Basel III Standardized Approach Disclosures

For the quarter ended September 30, 2018

E*TRADE FINANCIAL CORPORATION
BASEL III STANDARDIZED APPROACH DISCLOSURES
For the Quarter Ended September 30, 2018
TABLE OF CONTENTS

Unless otherwise indicated, references to "the Company," "we," "us," "our," "E*TRADE" and "E*TRADE Financial" mean E*TRADE Financial Corporation and its subsidiaries, and references to the parent company mean E*TRADE Financial Corporation but not its subsidiaries.

INTRODUCTION

Company Overview

E*TRADE Financial Corporation ("the Company" or "E*TRADE") is a financial services company that provides brokerage and related products and services primarily to individual retail investors under the brand "E*TRADE Financial". Our core brokerage business is organized into four product areas: Trading, Investing, Corporate Services, and Advisor Services. Additionally, we offer banking and cash management capabilities, including deposit accounts insured by the Federal Deposit Insurance Corporation (FDIC), which are fully integrated into customer brokerage accounts.

Our corporate offices are located at 11 Times Square, 32nd Floor, New York, New York 10036. We were incorporated in California in 1982 and reincorporated in Delaware in July 1996.

The Company operates directly and through several subsidiaries, many of which are overseen by governmental and self-regulatory organizations. The most important subsidiaries are described below:

- E*TRADE Securities LLC (E*TRADE Securities) is a registered broker-dealer that clears and settles customer securities transactions.
- E*TRADE Bank is a federally chartered savings bank that provides FDIC insurance on qualifying amounts of customer deposits and provides other banking and cash management capabilities.
- E*TRADE Savings Bank, a subsidiary of E*TRADE Bank, is a federally chartered savings bank that provides FDIC insurance on qualifying amounts of customer deposits and custody solutions to registered investment advisors (RIAs).
- E*TRADE Financial Corporate Services is a provider of software and services for managing equity compensation plans to our corporate clients.
- E*TRADE Futures LLC (E*TRADE Futures) is a registered non-clearing Futures Commission Merchant that provides clearing and settlement services for customer futures transactions.
- E*TRADE Capital Management, LLC (E*TRADE Capital Management) is an RIA that provides investment advisory services for our customers.

Principles of Consolidation and Basis of Presentation

The Company's consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). Intercompany accounts and transactions are eliminated in consolidation. The basis of consolidation used for regulatory reporting is consistent with US GAAP.

BACKGROUND

In July 2013, the US federal banking agencies finalized a rule to implement Basel III in the US, which provides the framework for the calculation of a banking organization’s regulatory capital and risk-weighted assets (RWA). Basel III is composed of three parts, or pillars. Pillar 1 addresses capital adequacy and provides minimum capital requirements. Pillar 2 requires supervisory review of capital adequacy assessments and strategies. Pillar 3 promotes market discipline through prescribed regulatory public disclosures on capital structure, capital adequacy and RWA.

The rule became effective for the Company and for E*TRADE Bank on January 1, 2015, subject to a phase-in period for certain requirements over several years. The Basel III rule established Common Equity Tier 1 (CET1) capital as a new tier of capital, raised the minimum thresholds for required capital, increased minimum required risk-based capital ratios, narrowed the eligibility criteria for regulatory capital instruments, provided for new regulatory capital deductions and adjustments, and modified methods for calculating RWA (the denominator of risk-based capital ratios) by, among other things, strengthening counterparty credit risk capital requirements. The rule established two methods of calculating RWA, the standardized approach and the advanced approaches.

The Basel III final rule also introduces a capital conservation buffer that limits a banking organization's ability to make capital distributions and discretionary bonus payments to executive officers if a banking organization fails to maintain a CET1 capital conservation buffer of at least 2.5%, on a fully phased-in basis, in excess of all of its minimum risk-based ratio requirements.

The Company became subject to the modified liquidity coverage ratio requirement (LCR) beginning April 1, 2018. However, in July 2018, the Federal Reserve Board clarified that, pursuant to the Economic Growth, Regulatory Relief, and Consumer Protection Act of 2018 (EGRRCPA), it will not take action to enforce certain regulatory and reporting requirements, including regulation WW, subparts G and J (modified LCR, liquidity-related disclosures), for firms like the Company, with less than $100 billion in total consolidated assets. Therefore, such liquidity-related disclosures have not been provided herein. See *MD&A—Overview* and *MD&A—Liquidity and Capital Resources* within the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2018 (Form 10-Q) for further information.

