

## FOR IMMEDIATE RELEASE

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## **E\*TRADE FINANCIAL CORPORATION ANNOUNCES FOURTH CONSECUTIVE YEAR OF RECORD RESULTS**

- *Record fourth-quarter Net Income of \$177 million, or \$0.40 per share*
- *Record full-year Net Income of \$629 million*
- *Record full-year earnings of \$1.44 per share, or \$1.49<sup>(1)</sup> excluding previously announced acquisition-related integration expenses*
- *Record fourth-quarter Total Net Revenue of \$629 million*
- *Record full-year Total Net Revenue of \$2.4 billion*
- *Operating Margin<sup>(2)</sup> of 43 percent, or a record 45 percent excluding restructuring charges*
- *Record quarterly growth in Total Customer Cash and Deposits of \$2.0 billion*
- *Record Total Retail Client Assets of \$195 billion*

**New York, January 18, 2007** – E\*TRADE FINANCIAL Corporation (NASDAQ: ETFC) today announced record results for its fourth quarter ended December 31, 2006, reporting net income of \$176.7 million, or \$0.40 per share, compared to \$129.4 million, or \$0.32 per share a year ago. Total net revenue for the fourth quarter increased to \$628.8 million from \$478.9 million a year ago. Net operating interest income after provision for loan losses for the quarter increased to \$363.5 million – representing 58 percent of total net revenue. The Company's record net operating interest income was the combined result of a 39 percent increase in enterprise interest-earning assets and a 28 basis point increase in enterprise net interest spread compared to the year ago period. Non-interest income increased to \$265.3 million from \$236.7 million in the year ago period. For the year ended December 31, 2006, the Company reported record net income of \$628.9 million, or \$1.44 per share, on total net revenue of \$2.4 billion. Excluding previously reported acquisition-related integration expenses, the Company earned \$1.49 per share<sup>(1)</sup>. This compares to net income of \$430.4 million, or \$1.12 per share, on total net revenue of \$1.7 billion in 2005.

“In 2006 the Company delivered a fourth consecutive year of record results while successfully integrating two key acquisitions and strategically investing in product, service and marketing to strengthen the future performance of the franchise,” said Mitchell H. Caplan, Chief Executive Officer, E\*TRADE FINANCIAL Corporation. “As a result of this success, we enter 2007 ideally positioned to capitalize on the secular growth trends of the industry, and we will continue to seek out targeted investments to build stronger client relationships and drive broader product engagement in the US and abroad.”

(more)

Other selected fourth quarter highlights:

- Received regulatory approvals required to complete balance sheet integration initiative
- Launched "Complete Savings Account" to broaden customer choices among cash management products
- Introduced industry-leading retail futures trading offering
- Launched new etrade.com prospective customer site to improve access to information and enhance product awareness
- Moved public listing to NASDAQ and changed ticker on common stock to ETFC
- Expanded branch network with the opening of locations in Ft. Lauderdale, FL; Scarsdale, NY; and Roseville, CA – increasing total branch locations to 24 nationwide
- Repurchased \$40 million of common stock

Historical monthly metric data from January 2003 to December 2006 can be found on the E\*TRADE FINANCIAL investor relations site at [www.etrade.com](http://www.etrade.com).

### **About E\*TRADE FINANCIAL**

The E\*TRADE FINANCIAL family of companies provides financial services including trading, investing, banking and lending for retail 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.

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#### Important Notice

E\*TRADE FINANCIAL and the E\*TRADE FINANCIAL logo are registered trademarks or trademarks of E\*TRADE FINANCIAL Corporation. 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, changes in market activity, anticipated increases in the rate of new customer acquisition, the conversion of new visitors to the site to customers, the activity of customers and assets held at the institution, seasonality, the development and enhancement of products and services, competitive pressures (including price competition), system failures, economic and political conditions, changes in consumer behavior and the introduction of competing products having technological and/or other advantages. Further information about these risks and uncertainties can be found in the information included in the annual reports previously filed by E\*TRADE Group, Inc. or E\*TRADE FINANCIAL Corporation with the SEC on Form 10-K (including information under the caption "Risk Factors") and quarterly reports on Form 10-Q.

