

Financial Statements

E*TRADE FINANCIAL CORPORATION AND SUBSIDIARIES

Consolidated Statement of Loss

(In thousands, except per share amounts)

(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2009	2008	2009	2008
Revenue:				
Operating interest income	\$ 485,518	\$ 626,074	\$ 972,155	\$ 1,325,665
Operating interest expense	(145,928)	(283,310)	(353,903)	(656,530)
Net operating interest income	339,590	342,764	618,252	669,135
Commission	154,063	122,235	279,689	244,490
Fees and service charges	47,934	50,962	94,649	105,903
Principal transactions	22,693	18,392	40,335	38,882
Gain on loans and securities, net	73,170	1,446	108,460	19,481
Other-than-temporary impairment ("OTTI")	(199,764)	(17,153)	(218,547)	(43,755)
Less: noncredit portion of OTTI recognized in other comprehensive loss (before tax)	170,093	-	170,093	-
Net impairment	(29,671)	(17,153)	(48,454)	(43,755)
Other revenue	13,127	13,691	25,318	27,295
Total non-interest income	281,316	189,573	499,997	392,296
Total net revenue	620,906	532,337	1,118,249	1,061,431
Provision for loan losses	404,525	319,121	858,488	552,992
Operating expense:				
Compensation and benefits	90,025	96,082	174,197	219,210
Clearing and servicing	44,072	46,122	86,743	91,007
Advertising and market development	24,986	42,737	68,577	100,185
Communications	21,002	24,500	42,563	49,594
Professional services	21,474	25,749	41,104	49,394
Occupancy and equipment	19,972	21,698	39,513	42,196
Depreciation and amortization	21,215	20,385	41,489	42,038
Amortization of other intangibles	7,434	9,135	14,870	20,045
Facility restructuring and other exit activities	4,447	12,433	4,335	22,999
Other	74,599	19,702	109,819	36,208
Total operating expense	329,226	318,543	623,210	672,876
Loss before other income (expense), income tax benefit and discontinued operations	(112,845)	(105,327)	(363,449)	(164,437)
Other income (expense):				
Corporate interest income	177	1,806	601	4,232
Corporate interest expense	(86,441)	(90,249)	(173,756)	(185,490)
Gain (loss) on sales of investments, net	(1,592)	18	(2,025)	520
Gain (loss) on early extinguishment of debt	(10,356)	12,935	(13,355)	10,084
Equity in income (loss) of investments and venture funds	(439)	(1,594)	(3,568)	3,105
Total other income (expense)	(98,651)	(77,084)	(192,103)	(167,549)
Loss before income tax benefit and discontinued operations	(211,496)	(182,411)	(555,552)	(331,986)
Income tax benefit	(68,259)	(62,968)	(179,630)	(119,616)
Loss from continuing operations	(143,237)	(119,443)	(375,922)	(212,370)
Income from discontinued operations, net of tax	-	24,884	-	26,618
Net loss	\$ (143,237)	\$ (94,559)	\$ (375,922)	\$ (185,752)
Basic loss per share from continuing operations	\$ (0.22)	\$ (0.24)	\$ (0.61)	\$ (0.45)

Basic earnings per share from discontinued operations	-	0.05	-	0.06
Basic net loss per share	\$ (0.22)	\$ (0.19)	\$ (0.61)	\$ (0.39)
Diluted loss per share from continuing operations	\$ (0.22)	\$ (0.24)	\$ (0.61)	\$ (0.45)
Diluted earnings per share from discontinued operations	-	0.05	-	0.06
Diluted net loss per share	\$ (0.22)	\$ (0.19)	\$ (0.61)	\$ (0.39)
Shares used in computation of per share data:				
Basic	662,068	492,712	615,211	476,784
Diluted ⁽¹⁾	662,068	492,712	615,211	476,784

E*TRADE FINANCIAL CORPORATION AND SUBSIDIARIES

Consolidated Statement of Loss

(In thousands, except per share amounts)

(Unaudited)

	Three Months Ended		
	June 30, 2009	March 31, 2009	June 30, 2008
Revenue:			
Operating interest income	\$ 485,518	\$ 486,637	\$ 626,074
Operating interest expense	(145,928)	(207,975)	(283,310)
Net operating interest income	339,590	278,662	342,764
Commission	154,063	125,626	122,235
Fees and service charges	47,934	46,715	50,962
Principal transactions	22,693	17,642	18,392
Gain on loans and securities, net	73,170	35,290	1,446
Other-than-temporary impairment ("OTTI")	(199,764)	(18,783)	(17,153)
Less: noncredit portion of OTTI recognized in other comprehensive loss (before tax)	170,093	-	-
Net impairment	(29,671)	(18,783)	(17,153)
Other revenue	13,127	12,191	13,691
Total non-interest income	281,316	218,681	189,573
Total net revenue	620,906	497,343	532,337
Provision for loan losses	404,525	453,963	319,121
Operating expense:			
Compensation and benefits	90,025	84,172	96,082
Clearing and servicing	44,072	42,671	46,122
Advertising and market development	24,986	43,591	42,737
Communications	21,002	21,561	24,500
Professional services	21,474	19,630	25,749
Occupancy and equipment	19,972	19,541	21,698
Depreciation and amortization	21,215	20,274	20,385
Amortization of other intangibles	7,434	7,436	9,135
Facility restructuring and other exit activities	4,447	(112)	12,433
Other	74,599	35,220	19,702
Total operating expense	329,226	293,984	318,543
Loss before other income (expense), income tax benefit and discontinued operations	(112,845)	(250,604)	(105,327)
Other income (expense):			
Corporate interest income	177	424	1,806
Corporate interest expense	(86,441)	(87,315)	(90,249)
Gain (loss) on sales of investments, net	(1,592)	(433)	18
Gain (loss) on early extinguishment of debt	(10,356)	(2,999)	12,935
Equity in loss of investments and venture funds	(439)	(3,129)	(1,594)
Total other income (expense)	(98,651)	(93,452)	(77,084)
Loss before income tax benefit and discontinued operations	(211,496)	(344,056)	(182,411)
Income tax benefit	(68,259)	(111,371)	(62,968)