This document presents the Company's regulatory disclosures as prescribed under the Pillar 3 framework.

OVERVIEW

Information presented in this report and in certain of the Company's public filings meets the public disclosure requirements as set forth in 12 C.F.R. §217.63 - Disclosures by Board-regulated institutions (the Rule). Management's discussion of the overall corporate risk profile of the Company and related management strategies is contained in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2017 (2017 Form 10-K) and Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2018 filed with the Securities and Exchange Commission (SEC). The Basel III Standardized Approach Disclosures should be read in conjunction with the 2017 Form 10-K, the Form 10-Q and the Consolidated Financial Statements for Holding Companies dated September 30, 2018 (FR Y-9C). The Disclosure Matrix beginning on page 4 shows where the required disclosures can be found. Note that when relevant information is presented in more than one of the above referenced filings, this document references the most current or most comprehensive disclosure.

The links to the referenced public filings are provided below:

Filing	Link to Filing
2017 Form 10-K	https://www.sec.gov/Archives/edgar/data/1015780/000101578018000033/etfc-2017123110k.htm
Form 10-Q	https://www.sec.gov/Archives/edgar/data/1015780/000101578018000102/etfc-2018093010q.htm
FR Y-9C	https://www.ffiec.gov/nicpubweb/nicweb/InstitutionProfile.aspx?parID_Rssd=3412583&parDT_END=99991231 Note search terms: Report = Consolidated Financial Statements for BHCs (FR Y-9C) Report Date = September 30, 2018

DISCLOSURE MATRIX

Table	Disclosure Requirement	Disclosure Location	Disclosure or Source Reference
Scope of Application (Table 1)			
Qualitative Disclosures			
(a)	The name of the top corporate entity in the group to which subpart D of this part applies.	Basel III Standardized Approach Disclosures: Introduction	 Pg. 1
(b)	A brief description of the differences in the basis for consolidating entities for accounting and regulatory purposes, with a description of those entities: (1) That are fully consolidated; (2) That are deconsolidated and deducted from total capital; (3) For which the total capital requirement is deducted; and (4) That are neither consolidated nor deducted (for example, where the investment in the entity is assigned a risk weight in accordance with this subpart).	Basel III Standardized Approach Disclosures: Introduction	 Pg. 1
(c)	Any restrictions, or other major impediments, on transfer of funds or total capital within the group.	2017 Form 10-K Item 1. Business—Regulation Item 1A. Risk Factors Form 10-Q MD&A—Liquidity and Capital Resources Note 14—Regulatory Requirements	 Pg. 6 Pg. 11 Pg. 29 Pg. 96
(d)	The aggregate amount of surplus capital of insurance subsidiaries included in the total capital of the consolidated group.	Not applicable. The Company does not have any insurance subsidiaries.	
(e)	The aggregate amount by which actual total capital is less than the minimum total capital requirement in all subsidiaries, with total capital requirements and the name(s) of the subsidiaries with such deficiencies.	Not applicable. The Company does not have any subsidiaries with total capital requirements where total capital is less than the minimum requirement.	
Capital Structure (Table 2)			
Qualitative Disclosures			
(a)	Summary information on the terms and conditions of the main features of all regulatory capital instruments.	2017 Form 10-K Note 13—Other Borrowings Form 10-Q Condensed Consolidated Balance Sheet Note 12—Shareholders' Equity	 Pg. 138 Pg. 47 Pg. 90

