

FOR IMMEDIATE RELEASE

E*TRADE FINANCIAL Media Contact

Pam Erickson
E*TRADE FINANCIAL Corporation
617-296-6080
pam.erickson@etrade.com

E*TRADE FINANCIAL Investor Relations Contact

Adam Townsend
E*TRADE FINANCIAL Corporation
703-236-8719
adam.townsend@etrade.com

E*TRADE FINANCIAL CORPORATION ISSUES 2005 EARNINGS GUIDANCE, ANNOUNCES REPURCHASE PROGRAM AND REPORTS NOVEMBER ACTIVITY

- *Established 2005 GAAP EPS guidance of \$0.93 - \$1.08 per share on Total Net Revenue of \$1.6 billion - \$1.8 billion*
- *Announced an additional \$200 million repurchase program*
- *In November, Retail DARTs increased 23.3 percent from October, Professional DARTs increased 8.0 percent and Total DARTs increased 17.6 percent*
- *Total assets and deposits in customer accounts increased 5.6 percent to \$93.6 billion*
- *Month-end margin debt balances increased 4.7 percent to \$2.12 billion*

New York, December 15, 2004 – E*TRADE FINANCIAL Corporation (NYSE: ET) today established 2005 GAAP EPS guidance of \$0.93 - \$1.08 on Total Net Revenue of \$1.6 billion - \$1.8 billion. The Company's Board of Directors approved an additional \$200 million dollar repurchase program. The plan is effective immediately, not subject to a specific end date and provides the flexibility to buy back common stock, retire debt or a combination of both. In addition to this program, the Company has \$49 million remaining in its active program originally announced in April 2004, for total outstanding repurchase authorizations of \$249 million. The Company may conduct these repurchases on the open market, in private transactions or a combination of both.

“2005 will be a year of innovation, reinvestment and growth. We have built a differentiated and compelling franchise,” said Mitchell H. Caplan, Chief Executive Officer, E*TRADE FINANCIAL Corporation. “The Company is positioned to deliver segment income growth ranging from 20 to 40 percent, while at the same time making significant investments in functionality, service, price and marketing.”

The Company also reported that monthly US and International Daily Average Revenue Trades (DARTs) increased 25.4 percent and 12.7 percent sequentially in November, for an increase in Retail DARTs of 23.3 percent. Additionally, Professional DARTs increased 8.0 percent

resulting in a 17.6 percent increase in Total DARTs. Margin debt balances increased 4.7 percent sequentially to \$2.12 billion at month end.

2005 GAAP Earnings Guidance

<u>Key Driver Assumptions</u>	<u>2005 Estimates</u>		
	<u>Low</u>	<u>High</u>	
Total DARTs (in thousands)	135	150	
Average margin debt (\$B)	\$ 2.0	\$ 2.2	
Average commission per revenue trade	\$ 9.30	\$ 9.70	
Direct mortgage originations (\$B)	\$ 3.0	\$ 3.5	
Consumer loan originations, incl. HELOCs (\$B)	\$ 2.5	\$ 3.0	
Average interest rate spread (basis points)	220	233	
Average interest earning assets (\$B)	\$ 27	\$ 28	
<u>Net revenues (\$MM)</u>			<u>Estimated Annual Growth Rate⁽¹⁾</u>
Brokerage	\$ 1,000	\$ 1,138	
Banking	\$ 673	\$ 735	
Intercompany elimination	\$ (73)	\$ (73)	
Total net revenues	\$ 1,600	\$ 1,800	5 - 19%
Total expenses excluding interest	\$ 1,070	\$ 1,170	0 - 10%
Segment income ⁽²⁾	\$ 530	\$ 630	17 - 39%
Consolidated operating margin ⁽³⁾	33%	35%	300 - 500 bps
Total other income	\$ 24	\$ 24	
Effective tax rate	36%	36%	
Net income	\$ 355	\$ 419	
GAAP EPS	\$ 0.93	\$ 1.08	
Average diluted shares outstanding (MM)	382	387	

(1) Based on consensus 2004 earnings from continuing operations of \$0.89.

