

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
Revenue:				
Operating interest income	\$ 731,429	\$ 424,114	\$1,986,096	\$1,148,384
Operating interest expense	(376,293)	(207,101)	(961,569)	(535,532)
Net operating interest income	355,136	217,013	1,024,527	612,852
Provision for loan losses	(12,547)	(12,909)	(33,014)	(37,946)
Net operating interest income after provision for loan losses	342,589	204,104	991,513	574,906
Commission	133,606	114,278	476,771	323,111
Service charges and fees	33,910	32,893	99,540	100,639
Principal transactions	22,697	23,793	84,979	75,547
Gain on sales of loans and securities, net	16,003	21,850	38,738	84,121
Other revenue	32,961	22,918	99,932	66,596
Total non-interest income	239,177	215,732	799,960	650,014
Total net revenue	581,766	419,836	1,791,473	1,224,920
Expense excluding interest:				
Compensation and benefits	110,705	103,084	352,334	280,472
Clearing and servicing	62,500	46,930	189,926	132,720
Advertising and market development	23,914	21,188	89,115	74,252
Communications	25,576	18,210	84,818	54,650
Professional services	20,741	16,703	71,715	53,168
Depreciation and amortization	18,565	18,443	56,181	53,310
Occupancy and equipment	22,150	16,249	63,082	50,673
Amortization of other intangibles	12,087	4,382	35,391	13,751
Facility restructuring and other exit activities	16,684	(469)	19,315	495
Other	45,675	23,129	101,888	65,917
Total expense excluding interest	358,597	267,849	1,063,765	779,408
Income before other income (expense), income taxes, minority interest, discontinued operations and cumulative effect of accounting change	223,169	151,987	727,708	445,512

Other income (expense):				
Corporate interest income	1,942	3,409	6,091	7,796
Corporate interest expense	(37,964)	(13,783)	(114,586)	(36,975)
Gain on sales and impairment of investments	26,991	22,028	59,897	68,172
Loss on early extinguishment of debt	-	-	(703)	-
Equity in income of investments and venture funds	2,519	3,103	1,701	7,142
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Total other income (expense)	(6,512)	14,757	(47,600)	46,135
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Income before income taxes, minority interest, discontinued operations and cumulative effect of accounting change				
	216,657	166,744	680,108	491,647
Income tax expense	66,429	57,606	230,204	170,862
Minority interest in subsidiaries	-	-	-	58
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Net income from continuing operations	150,228	109,138	449,904	320,727
Discontinued operations, net of tax:				
Loss from discontinued operations	-	(3,464)	(721)	(18,901)
Gain (loss) on disposal of discontinued operations	3,021	171	3,021	(2,420)
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Net gain (loss) from discontinued operations	3,021	(3,293)	2,300	(21,321)
Cumulative effect of accounting change, net of tax	-	1,646	-	1,646
	-----	-----	-----	-----
Net income	<u>\$ 153,249</u>	<u>\$ 107,491</u>	<u>\$ 452,204</u>	<u>\$ 301,052</u>
	=====	=====	=====	=====
Basic earnings per share from continuing operations				
	\$ 0.35	\$ 0.30	\$ 1.07	\$ 0.88
Basic earnings (loss) per share from discontinued operations				
	0.01	(0.01)	0.01	(0.06)
Basic earnings per share from cumulative effect of accounting change				
	-	0.00	-	0.00
	-----	-----	-----	-----
Basic net earnings per share	<u>\$ 0.36</u>	<u>\$ 0.29</u>	<u>\$ 1.08</u>	<u>\$ 0.82</u>
	=====	=====	=====	=====
Diluted earnings per share from continuing operations				
	\$ 0.34	\$ 0.29	\$ 1.03	\$ 0.85
Diluted earnings (loss) per share from				

discontinued operations	0.01	(0.01)	0.00	(0.06)
Diluted earnings per share from cumulative effect of accounting change	-	0.00	-	0.00
Diluted net earnings per share	\$ 0.35	\$ 0.28	\$ 1.03	\$ 0.79
Shares used in computation of per share data:				
Basic	423,736	367,342	420,148	366,215
Diluted	438,883	382,031	436,959	379,768