Table	Disclosure Requirement	Disclosure Location	Disclosure or Source Reference
Capital Structure (Table 2)—continued			
Quantitative Disclosures			
(b)	The amount of common equity tier 1 capital, with separate disclosure of: (1) Common stock and related surplus; (2) Retained Earnings; (3) Common equity minority interest; (4) Accumulated other comprehensive income (AOCI); and (5) Regulatory adjustments and deductions made to common equity tier 1 capital.	Form 10-Q	
		MD&A—Liquidity and Capital Resources	Pg. 29
		Condensed Consolidated Statement of Shareholders' Equity	Pg. 48
(c)	The amount of tier 1 capital, with separate disclosure of: (1) Additional tier 1 capital elements, including additional tier 1 capital instruments and tier 1 minority interest not included in common equity tier 1 capital; and (2) Regulatory adjustments and deductions made to tier 1 capital.	FR Y-9C	
		Schedule HC-R—Regulatory Capital Components and Ratios	Pg. 44
(d)	The amount total capital, with separate disclosure of: (1) Tier 2 capital elements, including tier 2 capital instruments and total capital minority interest not included in tier 1 capital; and (2) Regulatory adjustments and deductions made to total capital.	FR Y-9C	
		Schedule HC-R—Regulatory Capital Components and Ratios	Pg. 44
Capital Adequacy (Table 3)			
Qualitative Disclosures			
(a)	A summary discussion of the Board-regulated institution's approach to assessing the adequacy of its capital to support current and future activities.	2017 Form 10-K	
		Item 1. Business—Regulation	Pg. 6
		MD&A—Liquidity and Capital Resources	Pg. 52
		Basel III Standardized Approach Disclosures:	
		Capital Adequacy	Pg. 14
Quantitative Disclosures			
(b)	Risk-weighted assets for: (1) Exposures to sovereign entities; (2) Exposures to certain supranational entities and MDBs; (3) Exposures to depository institutions, foreign banks, and credit unions; (4) Exposures to PSEs; (5) Corporate exposures; (6) Residential mortgage exposures; (7) Statutory multifamily mortgages and pre-sold construction loans; (8) HVCRE loans; (9) Past due loans; (10) Other assets; (11) Cleared transactions; (12) Default fund contributions; (13) Unsettled transactions; (14) Securitization exposures; and (15) Equity exposures.	Basel III Standardized Approach Disclosures:	
		Standardized Risk-Weighted Assets	Pg. 15

Table	Disclosure Requirement	Disclosure Location	Disclosure or Source Reference
Capital Adequacy (Table 3)—continued			
Quantitative Disclosures			
(c)	Standardized market risk-weighted assets as calculated under subpart F of this part.	Not applicable. E*TRADE is not subject to the Market Risk Capital Rule.	
(d)	Common equity tier 1, tier 1 and total risk-based capital ratios: (1) For the top consolidated group; and (2) For each depository institution subsidiary.	Basel III Standardized Approach Disclosures: Capital Ratios	 Pg. 16
(e)	Total standardized risk-weighted assets.	Basel III Standardized Approach Disclosures: Standardized Risk-Weighted Assets	 Pg. 15
Capital Conservation Buffer (Table 4)			
Qualitative Disclosures			
(a)	At least quarterly, the Board-regulated institution must calculate and publicly disclose the capital conservation buffer as described under § 217.11.	FR Y-9C Schedule HC-R—Regulatory Capital Components and Ratios	 Pg. 44
(b)	At least quarterly, the Board-regulated institution must calculate and publicly disclose the eligible retained income of the Board-regulated institution, as described under § 217.11.	FR Y-9C Schedule HC-R—Regulatory Capital Components and Ratios	 Pg. 44
(c)	At least quarterly, the Board-regulated institution must calculate and publicly disclose any limitations it has on distributions and discretionary bonus payments resulting from the capital conservation buffer framework described under § 217.11, including the maximum payout amount for the quarter.	Not applicable. E*TRADE's capital ratios exceed the regulatory minimum requirements, inclusive of the capital conservation buffer.	
Credit Risk: General Disclosures (Table 5)			
Qualitative Disclosures			
(a)	The general qualitative disclosure requirement with respect to credit risk (excluding counterparty credit risk disclosed in accordance with Table 6), including the: (1) Policy for determining past due or delinquency status; (2) Policy for placing loans on nonaccrual; (3) Policy for returning loans to accrual status; (4) Definition of and policy for identifying impaired loans (for financial accounting purposes); (5) Description of the methodology that the Board-regulated institution uses to estimate its allowance for loan and lease losses, including statistical methods used where applicable; (6) Policy for charging-off uncollectible amounts; and (7) Discussion of the Board-regulated institution's credit risk management policy.	2017 Form 10-K MD&A—Risk Management Note 1—Organization, Basis of Presentation and Summary of Significant Accounting Policies	 Pg. 59 Pg. 92

