months ended June 30, 2019.

19. Preferred stock is non-callable, fixed rate at 5.875% for 10 years. Thereafter, callable and floating rate at 3-month LIBOR + 4.435%. Redemption may be in whole or in part on any dividend payment date on or after September 15, 2026, at a redemption price equal to \$1,000 per share, plus any declared and unpaid dividends to, but excluding, the date fixed for redemption, without accumulation of any undeclared dividends.
20. Preferred stock is non-callable, fixed rate at 5.30% for 5 years. Thereafter, callable and floating rate at 3-month LIBOR + 3.16%. Redemption may be in whole or in part on any dividend payment date on or after March 15, 2023, at a redemption price equal to \$1,000 per share, plus any declared and unpaid dividends to, but excluding, the date fixed for redemption, without accumulation of any undeclared dividends.

For additional information, contact E\*TRADE Investor Relations at: [ir@etrade.com](mailto:ir@etrade.com) | 646-521-4406

# APPENDIX: ENDNOTE 21

## Mechanics of utilizing 3<sup>rd</sup> party sweep to facilitate share repurchases

### COCKTAIL NAPKIN ILLUSTRATION OF \$10B OF INCREMENTAL DEPOSITS

Modeling deposit growth on- and off-balance sheet: inputs from Q2'19 earnings call

#### ON-BALANCE SHEET INPUTS

Assets	Liabilities + Equity	3 <sup>rd</sup> party sweep
Inv. securities \$10.75B	Deposits \$10.00B	\$-
	Capital \$0.75B	

@ 7%  
Tier 1  
bank  
leverage

3-4 year  
duration

Yield and expense (as of Q2 call)	
Securities yield on new assets (as of Q2 call)	270-290 bps
Sweep deposit cost	(30 bps)
Incremental net interest margin (NIM)	240-260 bps
FDIC insurance cost	(4 bps)

#### OFF-BALANCE SHEET INPUTS

Assets	Liabilities + Equity	3 <sup>rd</sup> party sweep
Inv. securities \$ -	Deposits \$ -	Deposits \$10.00B
	Capital \$ -	

\$0.75B  
for share  
buy-  
backs

Tied to  
short-  
term  
interest  
rates

Fee and expense (as of Q2 call)	
Gross fees on 3 <sup>rd</sup> party deposits	240 bps
Sweep deposit cost	(30 bps)
Net fees on 3 <sup>rd</sup> party deposits	210 bps
Servicing fee on 3 <sup>rd</sup> party deposits	(8 bps)

#### INCOME STATEMENT IMPACT

	ON	OFF
Net interest income on deposits (deposits x NIM)	\$250M	\$-
Interest income on capital (capital x securities yield)	\$21M	\$-
<b>Total net interest income</b>	<b>\$271M</b>	<b>\$-</b>
Net fees on 3 <sup>rd</sup> party deposits (3 <sup>rd</sup> party deposits x net fees)	\$-	\$210M
FDIC insurance premiums	(\$4M)	\$-
Clearing and servicing cost to administer 3rd party deposits	\$-	(\$8M)
<b>Pre-tax income on incremental deposits</b>	<b>\$267M</b>	<b>\$202M</b>
Taxes (@ 27%)	(\$72M)	(\$55M)
<b>After-tax net income on incremental deposits</b>	<b>\$195M</b>	<b>\$147M</b>
<b>TTM net income available to common shareholders</b>	<b>\$1,020M</b>	<b>\$1,020M</b>
	<b>\$1,215M</b>	<b>\$1,167M</b>
Share buybacks (@ 06/28/19 price of \$44.60)	-	17M
Diluted shares - 12 months ended 06/30/19	251M	234M
<b>Per share</b>	<b>~\$4.80</b>	<b>~\$5.00</b>