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 REPORTS Q2 EARNINGS OF \$0.31 PER SHARE AND RAISES GUIDANCE

- Reported second quarter earnings of \$0.31 per share on net income of \$123 million
- Raised 2004 GAAP earnings guidance to between \$0.87 and \$0.97 per share from \$0.75 to \$0.90 per share
- Reported Total Daily Average Revenue Trades of 127,400 in Q2, an increase of 9 percent year over year and a decrease of 19 percent quarter over quarter
- Increased average margin debt to \$2.13 billion, an increase of 107 percent year over year and 8 percent quarter over quarter
- Improved bank spread to 205 basis points from 145 basis points in Q203 and 185 basis points in Q104

New York, July 20, 2004 – E*TRADE FINANCIAL Corporation (NYSE: ET) today announced results for its second quarter ended June 30, 2004, reporting net income of \$123 million, or \$0.31 per diluted share, compared to net income of \$13 million, or \$0.03 per share, in the same quarter a year ago. Net revenues totaled \$381 million, a three percent increase over the year ago period.

The Company's 2004 GAAP earnings guidance range of \$0.75 to \$0.90 per share is being increased and narrowed to between \$0.87 and \$0.97 to reflect a \$0.07 per share gain on the sale of E*TRADE Access, the Company's ATM business, strong year-to-date results and the Company's outlook for the remainder of the year.

"Amid ongoing macroeconomic uncertainty, we remain focused on building a premier franchise that delivers strong financial performance and long-term shareholder value," said Mitchell H. Caplan, Chief Executive Officer, E*TRADE FINANCIAL Corporation. "Our second quarter earnings demonstrate the ability of our integrated brokerage and bank model to generate superior results in the short term while we continue to build for future growth."

(more)

Other selected highlights from the second quarter of 2004:

- Launched redesigned website with improved navigation and functionality
- Offered proprietary stock index funds with the lowest expense ratios in the industry
- Added nearly 21,000 net new brokerage accounts
- Completed a \$400 million senior note offering
- Deleveraged the balance sheet through the call/redemption of subordinated convertible notes
- Recorded a 54 percent increase in international DARTs year over year
- Ranked second out of fifteen in the premium discount category in Smart Money magazine's annual brokerage survey

"The tremendous progress we have made in the first half of the year toward achieving 2004 goals along with the Company's modified assumptions for the second half of the year gives us the confidence to raise and tighten the guidance range," said R. Jarrett Lilien, President and Chief Operating Officer, E*TRADE FINANCIAL Corporation. "In addition to de-leveraging the balance sheet to create \$0.02 in annual earnings accretion and achieving a 205 basis point spread through the continued integration of bank and brokerage, we have broadened the appeal of our value proposition by enhancing functionality, service and pricing for our customers."

Historical monthly metric data from January 2003 to June 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.

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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, 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 Statements of Operations (in thousands, except per share amounts) (unaudited)

	(unau	Three Mo	ded	Six Months Ended				
		2004	e 30,	2003		2004	une 30,	2003
Brokerage revenues:	_				_		_	
Commissions	\$	79,156	\$	85,780	\$	191,386	\$	146,668
Principal transactions		67,447		58,640		136,876		100,850
Other brokerage-related revenues		41,798		45,269		84,955		87,165
Brokerage interest income		43,707		34,868		84,960		69,188
Brokerage interest expense Net brokerage revenues		(4,134) 227,974		(1,877) 222,680		(7,254) 490,923		(4,390) 399,481
ivet blokelage levelides		221,711		222,000		170,723		377,101
Banking revenues:								
Banking interest income		230,228		181,891		444,612		369,277
Banking interest expense		(115,904)		(117,954)		(233,510)		(239,287)
Provision for loan losses		(7,501)		(7,828)		(16,556)		(18,161)
Gain on sales of originated loans		21,475		62,025		48,575		118,420
Gain on sales of loans held-for-sale and securities, net		14,891		20,940		28,953		36,155
Other banking-related revenues		9,690		7,412		18,331		15,701
Net banking revenues		152,879		146,486		290,405		282,105
Total net revenues		380,853		369,166		781,328		681,586
Expenses excluding interest:								
Compensation and benefits		99,896		98,061		199,358		189,707
Occupancy and equipment		19,119		21,517		39,114		44,773
Communications		18,093		19,490		37,535		40,799
Professional services		15,672		24,921		30,036		35,121
Commissions, clearing and floor brokerage		41,926		38,554		85,853		68,696
Advertising and market development		14,773		18,914		38,827		35,400
Servicing and other banking expenses		8,984		11,063		17,450		21,268
Fair value adjustments of financial derivatives		(2,395)		7,923		(2,121)		14,738
Depreciation and amortization		20,546		23,087		41,069		48,726
Amortization of other intangibles		6,777		6,570		13,696		13,371
Facility restructuring and other exit charges		48		75,468		(911)		78,338
Acquisition-related expenses		62		1,015		124		2,322
Other		21,450		21,837		46,439		45,019
Total expenses excluding interest	_	264,951		368,420		546,469		638,278
Income before other corporate items		115,902		746		234,859		43,308
Other income (loss):								
Corporate interest income		1,694		1,882		3,057		3,503
Corporate interest expense		(12,540)		(11,431)		(23,878)		(22,878)
Gain on sale and impairment of investments		31,728		22,346		60,277		21,720
Loss on early extinguishment of debt		(4,357)		,		(4,357)		,
Equity in income of investments and venture funds		462		810		3,064		3,623
Total other income		16,987		13,607		38,163		5,968
Income before income taxes and discontinued operations		132,889		14,353		273,022		49,276
Income tax expense		41,195		6,100		91,003		20,855
Minority interest in subsidiaries		89		(5,640)		829		(5,132)
Income from continuing operations		91,605		13,893		181,190		33,553
Discontinued operations:								
Income (loss) from discontinued operations, net		56		(1,206)		(1,054)		616
Gain on disposal of discontinued operations, net		31,244				31,244		-
Net income (loss) from discontinued operations		31,300		(1,206)		30,190		616
Net income	\$	122,905	\$	12,687	\$	211,380	\$	34,169
Basic income per share from continuing operations	\$	0.25	\$	0.04	\$	0.50	\$	0.10
Basic income (loss) per share from discontinued operations		0.09		(0.00)		0.08		0.00
Basic net income per share	\$	0.34	\$	0.04	\$	0.58	\$	0.10
Diluted income per share from continuing operations	\$	0.24	\$	0.03	\$	0.47	\$	0.09
Diluted income (loss) per share from discontinued operations		0.07	-	(0.00)	-	0.07	-	0.00
Diluted net income per share	\$	0.31	\$	0.03	\$	0.54	\$	0.09
Shares used in computation of per share data:								
Basic		365,072		356,237		364,939		355,475
Diluted (1)		416,713		363,697		420,841		361,072
2514104 (1)		1.0,710		505,057		120,011		551,072