Table	Disclosure Requirement	Disclosure Location	Disclosure or Source Reference
Credit Risk: General Disclosures (Table 5)—continued			
Quantitative Disclosures			
(b)	Total credit risk exposures and average credit risk exposures, after accounting offsets in accordance with GAAP, without taking into account the effects of credit risk mitigation techniques (for example, collateral and netting not permitted under GAAP), over the period categorized by major types of credit exposure. For example, Board-regulated institutions could use categories similar to that used for financial statement purposes. Such categories might include, for instance (1) Loans, off-balance sheet commitments, and other non-derivative off-balance sheet exposures; (2) Debt securities; and (3) Over the Counter (OTC) derivatives.	2017 Form 10-K	
		MD&A—Risk Management	Pg. 59
		Form 10-Q	
		MD&A—Earnings Overview	Pg. 15
		MD&A—Concentrations of Credit Risk	Pg. 36
		Note 4—Fair Value Disclosures	Pg. 60
		Note 5—Offsetting Assets and Liabilities	Pg. 69
		Note 6—Available-for-Sale and Held-to-Maturity Securities	Pg. 71
		Note 7—Loans Receivable, Net	Pg. 75
		Note 8—Derivative Instruments and Hedging Activities	Pg. 84
(c)	Geographic distribution of exposures, categorized in significant areas by major types of credit exposure.	Form 10-Q	
		Note 7—Loans Receivable, Net	Pg. 75
(d)	Industry or counterparty type distribution of exposures, categorized by major types of credit exposure.	2017 Form 10-K	
		MD&A—Risk Management	Pg. 59
		Form 10-Q	
		Note 4—Fair Value Disclosures	Pg. 60
		Note 5—Offsetting Assets and Liabilities	Pg. 69
		Note 6—Available-for-Sale and Held-to-Maturity Securities	Pg. 71
		Note 7—Loans Receivable, Net	Pg. 75
		Note 8—Derivative Instruments and Hedging Activities	Pg. 84
(e)	By major industry or counterparty type: (1) Amount of impaired loans for which there was a related allowance under GAAP; (2) Amount of impaired loans for which there was no related allowance under GAAP; (3) Amount of loans past due 90 days and on nonaccrual; (4) Amount of loans past due 90 days and still accruing; (5) The balance in the allowance for loan and lease losses at the end of each period, disaggregated on the basis of the Board-regulated institution's impairment method. To disaggregate the information required on the basis of impairment methodology, an entity shall separately disclose the amounts based on the requirements in GAAP; and (6) Charge-offs during the period.	Form 10-Q	
		Note 7—Loans Receivable, Net	Pg. 75
(f)	Amount of impaired loans and, if available, the amount of past due loans categorized by significant geographic areas including, if practical, the amounts of allowances related to each geographical area, further categorized as required by GAAP.	Form 10-Q	
		Note 7—Loans Receivable, Net	Pg. 75

Table	Disclosure Requirement	Disclosure Location	Disclosure or Source Reference
Credit Risk: General Disclosures (Table 5)—continued			
Quantitative Disclosures			
(g)	Reconciliation of changes in ALLL.	<u>Form 10-Q</u>	
		Note 7—Loans Receivable, Net	Pg. 75
(h)	Remaining contractual maturity delineation (for example, one year or less) of the whole portfolio, categorized by credit exposure.	<u>2017 Form 10-K</u>	
		MD&A—Statistical Disclosure by Bank Holding Companies	Pg. 68
		<u>Form 10-Q</u>	
		Note 6—Available-for-Sale and Held-to-Maturity Securities	Pg. 71
General Disclosures for Counterparty Credit Risk-Related Exposures (Table 6)			
Qualitative Disclosures			
(a)	The general qualitative disclosure requirement with respect to OTC derivatives, eligible margin loans, and repo-style transactions, including a discussion of: (1) The methodology used to assign credit limits for counterparty credit exposures; (2) Policies for securing collateral, valuing and managing collateral, and establishing credit reserves; (3) The primary types of collateral taken; and (4) The impact of the amount of collateral the Board-regulated institution would have to provide given a deterioration in the Board-regulated institution's own creditworthiness.	<u>2017 Form 10-K</u>	
		MD&A—Risk Management	Pg. 59
		Item 7A. Quantitative and Qualitative Disclosures about Market Risk	Pg. 75
		Note 1—Organization, Basis of Presentation and Summary of Significant Accounting Policies	Pg. 92
		Note 8—Derivative Instruments and Hedging Activities	Pg. 132
		<u>Form 10-Q</u>	
		Note 5—Offsetting Assets and Liabilities	Pg. 69
		Note 8—Derivative Instruments and Hedging Activities	Pg. 84
Quantitative Disclosures			
(b)	Gross positive fair value of contracts, collateral held (including type, for example, cash, government securities), and net unsecured credit exposure.	<u>Form 10-Q</u>	
		Note 4—Fair Value Disclosures	Pg. 60
		Note 5—Offsetting Assets and Liabilities	Pg. 69
		Note 8—Derivative Instruments and Hedging Activities	Pg. 84
	A Board-regulated institution must disclose the notional value of credit derivative hedges purchased for counterparty credit risk protection and the distribution of current credit exposure by exposure type.	Not applicable. E*TRADE does not hold credit derivatives.	
(c)	Notional amount of purchased and sold credit derivatives, segregated between use for the Board-regulated institution's own credit portfolio and in its intermediation activities, including the distribution of the credit derivative products used, categorized further by protection bought and sold within each product group.	Not applicable. E*TRADE does not transact in credit derivatives.	