Loss from continuing operations	(143,237)	(232,685)	(119,443)
Income from discontinued operations, net of tax	-	-	24,884
Net loss	\$ (143,237)	\$ (232,685)	\$ (94,559)
Basic loss per share from continuing operations	\$ (0.22)	\$ (0.41)	\$ (0.24)
Basic earnings per share from discontinued operations	-	-	0.05
Basic net loss per share	\$ (0.22)	\$ (0.41)	\$ (0.19)
Diluted loss per share from continuing operations	\$ (0.22)	\$ (0.41)	\$ (0.24)
Diluted earnings per share from discontinued operations	-	-	0.05
Diluted net loss per share	\$ (0.22)	\$ (0.41)	\$ (0.19)
Shares used in computation of per share data:			
Basic	662,068	567,833	492,712
Diluted ⁽¹⁾	662,068	567,833	492,712

E*TRADE FINANCIAL CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheet

(In thousands, except share amounts)

(Unaudited)

	June 30, 2009	December 31, 2008
ASSETS		
Cash and equivalents	\$ 5,234,155	\$ 3,853,849
Cash and investments required to be segregated under federal or other regulations	1,439,963	1,141,598
Trading securities	37,606	55,481
Available-for-sale mortgage-backed and investment securities	10,841,867	10,806,094
Margin receivables	3,135,287	2,791,168
Loans, net	21,939,043	24,451,852
Investment in Federal Home Loan Bank stock	183,863	200,892
Property and equipment, net	322,547	319,222
Goodwill	1,952,326	1,938,325
Other intangibles, net	371,267	386,130
Other assets	2,493,326	2,593,604
Total assets	\$ 47,951,250	\$ 48,538,215

LIABILITIES AND SHAREHOLDERS' EQUITY

Liabilities:

Deposits	\$ 26,423,824	\$ 26,136,246
Securities sold under agreements to repurchase	6,464,915	7,381,279
Customer payables	4,533,614	3,753,332
Other borrowings	3,369,511	4,353,777
Corporate debt	2,878,815	2,750,532
Accounts payable, accrued and other liabilities	1,298,018	1,571,553
Total liabilities	44,968,697	45,946,719

Shareholders' equity:

Common stock, \$0.01 par value, shares authorized: 1,200,000,000;

shares issued and outstanding: 1,116,794,053 at June 30, 2009

and 563,523,086 at December 31, 2008	11,168	5,635
Additional paid-in-capital	4,673,923	4,064,282
Accumulated deficit	(1,201,526)	(845,767)
Accumulated other comprehensive loss	(501,012)	(632,654)
Total shareholders' equity	2,982,553	2,591,496

Total liabilities and shareholders' equity	\$ 47,951,250	\$ 48,538,215
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Segment Reporting

Three Months Ended June 30, 2009

	Trading and Investing	Balance Sheet Management	Eliminations⁽²⁾	Total
	(In thousands)			
Revenue:				
Operating interest income	\$ 262,172	\$ 425,844	\$ (202,498)	\$ 485,518
Operating interest expense	(53,272)	(295,154)	202,498	(145,928)
Net operating interest income	208,900	130,690	-	339,590
Commission	154,063	-	-	154,063
Fees and service charges	45,010	2,924	-	47,934
Principal transactions	22,693	-	-	22,693
Gain (loss) on loans and securities, net	(38)	73,208	-	73,170
Other-than-temporary impairment ("OTTI")	-	(199,764)	-	(199,764)
Less: noncredit portion of OTTI recognized in other comprehensive loss (before tax)	-	170,093	-	170,093
Net impairment	-	(29,671)	-	(29,671)
Other revenue	9,625	3,502	-	13,127
Total non-interest income	231,353	49,963	-	281,316
Total net revenue	440,253	180,653	-	620,906
Provision for loan losses	-	404,525	-	404,525
Operating expense:				
Compensation and benefits	70,877	19,148	-	90,025
Clearing and servicing	22,161	21,911	-	44,072
Advertising and market development	24,983	3	-	24,986
Communications	20,908	94	-	21,002
Professional services	13,303	8,171	-	21,474
Occupancy and equipment	18,930	1,042	-	19,972
Depreciation and amortization	18,586	2,629	-	21,215
Amortization of other intangibles	7,434	-	-	7,434
Facility restructuring and other exit activities	3,864	583	-	4,447
Other	61,112	13,487	-	74,599
Total operating expense	262,158	67,068	-	329,226
Segment income (loss)	\$ 178,095	\$ (290,940)	\$ -	\$ (112,845)

Three Months Ended March 31, 2009

	Trading and Investing	Balance Sheet Management	Eliminations⁽²⁾	Total
	(In thousands)			
Revenue:				
Operating interest income	\$ 259,626	\$ 444,292	\$ (217,281)	\$ 486,637
Operating interest expense	(97,951)	(327,305)	217,281	(207,975)
Net operating interest income	161,675	116,987	-	278,662
Commission	125,626	-	-	125,626
Fees and service charges	45,055	1,660	-	46,715
Principal transactions	17,642	-	-	17,642
Gain (loss) on loans and securities, net	(22)	35,312	-	35,290
Other-than-temporary impairment ("OTTI")	-	(18,783)	-	(18,783)
Less: noncredit portion of OTTI recognized in other comprehensive loss (before tax)	-	-	-	-
Net impairment	-	(18,783)	-	(18,783)
Other revenue	8,894	3,297	-	12,191
Total non-interest income	197,195	21,486	-	218,681
Total net revenue	358,870	138,473	-	497,343
Provision for loan losses	-	453,963	-	453,963