E*TRADE FINANCIAL CORPORATION AND SUBSIDIARIES

Consolidated Statement of Income
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended		
	September 30, 2006	June 30, 2006	September 30, 2005
Revenue:			
Operating interest income	\$ 731,429	\$ 660,373	\$ 424,114
Operating interest expense	(376,293)	(315,771)	(207,101)
Net operating interest income	355,136	344,602	217,013
Provision for loan losses	(12,547)	(10,270)	(12,909)
Net operating interest income after provision for loan losses	342,589	334,332	204,104
Commission	133,606	167,296	114,278
Service charges and fees	33,910	33,640	32,893
Principal transactions	22,697	31,590	23,793
Gain on sales of loans and securities, net	16,003	11,107	21,850
Other revenue	32,961	33,393	22,918
Total non-interest income	239,177	277,026	215,732
Total net revenue	581,766	611,358	419,836
Expense excluding interest:			
Compensation and benefits	110,705	125,641	103,084
Clearing and servicing	62,500	64,138	46,930
Advertising and market development	23,914	30,420	21,188
Communications	25,576	27,834	18,210
Professional services	20,741	23,219	16,703
Depreciation and amortization	18,565	18,827	18,443
Occupancy and equipment	22,150	20,428	16,249
Amortization of other intangibles	12,087	11,972	4,382
Facility restructuring and other exit activities	16,684	2,884	(469)
Other	45,675	25,208	23,129
Total expense excluding interest	358,597	350,571	267,849
Income before other income (expense), income taxes, minority interest, discontinued operations and cumulative effect of			

accounting change	223,169	260,787	151,987
Other income (expense):			
Corporate interest income	1,942	2,188	3,409
Corporate interest expense	(37,964)	(36,114)	(13,783)
Gain on sales and impairment of investments	26,991	15,290	22,028
Loss on early extinguishment of debt	-	(568)	-
Equity in income of investments and venture funds	2,519	189	3,103
Total other income (expense)	(6,512)	(19,015)	14,757
Income before income taxes, minority interest, discontinued operations and cumulative effect of accounting change	216,657	241,772	166,744
Income tax expense	66,429	85,080	57,606
Minority interest in subsidiaries	-	-	-
Net income from continuing operations	150,228	156,692	109,138
Discontinued operations, net of tax:			
Loss from discontinued operations	-	(208)	(3,464)
Gain on disposal of discontinued operations	3,021	-	171
Net gain (loss) from discontinued operations	3,021	(208)	(3,293)
Cumulative effect of accounting change, net of tax	-	-	1,646
Net income	\$ 153,249	\$ 156,484	\$ 107,491
Basic earnings per share from continuing operations	\$ 0.35	\$ 0.37	\$ 0.30
Basic earnings (loss) per share from discontinued operations	0.01	(0.00)	(0.01)
Basic earnings per share from cumulative effect of accounting change	-	-	0.00
Basic net earnings per share	\$ 0.36	\$ 0.37	\$ 0.29
Diluted earnings per share from continuing operations	\$ 0.34	\$ 0.36	\$ 0.29
Diluted earnings (loss) per share from discontinued operations	0.01	(0.00)	(0.01)
Diluted earnings per share from cumulative effect of accounting change	-	-	0.00
Diluted net earnings per share	\$ 0.35	\$ 0.36	\$ 0.28
Shares used in computation of per share data:			
Basic	423,736	421,929	367,342
Diluted	438,883	439,460	382,031

E*TRADE FINANCIAL CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheet
(In thousands, except share amounts)
(Unaudited)