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**Financial Statements**

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

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2006	2005	2006	2005
Revenue:				
Operating interest income	\$ 788,583	\$ 501,880	\$ 2,774,679	\$ 1,650,264
Operating interest expense	(413,078)	(243,632)	(1,374,647)	(779,164)
Net operating interest income	375,505	258,248	1,400,032	871,100
Provision for loan losses	(11,956)	(16,070)	(44,970)	(54,016)
Net operating interest income after provision for loan losses	363,549	242,178	1,355,062	817,084
Commission	148,494	135,723	625,265	458,834
Service charges and fees	37,901	34,675	137,441	135,314
Principal transactions	25,256	23,789	110,235	99,336
Gain on sales of loans and securities, net	17,248	14,737	55,986	98,858
Other revenue	36,400	27,823	136,332	94,419
Total non-interest income	265,299	236,747	1,065,259	886,761
Total net revenue	628,848	478,925	2,420,321	1,703,845
Expense excluding interest:				
Compensation and benefits	116,868	100,331	469,202	380,803
Clearing and servicing	63,114	57,016	253,040	189,736
Advertising and market development	30,667	31,683	119,782	105,935
Communications	25,528	27,835	110,346	82,485
Professional services	25,232	24,248	96,947	77,416
Depreciation and amortization	17,664	21,671	73,845	74,981
Occupancy and equipment	22,486	18,416	85,568	69,089
Amortization of other intangibles	10,829	30,014	46,220	43,765
Facility restructuring and other exit activities	9,222	(30,512)	28,537	(30,017)
Other	34,154	(6,057)	136,042	59,860
Total expense excluding interest	355,764	274,645	1,419,529	1,054,053
Income before other income (expense), income taxes, minority interest, discontinued operations and cumulative effect of accounting change	273,084	204,280	1,000,792	649,792
Other income (expense):				
Corporate interest income	2,342	3,247	8,433	11,043
Corporate interest expense	(37,910)	(36,981)	(152,496)	(73,956)
Gain on sales and impairment of investments	10,899	14,972	70,796	83,144
Loss on early extinguishment of debt	(476)	-	(1,179)	-
Equity in income (loss) of investments and venture funds	750	(1,039)	2,451	6,103
Total other income (expense)	(24,395)	(19,801)	(71,995)	26,334
Income before income taxes, minority interest, discontinued operations and cumulative effect of accounting change	248,689	184,479	928,797	676,126
Income tax expense	71,779	58,959	301,983	229,823
Minority interest in subsidiaries	-	9	-	65
Net income from continuing operations	176,910	125,511	626,814	446,238
Discontinued operations, net of tax:				
Loss from discontinued operations	-	(2,595)	(721)	(21,495)
Gain (loss) on disposal of discontinued operations	(255)	6,444	2,766	4,023
Gain (loss) from discontinued operations, net of tax	(255)	3,849	2,045	(17,472)
Cumulative effect of accounting change, net of tax	-	-	-	1,646
Net income	\$ 176,655	\$ 129,360	\$ 628,859	\$ 430,412
Basic earnings per share from continuing operations	\$ 0.42	\$ 0.32	\$ 1.49	\$ 1.20
Basic earnings (loss) per share from discontinued operations	0.00	0.01	0.00	(0.04)
Basic earnings per share from cumulative effect of accounting change	-	-	-	0.00
Basic net earnings per share	\$ 0.42	\$ 0.33	\$ 1.49	\$ 1.16
Diluted earnings per share from continuing operations	\$ 0.40	\$ 0.31	\$ 1.44	\$ 1.16
Diluted earnings (loss) per share from discontinued operations	0.00	0.01	0.00	(0.04)
Diluted earnings per share from cumulative effect of accounting change	-	-	-	0.00
Diluted net earnings per share	\$ 0.40	\$ 0.32	\$ 1.44	\$ 1.12
Shares used in computation of per share data:				
Basic	424,050	387,055	421,127	371,468
Diluted	438,086	400,717	436,357	384,630