Table	Disclosure Requirement	Disclosure Location	Disclosure or Source Reference
Credit Risk Mitigation (Table 7)			
Qualitative Disclosures			
(a)	The general qualitative disclosure requirement with respect to credit risk mitigation, including: (1) Policies and processes for collateral valuation and management; (2) A description of the main types of collateral taken by the Board-regulated institution; (3) The main types of guarantors/credit derivative counterparties and their creditworthiness; and (4) Information about (market or credit) risk concentrations with respect to credit risk mitigation.	2017 Form 10-K	
		MD&A—Risk Management	Pg. 59
		Item 7A. Quantitative and Qualitative Disclosures about Market Risk	Pg. 75
		Note 1—Organization, Basis of Presentation and Summary of Significant Accounting Policies	Pg. 92
		Note 8—Derivative Instruments and Hedging Activities	Pg. 132
		Form 10-Q	
		MD&A—Concentrations of Credit Risk	Pg. 36
		Note 4—Fair Value Disclosures	Pg. 60
		Note 5—Offsetting Assets and Liabilities	Pg. 69
		Note 7—Loans Receivable, Net	Pg. 75
		Note 8—Derivative Instruments and Hedging Activities	Pg. 84
Quantitative Disclosures			
(b)	For each separately disclosed credit risk portfolio, the total exposure that is covered by eligible financial collateral, and after the application of haircuts.	Form 10-Q	
		Note 4—Fair Value Disclosures	Pg. 60
		Note 5—Offsetting Assets and Liabilities	Pg. 69
		Note 8—Derivative Instruments and Hedging Activities	Pg. 84
		FR Y-9C	
		Schedule HC-R—Risk-Weighted Assets	Pg. 47
(c)	For each separately disclosed portfolio, the total exposure that is covered by guarantees/credit derivatives and the risk-weighted asset amount associated with that exposure.	Not applicable. E*TRADE does not hold credit derivatives.	

Table	Disclosure Requirement	Disclosure Location	Disclosure or Source Reference
Securitization (Table 8)			
Qualitative Disclosures			
(a)	The general qualitative disclosure requirement with respect to a securitization (including synthetic securitizations), including a discussion of: (1) The Board-regulated institution's objectives for securitizing assets, including the extent to which these activities transfer credit risk of the underlying exposures away from Board-regulated institution to other entities and including the type of risks assumed and retained with resecuritization activity; (2) The nature of the risks (e.g. liquidity risk) inherent in the securitized assets; (3) The roles played by the Board-regulated institution in the securitization process and an indication of the extent of the Board-regulated institution's involvement in each of them; (4) The processes in place to monitor changes in the credit and market risk of securitization exposures including how those processes differ for resecuritization exposures; (5) The Board-regulated institution's policy for mitigating the credit risk retained through securitization and resecuritization exposures; and (6) The risk-based capital approaches that the Board- regulated institution follows for its securitization exposures including the type of securitization exposure to which each approach applies.	Not applicable. E*TRADE does not currently securitize assets.	
(b)	A list of: (1) The type of securitization SPEs that the Board-regulated institution, as sponsor, uses to securitize third-party exposures. The Board-regulated institution must indicate whether it has exposure to these SPEs, either on- or off-balance sheet; and (2) Affiliated entities: (i) That the Board-regulated institution manages or advises; and (ii) That invest either in the securitization exposures that the Board-regulated institution has securitized or in securitization SPEs that the Board-regulated institution sponsors.	Not applicable. E*TRADE does not currently securitize assets.	
(c)	Summary of the Board-regulated institution's accounting policies for securitization activities, including: (1) Whether the transactions are treated as sales or financings; (2) Recognition of gain-on-sale; (3) Methods and key assumptions applied in valuing retained or purchased interests; (4) Changes in methods and key assumptions from the previous period for valuing retained interests and impact of the changes; (5) Treatment of synthetic securitizations; (6) How exposures intended to be securitized are valued and whether they are recorded under subpart D of this part; and (7) Policies for recognizing liabilities on the balance sheet for arrangements that could require the Board- regulated institution to provide financial support for securitized assets.	Not applicable. E*TRADE does not currently securitize assets.	