	September 30, 2006	December 31, 2005
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ASSETS		
Cash and equivalents	\$ 1,199,638	\$ 844,188
Cash and investments required to be segregated under Federal or other regulations	271,851	610,174
Trading securities	151,835	146,657
Available-for-sale mortgage-backed and investment securities	15,332,963	12,763,438
Loans held-for-sale	208,633	87,371
Brokerage receivables, net	7,230,960	7,174,175
Loans receivable, net	23,215,444	19,424,895
Property and equipment, net	299,261	299,256
Goodwill	2,063,598	2,003,456
Other intangibles, net	498,743	532,108
Other assets	1,050,245	681,968
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Total assets	\$ 51,523,171	\$ 44,567,686
	=====	=====

LIABILITIES AND SHAREHOLDERS' EQUITY

Liabilities:		
Deposits	\$ 22,319,364	\$ 15,948,015
Securities sold under agreements to repurchase	10,990,532	11,101,542
Brokerage payables	7,399,279	7,342,208
Other borrowings	4,206,922	4,206,996
Senior notes	1,400,505	1,401,947
Mandatory convertible notes	439,330	435,589
Convertible subordinated notes	-	185,165
Accounts payable, accrued and other liabilities	736,982	546,664
	-----	-----
Total liabilities	47,492,914	41,168,126
	-----	-----

Shareholders' equity:

Common stock, \$0.01 par value, shares authorized: 600,000,000; issued and outstanding: 427,007,278 at September 30, 2006 and 416,582,164 at December 31, 2005	4,270	4,166
Additional paid-in-capital	3,203,450	2,990,676
Retained earnings	1,032,634	580,430
Accumulated other comprehensive loss	(210,097)	(175,712)
	-----	-----
Total shareholders' equity	4,030,257	3,399,560
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Total liabilities and shareholders' equity	\$ 51,523,171	\$ 44,567,686
	=====	=====

SEGMENT REPORTING

Three Months Ended September 30, 2006

	Retail	Institutional	Eliminations (2)	Total
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(In thousands)				
Revenue:				
Operating interest income	\$ 397,998	\$ 576,258	\$ (242,827)	\$ 731,429
Operating interest expense	(176,939)	(442,181)	242,827	(376,293)
	-----	-----	-----	-----
Net operating interest income	221,059	134,077	-	355,136
Provision for loan losses	-	(12,547)	-	(12,547)

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

Three Months Ended June 30, 2006

	Retail	Institutional	Eliminations (2)	Total
Revenue:				
Operating interest income	\$ 372,732	\$ 503,168	\$ (215,527)	\$ 660,373
Operating				

(In thousands)

interest expense	(144,026)	(387,272)	215,527	(315,771)
Net operating interest income	228,706	115,896	-	344,602
Provision for loan losses	-	(10,270)	-	(10,270)
Net operating interest income after provision for loan losses	228,706	105,626	-	334,332
Commission Service charges and fees	127,567	39,729	-	167,296
Principal transactions	27,803	5,837	-	33,640
Gain on sales of loans and securities, net	-	31,590	-	31,590
Other revenue	8,958	2,149	-	11,107
	35,152	1,751	(3,510)	33,393
Total non-interest income	199,480	81,056	(3,510)	277,026
Total net revenue	428,186	186,682	(3,510)	611,358
Expense excluding interest:				
Compensation and benefits	80,352	45,289	-	125,641
Clearing and servicing	20,124	47,524	(3,510)	64,138
Advertising and market development	28,388	2,032	-	30,420
Communications	24,520	3,314	-	27,834
Professional services	18,168	5,051	-	23,219
Depreciation and amortization	14,570	4,257	-	18,827
Occupancy and equipment	18,483	1,945	-	20,428
Amortization of other intangibles	9,814	2,158	-	11,972
Facility restructuring and other exit activities	2,824	60	-	2,884
Other	21,452	3,756	-	25,208
Total expense excluding interest	238,695	115,386	(3,510)	350,571
Segment income	\$ 189,491	\$ 71,296	\$ -	\$ 260,787