E*TRADE FINANCIAL CORPORATION AND SUBSIDIARIES Consolidated Statements of Operations

(in thousands, except per share amounts)

(unaudited)

	(unaudited)		Three M	Ionths Ended		
	- Ju	ne 30,		arch 31,		June 30,
		2004		2004		2003
Brokerage revenues:				<u>.</u>		
Commissions	\$	79,156	\$	112,230	\$	85,780
Principal transactions		67,447		69,429		58,640
Other brokerage-related revenues		41,798		43,157		45,269
Brokerage interest income		43,707		41,253		34,868
Brokerage interest expense		(4,134) 227,974		(3,120) 262,949		222,680
Net brokerage revenues		227,974		202,949		222,000
Banking revenues:						
Banking interest income		230,228		214,384		181,891
Banking interest expense		(115,904)		(117,606)		(117,954)
Provision for loan losses		(7,501)		(9,055)		(7,828)
Gain on sales of originated loans		21,475		27,100		62,025
Gain on sales of loans held-for-sale and securities, net		14,891		14,062		20,940
Other banking-related revenues		9,690		8,641		7,412
Net banking revenues		152,879		137,526		146,486
Total net revenues		380,853		400,475		369,166
Expenses excluding interest:						
Compensation and benefits		99,896		99,462		98,061
Occupancy and equipment		19,119		19,995		21,517
Communications		18,093		19,442		19,490
Professional services		15,672		14,364		24,921
Commissions, clearing and floor brokerage		41,926		43,927		38,554
Advertising and market development		14,773		24,054		18,914
Servicing and other banking expenses		8,984		8,466		11,063
Fair value adjustments of financial derivatives		(2,395)		274		7,923
Depreciation and amortization		20,546		20,523		23,087
Amortization of other intangibles		6,777		6,919		6,570
Facility restructuring and other exit charges		48		(959)		75,468
Acquisition-related expenses Other		62 21,450		62 24,989		1,015 21,837
Total expenses excluding interest		264,951		281,518		368,420
Income before other corporate items		115,902		118,957		746
Other in come decay.						
Other income (loss):		1,694		1 262		1 002
Corporate interest income Corporate interest expense		(12,540)		1,363 (11,338)		1,882 (11,431)
Gain on sale and impairment of investments		31,728		28,549		22,346
Loss on early extinguishment of debt		(4,357)		20,547		22,540
Equity in income of investments and venture funds		462		2,602		810
Total other income	-	16,987		21,176		13,607
Income before income taxes and discontinued operations		132,889		140,133		14,353
Income tax expense		41,195		49,808		6,100
Minority interest in subsidiaries		89		740		(5,640)
Income from continuing operations		91,605		89,585		13,893
Discontinued operations:		E.6		(1.110)		(1.206)
Income (loss) from discontinued operations, net Gain on disposal of discontinued operations, net		56 31,244		(1,110)		(1,206)
Net income (loss) from discontinued operations		31,300		(1,110)		(1,206)
Net income (loss) from discontinued operations	\$	122,905	\$	88,475	\$	12,687
		,			_	,
Basic income per share from continuing operations	\$	0.25	\$	0.24	\$	0.04
Basic income (loss) per share from discontinued operations		0.09		(0.00)		(0.00)
Basic net income per share	\$	0.34	\$	0.24	\$	0.04
Diluted income per share from continuing operations	\$	0.24	\$	0.23	\$	0.03
Diluted income (loss) per share from discontinued operations	π	0.07		(0.00)	*	(0.00)
Diluted net income per share	\$	0.31	\$	0.23	\$	0.03
			-			
Shares used in computation of per share data:		365.072		36E 04E		256 227
Basic Diluted (1)		365,072 416,713		365,045 425,155		356,237 363,697
Diluted (1)		+10,/13		425,155		363,697

E*TRADE FINANCIAL CORPORATION AND SUBSIDIARIES Consolidated Balance Sheets (dollars in thousands) (unaudited)

(mateuree)	June 30, 2004	March 31, 2004	December 31, 2003	
ASSETS				
Cash and equivalents	\$ 1,243,571	\$ 845,447	\$ 921,364	
Cash and investments required to be segregated under Federal or other regulations	1,362,755	1,263,813	1,644,605	
Brokerage receivables, net	3,639,541	3,717,793	2,297,778	
Trading securities	776,734	817,299	832,889	
Available-for-sale mortgage-backed and investment securities	11,630,652	10,078,971	9,826,940	
Other investments	51,043	48,081	49,272	
Loans receivable, net	9,557,278	8,311,301	8,130,906	
Loans held-for-sale, net	446,297	400,101	1,000,487	
Property and equipment, net	284,146	286,001	287,097	
Goodwill	392,520	393,355	392,845	
Other intangibles, net	115,444	119,707	126,032	
Net assets of discontinued operations	6,899	49,424	47,785	
Other assets	731,578	578,025	491,216	
Total assets	\$ 30,238,458	\$ 26,909,318	\$ 26,049,216	
LIABILITIES AND SHAREHOLDERS' EQUITY				
Brokerage payables	\$ 4,710,976	\$ 4,715,428	\$ 3,696,225	
Deposits	11,837,898	11,975,689	12,514,486	
Securities sold under agreements to repurchase	8,412,010	5,607,065	5,283,609	
Other borrowings by Bank subsidiary	1,476,091	1,166,742	1,203,554	
Accounts payable, accrued and other liabilities	708,994	754,562	724,681	
Net liabilities of discontinued operations	45,821	16,701	13,037	
Convertible subordinated notes	532,783	695,330	695,330	
Senior notes	400,000	, <u>-</u>	´ -	
Total liabilities	28,124,573	24,931,517	24,130,922	
Shareholders' equity:				
Preferred stock, shares authorized: 1,000,000; issued and outstanding:				
none at June 30, 2004, March 31, 2004 and December 31, 2003	-	_	-	
Shares exchangeable into common stock, \$0.01 par value, shares authorized:				
10,644,223; issued and outstanding: 1,326,125 at June 30, 2004				
and at March 31, 2004 and 1,386,125 at December 31, 2003	13	13	14	
Common stock, \$0.01 par value, shares authorized: 600,000,000;				
issued and outstanding: 372,503,216 at June 30, 2004,				
367,267,118 at March 31, 2004 and 366,636,406 at December 31, 2003	3,725	3,673	3,666	
Additional paid-in-capital	2,275,745	2,229,190	2,247,930	
Deferred stock compensation	(18,192)	(13,207)	(12,874)	
Accumulated deficit	(19,085)	(141,990)	(230,465)	
Accumulated other comprehensive loss	(128,321)	(99,878)	(89,977)	
Total shareholders' equity	2,113,885	1,977,801	1,918,294	
Total liabilities and shareholders' equity	\$ 30,238,458	\$ 26,909,318	\$ 26,049,216	
Total natifices airi statetroccis equity	g 50,450,450	20,707,510	g 20,077,210	