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

	Three Months Ended		
	December 31, 2006	September 30, 2006	December 31, 2005
Revenue:			
Operating interest income	\$ 788,583	\$ 731,429	\$ 501,880
Operating interest expense	(413,078)	(376,293)	(243,632)
Net operating interest income	375,505	355,136	258,248
Provision for loan losses	(11,956)	(12,547)	(16,070)
Net operating interest income after provision for loan losses	363,549	342,589	242,178
Commission	148,494	133,606	135,723
Service charges and fees	37,901	33,910	34,675
Principal transactions	25,256	22,697	23,789
Gain on sales of loans and securities, net	17,248	16,003	14,737
Other revenue	36,400	32,961	27,823
Total non-interest income	265,299	239,177	236,747
Total net revenue	628,848	581,766	478,925
Expense excluding interest:			
Compensation and benefits	116,868	110,705	100,331
Clearing and servicing	63,114	62,500	57,016
Advertising and market development	30,667	23,914	31,683
Communications	25,528	25,576	27,835
Professional services	25,232	20,741	24,248
Depreciation and amortization	17,664	18,565	21,671
Occupancy and equipment	22,486	22,150	18,416
Amortization of other intangibles	10,829	12,087	30,014
Facility restructuring and other exit activities	9,222	16,684	(30,512)
Other	34,154	45,675	(6,057)
Total expense excluding interest	355,764	358,597	274,645
Income before other income (expense), income taxes, minority interest, discontinued operations and cumulative effect of accounting change	273,084	223,169	204,280
Other income (expense):			
Corporate interest income	2,342	1,942	3,247
Corporate interest expense	(37,910)	(37,964)	(36,981)
Gain on sales and impairment of investments	10,899	26,991	14,972
Loss on early extinguishment of debt	(476)	-	-
Equity in income (loss) of investments and venture funds	750	2,519	(1,039)
Total other income (expense)	(24,395)	(6,512)	(19,801)
Income before income taxes, minority interest, discontinued operations and cumulative effect of accounting change	248,689	216,657	184,479
Income tax expense	71,779	66,429	58,959
Minority interest in subsidiaries	-	-	9
Net income from continuing operations	176,910	150,228	125,511
Discontinued operations, net of tax:			
Loss from discontinued operations	-	-	(2,595)
Gain (loss) on disposal of discontinued operations	(255)	3,021	6,444
Gain (loss) from discontinued operations, net of tax	(255)	3,021	3,849
Cumulative effect of accounting change, net of tax	-	-	-
Net income	\$ 176,655	\$ 153,249	\$ 129,360
Basic earnings per share from continuing operations	\$ 0.42	\$ 0.35	\$ 0.32
Basic earnings (loss) per share from discontinued operations	0.00	0.01	0.01
Basic earnings per share from cumulative effect of accounting change	-	-	-
Basic net earnings per share	\$ 0.42	\$ 0.36	\$ 0.33
Diluted earnings per share from continuing operations	\$ 0.40	\$ 0.34	\$ 0.31
Diluted earnings (loss) per share from discontinued operations	0.00	0.01	0.01
Diluted earnings per share from cumulative effect of accounting change	-	-	-
Diluted net earnings per share	\$ 0.40	\$ 0.35	\$ 0.32
Shares used in computation of per share data:			
Basic	424,050	423,736	387,055
Diluted	438,086	438,883	400,717

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

	<b>December 31,</b>	
<b>ASSETS</b>	<b>2006</b>	<b>2005</b>
Cash and equivalents	\$ 1,212,234	\$ 844,188
Cash and investments required to be segregated under Federal or other regulations	281,622	610,174
Trading securities	178,600	146,657
Available-for-sale mortgage-backed and investment securities	13,921,983	12,763,438
Loans held-for-sale	283,496	87,371
Brokerage receivables, net	7,636,352	7,174,175
Loans receivable, net	26,372,697	19,424,895
Property and equipment, net	318,389	299,256
Goodwill	2,062,002	2,003,456
Other intangibles, net	471,933	532,108
Other assets	999,995	681,968
Total assets	\$ 53,739,303	\$ 44,567,686
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Liabilities:</b>		
Deposits	\$ 24,071,012	\$ 15,948,015
Securities sold under agreements to repurchase	9,792,422	11,101,542
Brokerage payables	7,824,704	7,342,208
Other borrowings	5,323,962	4,206,996
Senior notes	1,401,592	1,401,947
Mandatory convertible notes	440,577	435,589
Convertible subordinated notes	-	185,165
Accounts payable, accrued and other liabilities	687,120	546,664
Total liabilities	49,541,389	41,168,126
<b>Shareholders' equity:</b>		
Common stock, \$0.01 par value, shares authorized: 600,000,000; shares issued and outstanding: 426,304,136 at December 31, 2006 and 416,582,164 at December 31, 2005	4,263	4,166
Additional paid-in-capital	3,184,290	2,990,676
Retained earnings	1,209,289	580,430
Accumulated other comprehensive loss	(199,928)	(175,712)
Total shareholders' equity	4,197,914	3,399,560
Total liabilities and shareholders' equity	\$ 53,739,303	\$ 44,567,686