Table	Disclosure Requirement	Disclosure Location	Disclosure or Source Reference
Securitization (Table 8)—continued			
Qualitative Disclosures			
(d)	An explanation of significant changes to any quantitative information since the last reporting period.	Not applicable. E*TRADE does not currently securitize assets.	
Quantitative Disclosures			
(e)	The total outstanding exposures securitized by the Board- regulated institution in securitizations that meet the operational criteria provided in § 217.41 (categorized into traditional and synthetic securitizations), by exposure type, separately for securitizations of third-party exposures for which the bank acts only as sponsor.	Not applicable. E*TRADE does not currently securitize assets.	
(f)	For exposures securitized by Board-regulated institution in securitizations that meet the operational criteria in § 217.41: (1) Amount of securitized assets that are impaired/past due categorized by exposure type; and (2) Losses recognized by Board-regulated institution during the current period categorized by exposure type.	Not applicable. E*TRADE does not currently securitize assets.	
(g)	The total amount of outstanding exposures intended to be securitized categorized by exposure type.	Not applicable. E*TRADE does not currently securitize assets.	
(h)	Aggregate amount of: (1) On-balance sheet securitization exposures retained or purchased categorized by exposure type; and (2) Off-balance sheet securitization exposures categorized by exposure type.	Not applicable. E*TRADE does not currently securitize assets.	
(i)	(1) Aggregate amount of securitization exposures retained or purchased and the associated capital requirements for these exposures, categorized between securitization and resecuritization exposures, further categorized into a meaningful number of risk weight bands and by risk-based capital approach (e.g., SSFA); and (2) Exposures that have been deducted entirely from tier 1 capital, CEIOs deducted from total capital (as described in § 217.42(a)(1), and other exposures deducted from total capital should be disclosed separately by exposure type.	Not applicable. E*TRADE does not currently securitize assets.	
(j)	Summary of current year's securitization activity, including the amount of exposures securitized (by exposure type), and recognized gain or loss on sale by exposure type.	Not applicable. E*TRADE does not currently securitize assets.	
(k)	Aggregate amount of resecuritization exposures retained or purchased categorized according to: (1) Exposures to which credit risk mitigation is applied and those not applied; and (2) Exposures to guarantors categorized according to guarantor creditworthiness categories or guarantor name.	Not applicable. E*TRADE does not have any resecuritization exposures.	

Table	Disclosure Requirement	Disclosure Location	Disclosure or Source Reference
Equities Not Subject to Subpart F of This Part (Table 9)			
Qualitative Disclosures			
(a)	The general qualitative disclosure requirement with respect to equity risk for equities not subject to subpart F of this part, including: (1) Differentiation between holdings on which capital gains are expected and those taken under other objectives including for relationship and strategic reasons; and (2) Discussion of important policies covering the valuation of and accounting for equity holdings not subject to subpart F of this part. This includes the accounting techniques and valuation methodologies used, including key assumptions and practices affecting valuation as well as significant changes in these practices.	Basel III Standardized Approach Disclosures: Equities Not Subject to the Market Risk Capital Rule	Pg. 17
Quantitative Disclosures			
(b)	Value disclosed on the balance sheet of investments, as well as the fair value of those investments; for securities that are publicly traded, a comparison to publicly-quoted share values where the share price is materially different from fair value.	Basel III Standardized Approach Disclosures: Equities Not Subject to the Market Risk Capital Rule	Pg. 17
(c)	The types and nature of investments, including the amount that is: (1) Publicly traded; and (2) Non publicly traded.	Basel III Standardized Approach Disclosures: Equities Not Subject to the Market Risk Capital Rule	Pg. 17
(d)	The cumulative realized gains (losses) arising from sales and liquidations in the reporting period.	Basel III Standardized Approach Disclosures: Equities Not Subject to the Market Risk Capital Rule	Pg. 17
(e)	(1) Total unrealized gains (losses). (2) Total latent revaluation gains (losses). (3) Any amounts of the above included in Tier 1 or Tier 2 capital.	Basel III Standardized Approach Disclosures: Equities Not Subject to the Market Risk Capital Rule	Pg. 17
(f)	Capital requirements categorized by appropriate equity groupings, consistent with the Board-regulated institution’s methodology, as well as the aggregate amounts and the type of equity investments subject to any supervisory transition regarding regulatory capital requirements.	Basel III Standardized Approach Disclosures: Equities Not Subject to the Market Risk Capital Rule	Pg. 17