Segment Reporting

Net revenues: Commissions			ļ				
Commessions \$ 79,156 \$ - \$ 70,467 Principal transactions 67,447 - 67,447 Interest income 43,707 230,228 273,935 Gain on sales of originated loans - 21,475 - 12,075 Gain on sales of loins held-for-sale and securities, net - 21,475 - 21,475 Order revenues - 35,163 3,000 (11,365) 30,805 Provision for loan losses - 239,339 12,276 (13,65) 30,805 Net revenues - 229,339 12,276 (13,65) 30,805 Corcupancy and equipment 12,763 3,556 19,119 Corcupancy and equipment 12,763 3,555 19,191 Corcupancy and equipment 12,763 3,555 19,191 Corcupancy and equipment 12,763 3,555 19,191 Corcupancy and equipment 12,763 3,55 19,191 Corcupancy and equipment 12,76 1,73 1,41,20 Adventing an		B	rokerage	Banking	Elimination (2)	Total	
Principal transactions	Net revenues:			(unaudited,	in thousands)		
Interest income	Commissions	\$	79,156	\$ -		\$ 79,156	
Interest expense (4,134) (11,500+) (12,035) Gain on sales of loans held-for-sale and securities, net - 2,1475 14,891 14,891 Provision for loan losses - 23,333 152,870 (13,05) 30,805 Net revenues 53,163 3,900 (11,365) 30,805 Experses excluding interest Company and equipment 12,763 6,356 19,119 Communications 16,785 13,308 18,109 Professional services 8,033 7,639 15,679 Commissions, cleaning and floor brokerage 41,925 1 41,926 Advertising and market development 8,814 17,324 (11,365) 14,773 Servicing and other banking expenses (6)8 9,052 2,2395 12,2395 Depreciation and amortization of other intangable 4,949 1,828 6,777 Facility restructuring and other exit charges 2,27 75 4,88 Other 11,898 9,352 9,494 To all expenses excluding interest 18,261	1		67,447	-			
Gain on sales of forain beld-for-sale and securities, net - 21,475 14,891 14,891 Gain on sales of loans beld-for-sale and securities, net 53,163 9,690 (11,365) 38,088 Net revenues 53,163 9,690 (11,365) 38,088 Net revenues 53,163 9,690 (11,365) 380,855 Expenses excluding interest: 53,163 9,690 (10,365) 1,088 Occopancy and equipment 12,763 6,356 1,911 Cocommissions and benefits 6,2212 37,684 1,998 Professional services 8,033 7,639 15,672 Commissions, clearing and floor brokerage 41,925 1 41,926 Advertising and market development 8,814 17,324 (11,365) 14,775 Servicing and other banking expenses 6,689 9,052 8,984 Fair value adjustments of financial derivatives - 2,2395 2,935 Depreciation and amortization 15,332 2,541 2,935 Depreciation and amortization 15,332	Interest income		43,707			273,935	
Gair on sales of loans bedses - 14,891 7,501 7,501 7,501 7,501 7,501 7,501 1,505 3,888 1,888 1,888 1,888 1,888 1,888 1,888 1,888 1,888 1,888 1,888 1,888 1,888 1,888 1,808 1,888 1,808 1,888 1,808 1,888 1,808 1,808 1,808 1,808 1,808 1,808 1,808 1,808 1,808 1,808 1,808 1,808 1,809 1,808 1,809 1,808 1,809 1,808 1,809 1,808 1,809 1,808 1,809 1,808 1,809 1,809 1,808 1,809 <td< td=""><td></td><td></td><td>(4,134)</td><td></td><td></td><td>(120,038)</td></td<>			(4,134)			(120,038)	
Provision for loan loses - (7,501) (7,501) (7,501) Other revenues 239,339 152,879 (11,365) 53,838 Net revenues 239,339 152,879 (11,365) 380,853 Expenses excluding interest: 8 62,212 37,684 9,989 Occopancy and equipment 12,763 6,356 19,119 Comminications 16,785 1,308 118,093 Professional services 8,033 7,639 15,672 Commissions, clearing and floor brokerage 41,925 1 41,926 Alvertising and market development 8,814 17,324 (11,365) 14,73 Servicing and other binking expenses (68) 9,052 8,984 Fair value adjustments of financial derivatives 1 (2,955) 20,395 Depreciation and amortization 15,332 5,214 20,395 Depreciation and amortization 15,332 5,214 20,395 Depreciation and amortization 15,322 1,388 4,392 1,388	<u> </u>		-	,			
Other revenues 53,163 9,090 (11,365) 51,488 Net revenues 239,333 152,879 (11,365) 360,858 Expenses excluding interest 2 37,684 99,896 Compensation and benefits 62,212 37,684 99,896 Commissions 16,765 1,308 18,913 Professional services 8,033 7,639 19,191 Commissions, clearing and floor brokerage 41,925 1 41,026 Advertising and market development 8,814 17,324 (11,365) 14,773 Servicing and other binking expenses 6(8) 9,052 12,935 6,293 Perceiation and amortization 15,332 5,214 20,346 Amortization of other intangles 4,949 1,828 6,777 Facility restructuring and other exit changes 2,7 7.5 48 Acquisition-related expenses - 12,80 1,80 1,95 1,45 Total expenses excluding interest 18,26 9,52 2,14,80 1,25 1			-				
Expenses excluding interest: Compensation and benefits 62,212 37,684 99,896 Cocupancy and equipment 12,763 6,356 19,119 Communications 16,785 1,308 18,093 Professional services 88,033 7,639 15,672 Commissions, clearing and floor brokerage 41,925 1 41,926 Advertising and market development 8,814 17,324 (11,365 14,773 Servicing and other banking expenses 6(8) 9,052 8,984 Fair value adjustments of financial derivatives - (2,395) (2,395 Depreciation and amorization 15,332 5,214 20,546 Amortization of other intangibles 4,949 1,828 6,777 Facility restructuring and other exit charges (2,77 75 448 Acquisition-related expenses (2,77 75 428 Acquisition-related expenses (2,77 423 Acquisition-related expenses (2,77 423 Acquisition-related expenses (2,77 423 Acquisition-related expenses (2,77 428 Acquisition-related expenses (2,77 428 Acquisition-related expenses (2,77 428 Acquisition-r			-				
Expenses excluding interest: Compensation and benefits			,		() /		
Compensation and benefits 62,212 37,644 99,896 Occupancy and equipment 12,763 6,356 19,119 Professional services 8,033 7,639 15,072 Commissions, clearing and floor brokerage 41,925 1 41,056 Advertising and market development 8,814 17,324 (11,65) 14,773 Servicing and other banking expenses (68) 9,052 8,984 Fair value adjustments of financial derivatives - 2,235 (2,995) Depreciation and amortization 15,332 5,214 20,546 Amortization of other intangibles 4,949 18,28 6,777 Facility restructuring and other exit charges 2,7 75 48 Acquisition or elated expenses 2,7 75 48 Acquisition or elated expenses 2,7 75 48 Acquisition or elated expenses 2,7 75 48 Total expenses excluding interest 11,898 3,552 21,450 Total expenses excluding interest 8,261 93,700<	Net revenues		239,339	152,879	(11,365)	380,853	
Cocupancy and equipment 12,763 6,355 19,119 Communications 16,785 1,308 18,093 Professional services 8,033 7,639 15,672 Commissions, clearing and floor brokerage 41,925 1 41,925 Advertising and market development 8,814 17,324 (11,365) 114,773 Servicing and other banking expenses (68) 9,052 8,984 Fair value adjustments of financial derivatives - (2,395) 6,295 Depreciation and amortization 15,332 5,214 20,946 Amortization of other intangibles 4,949 1,828 6,777 Facility restructuring and other exit charges 2(27) 75 48 Acquisition-related expenses 2(27) 75 48 Acquisition-related expenses 11,898 9,552 21,450 Total expenses excluding interest 11,898 9,552 21,450 Total expenses excluding interest 182,615 93,700 (11,365) 21,450 Net revenues 182,615 <td></td> <td></td> <td></td> <td>25 (0)</td> <td></td> <td>00.004</td>				25 (0)		00.004	
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Compensation and benefits 59,209 40,253 99,462 Occupancy and equipment 13,592 6,403 19,995 Communications 17,575 1,867 19,442 Professional services 6,583 7,781 14,364 Commissions, clearing and floor brokerage 43,926 1 43,927 Advertising and market development 17,489 17,538 (10,973) 24,054 Servicing and other banking expenses 534 7,932 8,466 Fair value adjustments of financial derivatives - 274 274 Depreciation and amortization 14,942 5,581 20,523 Amortization of other intangibles 5,054 1,865 6,919 Facility restructuring and other exit charges (751) (208) (959) Acquisition-related expenses - 62 62 Other 16,458 8,531 24,989 Total expenses excluding interest 194,611 97,880 (10,973) 281,518	Commissions Principal transactions Interest income Interest expense Gain on sales of originated loans Gain on sales of loans held-for-sale and securities, net Provision for loan losses	\$	69,429 41,253 (3,120)	\$ 214,384 (117,606) 27,100 14,062 (9,055)	ŕ	69,429 255,637 (120,726) 27,100 14,062 (9,055)	
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Servicing and other banking expenses 534 7,932 8,466 Fair value adjustments of financial derivatives - 274 274 Depreciation and amortization 14,942 5,581 20,523 Amortization of other intangibles 5,054 1,865 6,919 Facility restructuring and other exit charges (751) (208) (959) Acquisition-related expenses - 62 62 Other 16,458 8,531 24,989 Total expenses excluding interest 194,611 97,880 (10,973) 281,518	Commissions Principal transactions Interest income Interest expense Gain on sales of originated loans Gain on sales of loans held-for-sale and securities, net Provision for loan losses Other revenues Net revenues Expenses excluding interest: Compensation and benefits Occupancy and equipment Communications Professional services	\$	69,429 41,253 (3,120) - - 54,130 273,922 59,209 13,592 17,575 6,583	\$ 214,384 (117,606) 27,100 14,062 (9,055) 8,641 137,526 40,253 6,403 1,867 7,781	(10,973)	69,429 255,637 (120,726) 27,100 14,062 (9,055) 51,798 400,475 99,462 19,995 19,442 14,364	