Operating expense:				
Compensation and benefits	69,643	14,529	-	84,172
Clearing and servicing	20,776	21,895	-	42,671
Advertising and market development	43,586	5	-	43,591
Communications	21,462	99	-	21,561
Professional services	12,908	6,722	-	19,630
Occupancy and equipment	19,673	(132)	-	19,541
Depreciation and amortization	17,705	2,569	-	20,274
Amortization of other intangibles	7,436	-	-	7,436
Facility restructuring and other exit activities	(87)	(25)	-	(112)
Other	23,618	11,602	-	35,220
Total operating expense	236,720	57,264	-	293,984
Segment income (loss)	\$ 122,150	\$ (372,754)	\$ -	\$ (250,604)

Three Months Ended June 30, 2008

	Trading and Investing	Balance Sheet Management	Eliminations ⁽²⁾	Total
	(In thousands)			
Revenue:				
Operating interest income	\$ 404,280	\$ 531,639	\$ (309,845)	\$ 626,074
Operating interest expense	(183,385)	(409,770)	309,845	(283,310)
Net operating interest income	220,895	121,869	-	342,764
Commission	122,124	111	-	122,235
Fees and service charges	48,511	2,451	-	50,962
Principal transactions	18,392	-	-	18,392
Gain on loans and securities, net	18	1,428	-	1,446
Other-than-temporary impairment ("OTTI")	-	(17,153)	-	(17,153)
Less: noncredit portion of OTTI recognized in other comprehensive loss (before tax)	-	-	-	-
Net impairment	-	(17,153)	-	(17,153)
Other revenue	10,310	3,394	(13)	13,691
Total non-interest income (loss)	199,355	(9,769)	(13)	189,573
Total net revenue	420,250	112,100	(13)	532,337
Provision for loan losses	-	319,121	-	319,121
Operating expense:				
Compensation and benefits	79,274	16,808	-	96,082
Clearing and servicing	22,869	23,266	(13)	46,122
Advertising and market development	42,753	(16)	-	42,737
Communications	23,801	699	-	24,500
Professional services	15,560	10,189	-	25,749
Occupancy and equipment	20,660	1,038	-	21,698
Depreciation and amortization	16,465	3,920	-	20,385
Amortization of other intangibles	9,135	-	-	9,135
Facility restructuring and other exit activities	5,728	6,705	-	12,433
Other	13,817	5,885	-	19,702
Total operating expense	250,062	68,494	(13)	318,543
Segment income (loss)	\$ 170,188	\$ (275,515)	\$ -	\$ (105,327)

Key Performance Metrics⁽³⁾

Corporate Metrics	Qtr ended 6/30/09	Qtr ended 3/31/09	Qtr ended 6/30/09 vs. 3/31/09	Qtr ended 6/30/08	Qtr ended 6/30/09 vs. 6/30/08
Operating margin % ⁽⁴⁾					
Consolidated	N.M.	N.M.	N.M.	N.M.	N.M.

Trading and Investing	40 %	34 %	6 %	40 %	0 %
Balance Sheet Management	N.M.	N.M.	N.M.	N.M.	N.M.
Employees	3,217	3,178	1 %	3,453	(7) %
Consultants and other	146	138	6 %	243	(40) %
Total headcount	3,363	3,316	1 %	3,696	(9) %
Revenue per headcount	\$ 184,629	\$ 149,983	23 %	\$ 144,031	28 %
Revenue per compensation and benefits dollar	\$ 6.90	\$ 5.91	17 %	\$ 5.54	25 %
Book value per share	\$ 2.67	\$ 4.30	(38) %	\$ 4.91	(46) %
Tangible book value per share	\$ 0.59	\$ 0.22	168 %	\$ 0.42	40 %
Corporate cash (\$MM) ⁽⁵⁾	\$ 527.0	\$ 406.2	30 %	\$ 192.1	174 %
Enterprise net interest spread (basis points) ⁽⁶⁾	291	234	24 %	272	7 %
Enterprise interest-earning assets, average (\$MM)	\$ 45,206	\$ 44,696	1 %	\$ 47,616	(5) %
Earnings before interest, taxes, depreciation & amortization ("EBITDA") (\$MM)					
Loss from continuing operations	\$ (143.2)	\$ (232.7)	N.M.	\$ (119.4)	N.M.
Tax benefit	(68.3)	(111.4)	N.M.	(63.0)	N.M.
Depreciation & amortization	28.7	27.7	4 %	29.5	(3) %
Corporate interest expense	86.4	87.3	(1) %	90.2	(4) %
EBITDA	\$ (96.4)	\$ (229.1)	N.M.	\$ (62.7)	N.M.
Interest coverage	(1.1)	(2.6)	N.M.	(0.7)	N.M.
Bank earnings before taxes and before credit losses (\$MM) ⁽⁷⁾	\$ 231.7	\$ 180.9	28 %	\$ 227.9	2 %
Trading and Investing Metrics					
Trading days	63.0	61.0	N.M.	64.0	N.M.
DARTs					
U.S.	196,269	170,586	15 %	151,102	30 %
International	25,081	23,896	5 %	21,212	18 %
Total DARTs	221,350	194,482	14 %	172,314	28 %
Total trades (MM)	13.9	11.9	17 %	11.0	26 %
Average commission per trade	\$ 11.05	\$ 10.59	4 %	\$ 11.07	0 %
End of period margin receivables (\$B) ⁽⁸⁾	\$ 3.14	\$ 2.44	29 %	\$ 7.10	(56) %
Average margin receivables (\$B)	\$ 2.77	\$ 2.75	1 %	\$ 6.81	(59) %
Gross new brokerage accounts	137,563	147,646	(7) %	118,073	17 %
Gross new stock plan accounts	41,991	41,216	2 %	57,399	(27) %
Gross new banking accounts	16,379	49,906	(67) %	56,211	(71) %
Closed accounts ⁽⁹⁾	(156,428)	(182,819)	N.M.	(215,309)	N.M.
Net new accounts	39,505	55,949	(29) %	16,374	141 %
Net new brokerage accounts	54,068	63,241	(15) %	22,673	138 %
Net new stock plan accounts	17,114	(15,868)	N.M.	(9,801)	N.M.
Net new banking accounts	(31,677)	8,576	N.M.	3,502	N.M.
Net new accounts	39,505	55,949	(29) %	16,374	141 %