Three Months Ended September 30, 2005

	Retail	Institutional	Eliminations (2)	Total
(In thousands)				
Revenue:				
Operating interest income	\$ 175,330	\$ 362,547	\$ (113,763)	\$ 424,114
Operating interest expense	(63,223)	(257,641)	113,763	(207,101)
Net operating interest income	112,107	104,906	-	217,013
Provision for loan losses	-	(12,909)	-	(12,909)
Net operating interest income after provision for loan losses	112,107	91,997	-	204,104
Commission Service charges and fees	83,755	30,523	-	114,278
Principal transactions	26,933	5,960	-	32,893
Gain on sales of loans and securities, net	-	23,793	-	23,793
Other revenue	17,534	4,316	-	21,850
	27,927	2,901	(7,910)	22,918
Total non-interest income	156,149	67,493	(7,910)	215,732
Total net revenue	268,256	159,490	(7,910)	419,836
Expense excluding interest:				
Compensation and benefits	58,899	44,185	-	103,084
Clearing and servicing	10,690	44,150	(7,910)	46,930
Advertising and market development	19,363	1,825	-	21,188
Communications	15,390	2,820	-	18,210
Professional services	10,757	5,946	-	16,703
Depreciation and amortization	14,379	4,064	-	18,443
Occupancy and equipment	14,271	1,978	-	16,249
Amortization of other intangibles	2,193	2,189	-	4,382
Facility restructuring and other exit activities	(270)	(199)	-	(469)
Other	13,264	9,865	-	23,129

Total expense excluding interest	158,936	116,823	(7,910)	267,849
Segment income	\$ 109,320	\$ 42,667	\$ -	\$ 151,987

KEY PERFORMANCE METRICS (3)

	Qtr ended 9/30/06	Qtr ended 6/30/06	Qtr ended 9/30/06 vs. 6/30/06	Qtr ended 9/30/05	Qtr ended 9/30/06 vs. 9/30/05
CORPORATE METRICS					

Operating margin %(4)					

Consolidated	38 %	43 %	(5) %	36 %	2 %
Retail	37 %	44 %	(7) %	41 %	(4) %
Institutional	41 %	38 %	3 %	27 %	14 %
Employees	4,180	4,140	1 %	3,039	38 %
Consultants and other	455	565	(19) %	413	10 %
Total headcount	4,635	4,705	(1) %	3,452	34 %
Revenue per headcount	\$ 125,516	\$ 129,938	(3) %	\$ 121,621	3 %
Revenue per compensation and benefits dollar	\$ 5.26	\$ 4.87	8 %	\$ 4.07	29 %
Book value per share	\$ 9.44	\$ 9.03	5 %	\$ 6.72	40 %
Tangible book value per share	\$ 3.44	\$ 3.11	11 %	\$ 5.33	(35) %
Cash & equivalents (\$MM)	\$ 1,199.6	\$ 876.4	37 %	\$ 1,389.6	(14) %
Free cash (\$MM)	\$ 580.1	\$ 650.8	(11) %	\$ 784.3	(26) %
Enterprise net interest spread (basis points) (5)	286	291	(2) %	252	13 %
Enterprise interest-earning assets, average (\$MM)	\$ 46,400	\$ 44,064	5 %	\$ 32,690	42 %
Earnings before interest, taxes, depreciation & amortization ("EBITDA") (\$MM)					

Net income from continuing operations	\$ 150.2	\$ 156.7	(4) %	\$ 109.2	38 %
Tax expense	66.4	85.1	(22) %	57.6	15 %
Depreciation & amortization	30.7	30.8	0 %	22.8	35 %
Corporate interest expense	38.0	36.1	5 %	13.8	175 %
EBITDA	\$ 285.3	\$ 308.7	(8) %	\$ 203.4	40 %
Interest coverage	7.5	8.5	(12) %	14.8	(49) %