Fair value adjustments of financial derivatives - 274 274 Depreciation and amortization 14,942 5,581 20,523 Amortization of other intangibles 5,054 1,865 6,919 Facility restructuring and other exit charges (751) (208) (959) Acquisition-related expenses - 62 62 Other 16,458 8,531 24,989 Total expenses excluding interest 194,611 97,880 (10,973) 281,518	Commissions Principal transactions Interest income Interest expense Gain on sales of originated loans Gain on sales of loans held-for-sale and securities, net Provision for loan losses Other revenues Net revenues Expenses excluding interest: Compensation and benefits Occupancy and equipment Communications Professional services Commissions, clearing and floor brokerage	\$	69,429 41,253 (3,120) - - 54,130 273,922 59,209 13,592 17,575 6,583 43,926	\$	(10,973) (10,973)	69,429 255,637 (120,726) 27,100 14,062 (9,055) 51,798 400,475 99,462 19,995 19,442 14,364 43,927	
Depreciation and amortization 14,942 5,581 20,523 Amortization of other intangibles 5,054 1,865 6,919 Facility restructuring and other exit charges (751) (208) (959) Acquisition-related expenses - 62 62 Other 16,458 8,531 24,989 Total expenses excluding interest 194,611 97,880 (10,973) 281,518	Commissions Principal transactions Interest income Interest expense Gain on sales of originated loans Gain on sales of loans held-for-sale and securities, net Provision for loan losses Other revenues Net revenues Expenses excluding interest: Compensation and benefits Occupancy and equipment Communications Professional services Commissions, clearing and floor brokerage Advertising and market development	\$	69,429 41,253 (3,120) - - 54,130 273,922 59,209 13,592 17,575 6,583 43,926 17,489	\$ 214,384 (117,606) 27,100 14,062 (9,055) 8,641 137,526 40,253 6,403 1,867 7,781 17,538	(10,973) (10,973)	69,429 255,637 (120,726) 27,100 14,062 (9,055) 51,798 400,475 99,462 19,995 19,442 14,364 43,927 24,054	
Amortization of other intangibles 5,054 1,865 6,919 Facility restructuring and other exit charges (751) (208) (959) Acquisition-related expenses - 62 62 Other 16,458 8,531 24,989 Total expenses excluding interest 194,611 97,880 (10,973) 281,518	Commissions Principal transactions Interest income Interest expense Gain on sales of originated loans Gain on sales of loans held-for-sale and securities, net Provision for loan losses Other revenues Net revenues Expenses excluding interest: Compensation and benefits Occupancy and equipment Communications Professional services Commissions, clearing and floor brokerage Advertising and market development Servicing and other banking expenses	\$	69,429 41,253 (3,120) - - 54,130 273,922 59,209 13,592 17,575 6,583 43,926 17,489	\$ 214,384 (117,606) 27,100 14,062 (9,055) 8,641 137,526 40,253 6,403 1,867 7,781 17,538 7,932	(10,973) (10,973)	69,429 255,637 (120,726) 27,100 14,062 (9,055) 51,798 400,475 99,462 19,995 19,442 14,364 43,927 24,054 8,466	
Facility restructuring and other exit charges (751) (208) (959) Acquisition-related expenses - 62 62 Other 16,458 8,531 24,989 Total expenses excluding interest 194,611 97,880 (10,973) 281,518	Commissions Principal transactions Interest income Interest expense Gain on sales of originated loans Gain on sales of loans held-for-sale and securities, net Provision for loan losses Other revenues Net revenues Expenses excluding interest: Compensation and benefits Occupancy and equipment Communications Professional services Commissions, clearing and floor brokerage Advertising and market development Servicing and other banking expenses Fair value adjustments of financial derivatives	\$	69,429 41,253 (3,120) - - 54,130 273,922 59,209 13,592 17,575 6,583 43,926 17,489 534	\$ 214,384 (117,606) 27,100 14,062 (9,055) 8,641 137,526 40,253 6,403 1,867 7,781 117,538 7,932 274	(10,973) (10,973)	69,429 255,637 (120,726) 27,100 14,062 (9,055) 51,798 400,475 99,462 19,995 19,442 14,364 43,927 24,054 8,466 274	
Acquisition-related expenses - 62 62 Other 16,458 8,531 24,989 Total expenses excluding interest 194,611 97,880 (10,973) 281,518	Commissions Principal transactions Interest income Interest expense Gain on sales of originated loans Gain on sales of loans held-for-sale and securities, net Provision for loan losses Other revenues Net revenues Expenses excluding interest: Compensation and benefits Occupancy and equipment Communications Professional services Commissions, clearing and floor brokerage Advertising and market development Servicing and other banking expenses Fair value adjustments of financial derivatives Depreciation and amortization	\$	69,429 41,253 (3,120) - - 54,130 273,922 59,209 13,592 17,575 6,583 43,926 17,489 534 - 14,942	\$ 214,384 (117,606) 27,100 14,062 (9,055) 8,641 137,526 40,253 6,403 1,867 7,781 1 17,538 7,932 274 5,581	(10,973) (10,973)	69,429 255,637 (120,726) 27,100 14,062 (9,055) 51,798 400,475 99,462 19,995 19,442 14,364 43,927 24,054 8,466 274 20,523	
Total expenses excluding interest 194,611 97,880 (10,973) 281,518	Commissions Principal transactions Interest income Interest expense Gain on sales of originated loans Gain on sales of loans held-for-sale and securities, net Provision for loan losses Other revenues Net revenues Expenses excluding interest: Compensation and benefits Occupancy and equipment Communications Professional services Commissions, clearing and floor brokerage Advertising and market development Servicing and other banking expenses Fair value adjustments of financial derivatives Depreciation and amortization Amortization of other intangibles	\$	69,429 41,253 (3,120) - - 54,130 273,922 59,209 13,592 17,575 6,583 43,926 17,489 534 - 14,942 5,054	\$ 214,384 (117,606) 27,100 14,062 (9,055) 8,641 137,526 40,253 6,403 1,867 7,781 1 17,538 7,932 274 5,581 1,865	(10,973) (10,973)	69,429 255,637 (120,726) 27,100 14,062 (9,055) 51,798 400,475 99,462 19,995 19,442 14,364 43,927 24,054 8,466 274 20,523 6,919	
Total expenses excluding interest 194,611 97,880 (10,973) 281,518	Commissions Principal transactions Interest income Interest expense Gain on sales of originated loans Gain on sales of loans held-for-sale and securities, net Provision for loan losses Other revenues Net revenues Expenses excluding interest: Compensation and benefits Occupancy and equipment Communications Professional services Commissions, clearing and floor brokerage Advertising and market development Servicing and other banking expenses Fair value adjustments of financial derivatives Depreciation and amortization Amortization of other intangibles Facility restructuring and other exit charges	\$	69,429 41,253 (3,120) - - 54,130 273,922 59,209 13,592 17,575 6,583 43,926 17,489 534 - 14,942 5,054	\$ 214,384 (117,606) 27,100 14,062 (9,055) 8,641 137,526 40,253 6,403 1,867 7,781 17,538 7,932 274 5,581 1,865 (208)	(10,973) (10,973)	69,429 255,637 (120,726) 27,100 14,062 (9,055) 51,798 400,475 99,462 19,995 19,442 14,364 43,927 24,054 8,466 274 20,523 6,919 (959)	
Income before other corporate items \$ 79.311 \$ 39.646 \$ - \$ 118.957	Commissions Principal transactions Interest income Interest expense Gain on sales of originated loans Gain on sales of loans held-for-sale and securities, net Provision for loan losses Other revenues Expenses excluding interest: Compensation and benefits Occupancy and equipment Communications Professional services Commissions, clearing and floor brokerage Advertising and market development Servicing and other banking expenses Fair value adjustments of financial derivatives Depreciation and amortization Amortization of other intangibles Facility restructuring and other exit charges Acquisition-related expenses Other	\$	69,429 41,253 (3,120) - - 54,130 273,922 59,209 13,592 17,575 6,583 43,926 17,489 534 - 14,942 5,054 (751)	\$ 214,384 (117,606) 27,100 14,062 (9,055) 8,641 137,526 40,253 6,403 1,867 7,781 17,538 7,932 274 5,581 1,865 (208) 62 8,531	(10,973) (10,973)	69,429 255,637 (120,726) 27,100 14,062 (9,055) 51,798 400,475 99,462 19,995 19,442 14,364 43,927 24,054 8,466 274 20,523 6,919 (959) 62	
	Commissions Principal transactions Interest income Interest expense Gain on sales of originated loans Gain on sales of loans held-for-sale and securities, net Provision for loan losses Other revenues Net revenues Expenses excluding interest: Compensation and benefits Occupancy and equipment Communications Professional services Commissions, clearing and floor brokerage Advertising and market development Servicing and other banking expenses Fair value adjustments of financial derivatives Depreciation and amortization Amortization of other intangibles Facility restructuring and other exit charges Acquisition-related expenses Other Total expenses excluding interest	\$	69,429 41,253 (3,120) - - 54,130 273,922 59,209 13,592 17,575 6,583 43,926 17,489 534 - 14,942 5,054 (751) - 16,458	\$ 214,384 (117,606) 27,100 14,062 (9,055) 8,641 137,526 40,253 6,403 1,867 7,781 17,538 7,932 274 5,581 1,865 (208) 62 8,531 97,880	(10,973) (10,973) (10,973)	69,429 255,637 (120,726) 27,100 14,062 (9,055) 51,798 400,475 99,462 19,995 19,442 14,364 43,927 24,054 8,466 274 20,523 6,919 (959) 62 24,989 281,518	