End of period brokerage accounts	2,714,652	2,660,584	2 %	2,500,565	9 %
End of period stock plan accounts	1,019,976	1,002,862	2 %	1,018,813	0 %
End of period banking accounts ⁽⁹⁾	794,122	825,799	(4) %	803,074	(1) %
End of period total accounts	4,528,750	4,489,245	1 %	4,322,452	5 %
Net new customers from continuing operations ⁽¹⁰⁾	33,616	50,989	(34) %	15,373	119 %
Net new customers from discontinued operations and other ⁽¹⁰⁾	-	-	N.M.	(536,954)	N.M.
Total net new customers ⁽¹⁰⁾	33,616	50,989	(34) %	(521,581)	N.M.
End of period brokerage customers	2,301,498	2,258,726	2 %	2,108,641	9 %
End of period all other customers	946,047	955,203	(1) %	964,015	(2) %
End of period total customers ⁽¹⁰⁾	3,247,545	3,213,929	1 %	3,072,656	6 %
Segment revenue per brokerage customer	\$ 191	\$ 159	20 %	\$ 199	(4) %
Customer Assets (\$B)					
Security holdings	\$ 83.2	\$ 67.0	24 %	\$ 105.9	(21) %
Customer payables (cash) ⁽¹¹⁾	4.5	4.2	7 %	4.4	2 %
Customer cash balances held by third parties	2.9	2.8	4 %	3.2	(9) %
Unexercised stock plan customer options (vested)	13.3	9.0	48 %	22.4	(41) %
Customer assets in brokerage and stock plan accounts	103.9	83.0	25 %	135.9	(24) %
Sweep deposit accounts	10.8	10.2	6 %	9.8	10 %
Savings and transaction accounts	13.7	15.1	(9) %	13.0	5 %
CDs	1.8	2.1	(14) %	3.3	(45) %
Customer assets in banking accounts	26.3	27.4	(4) %	26.1	1 %
Total customer assets	\$ 130.2	\$ 110.4	18 %	\$ 162.0	(20) %
Net new customer assets from continuing operations (\$B) ⁽¹²⁾	\$ 0.9	\$ 3.5	(74) %	\$ 1.8	(50) %
Net new customer assets from discontinued operations and other (\$B) ⁽¹²⁾	-	-	N.M.	(0.9)	N.M.
Total net new customer assets (\$B) ⁽¹²⁾	\$ 0.9	\$ 3.5	(74) %	\$ 0.9	0 %
Brokerage related cash (\$B)	\$ 18.2	\$ 17.2	6 %	\$ 17.4	5 %
Other customer cash and deposits (\$B)	15.5	17.2	(10) %	16.3	(5) %
Total customer cash and deposits (\$B)	\$ 33.7	\$ 34.4	(2) %	\$ 33.7	0 %
Unexercised stock plan customer options (unvested) (\$B)	\$ 18.9	\$ 12.0	58 %	\$ 21.5	(12) %
Market Making					
Equity shares traded (MM)	101,809	49,824	104 %	36,999	175 %
Average revenue capture per 1,000 equity shares	\$ 0.219	\$ 0.339	(35) %	\$ 0.466	(53) %
% of Bulletin Board equity shares to total equity shares	91.5%	86.8%	5 %	88.2%	3 %

Balance Sheet Management Metrics

Capital Ratios

Tier 1 Capital ratio ⁽¹³⁾	6.79 %	5.63 %	1.16 %	6.67 %	0.12 %
Tier 1 Capital to risk weighted assets ratio ⁽¹³⁾	12.65 %	10.53 %	2.12 %	10.91 %	1.74 %

Risk-based Capital ratio ⁽¹³⁾	13.94 %	11.82 %	2.12 %	12.17 %	1.77 %
E*TRADE Bank excess Tier 1 Capital (\$MM) ⁽¹³⁾	\$ 784.3	\$ 288.1	172 %	\$ 783.8	0 %
E*TRADE Bank excess Tier 1 Capital to risk weighted assets ⁽¹³⁾	\$ 1,545.4	\$ 1,104.7	40 %	\$ 1,406.6	10 %
E*TRADE Bank excess risk-based capital (\$MM) ⁽¹³⁾	\$ 916.2	\$ 444.2	106 %	\$ 622.3	47 %
Loans receivable (\$MM)					
Average loans receivable	\$ 23,886	\$ 25,083	(5) %	\$ 28,211	(15) %
Ending loans receivable, net	\$ 21,926	\$ 23,272	(6) %	\$ 26,960	(19) %