RETAIL METRICS

Trading days	62.5	63.0	(1)%	64.0	(2)%
Daily Average Revenue Trades ("DARTs")					
US	116,459	142,621	(18)%	79,257	47 %
International	18,671	22,981	(19)%	14,619	28 %
Total DARTs	135,130	165,602	(18)%	93,876	44 %
Total retail trades (MM)	8.4	10.4	(19)%	6.0	40 %
Retail average commission per trade	\$ 11.95	\$ 12.23	(2)%	\$ 13.94	(14)%
End of period margin debt (\$B)	\$ 6.42	\$ 7.15	(10)%	\$ 2.43	164 %
Average margin debt (\$B)	\$ 6.66	\$ 6.99	(5)%	\$ 2.27	193 %
Gross new trading/investing accounts	151,344	169,595	(11)%	155,304	(3)%
Gross new deposit/lending accounts	102,658	97,739	5 %	68,560	50 %
Inactive accounts	(142,415)	(164,166)	(13)%	(121,107)	18 %
Customer closed accounts	(60,670)	(61,689)	(2)%	(54,029)	12 %
Net new retail accounts	50,917	41,479	23 %	48,728	4 %
End of period trading/investing accounts	3,627,414	3,626,963	0 %	3,014,467	20 %
End of period deposit/lending accounts	799,416	748,950	7 %	678,449	18 %
End of period retail accounts	4,426,830	4,375,913	1 %	3,692,916	20 %
Net new customers	29,209	11,040	165 %	33,205	(12)%
End of period total retail customers	3,444,851	3,415,642	1 %	2,934,406	17 %
End of period assets per customer	\$ 53,632	\$ 52,741	2 %	\$ 36,243	48 %
Consolidated net revenue per customer	\$ 169	\$ 179	(6)%	\$ 143	18 %
Consolidated segment income per customer	\$ 65	\$ 76	(14)%	\$ 52	25 %
Products per customer	2.1	2.1	0 %	2.0	5 %
Total Retail Client Assets (\$B) (6)					
Security holdings	\$ 123.4	\$ 121.6	1 %	\$ 57.2	116 %
Cash (including money market					

funds)	9.8	9.5	3 %	5.4	81 %
Unexercised options (vested)	29.8	28.4	5 %	29.8	0 %

Client assets in trading/investing accounts	163.0	159.5	2 %	92.4	76 %

Sweep Deposit Account	10.4	10.5	(1) %	7.4	41 %
Transaction accounts	6.8	6.1	11 %	4.2	62 %
CDs	4.6	4.0	15 %	2.4	92 %

Client assets in deposit accounts	21.8	20.6	6 %	14.0	56 %

Total retail client assets	\$ 184.8	\$ 180.1	3 %	\$ 106.4	74 %

Total customer cash and deposits (\$B) (6)	\$ 31.6	\$ 30.1	5 %	\$ 19.4	63 %

Unexercised options (unvested) (\$B)	\$ 18.7	\$ 16.5	13 %	\$ 18.7	0 %

INSTITUTIONAL
METRICS

Market Making

Equity shares traded (MM)	54,472	69,537	(22) %	35,125	55 %
Average revenue capture per 1,000 equity shares	\$ 0.382	\$ 0.387	(1) %	\$ 0.535	(29) %
% of Bulletin Board equity shares to total equity shares	92.5%	92.7%	(0.2) %	86.0%	6.5 %

End of Period
Enterprise Loans
Receivable
Detail (\$MM)

Mortgage and home equity loans, net	\$ 19,825	\$ 17,256	15 %	\$ 13,556	46 %
Margin receivables	6,424	7,146	(10) %	2,426	165 %
Consumer loans, net	3,420	3,610	(5) %	4,081	(16) %
Other	179	151	19 %	48	273 %

Total enterprise loans receivable, net	\$ 29,848	\$ 28,163	6 %	\$ 20,111	48 %

Credit Quality and
Reserve Metrics

Net charge-offs as a % of average held-for- investment loans, net (annualized)	0.17 %	0.15 %	0.02 %	0.20 %	(0.03) %
Provision as a % of average held-for- investment loans,					

net (annualized)	0.22 %	0.20 %	0.02 %	0.30 %	(0.08)%
Allowance as a % of total ending gross held-for-investment loans	0.30 %	0.32 %	(0.02)%	0.34 %	(0.04)%
Total non-performing loans, net, as a % of total gross held-for-investment loans	0.23 %	0.22 %	0.01 %	0.13 %	0.10 %
Total loan loss allowance as a % of total non-performing loans, net	133 %	144 %	(11)%	256 %	(123)%
Tier 1 Capital Ratio(7)	5.80 %	5.85 %	(0.05)%	5.87 %	(0.07)%
Risk Weighted Capital Ratio(7)	10.61 %	11.01 %	(0.40)%	11.13 %	(0.52)%