			nths Ended June	e 30, 2003			
	В	rokerage	Banking	Total			
Net revenues:	(unaudited, in thousands)						
Commissions	\$	85,780	\$ -	\$ 85,78			
Principal transactions		58,640	-	58,64			
Interest income		34,868	181,891	216,75			
Interest expense		(1,877)	(117,954)	(119,83			
Gain on sales of originated loans		-	62,025	62,02			
Gain on sales of loans held-for-sale and securities, net		-	20,940	20,94			
Provision for loan losses		-	(7,828)	(7,82			
Other revenues		45,269	7,412	52,68			
Net revenues	' <u></u>	222,680	146,486	369,16			
Expenses excluding interest:							
Compensation and benefits		56,555	41,506	98,06			
Occupancy and equipment		16,492	5,025	21,51			
Communications		18,083	1,407	19,49			
Professional services		18,659	6,262	24,92			
Commissions, clearing and floor brokerage		38,516	38	38,55			
Advertising and market development		4,767	14,147	18,91			
Servicing and other banking expenses		86	10,977	11,06			
Fair value adjustments of financial derivatives		-	7,923	7,92			
Depreciation and amortization		18,156	4,931	23,08			
Amortization of other intangibles		4,970	1,600	6,57			
Facility restructuring and other exit charges		68,378	7,090	75,46			
Acquisition-related expenses		787	228	1,01			
Other		12,365	9,472	21,83			
Total expenses excluding interest		257,814	110,606	368,42			
Income (loss) before other corporate items	\$	(35,134)	\$ 35,880	\$ 74			