Table	Disclosure Requirement	Disclosure Location	Disclosure or Source Reference
Interest Rate Risk for Non-Trading Activities (Table 10)			
Qualitative Disclosures			
(a)	The general qualitative disclosure requirement, including the nature of interest rate risk for non-trading activities and key assumptions, including assumptions regarding loan prepayments and behavior of non-maturity deposits, and frequency of measurement of interest rate risk for non-trading activities.	2017 Form 10-K MD&A—Risk Management Form 10-Q Item 3—Quantitative and Qualitative Disclosures about Market Risk	 Pg. 59 Pg. 38
Quantitative Disclosures			
(b)	The increase (decline) in earnings or economic value (or relevant measure used by management) for upward and downward rate shocks according to management's method for measuring interest rate risk for non-trading activities, categorized by currency (as appropriate).	Form 10-Q Item 3—Quantitative and Qualitative Disclosures about Market Risk	 Pg. 38

COMPONENTS OF CAPITAL

The following table presents a reconciliation of total stockholders' equity to CET1 capital, additional Tier 1 capital, Tier 2 capital, and Total capital as of September 30, 2018 (dollars in millions):

	September 30, 2018
E*TRADE Financial shareholders' equity	**$ 6,766**
Preferred Stock	(689)
E*TRADE Financial CET1 capital before regulatory adjustments	**6,077**
Goodwill and other intangible assets, net of deferred tax liabilities	(2,450)
Disallowed deferred tax assets	(257)
Losses in other comprehensive income on available-for-sale debt securities, net of tax	329
E*TRADE Financial CET1 capital	**3,699**
Preferred Stock	689
E*TRADE Financial Tier 1 capital	**4,388**
Allowable allowance for loan losses	41
E*TRADE Financial Tier 2 capital	**41**
E*TRADE Financial total capital	**$ 4,429**

CAPITAL ADEQUACY

The Company's capital planning processes are critical to its financial strength and resiliency and therefore prudent management of capital is one of its highest priorities. Capital must be sufficient to support the business plans and risk profiles of its business activities as well as absorb any possible adverse shocks. The Company has a robust and well-defined Internal Capital Adequacy Assessment Process (ICAAP) framework outlined in its Capital Policy that requires it to operate in a safe and sound manner consistent with the Company's Enterprise Risk Appetite Statement (RAS), maintaining an appropriate amount of capital under both baseline expectations and potential stress scenarios.

The Company's ICAAP addresses the three goals of an effective capital adequacy framework: identifying and measuring material risks, setting and assessing internal capital adequacy goals, and ensuring the integrity of the internal capital adequacy assessments.

The Company's Capital Policy describes how the Company sets capital goals under both baseline and stress circumstances. The Capital Policy also describes how the Company monitors, assesses, and reports capital adequacy against these goals. The monitoring and reporting process includes the use of triggers that signal potential weaknesses in capital position in order for the Company to take timely and appropriate mitigation steps.

The Company ensures the sound governance of the capital adequacy assessment process by clearly defining roles and responsibilities, inclusive of providing for a strong oversight role by senior management and the Board of Directors. The Company's internal controls framework ensures that all aspects of the capital planning process are functioning as designed and result in sound assessments of the firm's capital adequacy.

The Capital Policy also highlights the approach used to manage both capital distribution as well as issuance. Distribution of capital is considered only when the projected capital ratios are in excess of the capital goals. In addition, prior to any capital distribution or issuance, the Company will file notifications and/or applications with all relevant regulator(s) as appropriate.