One- to Four-Family

Loan performance detail (\$MM)					
Current	\$ 10,259	\$ 11,112	(8) %	\$ 13,231	(22) %
30-89 days delinquent	563	587	(4) %	368	53 %
90-179 days delinquent	445	453	(2) %	192	132 %
Total 30-179 days delinquent	1,008	1,040	(3) %	560	80 %
180+ days delinquent (net of \$173M, \$110M and \$26M in charge-offs for Q209, Q109 and Q208, respectively)	673	429	57 %	180	274 %
Total delinquent loans	1,681	1,469	14 %	740	127 %
Gross loans receivable ⁽¹⁴⁾	\$ 11,940	\$ 12,581	(5) %	\$ 13,971	(15) %
Credit Quality and Reserve Metrics					
Special mention loans (30-89 days delinquent) as a % of gross loans receivable	4.72%	4.67%	0.05 %	2.63%	2.09 %
Nonperforming loans (90+ days delinquent) as a % of gross loans receivable	9.36%	7.01%	2.35 %	2.66%	6.70 %
Total delinquent loans (30+ days delinquent) as a % of gross loans receivable	14.08%	11.68%	2.40 %	5.30%	8.78 %
Total 30-179 days delinquent loans as a % of allowance for loan losses	235.60%	336.78%	(101.18) %	1073.97%	(838.37) %
Allowance for loan losses as a % of gross loans receivable	3.58%	2.45%	1.13 %	0.37%	3.21 %
Allowance for loan losses as a % of nonperforming loans	38.29%	35.01%	3.28 %	14.03%	24.26 %
Net charge-offs as a % of average loans receivable (annualized)	2.53%	2.10%	0.43 %	0.91%	1.62 %
Provision as a % of average loans receivable (annualized)	6.43%	5.97%	0.46 %	1.21%	5.22 %

Home Equity

Loan performance detail (\$MM)					
Current	\$ 8,515	\$ 8,961	(5) %	\$ 10,454	(19) %
30-89 days delinquent	268	305	(12) %	282	(5) %
90-179 days delinquent	262	347	(24) %	250	5 %
Total 30-179 days delinquent	530	652	(19) %	532	0 %
180+ days delinquent (net of \$28M, \$21M and \$15M in charge-offs for Q209, Q109 and Q208, respectively)	77	72	7 %	55	40 %
Total delinquent loans	607	724	(16) %	587	3 %
Gross loans receivable ⁽¹⁴⁾	\$ 9,122	\$ 9,685	(6) %	\$ 11,041	(17) %
Credit Quality and Reserve Metrics					
Special mention loans (30-89 days delinquent) as a % of gross loans receivable	2.94%	3.15%	(0.21) %	2.56%	0.38 %
Nonperforming loans (90+ days delinquent) as a % of gross loans receivable	3.72%	4.33%	(0.61) %	2.76%	0.96 %

Total delinquent loans (30+ days delinquent) as a % of gross loans receivable	6.66%	7.48%	(0.82) %	5.32%	1.34 %
Total 30-179 days delinquent loans as a % of allowance for loan losses	73.73%	79.62%	(5.89) %	97.46%	(23.73) %
Allowance for loan losses as a % of gross loans receivable	7.88%	8.45%	(0.57) %	4.95%	2.93 %
Allowance for loan losses as a % of nonperforming loans	211.98%	195.07%	16.91 %	179.32%	32.66 %
Net charge-offs as a % of average loans receivable (annualized)	12.04%	9.79%	2.25 %	7.18%	4.86 %
Provision as a % of average loans receivable (annualized)	7.85%	9.18%	(1.33) %	9.14%	(1.29) %

Consumer and Other

Loan performance detail (\$MM)

Current	\$ 2,038	\$ 2,157	(6) %	\$ 2,553	(20) %
30-89 days delinquent	29	41	(29) %	23	26 %
90-179 days delinquent	15	8	88 %	7	114 %
Total 30-179 days delinquent	44	49	(10) %	30	47 %
180+ days delinquent	1	1	0 %	1	0 %
Total delinquent loans	45	50	(10) %	31	45 %
Gross loans receivable ⁽¹⁴⁾	\$ 2,083	\$ 2,207	(6) %	\$ 2,584	(19) %

Credit Quality and Reserve Metrics

Special mention loans (30-89 days delinquent) as a % of gross loans receivable	1.37%	1.85%	(0.48) %	0.88%	0.49 %
Nonperforming loans (90+ days delinquent) as a % of gross loans receivable	0.80%	0.41%	0.39 %	0.30%	0.50 %
Total delinquent loans (30+ days delinquent) as a % of gross loans receivable	2.17%	2.26%	(0.09) %	1.18%	0.99 %
Total 30-179 days delinquent loans as a % of allowance for loan losses	61.23%	66.47%	(5.24) %	79.58%	(18.35) %
Allowance for loan losses as a % of gross loans receivable	3.46%	3.32%	0.14 %	1.45%	2.01 %
Allowance for loan losses as a % of nonperforming loans	434.94%	804.96%	(370.02) %	482.78%	(47.84) %
Net charge-offs as a % of average loans receivable (annualized)	4.20%	3.77%	0.43 %	2.01%	2.19 %
Provision as a % of average loans receivable (annualized)	3.96%	5.83%	(1.87) %	2.57%	1.39 %

Total Loans Receivable

Loan performance detail (\$MM)

Current	\$ 20,812	\$ 22,230	(6) %	\$ 26,238	(21) %
30-89 days delinquent	860	933	(8) %	673	28 %
90-179 days delinquent	722	808	(11) %	449	61 %
Total 30-179 days delinquent	1,582	1,741	(9) %	1,122	41 %
180+ days delinquent	751	502	50 %	236	218 %
Total delinquent loans	2,333	2,243	4 %	1,358	72 %
Total gross loans receivable ⁽¹⁴⁾	\$ 23,145	\$ 24,473	(5) %	\$ 27,596	(16) %

Credit Quality and Reserve Metrics

Special mention loans (30-89 days delinquent) as a % of gross loans receivable	3.71%	3.81%	(0.10) %	2.44%	1.27 %
Nonperforming loans (90+ days delinquent) as a % of gross loans receivable	6.37%	5.36%	1.01 %	2.48%	3.89 %
Total delinquent loans (30+ days delinquent) as a % of gross loans receivable	10.08%	9.17%	0.91 %	4.92%	5.16 %