2004 GAAP Earnings Guidance

Revised Key Driver Assumptions	<u>1H</u> (14 Actual	2H04 Estimate]	Revised FY04 Estimat			
•				Low		High		Low		High	
<u>Brokerage</u>											
Total DARTs		143,000		105,000		143,000		124,000		143,000	
Average margin debt (\$B)	\$	2.1	\$	1.9	\$	2.1	\$	2.0	\$	2.1	
Average commission per revenue trade	\$	10.85	\$	10.00	\$	10.50	\$	10.43	\$	10.68	
Bank											
Direct mortgage originations (\$B)	\$	2.4	\$	1.0	\$	2.0	\$	3.4	\$	4.4	
Consumer loan originations, incl HELOCs (\$B)	\$	1.5	\$	1.0	\$	1.5	\$	2.5	\$	3.0	
Bank interest rate spread (basis points)		195		205		210		200		203	
Average interest earning banking assets (\$B)	\$	21.2	\$	23.0	\$	24.0	\$	22.0	\$	23.0	
EPS	\$	0.54	\$	0.33	\$	0.43	\$	0.87	\$	0.97	

Original Key Driver Assumptions (Est. Dec. 2003)	C	riginal FY	'04 Estimate		
, ,		Low		High	
Brokerage				Ü	
Total DARTs		145,000		160,000	
Average margin debt (\$B)	\$	1.4	\$	1.8	
Average commission per revenue trade	\$	11.00	\$	11.26	
Bank					
Direct mortgage originations (\$B)	\$	3.4	\$	4.4	
Consumer loan originations, incl HELOCs (\$B)	\$	3.7	\$	4.8	
Bank interest rate spread (basis points)		175		195	
Average interest earning banking assets (\$B)	\$	20.0	\$	21.0	
2004 EPS Guidance History					
Established December 2003	\$	0.70	\$	0.85	
Revised April 2004	\$	0.75	\$	0.90	
Current Guidance	\$	0.87	\$	0.97	

Key Performance Metrics (3)