**Segment Reporting**

	<b>Three Months Ended December 31, 2006</b>			
	<b>Retail</b>	<b>Institutional</b>	<b>Eliminations<sup>(3)</sup></b>	<b>Total</b>
Revenue:	(In thousands)			
Operating interest income	\$ 433,879	\$ 630,225	\$ (275,521)	\$ 788,583
Operating interest expense	(206,001)	(482,598)	275,521	(413,078)
Net operating interest income	227,878	147,627	-	375,505
Provision for loan losses	-	(11,956)	-	(11,956)
Net operating interest income after provision for loan losses	227,878	135,671	-	363,549
Commission	115,543	32,951	-	148,494
Service charges and fees	32,155	5,746	-	37,901
Principal transactions	-	25,256	-	25,256
Gain on sales of loans and securities, net	8,405	8,843	-	17,248
Other revenue	36,503	2,911	(3,014)	36,400
Total non-interest income	192,606	75,707	(3,014)	265,299
Total net revenue	420,484	211,378	(3,014)	628,848
Expense excluding interest:				
Compensation and benefits	78,433	38,435	-	116,868
Clearing and servicing	18,687	47,441	(3,014)	63,114
Advertising and market development	28,763	1,904	-	30,667
Communications	22,101	3,427	-	25,528
Professional services	15,471	9,761	-	25,232
Depreciation and amortization	13,838	3,826	-	17,664
Occupancy and equipment	19,044	3,442	-	22,486
Amortization of other intangibles	10,002	827	-	10,829
Facility restructuring and other exit activities	9,673	(451)	-	9,222
Other	21,128	13,026	-	34,154
Total expense excluding interest	237,140	121,638	(3,014)	355,764
Segment income	\$ 183,344	\$ 89,740	\$ -	\$ 273,084

	<b>Three Months Ended September 30, 2006</b>			
	<b>Retail</b>	<b>Institutional</b>	<b>Eliminations<sup>(3)</sup></b>	<b>Total</b>
Revenue:	(In thousands)			
Operating interest income	\$ 397,998	\$ 576,258	\$ (242,827)	\$ 731,429
Operating interest expense	(176,939)	(442,181)	242,827	(376,293)
Net operating interest income	221,059	134,077	-	355,136
Provision for loan losses	-	(12,547)	-	(12,547)
Net operating interest income after provision for loan losses	221,059	121,530	-	342,589
Commission	100,902	32,704	-	133,606
Service charges and fees	28,790	5,120	-	33,910
Principal transactions	-	22,697	-	22,697
Gain on sales of loans and securities, net	10,608	5,395	-	16,003
Other revenue	30,942	2,771	(752)	32,961
Total non-interest income	171,242	68,687	(752)	239,177
Total net revenue	392,301	190,217	(752)	581,766
Expense excluding interest:				
Compensation and benefits	77,002	33,703	-	110,705
Clearing and servicing	18,307	44,945	(752)	62,500
Advertising and market development	22,517	1,397	-	23,914
Communications	22,248	3,328	-	25,576
Professional services	12,140	8,601	-	20,741
Depreciation and amortization	14,175	4,390	-	18,565
Occupancy and equipment	20,434	1,716	-	22,150
Amortization of other intangibles	9,913	2,174	-	12,087
Facility restructuring and other exit activities	16,716	(32)	-	16,684
Other	33,775	11,900	-	45,675
Total expense excluding interest	247,227	112,122	(752)	358,597
Segment income	\$ 145,074	\$ 78,095	\$ -	\$ 223,169

<b>Three Months Ended December 31, 2005</b>				
	<b>Retail</b>	<b>Institutional</b>	<b>Eliminations<sup>(3)</sup></b>	<b>Total</b>
Revenue:	(In thousands)			
Operating interest income	\$ 221,001	\$ 411,980	\$ (131,101)	\$ 501,880
Operating interest expense	(78,362)	(296,371)	131,101	(243,632)
Net operating interest income	142,639	115,609	-	258,248
Provision for loan losses	-	(16,070)	-	(16,070)
Net operating interest income after provision for loan losses	142,639	99,539	-	242,178
Commission	103,895	31,828	-	135,723
Service charges and fees	29,419	5,256	-	34,675
Principal transactions	-	23,789	-	23,789
Gain on sales of loans and securities, net	11,959	2,778	-	14,737
Other revenue	30,662	1,971	(4,810)	27,823
Total non-interest income	175,935	65,622	(4,810)	236,747
Total net revenue	318,574	165,161	(4,810)	478,925
Expense excluding interest:				
Compensation and benefits	60,558	39,773	-	100,331
Clearing and servicing	17,271	44,555	(4,810)	57,016
Advertising and market development	30,074	1,609	-	31,683
Communications	25,108	2,727	-	27,835
Professional services	18,334	5,914	-	24,248
Depreciation and amortization	17,278	4,393	-	21,671
Occupancy and equipment	16,167	2,249	-	18,416
Amortization of other intangibles	6,968	23,046	-	30,014
Facility restructuring and other exit activities	(32,584)	2,072	-	(30,512)
Other	(18,789)	12,732	-	(6,057)
Total expense excluding interest	140,385	139,070	(4,810)	274,645
Segment income	<u>\$ 178,189</u>	<u>\$ 26,091</u>	<u>\$ -</u>	<u>\$ 204,280</u>