Standardized Risk-Weighted Assets

Basel III standardized approach for calculating RWA takes into account measures of general credit risk (including consideration of general risk weights, off-balance sheet exposures, OTC derivative contracts, cleared transactions, guarantees, credit derivatives and collateralized transactions), and market risk (if applicable). See Schedule HC-R of the FR Y-9C for a distribution of the Company's RWA by balance sheet category. The following table presents RWA distributed by exposure categories as prescribed under the standardized approach as of September 30, 2018 (dollars in millions):

		September 30, 2018
RWA by applicable Basel III exposure category:		
Exposures to sovereign entities[1]	$	7,615
Exposures to depository institutions, foreign banks, and credit unions		235
Exposures to public sector entities		6
Corporate exposures		63
Residential mortgage exposures		1,667
Past due loans		4
Other loans[2]		285
Other assets		686
Equity exposures		193
RWA for balance sheet asset categories		**10,754**
Off-balance sheet items		86
Total standardized RWA	**$**	**10,840**

(1) Includes securities issued by US government agencies and US government sponsored agencies.

(2) Includes the Company's margin lending, E*TRADE Line of Credit product, and other consumer loans.

Capital Ratios

The following table presents capital ratios for E*TRADE Financial, E*TRADE Bank and E*TRADE Savings Bank as of September 30, 2018 (dollars in millions):

	September 30, 2018				
	Actual		Well Capitalized Minimum Capital		Excess Capital
	Amount	Ratio	Amount	Ratio	Amount
E*TRADE Financial[1]					
Tier 1 leverage	$ 4,388	7.1%	$ 3,098	5.0%	$ 1,290
Common equity Tier 1 capital	$ 3,699	34.1%	$ 705	6.5%	$ 2,994
Tier 1 risk-based capital	$ 4,388	40.5%	$ 867	8.0%	$ 3,521
Total risk-based capital	$ 4,429	40.9%	$ 1,084	10.0%	$ 3,345
E*TRADE Bank[1][2]					
Tier 1 leverage	$ 3,466	7.1%	$ 2,442	5.0%	$ 1,024
Common equity Tier 1 capital	$ 3,466	34.6%	$ 652	6.5%	$ 2,814
Tier 1 risk-based capital	$ 3,466	34.6%	$ 802	8.0%	$ 2,664
Total risk-based capital	$ 3,507	35.0%	$ 1,003	10.0%	$ 2,504
E*TRADE Savings Bank[1]					
Tier 1 leverage	$ 1,442	26.0%	$ 277	5.0%	$ 1,165
Common equity Tier 1 capital	$ 1,442	166.5%	$ 56	6.5%	$ 1,386
Tier 1 risk-based capital	$ 1,442	166.5%	$ 69	8.0%	$ 1,373
Total risk-based capital	$ 1,443	166.5%	$ 87	10.0%	$ 1,356

(1) Basel III includes a capital conservation buffer that limits a banking organization's ability to make capital distributions and discretionary bonus payments to executive officers if a banking organization fails to maintain a Common Equity Tier 1 capital conservation buffer of more than 2.5%, on a fully phased-in basis, of total risk-weighted assets above each of the following minimum risk-based capital ratio requirements: Common Equity Tier 1 capital (4.5%), Tier 1 (6.0%), and total risk-based capital (8.0%). This requirement was effective beginning on January 1, 2016, and will be fully phased-in by 2019. See *Part I. Item 1. Business—Regulation* in our Annual Report on Form 10-K for the year ended December 31, 2017 for additional information.

(2) E*TRADE Bank paid net dividends of $363 million to the parent company during the nine months ended September 30, 2018.

EQUITIES NOT SUBJECT TO THE MARKET RISK CAPITAL RULE

The Company has total equity exposures of approximately $193 million at September 30, 2018. The majority are related to the Company's Community Reinvestment Act investments, including Low Income Housing Tax Credit (LIHTC) investments, totaling $113 million and investments in Bank-Owned Life Insurance (BOLI) of $70 million. Additional exposure to equities includes investments in Federal Home Loan Bank equity of $9 million. The Company utilizes the alternative modified look-through approach to determine risk-weighted assets associated with its investment in BOLI and the simple risk-weight approach for its remaining equity investments.

LIHTC investments are generally accounted for under the proportional amortization method. Other non-marketable equity securities are generally accounted for using the cost method or equity method. For additional information on the Company's accounting policy for these investments, refer to *Note 1—Organization, Basis of Presentation and Summary of Significant Accounting Policies* in the 2017 Form 10-K.