Corporate Metrics		Qtr ended 6/30/04	Qtr endo 3/31/0		Qtr ended 6/30/04 vs. Qtr ended 3/31/04		Qtr ended 6/30/03	Qtr ended 6/30/04 vs. Qtr ended 6/30/03
Operating margin % (*) Consolidated Brokerage Bank		30 % 24 % 39 %		30 % 29 % 29 %	(5)%		0 % (16)% 24 %	30 % 40 % 15 %
Employees Consultants and other Total headcount	_	3,394 419 3,813		3,374 415 3,789	1 % 1 % 1 %		3,546 454 4,000	(4)% (8)% (5)%
Revenue per headcount	\$	99,883	\$ 10.	5,694	(5)%	\$	92,292	8 %
Revenue per compensation and benefits dollar	\$	3.81	\$	4.03	(5)%	\$	3.76	1 %
Book value per share Tangible book value per share	\$ \$	5.65 4.30		5.37 3.97	5 % 8 %		4.60 3.02	23 % 42 %
Cash & equivalents (\$MM) Free cash (\$MM)	\$ \$	1,243.6 717.0		845.4 704.6	47 % 2 %		882.2 452.0	41 % 59 %
Earnings before interest, taxes, depreciation & amortization (\$MM). Net income from continuing operations Tax expense Depreciation & amortization Corporate interest expense EBITDA	\$ \$ \$ \$	91.6 41.2 27.3 12.5 172.7	\$ \$ \$	89.6 49.8 27.4 11.3	2 % (17)% 0 % 11 % (3)%	\$ \$ \$	13.9 6.1 29.7 11.4 61.1	559 % 575 % (8)% 10 % 183 %
Interest coverage		13.8		15.7	(12)%		5.4	157 %
Active retail brokerage accounts Active banking accounts Total active accounts end of period		2,901,140 627,567 3,528,707	64	0,436 3,240 3,676	1 % (2)% 0 %		2,870,685 673,308 3,543,993	1 % (7)% 0 %
Total customer households end of period		2,699,857	2,69	7,951	0 %		2,609,736	3 %
Gross new accounts Inactive accounts Customer closed accounts Net new accounts		168,519 (98,052) (65,436) 5,031	(9: (7:	3,355 2,579) 4,070) 6,706	N.M. N.M. N.M. N.M.		262,745 (958,843) (58,458) (754,556)	N.M. N.M. N.M.
Net new households		1,906	4	1,926	N.M.		(575,978)	N.M.
Total client assets in investing accounts (\$B) Total deposits in banking accounts (\$B) Total assets / deposits in customer accounts (\$B)	\$ \$ \$	76.9 11.8 88.7	\$ \$	75.2 12.0 87.2	2 % (1)% 2 %	\$	56.7 9.1 65.8	36 % 30 % 35 %
Average assets per household	\$	32,869	\$ 3:	2,326	2 %	\$	25,194	30 %

Bnkenge Metrics	Qtr ended 6/30/04	4	Qtr ended 3/31/04	Qtr ended 6/30/04 vs. Qtr ended 3/31/04	Qtr ended 6/30/03	Qtr ended 6/30/04 vs. Qtr ended 6/30/03
Trading days	62.0		62.0	N.M.	63.0	N.M.
Daily Average Revenue Trades (DARTs)						
Total Retail	79,675		103,052	(23)%	76,163	5 %
- US	69,073		88,601	(22)%	69,263	0 %
- International	10,602		14,451	(27)%	6,900	
Professional	47,758		53,983	(12)%	40,500	
Total DARTs	127,433		157,035	(19)%	116,663	9%
Total revenue trades (MM)	7.9		9.7	(19)%	7.3	7 %
Average commission per revenue trade	\$ 10.02	\$	11.53	(13)%	\$ 11.67	(14)%
Market Making						
Equity shares traded (MM)	89,792		34,696	159 %	13,598	
Average revenue capture per 1,000 equity shares	\$ 0.274	\$	0.768	(64)%		()
% of Bulletin Board equity shares to total equity shares	96.1%		86.4%	10 %	67.8%	% 28 %
End of period margin debt (\$B)	\$ 2.07		2.14	(3)%		
Average margin debt (\$B)	\$ 2.13	\$	1.98	8 %	\$ 1.03	107 %
Active retail brokerage accounts	2,901,140		2,880,436	1%	2,870,685	1 %
Gross new brokerage accounts	130,793		141,717	N.M.	144,190	N.M.
Inactive accounts	(98,052)		(92,579)	N.M.	(980,677	
Customer closed accounts	 (12,037)		(17,327)	N.M.	(13,845	
Net new brokerage accounts	20,704		31,811	N.M.	(850,332	N.M.
New client assets (\$MM)	\$ 3,846	\$	3,371	14 %	\$ 4,214	(9)%
Client asset outflow from closed accounts (\$MM)	\$ (492)		(570)	14 %		
Net new client assets (\$MM)	\$ 3,354	\$	2,801	20 %	\$ 3,872	(13)%
Total Client Assets (\$B)						
Security holdings	\$ 47.7	\$	47.7	0 %		
Cash (including money market funds)	\$ 5.7	\$	6.0	(5)%		(/
Unexercised options (vested)	\$ 23.5	\$	21.5	9%		
Total client assets in investing accounts	\$ 76.9	\$	75.2	2%	\$ 56.7	36 %
Total client assets per active account	\$ 26,508	\$	26,120	1 %	\$ 19,751	34 %
Unexercised options (unvested) (\$B)	\$ 17.1	\$	15.3	12 %	\$ 8.3	105 %

Barking Metrics	Qir ended 6/30/04	Qtr ended 3/31/04	Qtr ended 6/30/04 vs. Qtr ended 3/31/04	Qir ended 6/30/03	Qtr ended 6/30/04 vs. Qtr ended 6/30/03
Gross newbanking accounts	37,726	61,638	NM	118,555	NM
Inactive accounts	-	-	NM	21,834	NM
Gustomer closed accounts	(53,399)	(56,743)	NM	(44,613)	NM
Net new banking accounts	(15,673)	4,895	NM	95,776	NM
Direct mortgage originations (\$B)	\$ 1.3	\$ 1.1	17% \$	\$ 29	(56)%
Correspondent mortgage originations (\$B)	\$ 1.7	\$ 0.7	167%	1.0	69%
Consumer loan originations, incl HELOGs (\$B)	\$ 0.8	\$ 0.7	12%	0.6	19%
Acquired consumer loans (\$B)	\$ 0.2	\$ 0.1	100%	0.5	(58)%
Mortgage pipeline (end of period) (\$B)	\$ 0.3	\$ 0.9	(68)% \$	1.7	(83)%
Bank Asset Portfolio Detail (\$MM)					
Cash & equivalents	\$ 260	\$ 165	58% \$	287	(9)%
Trading securities	\$ 764	\$ 809	(6)% \$	449	70%
Investment securities, available-for-sale	\$ 3,029	\$ 2,850	6%	2,092	45%
Mortgage securities, available-for-sale	\$ 8,406	\$ 7,000	20% \$	6,612	27%
Loans receivable, net including loans held-for-sale:					
- Mortgage and home equity loans, net	\$ 5,713	\$ 4,580	25% \$,	98%
- Consumer loans, net	\$ 4,290	\$ 4,130	4% \$,	(2)%
- Other	\$ 1	\$ 1	0% \$		(50)%
Other assets	\$ 736		9% \$		(13)%
Total assets	\$ 23,199	\$ 20,210	15% \$	17,540	32%
Bank Deposit Portfolio Detail (\$MM)					
Transaction accounts	\$ 8,929		2% \$	4,699	90%
CDs	\$ 2,909		(9)% \$		(34)%
Total	\$ 11,838	\$ 11,976	(1)% \$	9,094	30%
Bank interest rate spread (basis points)	205	185	11%	145	41%
Gredit Quality and Reserve Metrics					
Net charge-offs as a % of average held-for-investment loans, net (annualized)	0.29%		\ /	0.49%	1 /
Provision as a % of average held-for-investment loans, net (annualized)	0.34%		\ /	0.55%	1 /
Allowance as a % of total ending gross held-for-investment loans	0.43%		\ /	0.52%	1 /
Total non-performing loans, net, as a % of total gross held-for-investment loans	0.18%		\ /	0.37%	1 /
Total loan loss allowance as a % of total non-performing loans, net	232%	186%	46%	140%	92%
Tier 1 Capital Ratio (5)	5.98%	6.21 %	(0.23)%	5.94%	0.04%
Risk Weighted Capital Ratio (5)	11.81 %	11.69%	' /	11.80%	