**Key Performance Metrics<sup>(4)</sup>**

	<b>Qtr ended 12/31/06</b>	<b>Qtr ended 9/30/06</b>	<b>Qtr ended 12/31/06 vs. 9/30/06</b>	<b>Qtr ended 12/31/05</b>	<b>Qtr ended 12/31/06 vs. 12/31/05</b>
<b><u>Corporate Metrics</u></b>					
<u>Operating margin %<sup>(2)</sup></u>					
Consolidated	43 %	38 %	5 %	43 %	0 %
Retail	44 %	37 %	7 %	56 %	(12)%
Institutional	42 %	41 %	1 %	16 %	26 %
Employees	4,126	4,180	(1)%	3,439	20 %
Consultants and other	358	455	(21)%	497	(28)%
Total headcount	4,484	4,635	(3)%	3,936	14 %
Revenue per headcount	\$ 140,243	\$ 125,516	12 %	\$ 121,678	15 %
Revenue per compensation and benefits dollar	\$ 5.38	\$ 5.26	2 %	\$ 4.77	13 %
Book value per share	\$ 9.85	\$ 9.44	4 %	\$ 8.16	21 %
Tangible book value per share	\$ 3.90	\$ 3.44	13 %	\$ 2.07	88 %
Cash & equivalents (\$MM)	\$ 1,212.2	\$ 1,199.6	1 %	\$ 844.2	44 %
Free cash (\$MM)	\$ 525.8	\$ 580.1	(9)%	\$ 542.3	(3)%
Enterprise net interest spread (basis points) <sup>(5)</sup>	285	286	0 %	257	11 %
Enterprise interest-earning assets, average (\$MM)	\$ 49,597	\$ 46,400	7 %	\$ 35,619	39 %
<u>Earnings before interest, taxes, depreciation &amp; amortization ("EBITDA") (\$MM)</u>					
Net income from continuing operations	\$ 176.9	\$ 150.2	18 %	\$ 125.5	41 %
Tax expense	71.8	66.4	8 %	59.0	22 %
Depreciation & amortization	28.5	30.7	(7)%	51.7	(45)%
Corporate interest expense	37.9	38.0	0 %	37.0	2 %
EBITDA	\$ 315.1	\$ 285.3	10 %	\$ 273.1	15 %
Interest coverage	8.3	7.5	11 %	7.4	12 %