(2) Income before other income, income taxes and discontinued operations.

(3) Income before other income, income taxes and discontinued operations divided by total net revenues.

Points of Operating Leverage

<u>Metric</u>	<u>Annual Contribution⁽⁵⁾</u> <u>(Estimated)</u>
Additional 10,000 DARTs	\$0.05
Increase margin debt by \$500 million	\$0.04
Grow bank balance sheet by \$1 billion	\$0.04
Improve bank spread by 10 bps ⁽⁴⁾	\$0.05
Bank spread increase on \$1 billion of additional sweep balances	10 bps

(4) Based on assumed average interest earning assets of \$27 billion to \$28 billion.

(5) Earnings per share except increase in sweep balances.

Monthly Activity Data

	Nov-04	Oct-04	Nov-04 vs. Oct-04	Q404 QTD *	Qtr Ended 9/30/04	Q404 QTD * vs. Qtr Ended 9/30/04
Trading days	20.5	21.0	N.M.	41.5	64.0	N.M.
<u>Daily Average Revenue Trades (DARTs)</u>						
Retail	95,122	77,117	23.3 %	86,011	62,771	37.0 %
US	81,306	64,856	25.4 %	72,982	53,050	37.6 %
International	13,816	12,261	12.7 %	13,029	9,721	34.0 %
Professional	49,675	45,995	8.0 %	47,813	34,633	38.1 %
Total DARTs	144,797	123,112	17.6 %	133,824	97,404	37.4 %
<u>Market Making</u>						
Equity shares traded (MM)	14,585	30,871	(52.8)%	45,456	65,037	(30.1)%
Average revenue capture per 1,000 equity shares	\$0.527	\$0.217	142.9 %	\$0.316	\$0.234	35.0 %
<u>Gross New Accounts</u>						
Brokerage	42,260	58,466	N.M.	100,726	105,870	N.M.
Banking	10,341	19,643	N.M.	29,984	60,998	N.M.
Total gross new accounts	52,601	78,109	N.M.	130,710	166,868	N.M.
<u>Active Accounts</u>						
Brokerage	2,936,591	2,921,776	0.5 %	2,936,591	2,895,106	1.4 %
Banking	630,942	637,540	(1.0)%	630,942	632,328	(0.2)%
Total active accounts end of period	3,567,533	3,559,316	0.2 %	3,567,533	3,527,434	1.1 %
End of period margin debt (\$MM)	\$2,115	\$2,021	4.7 %	\$2,115	\$2,042	3.6 %
<u>Total Assets / Deposits (\$MM)</u>						
Total client assets in investing accounts	\$81,393	\$76,590	6.3 %	\$81,393	\$71,399	14.0 %
Total deposits in banking accounts	\$12,244	\$12,052	1.6 %	\$12,244	\$12,027	1.8 %
Total assets / deposits in customer accounts	\$93,637	\$88,642	5.6 %	\$93,637	\$83,426	12.2 %
<u>Loan Originations (\$MM)</u>						
Direct mortgage originations	\$244	\$238	2.5 %	\$482	\$646	(25.4)%
Consumer loan originations, incl HELOCs	\$179	\$189	(5.3)%	\$368	\$563	(34.6)%

*Q404 quarter-to-date (QTD) includes results for the two months ended November 30, 2004

Historical monthly metric data from January 2003 to November 2004 can be found on the E*TRADE FINANCIAL investor relations site at www.etrade.com.

About E*TRADE FINANCIAL

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

#

Important Notice

E*TRADE FINANCIAL and the E*TRADE FINANCIAL logo is a registered trademark or trademark 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, seasonality, the development of new products and services, the enhancement of existing 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.

© 2004 E*TRADE FINANCIAL Corp. All rights reserved.