ACTIVITY IN ALLOWANCE FOR LOAN LOSSES

Three Months Ended September 30, 2006

	Mortgage	Consumer	Total
	(In thousands)		
Allowance for loan losses, ending 6/30/06	\$ 34,461	\$ 32,660	\$ 67,121
Provision for loan losses	5,892	6,655	12,547
Charge-offs, net	(3,290)	(6,470)	(9,760)
Allowance for loan losses, ending 9/30/06	\$ 37,063	\$ 32,845	\$ 69,908

AVERAGE ENTERPRISE BALANCE SHEET DATA

Three Months Ended
September 30, 2006

	Average Balance	Operating Interest Inc./Exp.	Average Yield/Cost
	(In thousands)		
Enterprise interest-earning assets:			
Loans, net(8)	\$22,955,022	\$364,744	6.36%
Margin receivables	6,645,017	123,855	7.39%
Mortgage-backed and related available-for-sale securities	12,068,052	159,199	5.28%
Available-for-sale investment securities	3,220,054	51,885	6.44%
Trading securities	114,806	2,600	9.06%
Cash and cash equivalents(9)	974,738	11,272	4.59%
Stock borrow and other	422,010	8,690	8.17%
Total enterprise interest-earning assets	\$46,399,699	722,245	6.22%
Enterprise interest-bearing liabilities:			
Retail deposits	\$20,992,962	141,035	2.67%
Brokered certificates of deposit	618,681	7,453	4.78%
Free credits(10)	5,794,586	18,326	1.25%
Repurchase agreements and other borrowings	11,586,260	150,837	5.09%
FHLB advances	3,583,663	43,950	4.80%
Stock loan and other	1,283,026	11,617	3.59%
Total enterprise interest-bearing			

liabilities	\$43,859,178	373,218	3.36%
Enterprise net interest income/spread(5)		\$349,027	2.86%

Three Months Ended

June 30, 2006

	Average Balance	Operating Interest Inc./Exp.	Average Yield/Cost
(In thousands)			
Enterprise interest-earning assets:			
Loans, net(8)	\$20,419,936	\$303,499	5.95%
Margin receivables	6,982,867	123,390	7.09%
Mortgage-backed and related available-for-sale securities	11,715,510	147,374	5.03%
Available-for-sale investment securities	3,048,166	47,287	6.21%
Trading securities	142,452	2,946	8.27%
Cash and cash equivalents(9)	1,260,684	13,421	4.27%
Stock borrow and other	493,981	8,795	7.14%
Total enterprise interest-earning assets	\$44,063,596	646,712	5.87%
Enterprise interest-bearing liabilities:			
Retail deposits	\$19,848,322	115,062	2.33%
Brokered certificates of deposit	577,068	6,696	4.65%
Free credits(10)	6,416,136	16,957	1.06%
Repurchase agreements and other borrowings	10,580,283	129,103	4.83%
FHLB advances	2,842,198	32,207	4.48%
Stock loan and other	1,133,694	8,487	3.00%
Total enterprise interest-bearing liabilities	\$41,397,701	308,512	2.96%
Enterprise net interest income/spread(5)		\$338,200	2.91%

Three Months Ended
September 30, 2005

	Average Balance	Operating Interest Inc./Exp.	Average Yield/Cost
(In thousands)			
Enterprise interest-earning assets:			
Loans, net(8)	\$17,024,600	\$ 232,004	5.45%
Margin receivables	2,267,918	37,844	6.62%
Mortgage-backed and related available-for-sale securities	9,059,130	97,537	4.31%
Available-for-sale investment securities	1,937,276	25,888	5.35%
Trading securities	186,377	2,792	5.99%
Cash and cash equivalents(9)	1,793,028	14,950	3.31%
Stock borrow and other	422,076	5,654	5.31%
Total enterprise interest-earning assets	\$32,690,405	416,669	5.10%
Enterprise interest-bearing liabilities:			