Total 30-179 days delinquent loans as a % of allowance for loan losses	129.83%	144.95%	(15.12) %	176.49%	(46.66) %
Allowance for loan losses as a % of gross loans receivable	5.27%	4.91%	0.36 %	2.30%	2.97 %
Allowance for loan losses as a % of nonperforming loans	82.72%	91.60%	(8.88) %	92.95%	(10.23) %
Net charge-offs as a % of average loans receivable (annualized)	6.47%	5.32%	1.15 %	3.53%	2.94 %
Provision as a % of average loans receivable (annualized)	6.77%	7.24%	(0.47) %	4.52%	2.25 %

Activity in Allowance for Loan Losses

	Three Months Ended June 30, 2009			
	One- to Four-Family	Home Equity	Consumer and Other	Total
	(In thousands)			
Allowance for loan losses, ending 3/31/09	\$ 308,806	\$ 818,646	\$ 73,356	\$ 1,200,808
Provision for loan losses	196,280	186,940	21,305	404,525
Charge-offs, net	(77,069)	(286,720)	(22,605)	(386,394)
Allowance for loan losses, ending 6/30/09	\$ 428,017	\$ 718,866	\$ 72,056	\$ 1,218,939

	Three Months Ended March 31, 2009			
	One- to Four-Family	Home Equity	Consumer and Other	Total
	(In thousands)			
Allowance for loan losses, ending 12/31/08	\$ 185,163	\$ 833,835	\$ 61,613	\$ 1,080,611
Provision for loan losses	190,687	230,102	33,174	453,963
Charge-offs, net	(67,044)	(245,291)	(21,431)	(333,766)
Allowance for loan losses, ending 3/31/09	\$ 308,806	\$ 818,646	\$ 73,356	\$ 1,200,808

	Three Months Ended June 30, 2008			
	One- to Four-Family	Home Equity	Consumer and Other	Total
	(In thousands)			
Allowance for loan losses, ending 3/31/08	\$ 41,403	\$ 490,831	\$ 33,674	\$ 565,908
Provision for loan losses	42,917	259,185	17,019	319,121
Charge-offs, net	(32,171)	(203,678)	(13,297)	(249,146)
Allowance for loan losses, ending 6/30/08	\$ 52,149	\$ 546,338	\$ 37,396	\$ 635,883

Average Enterprise Balance Sheet Data

	Three Months Ended June 30, 2009		
	Average Balance	Operating Interest Inc./Exp.	Average Yield/Cost
	(In thousands)		
Enterprise interest-earning assets:			
Loans, net ⁽¹⁵⁾	\$ 23,889,796	\$ 292,509	4.90 %
Margin receivables	2,771,672	31,412	4.55 %
Available-for-sale mortgage-backed securities	11,795,216	127,523	4.32 %
Available-for-sale investment securities	253,435	3,262	5.15 %
Trading securities	23,600	500	8.47 %
Cash and cash equivalents ⁽¹⁶⁾	5,790,904	4,724	0.33 %
Stock borrow and other	681,222	21,618	12.73 %
Total enterprise interest-earning assets	\$ 45,205,845	481,548	4.27 %
Enterprise interest-bearing liabilities:			
Retail deposits	\$ 27,061,941	50,637	0.75 %

Brokered certificates of deposit	214,256	2,879	5.39	%
Customer payables	4,503,362	2,098	0.19	%
Repurchase agreements and other borrowings	7,426,391	55,607	2.96	%
FHLB advances	3,074,479	34,152	4.39	%
Stock loan and other	501,023	508	0.41	%
Total enterprise interest-bearing liabilities	\$ 42,781,452	145,881	1.36	%
Enterprise net interest income/spread⁽⁶⁾		\$ 335,667	2.91	%

Three Months Ended

March 31, 2009

	Average Balance	Operating Interest Inc./Exp.	Average Yield/Cost	
Enterprise interest-earning assets:	(In thousands)			
Loans, net ⁽¹⁵⁾	\$ 25,083,318	\$ 313,328	5.00	%
Margin receivables	2,751,510	26,937	3.97	%
Available-for-sale mortgage-backed securities	11,173,259	125,749	4.50	%
Available-for-sale investment securities	126,307	2,034	6.44	%
Trading securities	35,528	671	7.56	%
Cash and cash equivalents ⁽¹⁶⁾	4,937,608	5,736	0.47	%
Stock borrow and other	588,748	8,101	5.58	%
Total enterprise interest-earning assets	\$ 44,696,278	482,556	4.32	%
Enterprise interest-bearing liabilities:				
Retail deposits	\$ 26,375,688	93,433	1.44	%
Brokered certificates of deposit	293,714	3,581	4.94	%
Customer payables	3,771,868	2,802	0.30	%
Repurchase agreements and other borrowings	7,589,825	66,075	3.48	%
FHLB advances	3,683,600	41,204	4.47	%
Stock loan and other	422,639	868	0.83	%
Total enterprise interest-bearing liabilities	\$ 42,137,334	207,963	1.98	%
Enterprise net interest income/spread⁽⁶⁾		\$ 274,593	2.34	%

Three Months Ended

June 30, 2008

	Average Balance	Operating Interest Inc./Exp.	Average Yield/Cost	
Enterprise interest-earning assets:	(In thousands)			
Loans, net ⁽¹⁵⁾	\$ 28,225,411	\$ 402,103	5.70	%
Margin receivables	6,809,407	75,382	4.45	%
Available-for-sale mortgage-backed securities	8,643,520	98,587	4.56	%
Available-for-sale investment securities	132,572	2,148	6.48	%
Trading securities	528,495	9,151	6.93	%
Cash and cash equivalents ⁽¹⁶⁾	2,367,936	17,777	3.02	%
Stock borrow and other	908,847	16,527	7.31	%
Total enterprise interest-earning assets	\$ 47,616,188	621,675	5.23	%
Enterprise interest-bearing liabilities:				
Retail deposits	\$ 26,077,330	137,527	2.12	%
Brokered certificates of deposit	1,132,630	14,184	5.04	%
Customer payables	4,561,706	7,949	0.70	%
Repurchase agreements and other borrowings	7,474,092	68,630	3.63	%
FHLB advances	4,629,974	51,609	4.41	%
Stock loan and other	1,143,405	3,254	1.14	%
Total enterprise interest-bearing liabilities	\$ 45,019,137	283,153	2.51	%
Enterprise net interest income/spread⁽⁶⁾		\$ 338,522	2.72	%