**Key Performance Metrics<sup>(4)</sup>**

<u>Retail Metrics</u>	<u>Qtr ended</u> <u>12/31/06</u>	<u>Qtr ended</u> <u>9/30/06</u>	<u>Qtr ended</u> <u>12/31/06</u> <u>vs.</u> <u>9/30/06</u>	<u>Qtr ended</u> <u>12/31/05</u>	<u>Qtr ended</u> <u>12/31/06</u> <u>vs.</u> <u>12/31/05</u>
Trading days	62.5	62.5	0 %	62.5	0 %
<u>Daily Average Revenue Trades ("DARTs")</u>					
US	132,716	116,459	14 %	113,017	17 %
International	22,910	18,671	23 %	15,391	49 %
Total DARTs	155,626	135,130	15 %	128,408	21 %
Total retail trades (MM)	9.7	8.4	15 %	8.0	21 %
Retail average commission per trade	\$ 11.88	\$ 11.95	(1)%	\$ 12.95	(8)%
End of period margin debt (\$B)	\$ 7.00	\$ 6.42	9 %	\$ 6.56	7 %
Average margin debt (\$B)	\$ 6.72	\$ 6.66	1 %	\$ 4.40	53 %
Gross new investing/trading accounts	159,145	151,344	N.M.	782,052	N.M.
Gross new deposit/lending accounts	112,456	102,658	N.M.	96,823	N.M.
Inactive accounts	(170,605)	(142,415)	N.M.	(169,065)	N.M.
Customer closed accounts	(100,156)	(60,670)	N.M.	(118,948)	N.M.
Net new retail accounts	840	50,917	N.M.	590,862	N.M.
End of period investing/trading accounts	3,606,582	3,627,414	(1)%	3,617,778	0 %
End of period deposit/lending accounts	821,088	799,416	3 %	666,000	23 %
End of period retail accounts	4,427,670	4,426,830	0 %	4,283,778	3 %
Net new customers	(4,883)	29,209	N.M.	484,867	N.M.
End of period total retail customers	3,439,968	3,444,851	0 %	3,419,273	1 %
End of period assets per customer	\$ 56,659	\$ 53,632	6 %	\$ 52,028	9 %
Consolidated net revenue per customer	\$ 183	\$ 169	8 %	\$ 144	27 %
Consolidated segment income per customer	\$ 79	\$ 65	22 %	\$ 61	30 %
Products per customer	2.1	2.1	0 %	2.1	0 %
<u>Total Retail Client Assets (\$B)<sup>(6)</sup></u>					
Security holdings	\$ 130.3	\$ 123.4	6 %	\$ 117.6	11 %
Cash (including money market funds)	10.0	9.8	2 %	12.7	(21)%
Unexercised options (vested)	31.0	29.8	4 %	32.1	(3)%
Client assets in investing/trading accounts	171.3	163.0	5 %	162.4	5 %
Sweep Deposit Account	10.8	10.4	4 %	7.7	40 %
Transaction accounts	8.0	6.8	18 %	5.1	57 %
CDs	4.8	4.6	4 %	2.7	78 %
Client assets in deposit accounts	23.6	21.8	8 %	15.5	52 %
Total retail client assets	\$ 194.9	\$ 184.8	5 %	\$ 177.9	10 %
Total customer cash and deposits (\$B) <sup>(6)</sup>	\$ 33.6	\$ 31.6	6 %	\$ 28.2	19 %
Unexercised options (unvested) (\$B)	\$ 19.8	\$ 18.7	6 %	\$ 19.7	1 %

**Key Performance Metrics<sup>(4)</sup>**

<u>Institutional Metrics</u>	<u>Qtr ended</u> <u>12/31/06</u>	<u>Qtr ended</u> <u>9/30/06</u>	<u>Qtr ended</u> <u>12/31/06</u> <u>vs.</u> <u>9/30/06</u>	<u>Qtr ended</u> <u>12/31/05</u>	<u>Qtr ended</u> <u>12/31/06</u> <u>vs.</u> <u>12/31/05</u>
<u>Market Making</u>					
Equity shares traded (MM)	41,645	54,472	(24)%	33,264	25 %
Average revenue capture per 1,000 equity shares	\$ 0.551	\$ 0.382	44 %	\$ 0.545	1 %
% of Bulletin Board equity shares to total equity shares	87.9%	92.5%	(4.6)%	86.6%	1.3 %
<u>End of Period Enterprise Loans Receivable Detail (\$MM)</u>					
Mortgage and home equity loans, net	\$ 23,256	\$ 19,825	17 %	\$ 15,517	50 %
Margin receivables	7,003	6,424	9 %	6,560	7 %
Consumer loans, net	3,184	3,420	(7)%	3,907	(19)%
Other	216	179	21 %	88	145 %
Total enterprise loans receivable, net	\$ 33,659	\$ 29,848	13 %	\$ 26,072	29 %
<u>Credit Quality and Reserve Metrics</u>					
Net charge-offs as a % of average held-for-investment ("HFI") loans, net (annualized)	0.22 %	0.17 %	0.05 %	0.27 %	(0.05)%
Provision as a % of average HFI loans, net (annualized)	0.19 %	0.22 %	(0.03)%	0.34 %	(0.15)%
Allowance as a % of total ending gross HFI loans	0.26 %	0.30 %	(0.04)%	0.32 %	(0.06)%
Total HFI nonperforming loans, net, as a % of total gross HFI loans	0.30 %	0.24 %	0.06 %	0.17 %	0.13 %
Tier 1 Capital Ratio <sup>(7)</sup>	6.06 %	5.80 %	0.26 %	5.92 %	0.14 %
Risk Weighted Capital Ratio <sup>(7)</sup>	10.53 %	10.61 %	(0.08)%	10.94 %	(0.41)%

**Activity in Allowance for Loan Losses**

	<b>Three Months Ended December 31, 2006</b>		
	<u>Mortgage</u>	<u>Consumer</u>	<u>Total</u>
	(In thousands)		
Allowance for loan losses, ending 9/30/06	\$ 37,063	\$ 32,845	\$ 69,908
Provision for loan losses	8,589	3,367	11,956
Charge-offs, net	(6,221)	(8,015)	(14,236)
Allowance for loan losses, ending 12/31/06	<u>\$ 39,431</u>	<u>\$ 28,197</u>	<u>\$ 67,628</u>