Retail deposits	\$13,095,471	57,710	1.75%
Brokered certificates of deposit	540,575	4,815	3.53%
Free credits(10)	3,406,685	4,733	0.55%
Repurchase agreements and other borrowings	9,510,214	91,520	3.77%
FHLB advances	4,093,294	40,914	3.91%
Stock loan and other	426,729	2,025	1.88%
	-----	-----	
Total enterprise interest-bearing liabilities	\$31,072,968	201,717	2.58%
	=====	-----	
Enterprise net interest income/spread(5)		\$ 214,952	2.52%
		=====	

RECONCILIATION FROM ENTERPRISE NET INTEREST INCOME TO NET OPERATING INTEREST INCOME

	Three Months Ended		
	September 30, 2006	June 30, 2006	September 30, 2005
	(In thousands)		
Enterprise net interest income	\$ 349,027	\$ 338,200	\$ 214,952
Taxable equivalent interest adjustment(11)	(5,246)	(4,306)	(2,599)
Stock conduit, net(12)	14	132	339
Customer cash held by third parties(13)	11,341	10,576	4,321
	-----	-----	-----
Net operating interest income	\$ 355,136	\$ 344,602	\$ 217,013
	=====	=====	=====

SUPPLEMENTAL INFORMATION AND ENDNOTES

Explanation of Non-GAAP Measures and Certain Metrics

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

Free Cash

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

EBITDA

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

Interest Coverage

Interest coverage represents EBITDA divided by corporate interest expense. Management believes that by excluding the charges and expenses that are excluded from EBITDA, interest coverage provides a useful additional measure of our ability to continue to meet our interest obligations and our liquidity.

EPS Excluding Acquisition-Related Integration Expenses

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

Enterprise Net Interest Income

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

Enterprise Interest-Earning Assets

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

It is important to note these metrics and other non-GAAP measures may involve judgment by management and should be considered in addition to, not as a substitute for, or superior to, net income, consolidated statements of cash flows, or other measures of financial performance prepared in accordance with GAAP. For complete information on the items excluded from these non-GAAP measures, please see our financial statements and "Management's Discussion and Analysis of Results of Operations and Financial Condition" that will be included in the periodic report we expect to file with the SEC with respect to the financial periods discussed herein.

(1) EPS excluding acquisition-related integration expenses is a non-GAAP financial measure per applicable SEC regulations. The earnings of \$0.36 per share was calculated as Net Income as reported of \$153,249,000 plus the after-tax impact of acquisition-related integration expenses of \$2,577,000 for pro forma Net Income of \$155,826,000 divided by 438,883,000 diluted shares.

(2) Reflects elimination of transactions between Retail and Institutional segments, which include deposit transfer pricing, servicing and order flow rebates.

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

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

(5) Enterprise net interest spread is the taxable equivalent rate earned on average enterprise interest-earning assets less the rate paid on average enterprise interest-bearing liabilities, excluding corporate interest-earning assets and liabilities, stock conduit and cash held by third parties.

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

(7) Q3-06 estimate.

(8) Excludes loans to customers on margin.

(9) Includes segregated cash balances.

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

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

(12) Net operating interest income earned on average stock conduit assets of \$0.03 billion, \$0.4 billion and \$0.7 billion for the quarters ended September 30, 2006, June 30, 2006, and September 30, 2005, respectively.

(13) Includes interest earned on average customer assets of \$3.6 billion, \$3.4 billion and \$1.7 billion for the quarters ended September 30, 2006, June 30, 2006 and September 30, 2005, respectively, held by parties outside E*TRADE FINANCIAL, including third party money market funds and sweep deposit accounts at unaffiliated financial institutions.