Reconciliation from Enterprise Net Interest Income to Net Operating Interest Income

	Three Months Ended		
	June 30, 2009	March 31, 2009	June 30, 2008
	(In thousands)		
Enterprise net interest income	\$ 335,667	\$ 274,593	\$ 338,522
Taxable equivalent interest adjustment ⁽¹⁷⁾	(716)	(714)	(3,205)
Customer cash held by third parties and other ⁽¹⁸⁾	4,639	4,783	7,447
Net operating interest income	\$ 339,590	\$ 278,662	\$ 342,764

Supplemental Portfolio Disclosure

Mortgage Loan Portfolio⁽¹⁹⁾

One- to Four-Family Mortgage Loan Distribution

Unpaid principal balances at June 30, 2009 (\$MM)

	FICO						
LTV	>=720	719-700	699-680	679-660	659-620	<620	Total
<70%	\$ 3,538	\$ 651	\$ 490	\$ 302	\$ 183	\$ 4	\$ 5,168
70%-80%	4,188	914	715	392	176	4	6,389
80%-90%	95	38	34	25	15	-	207
>90%	64	23	21	14	14	1	137
Total	\$ 7,885	\$ 1,626	\$ 1,260	\$ 733	\$ 388	\$ 9	\$ 11,901

One- to Four-Family 30+ Days Delinquent Loan Distribution

June 30, 2009 (\$MM)

	FICO						
LTV	>=720	719-700	699-680	679-660	659-620	<620	Total
<70%	\$ 183	\$ 77	\$ 75	\$ 59	\$ 40	\$ -	\$ 434
70%-80%	554	212	201	115	55	1	1,138
80%-90%	24	13	13	10	6	-	66
>90%	19	6	5	7	6	-	43
Total	\$ 780	\$ 308	\$ 294	\$ 191	\$ 107	\$ 1	\$ 1,681

Home Equity Loan Distribution

Unpaid principal balances at June 30, 2009 (\$MM)

	FICO						
CLTV	>=720	719-700	699-680	679-660	659-620	<620	Total
<70%	\$ 2,026	\$ 349	\$ 279	\$ 124	\$ 96	\$ 9	\$ 2,883
70%-80%	990	275	228	87	78	1	1,659
80%-90%	1,595	529	490	200	133	1	2,948
>90%	812	271	224	114	72	-	1,493
Total	\$ 5,423	\$ 1,424	\$ 1,221	\$ 525	\$ 379	\$ 11	\$ 8,983

Home Equity 30+ Days Delinquent Loan Distribution

June 30, 2009 (\$MM)

	FICO						
CLTV	>=720	719-700	699-680	679-660	659-620	<620	Total
<70%	\$ 25	\$ 12	\$ 14	\$ 7	\$ 8	\$ 1	\$ 67
70%-80%	37	24	19	9	11	-	100
80%-90%	112	55	54	27	22	-	270
>90%	73	36	31	18	12	-	170
Total	\$ 247	\$ 127	\$ 118	\$ 61	\$ 53	\$ 1	\$ 607

Investment Securities Portfolio

Book value at June 30, 2009 (\$MM)

	AAA	AA	A	BBB	Below Investment Grade and Non-Rated	Total
Agency mortgage-backed securities and CMOs	\$ 10,012	\$ -	\$ -	\$ -	\$ -	\$ 10,012
Non-agency CMOs and other	321	44	51	81	309	806
Municipal bonds, corporate bonds and FHLB stock	214	12	64	-	20	310
U.S. Treasury and federal agency securities	233	-	-	-	-	233
Total	\$ 10,547	\$ 56	\$ 115	\$ 81	\$ 329	\$ 11,128

SUPPLEMENTAL INFORMATION**Explanation of Non-GAAP Measures and Certain Metrics**

Management believes that EBITDA, interest coverage, enterprise net interest income and enterprise interest-earning assets are appropriate measures for evaluating the operating and liquidity performance of the Company. Management believes 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. Management uses non-GAAP information internally to evaluate our operating performance and in formulating our budget for future periods.

Reporting Changes

Beginning in the first quarter of 2009, the Company revised its segment financial reporting to reflect the manner in which its chief operating decision maker had begun assessing the Company's performance and making resource allocation decisions. As a result, the Company now reports its operating results in two segments: 1) "Trading and Investing", which includes the businesses that were formerly in the "Retail" segment and now includes the Company's market-making business, and 2) "Balance Sheet Management", which includes the businesses from the former "Institutional" segment, other than the market-making business.

On April 1, 2009, the Company adopted the new other-than-temporary impairment guidance for debt securities (FSP No. FAS 115-2 and FAS 124-2). As a result of the adoption, the Company recognized a \$20 million after-tax increase to retained earnings and an offset in accumulated other comprehensive loss on the consolidated balance sheet. Additionally, in accordance with the new guidance, the Company changed the presentation of the consolidated statement of loss to separately state "Net impairment" as its own line item and the credit and noncredit components of net impairment.

Corporate Cash

Corporate cash represents cash held at the parent company. The Company believes that corporate cash is a useful measure of the parent company's liquidity as it is the primary source of capital above and beyond the capital deployed in our regulated subsidiaries.

EBITDA

EBITDA represents net income (loss) from continuing operations before taxes, depreciation and amortization and corporate interest expense. 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.