**Average Enterprise Balance Sheet Data**

	Three Months Ended					
	December 31, 2006			September 30, 2006		
	Average Balance	Operating Interest Inc./Exp.	Average Yield/Cost	Average Balance	Operating Interest Inc./Exp.	Average Yield/Cost
<b>Enterprise interest-earning assets:</b>	(In thousands)					
Loans, net <sup>(8)</sup>	\$ 25,752,337	\$ 415,360	6.45%	\$ 22,955,022	\$ 364,744	6.36%
Margin receivables	6,611,478	122,351	7.34%	6,645,017	123,855	7.39%
Mortgage-backed and related available-for-sale securities	11,815,399	158,435	5.36%	12,068,052	159,199	5.28%
Available-for-sale investment securities	3,473,702	57,022	6.56%	3,220,054	51,885	6.44%
Trading securities	134,143	3,194	9.53%	114,806	2,600	9.06%
Cash and cash equivalents <sup>(9)</sup>	1,129,544	13,900	4.88%	974,738	11,272	4.59%
Stock borrow and other	680,179	11,565	6.75%	422,010	8,690	8.17%
Total enterprise interest-earning assets	<u>\$ 49,596,782</u>	<u>781,827</u>	6.30%	<u>\$ 46,399,699</u>	<u>722,245</u>	6.22%
<b>Enterprise interest-bearing liabilities:</b>						
Retail deposits	\$ 22,612,957	159,889	2.81%	\$ 20,992,962	141,035	2.67%
Brokered certificates of deposit	524,934	6,464	4.89%	618,681	7,453	4.78%
Free credits <sup>(10)</sup>	6,357,471	20,243	1.26%	5,794,586	18,326	1.25%
Repurchase agreements and other borrowings	11,870,171	157,625	5.20%	11,586,260	150,837	5.09%
FHLB advances	4,456,304	56,849	4.99%	3,583,663	43,950	4.80%
Stock loan and other	1,176,498	10,016	3.38%	1,283,026	11,617	3.59%
Total enterprise interest-bearing liabilities	<u>\$ 46,998,335</u>	<u>411,086</u>	3.45%	<u>\$ 43,859,178</u>	<u>373,218</u>	3.36%
<b>Enterprise net interest income/spread<sup>(5)</sup></b>		<u>\$ 370,741</u>	2.85%		<u>\$ 349,027</u>	2.86%

	Three Months Ended		
	December 31, 2005		
	Average Balance	Operating Interest Inc./Exp.	Average Yield/Cost
<b>Enterprise interest-earning assets:</b>	(In thousands)		
Loans, net <sup>(8)</sup>	\$ 18,370,193	\$ 259,527	5.65%
Margin receivables	3,500,867	58,333	6.61%
Mortgage-backed and related available-for-sale securities	10,259,119	116,417	4.54%
Available-for-sale investment securities	1,999,562	27,926	5.59%
Trading securities	148,957	2,711	7.28%
Cash and cash equivalents <sup>(9)</sup>	889,445	7,494	3.34%
Stock borrow and other	450,566	5,984	5.27%
Total enterprise interest-earning assets	<u>\$ 35,618,709</u>	<u>478,392</u>	5.37%
<b>Enterprise interest-bearing liabilities:</b>			
Retail deposits	\$ 14,564,378	69,062	1.88%
Brokered certificates of deposit	512,379	4,862	3.76%
Free credits <sup>(10)</sup>	3,539,020	7,173	0.80%
Repurchase agreements and other borrowings	10,472,887	112,845	4.31%
FHLB advances	3,954,935	40,137	3.97%
Stock loan and other	497,222	3,209	2.56%
Total enterprise interest-bearing liabilities	<u>\$ 33,540,821</u>	<u>237,288</u>	2.80%
<b>Enterprise net interest income/spread<sup>(5)</sup></b>		<u>\$ 241,104</u>	2.57%

Reconciliation from Enterprise Net Interest Income to Net Operating Interest Income

	Three Months Ended		
	December 31, 2006	September 30, 2006	December 31, 2005
	(In thousands)		
Enterprise net interest income	\$ 370,741	\$ 349,027	\$ 241,104
Taxable equivalent interest adjustment <sup>(11)</sup>	(6,353)	(5,246)	(2,656)
Stock conduit, net <sup>(12)</sup>	19	14	286
Customer cash held by third parties <sup>(13)</sup>	11,098	11,341	19,514
Net operating interest income	<u>\$ 375,505</u>	<u>\$ 355,136</u>	<u>\$ 258,248</u>

## **SUPPLEMENTAL INFORMATION AND ENDNOTES**

### **Explanation of Non-GAAP Measures and Certain Metrics**

Management believes free cash, EBITDA, interest coverage, EPS excluding acquisition-related integration expenses, enterprise net interest income and enterprise interest-earning assets are appropriate measures for evaluating the operating and liquidity performance of the Company. We believe that the elimination of certain items from the related GAAP measures is helpful to investors and analysts who may wish to use some or all of this information to analyze our current performance, prospects and valuation. Our management uses non-GAAP information internally to evaluate our operating performance and in formulating our budget for future periods.