Activity in Allowance for Loan Losses

Three Months Ended June 30, 2004

	Mortgage	Lotal	
Allowance for loan losses, ending 3/31/04	\$7,862	\$31,889	\$39,751
Provision for loan losses	2,461	5,040	7,501
Charge-offs, net	316	(6,630)	(6,314)
Allowance for loan losses, ending 6/30/04	\$10,639	\$30,299	\$40,938

Bank Average Balance Data

		Т		fonths Ended 230, 2004	l	Three Months Ended June 30, 2003					
	Average Balance		In	nterest ncome/	Average Annualized Yield/Cost	Average Balance		Interest Income/ Expense		Average Annualized Yield/Cost	
		Darance		xpense	(in thou				xperse	Heid/Cost	
Interest-earning banking assets:					(III disc	ou Ki	9)				
Loans receivable, net	\$	9,323,548	\$	111,862	4.80%	\$	7,161,143	\$	92,113	5.15%	
Interest-bearing deposits		114,143		1,021	3.60%		156,776		1,014	2.59%	
Mortgage-backed and related available-for-sale				•					-		
securities		8,282,552		83,728	4.04%		6,610,007		62,053	3.76%	
Available-for-sale investment securities		2,981,826		27,973	3.75%		2,119,655		22,907	4.32%	
Investment in FHLB stock		100,460		878	3.52%		79,401		759	3.83%	
Tracling securities		771,775		6,131	3.18%		385,972		3,611	3.74%	
Total interest-earning banking assets (6)		21,574,304	\$	231,593	4.29%		16,512,954	\$	182,457	4.42%	
Non-interest-earning banking assets		571,327					863,412				
Total banking assets	\$	22,145,631				\$	17,376,366				
Interest-bearing banking liabilities:						_					
Retail deposits	\$	11,512,007	\$	42,928	1.50%	\$	8,473,951	\$	68,542	3.24%	
Brokered certificates of deposit		359,265		2,287	2.56%		425,849		2,976	2.80%	
FHLB advances		967,297		10,467	4.28%		956,300		11,194	4.63%	
Other borrowings		7,906,398		60,222	3.01%		6,061,342		35,242	2.30%	
Total interest-bearing banking liabilities		20,744,967	\$	115,904	2.24%		15,917,442	\$	117,954	2.97%	
Non-interest bearing banking liabilities		346,829					603,413				
Total banking liabilities		21,091,796					16,520,855				
Total banking shareholder's equity		1,053,835					855,511				
Total banking liabilities and shareholder's equity	\$	22,145,631				\$	17,376,366				
Excess of interest-earning banking assets over interest-bearing	_					_					
banking liabilities/net interest income	\$	829,337	\$	115,689		\$	595,512	\$	64,503		
Net interest spread					2.05%					1.45%	

SUPPLEMENTAL INFORMATION AND ENDNOTES

Explanation of Non-GAAP Measures and Certain Metrics

In order to better assess the Company's financial operating results, management believes operating margins, free cash, EBITDA and interest coverage are appropriate measures of evaluating the operating and liquidity performance of the Company.

Free Cash, EBITDA and Interest Coverage

Free cash as reported by the Company represents cash held at Parent and non-Bank or Brokerage subsidiaries less discretionary reserves and excess capital at Bank and Brokerage after 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.

Additionally, management utilizes EBITDA and interest coverage to measure business performance. EBITDA is defined as net income (loss) from continuing operations before corporate interest expense, taxes and depreciation & amortization. Interest coverage is defined as EBITDA divided by corporate interest expense.

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.

- (1) For the three and six months ended June 30, 2004 and the three months ended March 31, 2004, diluted earnings per share is calculated using the 'if converted' method, which includes the additional dilutive impact assuming conversion of the Company's subordinated convertible debt. Under the 'if converted' method the per share numerator excludes the interest expense and related amortization of offering costs from the convertible debt, net of tax, of \$7.4 million and \$15.1 million for the three and six months ended June 30, 2004, respectively and \$7.6 million for the three months ended March 31, 2004. The denominator includes the shares issuable from the assumed conversion of the convertible debt of 45.4 million for the three months ended March 31, 2004, 39.9 million for the three months ended June 30, 2004 and 42.7 million for the six months ended June 30, 2004. For the three and six months ended June 30, 2003, the 'if converted' method is not used as its effect would be anti-dilutive.
- (2) Eliminates intercompany payment made by Bank to Brokerage related to Sweep Deposit Account (SDA) relationships, swept daily from Brokerage to Bank, which began in the third quarter of 2003. Under this relationship, Bank pays Brokerage a negotiated rate that approximates market on the average SDA balance. Bank reflects this payment as advertising and market development expense and Brokerage reflects this payment as other revenues.
- (3) Amounts and percentages may not calculate due to rounding.
- (4) Consolidated operating margin is defined as income before other corporate items divided by net revenues. Operating margin for Brokerage and Bank is based on segment results.
- (5) Q2'04 estimate.

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(6) Amounts include a taxable equivalent increase in interest income of \$1.4 million for the three months ended June 30, 2004 and \$0.6 million for the three months ended June 30, 2003.