Bank Earnings Before Taxes and Before Credit Losses

Bank earnings before taxes and before credit losses represents the pre-tax earnings of E*TRADE Bank Holding Company ("ETBH" or "Bank") before discontinued operations, provision for loan losses, gain on securities, net, net impairment and loss on early extinguishment of FHLB advances. During the second quarter of 2009, the Company moved E*TRADE Securities ("ETS") under the Bank. As a result, this metric now includes the earnings from ETS. All prior periods have been adjusted to include the earnings of ETS as well.

This metric shows the amount of earnings that the Bank, after accruing for the interest expense on its trust preferred securities, generates each quarter prior to credit related losses, primarily provision and loss on securities. Management believes this non-GAAP measure is useful to investors and analysts as it is an indicator of the level of credit related losses the Bank can absorb without causing a decline in E*TRADE Bank's excess risk-based capital.

Enterprise Net Interest Income

Enterprise net interest income is taxable equivalent basis net operating interest income excluding

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

Enterprise Interest-Earning Assets

Enterprise interest-earning assets consists of the primary interest-earning assets of the Company and includes: loans receivable, mortgage-backed and available-for-sale securities, margin receivables, stock borrow balances and cash that earns 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 (loss), 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 the Company expects to file with the SEC with respect to the financial periods discussed herein.

ENDNOTES

(1) Because the Company reported a net loss for the periods presented, the calculation of diluted net loss per share does not include common stock equivalents as they are anti-dilutive and would result in a reduction of net loss per share.

(2) Reflects elimination of transactions between Trading and Investing and Balance Sheet Management segments, which includes deposit and intercompany transfer pricing arrangements.

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

(4) Operating margin is the percentage of net revenue that results in income (loss) before other income (expense), income taxes and discontinued operations. The percentage is calculated by dividing income (loss) before other income (expense), income taxes and discontinued operations by total net revenue.

(5) Corporate cash is an indicator of the liquidity at the parent company. Corporate cash for June 30, 2009 and March 31, 2009 includes \$19.7 million and \$30.0 million, respectively, which the Company invested in The Primary Fund and is included as a receivable in the other assets line item as The Reserve Fund has not indicated when the funds will be distributed back to investors.

(6) 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 and customer cash held by third parties.

(7) Bank earnings before taxes and before credit losses represents the pre-tax earnings of E*TRADE Bank Holding Company ("ETBH" or "Bank") before discontinued operations, provision for loan losses, gain on securities, net, net impairment and loss on early extinguishment of FHLB advances. This metric shows the amount of earnings that the Bank, after accruing for the interest expense on its trust preferred securities, generates each quarter prior to credit related losses, primarily provision and loss on securities. Management believes this non-GAAP measure is useful to investors and analysts as it is an indicator of the level of credit related losses the Bank can absorb without causing a decline in E*TRADE Bank's excess risk-based capital^(a). Below is a reconciliation of Bank earnings before taxes and before credit losses from Loss before income taxes and discontinued operations:

	Q2 2009	Q1 2009	Q2 2008
Loss before income tax benefit and discontinued operations	\$ (211,496)	\$ (344,056)	\$ (182,411)
Add back:			
Non-bank loss before income tax benefit and discontinued operations(b)	71,731	84,525	75,678
Provision for loan losses	404,525	453,963	319,121
Gain on securities, net(c)	(73,093)	(35,290)	(1,731)
Net impairment	29,671	18,783	17,153
Loss on early extinguishment of FHLB advances	10,356	2,999	48
Bank earnings before taxes and before credit losses	\$ 231,694	\$ 180,924	\$ 227,858

(a) Excess risk-based capital is the excess capital that E*TRADE Bank has compared to the regulatory minimum well-capitalized threshold.

(b) Non-bank loss represents all of the Company's subsidiaries, including Corporate, but excluding the Bank.

(c) Gain on securities, net is included in the Gain on loans and securities, net line item on the consolidated statement of loss.

(8) Excludes margin receivables from discontinued operations for Q208.

(9) During the first quarter of 2009, we updated the definition of an active Complete Savings Account. Prior to this update, all Complete Savings Accounts were considered an active account including those accounts with a nominal positive balance. Subsequent to this change, only Complete Savings Accounts with a balance of \$25 or more are considered an active account. We believe this change improves the usefulness of our Complete Savings Account metric as it is now more consistent with our definition of an active brokerage account. The impact of this change is summarized in the

table below. All prior periods presented have been updated to reflect this change.

	Q2 2008
Previously reported end of period banking accounts	875,959
Reduction due to revised definition	(72,885)
Revised end of period banking accounts	803,074

(10) During the first quarter of 2009, we updated the definition of an active customer to exclude customers that only have a Complete Savings Account with a balance of less than \$25. Net new customers from discontinued operations and other consists of customers related to our discontinued operations and the impact of an improvement in our customer identification methodology implemented during the second quarter of 2008. All prior periods presented have been updated to reflect this change.

(11) Excludes customer payables (cash) from discontinued operations for Q208.

(12) Net new customer assets are total inflows to all new and existing customer accounts less total outflows from all closed and existing customer accounts.

(13) Capital ratios are at the E*TRADE Bank level. The ratios and excess capital amounts are Q209 estimates based on the regulatory minimum well-capitalized threshold.

(14) Includes unpaid principal balances and premiums (discounts).

(15) Excludes loans to customers on margin.

(16) Includes segregated cash balances.

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

(18) Includes interest earned on average customer assets of \$2.8 billion, \$2.8 billion and \$3.4 billion for the quarters ended June 30, 2009, March 31, 2009 and June 30, 2008, respectively, held by parties outside E*TRADE FINANCIAL, including third party money market funds and sweep deposit accounts at unaffiliated financial institutions.

(19) LTV/CLTV data is based on LTV/CLTV ratios at the time of loan origination, and has not been updated to reflect changes in property values since that time. CLTV calculations for home equity lines of credit are based on drawn balances. FICO score is based on FICO scores at the time of loan origination, and has not been updated to reflect changes in credit scores since that time.