### **Free Cash**

Free cash represents cash held at the Company and its non-Bank and non-Brokerage subsidiaries, less discretionary reserves, plus excess capital at Bank and Brokerage after application of regulatory capital requirements and the Company's own regulatory capital guidelines. The Company believes that free cash is a useful measure of the Company's liquidity as it excludes cash reflected on the balance sheet that may not be freely available to the Company.

### **EBITDA**

EBITDA represents net income from continuing operations before corporate interest expense, taxes and depreciation and amortization. Management believes that EBITDA provides a useful additional measure of our performance by excluding certain non-cash charges and expenses that are not directly related to the performance of our 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 our ability to continue to meet our interest obligations and our liquidity.

### **EPS Excluding Acquisition-Related Integration Expenses**

EPS excluding acquisition-related integration expenses represents net income plus acquisition-related integration expenses, net of tax, divided by diluted shares. Management believes that excluding charges associated with the integration of our acquisitions from EPS provides a useful measure to assess the ongoing operating performance of the Company without the impact of nonrecurring charges associated with acquisitions.

### **Enterprise Net Interest Income**

Enterprise net interest income is taxable equivalent basis net operating interest income excluding corporate interest income and corporate interest expense, stock conduit interest income and expense and interest earned on customer cash held by third parties. Management believes this non-GAAP measure is useful to investors and analysts as it is a measure of the net operating interest income generated by our core operations.

### **Enterprise Interest-Earning Assets**

Enterprise interest-earning assets consists of the primary interest-earning assets of the Company and includes: loans receivable, mortgage-backed and available-for-sale securities, margin receivables, stock borrow balances, and cash required to be segregated under regulatory guidelines that earn interest for the Company. Management believes that this non-GAAP measure is useful to investors and analysts as it is a measure of the primary assets from which the Company generates net operating interest income.

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, consolidated statements of cash flows, or other measures of financial performance prepared in accordance with GAAP. For complete information on the items excluded from these non-GAAP measures, please see our financial statements and "Management's Discussion and Analysis of Results of Operations and Financial Condition" that will be included in the periodic report we expect to file with the SEC with respect to the financial periods discussed herein.

(1) EPS excluding acquisition-related integration expenses is a non-GAAP financial measure per applicable SEC regulations. The earnings of \$1.49 per share was calculated as net income as reported of \$628,859,000 plus the after-tax impact of acquisition-related integration expenses of \$22,995,000 for pro forma net income of \$651,854,000 divided by 436,357,000 diluted shares.

(2) Operating margin is the percentage of net revenue that goes to net income before other income (expense), income taxes, minority interest, discontinued operations and cumulative effect of accounting change. The percentage is calculated by dividing our income before other income (expense), income taxes, minority interest, discontinued operations and cumulative effect of accounting change by our total net revenue.

(3) Reflects elimination of transactions between retail and institutional segments, which include deposit transfer pricing, servicing and order flow rebates.

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

(5) 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, stock conduit and customer cash held by third parties.

(6) Total customer cash and deposits, as well as total retail client assets, have been re-presented to account for a methodology change to settlement date from trade date reporting as of 12/31/05.

(7) Q4 2006 estimate.

(8) Excludes loans to customers on margin.

(9) Includes segregated cash balances.

(10) Free credits are balances held in Brokerage customer accounts arising from deposits of funds and sales of securities.

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

(12) Net operating interest income earned on average stock conduit assets of \$0.01 billion, \$0.03 billion and \$0.7 billion for the quarters ended December 31, 2006, September 30, 2006, and December 31, 2005, respectively.

(13) Includes interest earned on average customer assets of \$3.8 billion, \$3.6 billion and \$4.7 billion for the quarters ended December 31, 2006, September 30, 2006, and December 31, 2005, respectively, held by parties outside E\*TRADE FINANCIAL, including third party money market funds and sweep deposit accounts at unaffiliated financial institutions.